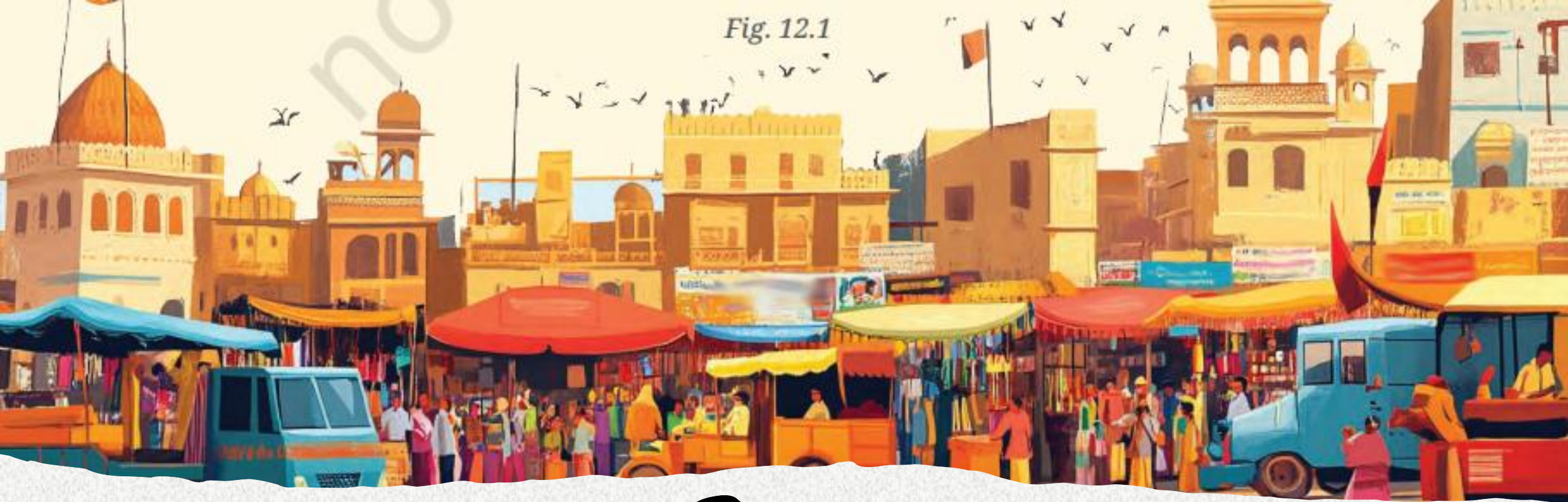


Fig. 12.1



Chapter 12

Understanding Markets

Class VII
Social Science

The Big Questions?



01

What are markets
and how do they
function?

02

What is the role of
markets in people's
lives?

03

What role does the
government play in
markets?

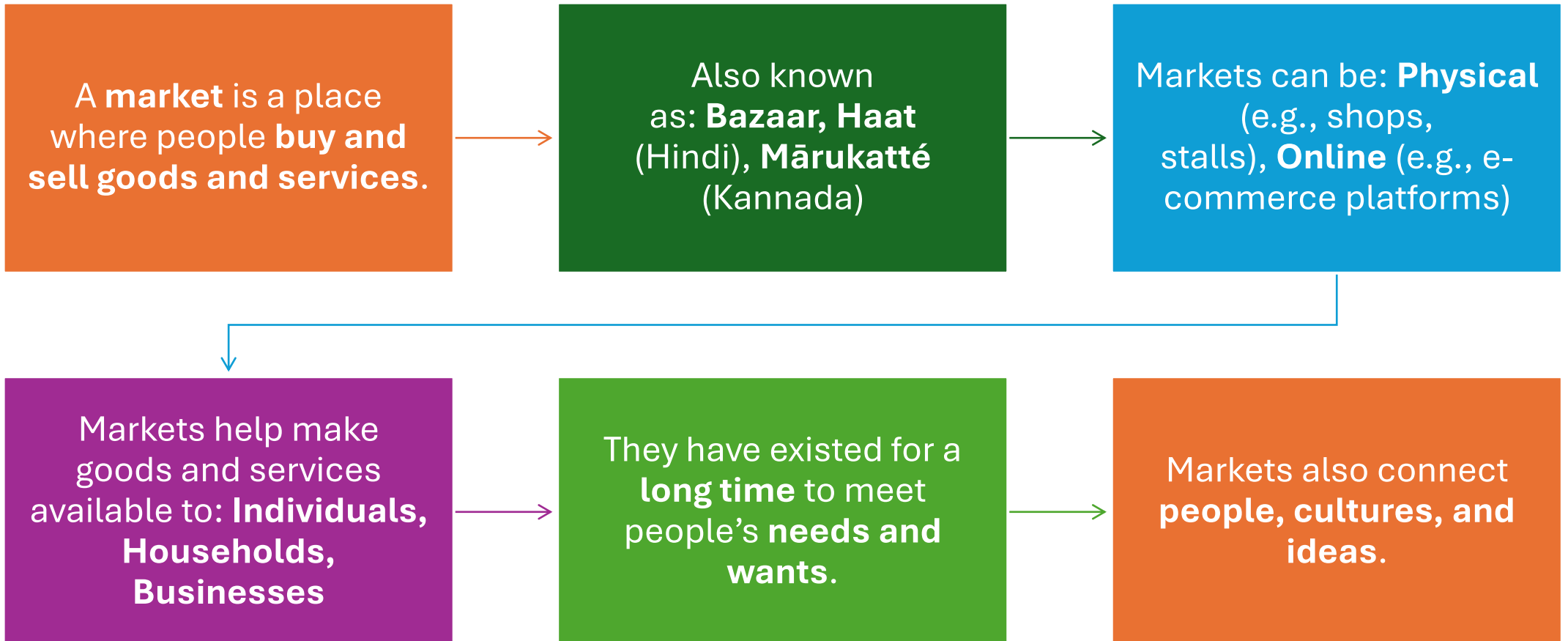
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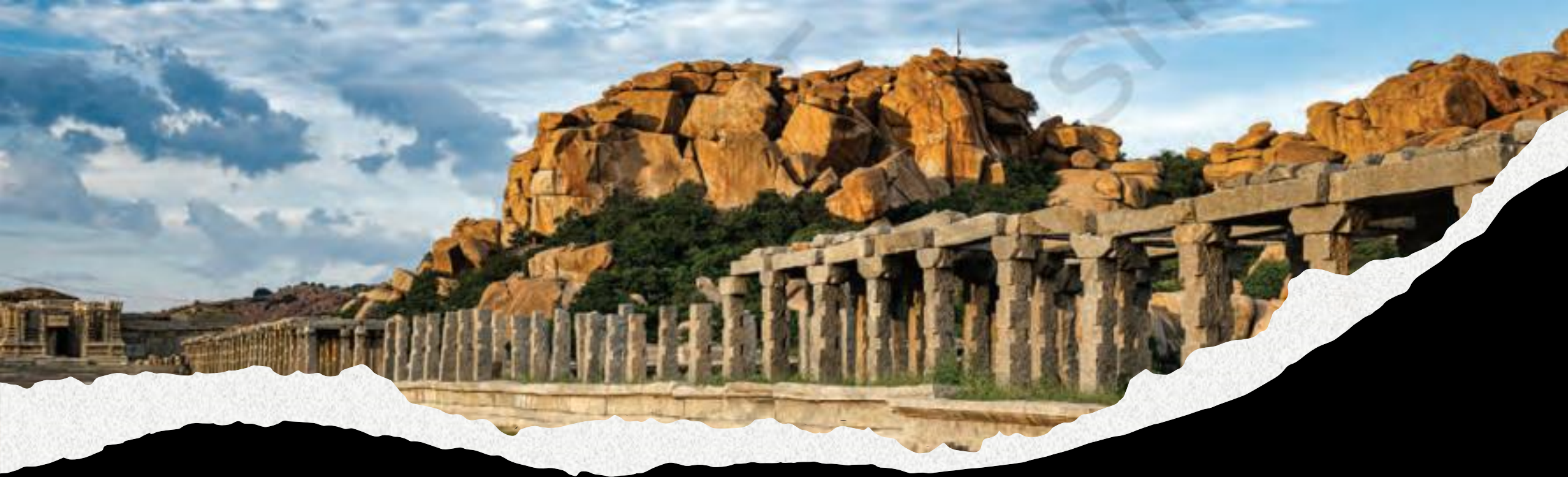
How can
consumers assess
the quality of goods
and services they
purchase?

