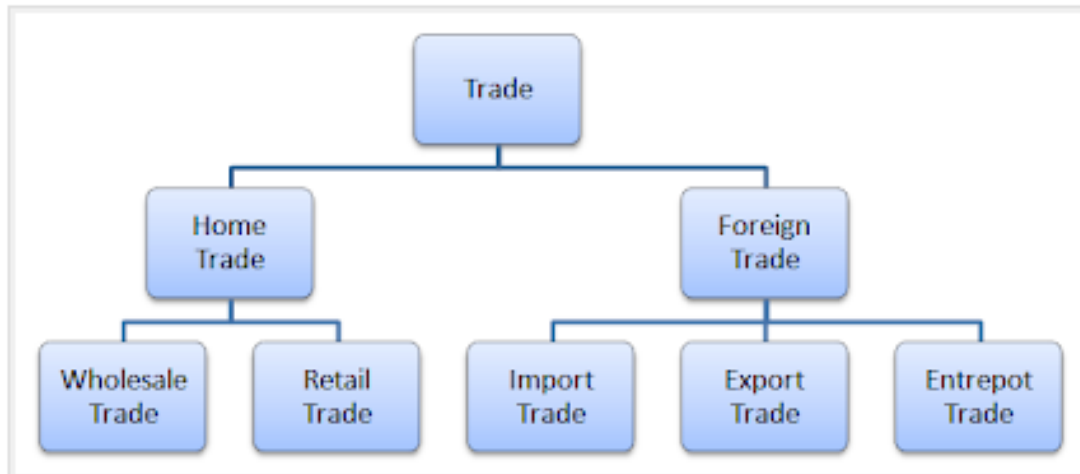


■ What is Trade? Meaning and Nature

Trade refers to buying and selling of goods and services for money or money's worth. It involves transfer or exchange of goods and services for money or money's worth. The manufacturer or producer produces the goods, then moves on to the wholesaler, then to retailer and finally to the ultimate consumer.

Trade is essential for satisfaction of human wants, Trade is conducted not only for the sake of earning profit; it also provides service to the consumers. Trade is an important social activity because the society needs uninterrupted supply of goods forever increasing and ever changing but never ending human wants. Trade has taken birth with the beginning of human life and shall continue as long as human life exists on the earth. It enhances the standard of living of consumers. Thus we can say that trade is a very important social activity.

■ Different Types of Trade



Trade can be divided into following two types, viz.,

1. Internal or Home or Domestic trade.
2. External or Foreign or International trade

1. Internal Trade

Internal trade is also known as Home trade. It is conducted within the political and geographical boundaries of a country. It can be at local level, regional level or national level. Hence trade carried on among traders of Delhi, Mumbai, etc. is called home trade.

Internal trade can be further sub-divided into two groups, viz.,

1. **Wholesale Trade** : It involves buying in large quantities from producers or manufacturers and selling in lots to retailers for resale to consumers. The wholesaler is a link between manufacturer and retailer. A wholesaler occupies prominent position since manufacturers as well as retailers both are dependent upon him. Wholesaler act as a intermediary between producers and retailers.

2. **Retail Trade** : It involves buying in smaller lots from the wholesalers and selling in very small quantities to the consumers for personal use. The retailer is the last link in the chain of distribution. He establishes a link between wholesalers and consumers. There are different types of retailers small as well as large. Small scale retailers includes hawkers, pedlars, general shops, etc.

2. External Trade

External trade also called as **Foreign trade**. It refers to buying and selling between two or more countries. For instance, If Mr.X who is a trader from Mumbai, sells his goods to Mr.Y another trader from New York then this is an example of foreign trade.

External trade can be further sub-divided into three groups, viz.,

1. **Export Trade** : When a trader from home country sells his goods to a trader located in another country, it is called export trade. For e.g. a trader from India sells his goods to a trader located in China.
2. **Import Trade** : When a trader in home country obtains or purchase goods from a trader located in another country, it is called import trade. For e.g. a trader from India purchase goods from a trader located in China.
3. **Entrepot Trade** : When goods are imported from one country and then re-exported after doing some processing, it is called entrepot trade. In brief, it can be also called as re-export of processed imported goods. For e.g. an indian trader (from India) purchase some raw material or spare parts from a japanese trader (from Japan), then assembles it i.e. convert into finished goods and then re-export to an american trader (in U.S.A).