MALL



What is a Market?





Let's see an example of a market from 16th century India.

The Glorious Hampi Bazaar, Karnataka

Hampi Bazaar – A Flourishing Market in History

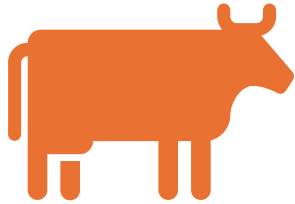
Located in **Karnataka**, opposite the **Virupaksha Temple**

Part of the **Vijayanagara Empire**, known for **prosperous trade**

Described in many **foreign travellers' accounts**

Domingos Paes (Portuguese Traveller) called Hampi “**the best-provided city in the world**”

Hampi Bazaar



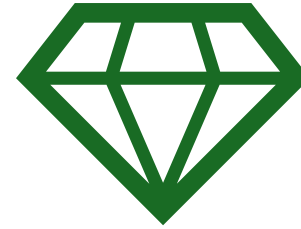
Markets traded:

Grains, seeds, milk, oil, silk

Animals: cows, rabbits, horses

Birds: quails, partridges

Fernao Nuniz (Portuguese Traveller):



Items sold:

Jewels, rubies, diamonds, pearls

Cotton cloth, grass, straw



Features of a Market

- Every market has a **buyer** and a **seller**
- A **transaction** takes place when both agree on a **price**
- **Price** is a key feature in completing the **exchange of goods or services**
- Without **agreement on price**, a market transaction **cannot happen**.

Prices and Markets

Markets have **many buyers and sellers**

Price is decided through interaction between buyers and sellers

Example: Guava Seller

- Seller wants to sell at **₹80 per kg**
- Buyers may find it **too expensive**
- They offer a **lower price**
- **Negotiation** happens between both

Final Outcome:

- If they agree on a **mutually acceptable price**, the **transaction happens**
- If not, the **transaction does not take place**

What happens in case the seller fixes the price very high?



What happens in case the seller fixes the price very low?



Over time the price of guavas is fixed at one that is just right, not very high for the buyer, not too low for the seller!



How Price and Quantity are Balanced in a Market

Sellers learn from buyer behavior in different **scenarios**

They assess how much **quantity** is actually **demand**

This helps in planning **future supply**

The market finds a **balance** between:

- **Quantity supplied** by sellers
- **Quantity demanded** by buyers

This balance helps determine a **fair price**:

- **High enough** for the seller to make profit
- **Low enough** for the buyer to afford

Markets Around Us

Markets are present everywhere and in various forms.



Physical Markets



BUYERS AND SELLERS **MEET**
FACE-TO-FACE



EXCHANGE OF GOODS/SERVICES
HAPPENS **IN PERSON**

Most common type of market



Online Markets



- **No need** for buyers and sellers to meet in person
- Transactions can happen from **any location**, even thousands of kilometres apart
- Use of **shopping apps** or **websites** via phone or computer

Features of Online Markets:

Wide variety of **goods**:

- Books, clothes, furniture, groceries
- Electronics: TVs, mobiles, laptops

Home delivery of products

Manufacturers can buy components online for production

Services also available:

- Online classes, digital subscriptions, etc.

Payments can be made securely **online**

Other Types of Markets

Not all markets deal in **goods or services**

Example: **Share or Stock Market**

- Involves buying and selling of **shares** (ownership in companies)
- No physical goods are exchanged

Domestic Market

01

Buying and selling happen **within a country's borders**

02

Example: Paper for this book sourced from mills **within India**

03

Transactions are between **Indian buyers and sellers**

International Market

Trade happens **across national borders**

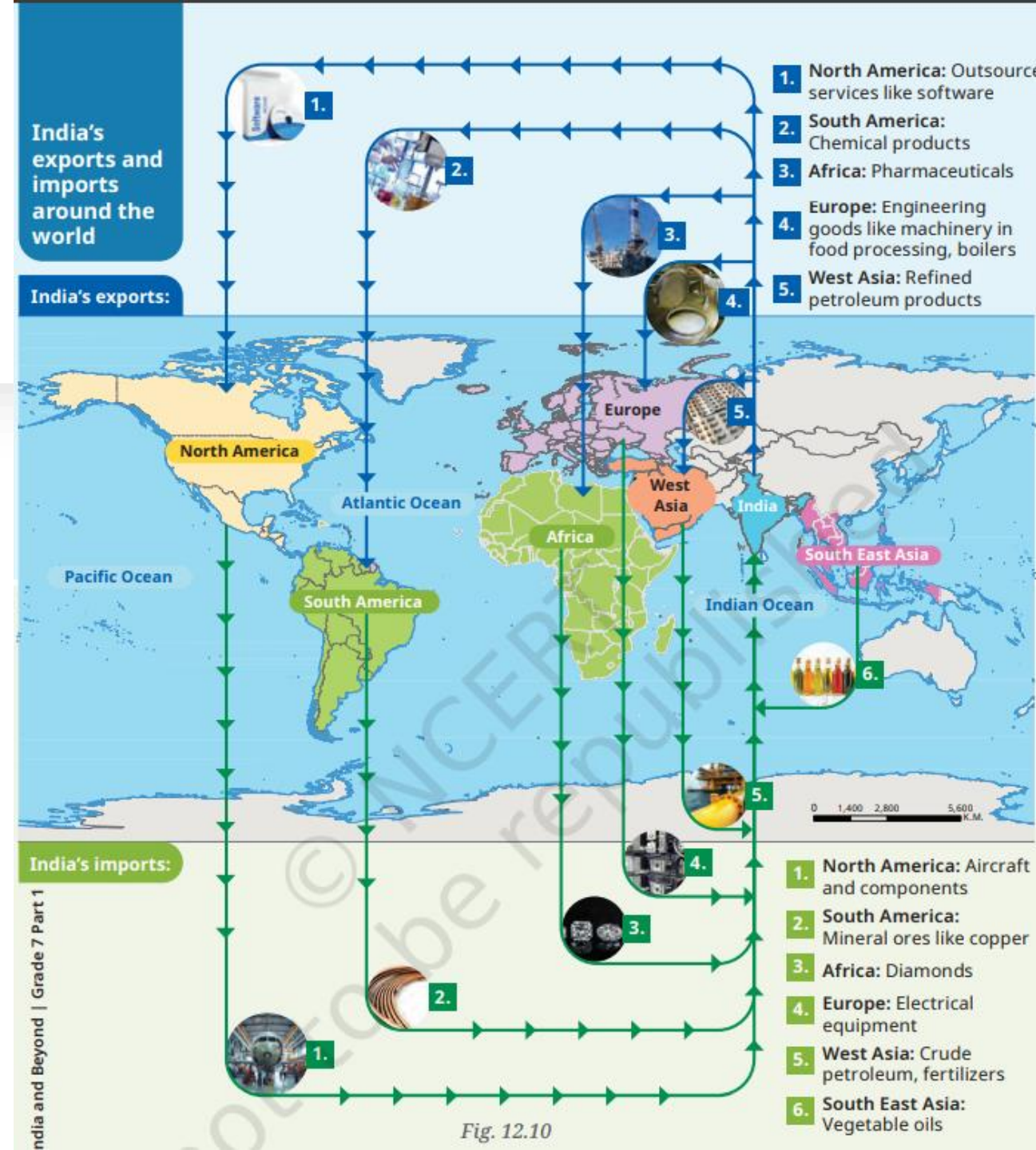
One country **exports** goods to another

Another country **imports** goods from abroad

Involves **global trade and exchange**

India's imports:

- India was the world's largest importer of vegetable oils like palm oil, sunflower oil, and soybean oil in 2024. Most of the palm oil is imported from Malaysia, Indonesia, and Thailand.



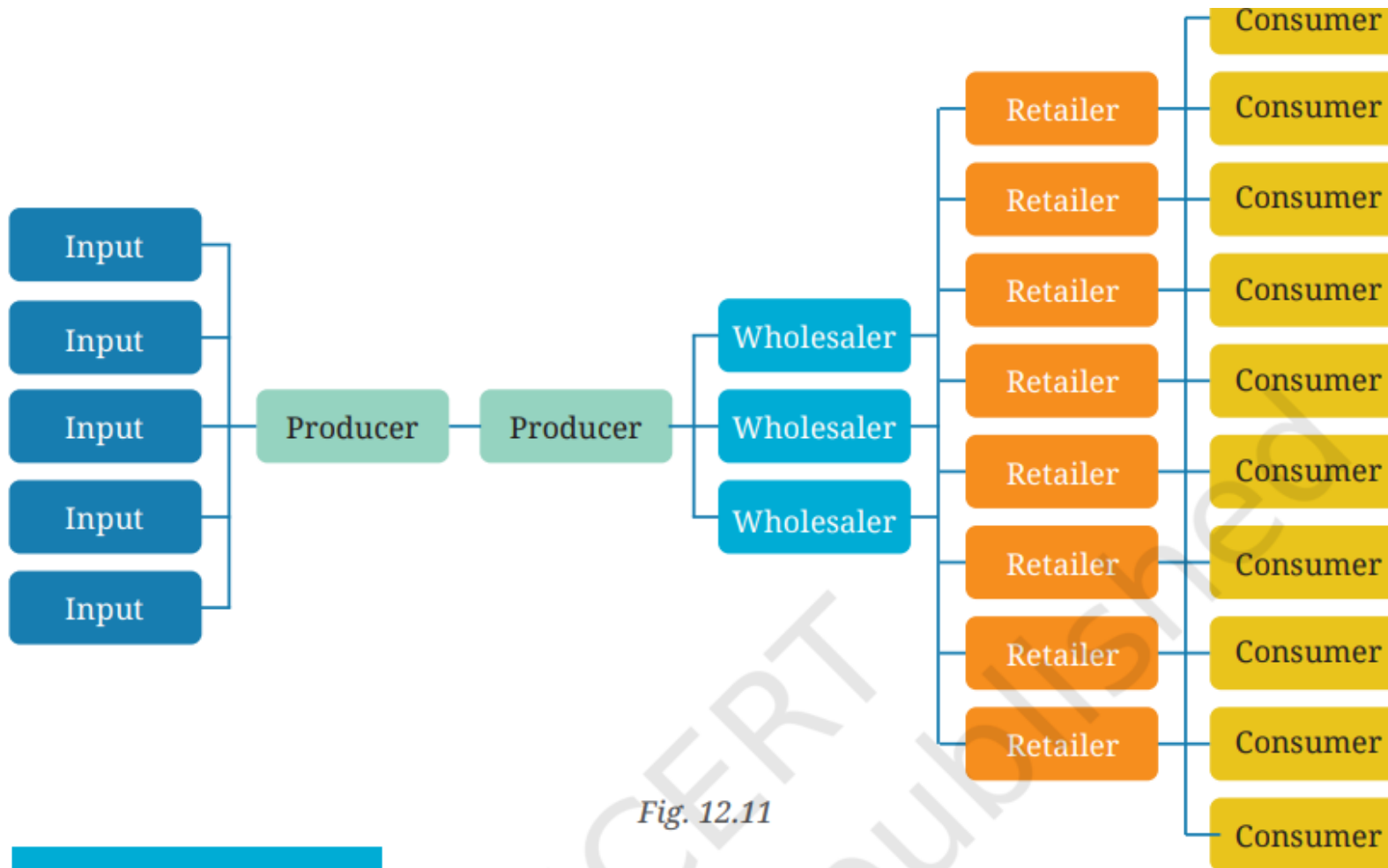


Fig. 12.11

Wholesale and Retail Markets

Several participants play their role in the smooth functioning of the markets.

Wholesalers and Physical Markets

Wholesalers buy goods in **large quantities** directly from producers or manufacturers

- Example: Grains, vegetables, and fruits bought **directly from farms**

Storage:

- Goods are stored in **large warehouses** (called **godowns**)
- **Perishables** stored in warehouses with **cold storage** facilities

Distribution:

- Goods are sent to **mandis** (agricultural markets)



Wholesale markets also exist for:

- Chemicals
- Electronic items and components
- Construction materials
- Automotive parts



Wholesalers, Retailers, and Distributors

- **Wholesalers** supply goods in large quantities to **retailers**
- **Retailers** sell goods in **smaller quantities** directly to **final consumers**
- Retailers also provide **services** (e.g., salons, movie theatres, restaurants)
- Retailers increase the **availability** of goods and services to households





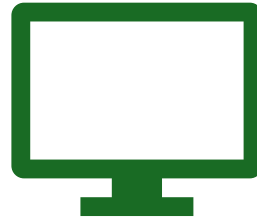
Role of Distributors

- Help **bridge the gap** between wholesalers and retailers, especially over long distances or difficult terrain
- Example: Middlemen in the **AMUL milk supply chain**

Distribution in Online Markets



Manufacturers send bulk products to **warehouses** of online businesses



These businesses, called **aggregators**, sell products via websites or apps



Aggregators **pack and deliver** products directly to consumers

Supply Chain in Surat Textile Market

Surat, Gujarat: Asia's oldest and famous textile hub

Raw Material Supply:
Raw cotton arrives from **cotton mandis** in Maharashtra and Gujarat

Thousands of factories manufacture **cotton and synthetic textiles**



Production Process:

Cotton is processed through various stages:

Weaving on power looms

Dyeing in processing units

Other processing stages



Market Movement: Products move through different markets for:

Woven fabric

Dyed fabric

Finished products (e.g., sarees, ready-made garments)



Fig. 12.18. Garment shop



Fig. 12.19. Salon

Textile market in Surat, Gujarat

Let's explore the chain of supply in physical markets for the **textile market in Surat, Gujarat**—Asia's oldest textile market, and the city famously known as a textile hub.

The Surat textile market consists of thousands of factories manufacturing cotton and synthetic textiles. In the case of cotton textiles, raw cotton is received here through cotton *mandis* from nearby states like Maharashtra, as well as from other parts of Gujarat. It is transformed into finished fabric or garments after processing at various stages—weaving on power looms, dyeing in processing units and so on. The product moves from one stage to another through markets—for woven fabric, for dyed fabric, and for finished products (sarees, or ready-made garments, for example).





Fig. 12.20. Mall



Fig. 12.21. Grocery store

Role of Wholesalers in Textile Market Supply Chain



Finished textile products are traded by manufacturers in the **wholesale market**



Wholesalers play a key role in:

Distributing products to **small shopkeepers** and **large retail stores**

Supplying products **across the country** and **internationally**

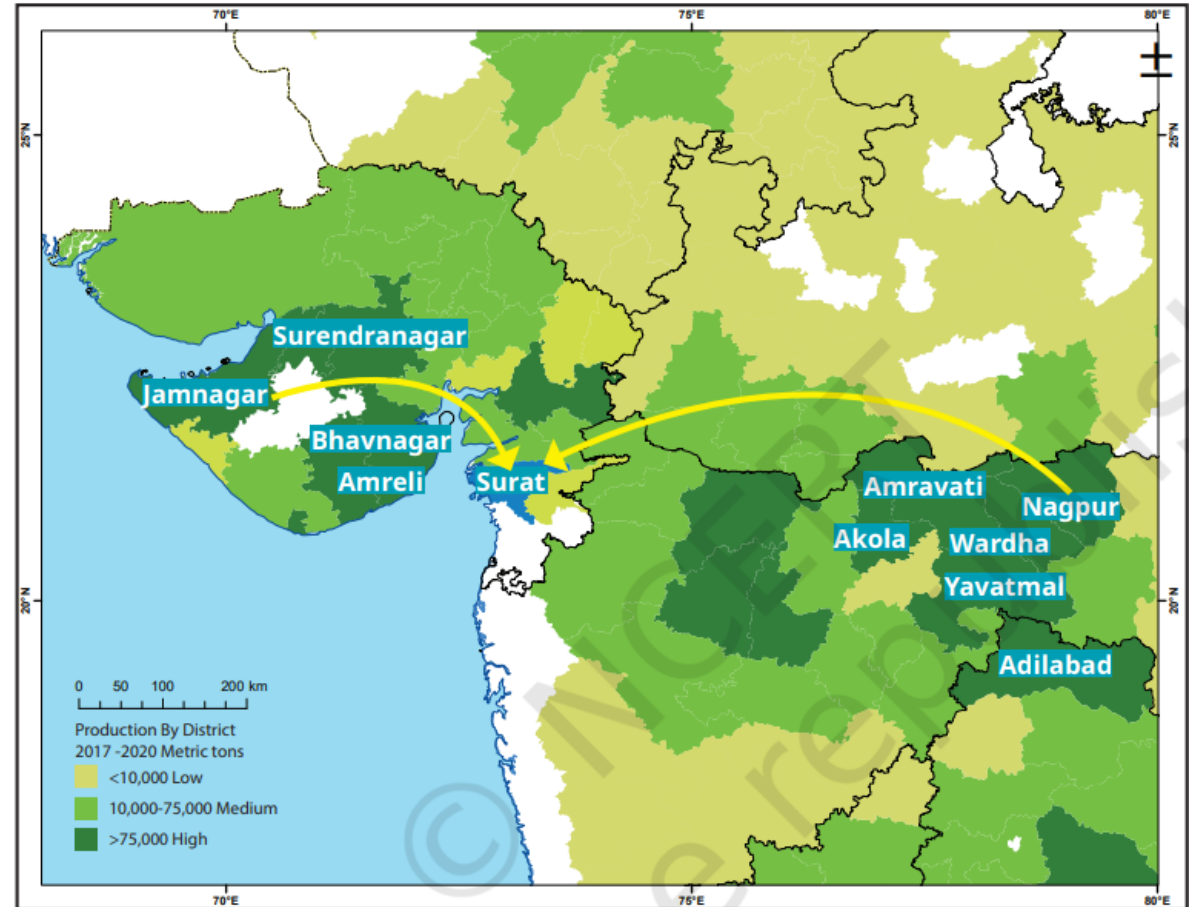


Wholesalers assess **retailers'** **demand** to:

Help manufacturers **maintain stock**

Ensure **uninterrupted supply** to end consumers

Supply of raw cotton from surrounding cotton clusters to Surat



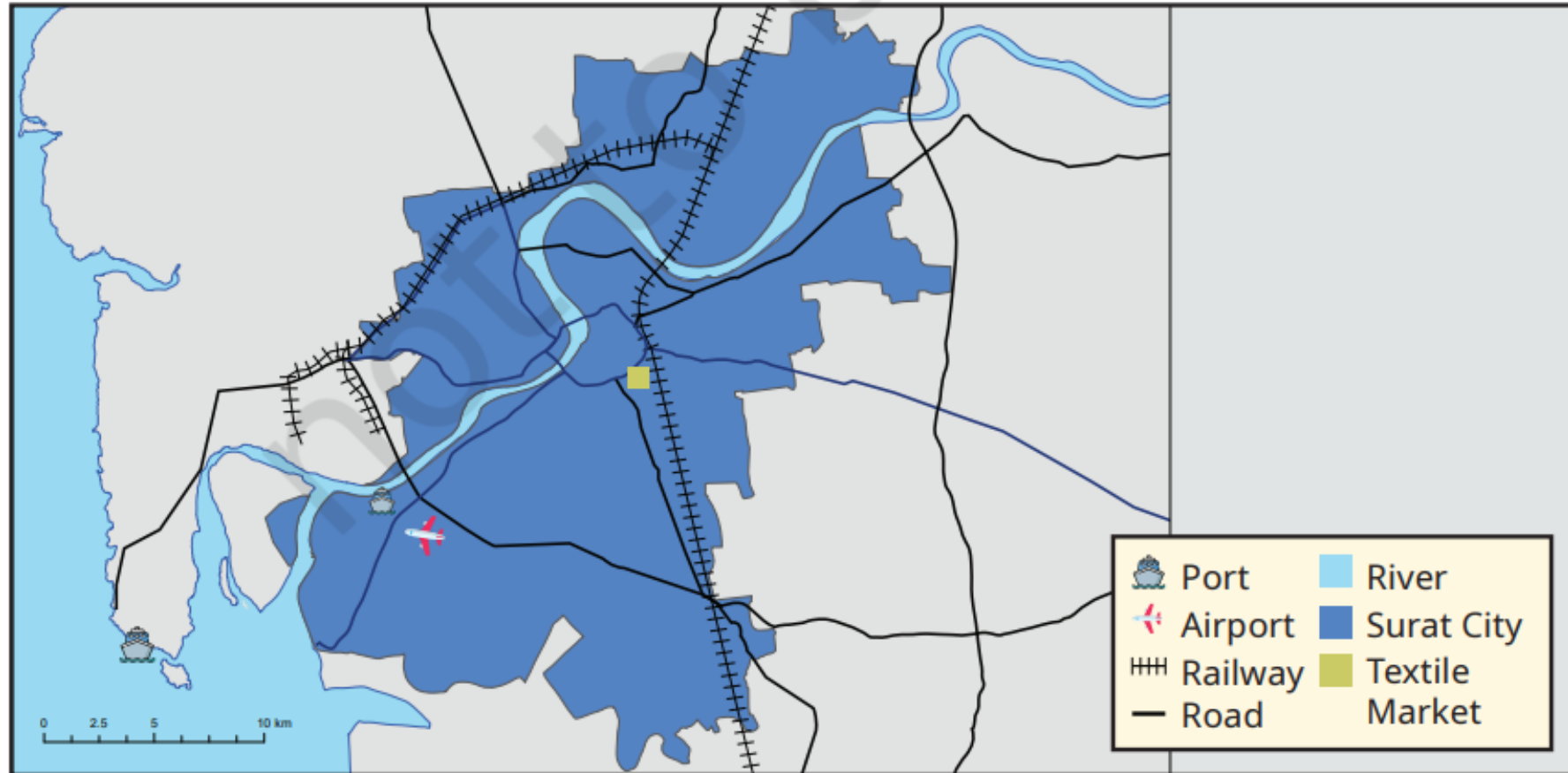


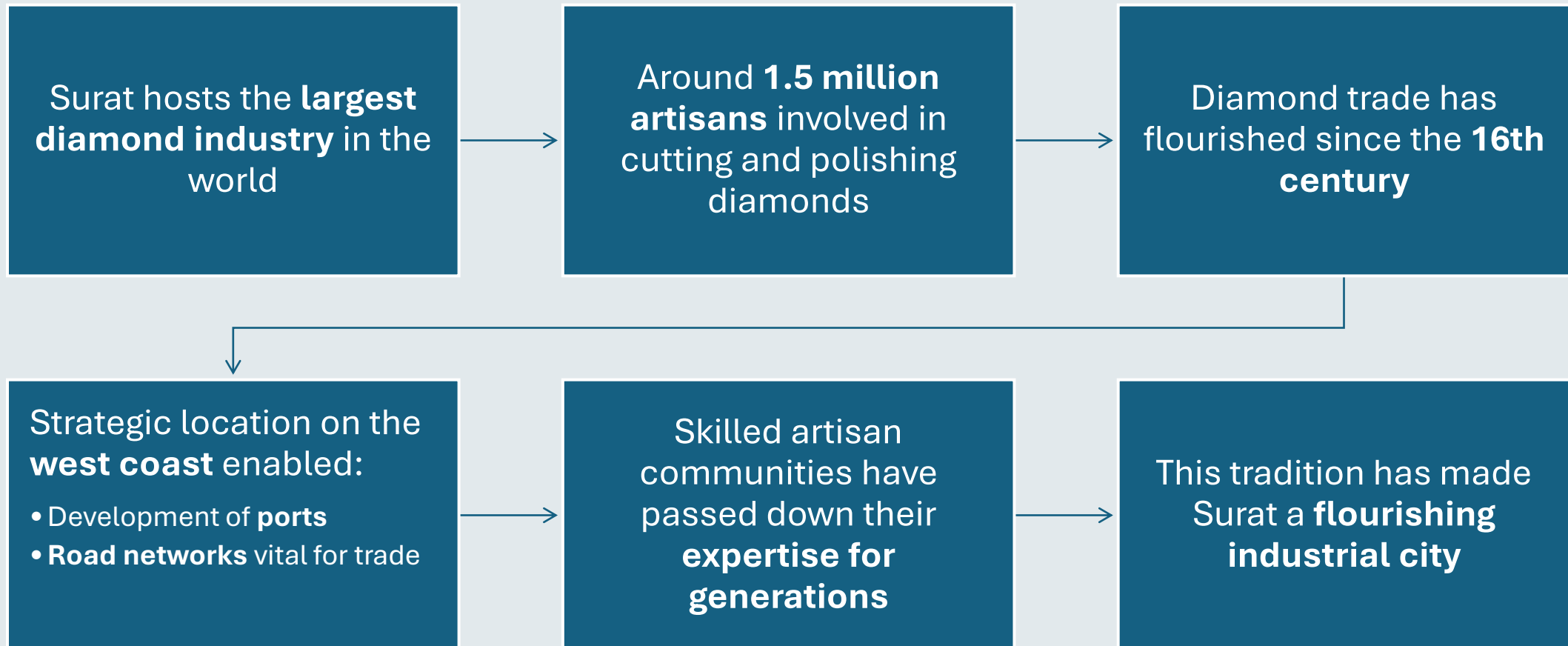
Fig. 12.24. Surat City Map

Surat City Map



A wholesaler's warehouse
of fabric

Surat's Diamond Industry



Role of Markets in People's Lives



Markets play a **vital role** in economic life



Facilitate **transactions** between producers and consumers



Help **individuals, households, and businesses** access goods and services



Provide what people **need but cannot produce themselves**

Challenges of Markets for Unique Products



Example: **Aakriti, an artist**, struggles to find buyers for her paintings



Unlike common goods (e.g., guavas), some products have **fewer local buyers and sellers**



Products without ready markets can make it hard for sellers and buyers to connect

Questions to Consider:

- Can you think of other products with no ready market?
- How does this affect buyers and sellers?
- How can artists find buyers **today**?



How Markets Benefit Society



Producers learn what **consumers want** and adjust their products accordingly



Example: Production of **energy-efficient refrigerators** benefits society by saving electricity



Market interactions go beyond buying and selling



Include **enquiries, negotiations, and relationship building** between buyers and sellers



Long-term **relationships** often develop between buyers and sellers



Families may have trusted ties with:

Their **taylor**
Their **jeweller**
Their **doctor**



Many maintain **monthly accounts** with local grocers



Markets play a **non-economic role** by building trust and community connections



Economic activity is the primary function, but **social significance** is equally important

Markets: Beyond Economic Activity

Mother's Market (Ima Keithal), Imphal

Unique market in **Manipur**, run entirely by **about 3000 women**

Women own and operate **all the shops**

Products sold include:

- Vegetables
- Traditional **Manipuri attire**
- Hand-loom and handicrafts
- Local produce and daily essentials

•Significance:

- Provides **employment** and income for thousands of families
- Acts as a **cultural melting pot**
- Brings together people from different communities to:
 - Exchange **ideas**
 - Celebrate **shared traditions**





Ima Keithal of Imphal

Traditions Beyond Buying and Selling

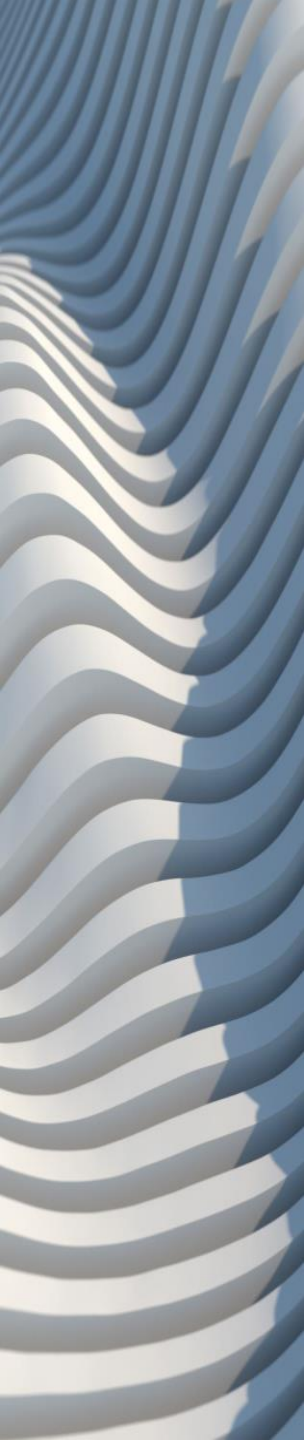


In **South India**, sellers of **haldi (turmeric)** and **kumkum (vermilion)** follow a special tradition

They give a **small quantity of haldi and kumkum free** to buyers

This act symbolizes **auspiciousness** and **good wishes**

Highlights how markets involve **cultural and social practices**, not just economic transactions



Government's Role in the Market

Markets work based on **demand and supply**

Sometimes, this system **does not function smoothly**

The **government steps in to:**

- **Monitor** interactions between buyers and sellers
- Ensure **fair price determination**
- Protect the **interests of consumers and producers**



Controlling Prices to Protect Buyers and Sellers

The **government controls prices** of certain essential goods and services

Maximum Price (Price Ceiling):

- Set to **protect buyers**
- Example: **Lifesaving drugs** have a price cap

Minimum Price (Price Floor):

- Set to **protect sellers** (like farmers)
- Example: **Minimum Support Price (MSP)** for wheat, paddy, maize

Minimum Wages:

- Ensures **fair pay** for workers
- Protects employees from being **underpaid**

Need for Careful Implementation of Price Controls



Price limits must be set **carefully** by the government



If prices are too low:

Producers lose motivation to produce
May lead to **shortages** in the market



If prices are too high:

Consumers cannot afford essential goods
Leads to **inequality and reduced access**
 **Balance is key:** Fair pricing must protect **both producers and consumers**

Ensuring Quality and Safety Standards

Government protects **consumer welfare** and prevents **unfair practices**

Manufacturers must follow **quality and safety regulations**

Ensures **safe and reliable** goods and services

Example: Medicines

Pharmaceutical companies must:

- Get **government approval** before launching drugs
- Pass **sample testing** for quality

Prevents **health risks** to consumers

 **Result:** Consumers receive **safe, effective, and standardized** products

Mitigating the External Effects of Markets

Markets can create **side effects** beyond just transactions

Example: **Factories** may cause **pollution** while producing goods

These unintended side effects are called **externalities**

Government's Role:

Regulates harmful effects on the **environment** and **public health**

- Example: Ban or regulation of **single-use plastics**

Implements **rules, fines, and quality standards**

Monitors weights and measures of packaged products to:

- Ensure **accurate net quantity** is provided
- Prevent **cheating or unfair trade practices**
- 🌍 **Goal:** Make sure markets are fair and sustainable for people and the planet

Balancing Rules and Market Freedom



Governments create **rules** to:

Ensure **fairness** in markets

Protect **consumers** from **exploitation**



Too many rules can make it hard for businesses to operate and can **slow down** market efficiency and innovation



Balance is essential: Enough regulation to ensure **fair play**



But with **freedom** for markets to function effectively

Providing Public Goods

Producers usually sell goods/services to **make a profit**

Some essential goods/services are **not profitable** to produce:

- **Public parks**
- **Roads**
- **Policing**
- Other **welfare services**
- **Government's Role:**

Provides public goods because they are important for **everyone's well-being**

Ensures access to **basic rights** and **public welfare**, even without profit



These services are funded by the government for the **common good**

How Can Consumers Assess Product Quality?



- Markets offer a **wide variety** of goods and services
- Consumers must decide **what to buy** based on:
 - **Price**
 - **Size**
 - **Appearance**
 - **Strength or durability**
 - **Attractive features (like colour)**
 - **Example: Buying Gram Flour**
- Different 1 kg packets may be available
- To assess quality, consumers should:
 - **Read labels** carefully
 - Check for **certification marks** (like AGMARK, FSSAI)
 - Look at **manufacturing & expiry dates**
 - Note the **packaging condition**
 -  **Careful observation** helps ensure the product meets **required standards**



FSSAI and Product Quality



✓ **FSSAI** = *Food Safety & Standards Authority of India*



The **FSSAI logo** on food packets means:

Food has been **tested** by government authorities

It is **safe to consume**

Importance of Certification Marks:



Issued by **government agencies**



Help buyers **assess product quality**



Ensure the product meets **minimum safety and quality standards**



Give consumers more **confidence** in their purchase decisions

Understanding Quality Labels: ISI Mark

ISI Mark is issued by the **Bureau of Indian Standards (BIS)**

Found on products like:

- Electrical appliances
- Construction materials
- Automotive tires
- Paper products

Indicates the product:

- Meets **Indian quality and safety standards**
- Is **safe to use**
-  Just like **FSSAI** ensures food safety, **ISI** certifies other product categories

More Quality and Certification Marks

AGMARK (Agricultural Mark) Certification for **agricultural products** like:

- Vegetables, fruits
- Cereals, pulses
- Spices, honey

Ensures **quality and purity** of agricultural goods

BEE STAR Rating Issued by the **Bureau of Energy Efficiency (BEE)** Found on electronic appliances like:

- TVs, laptops, air conditioners

More stars = **Higher energy efficiency**

Benefits:

- **Lower electricity bills** for consumers
- **Better for the environment**

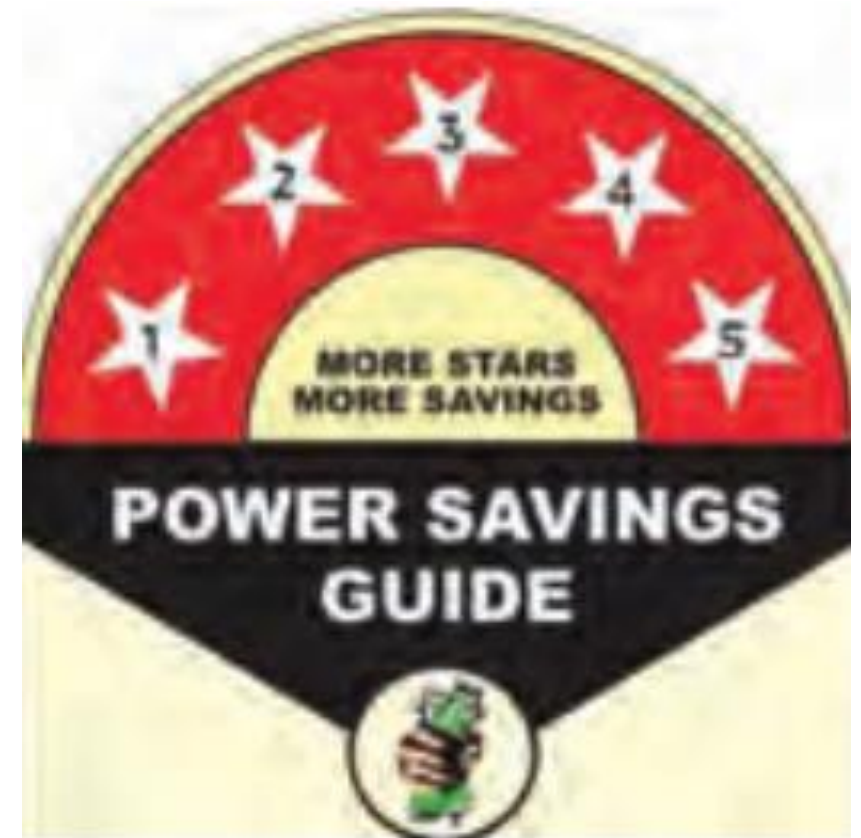
Influence of Reputation on Purchase Decisions

- Buyers often trust products based on **reputation**
- Reputation is built through **word of mouth**
- Recommendations from **friends, family, and relatives** influence buying choices
- Positive experiences shared by others help consumers decide what to buy
- 💡 **Example:** Have you ever bought something because someone you trust recommended it?



Role of Online Reviews and Feedback

- Online reviews and ratings provide **feedback from other consumers**
- Help buyers **make informed decisions** when shopping online
- Consumers can check:
 - **Product quality**
 - **Service reliability**
 - **Seller's reputation**
- Positive reviews increase **trust and confidence**
- Negative reviews help avoid **poor quality products**
- 🛒 **Online feedback is like word of mouth in the digital age!**







THANK YOU