Definition and Classification of Markets - UPSC Economics Notes

When we talk about a market, we typically picture a busy area with plenty of shoppers and a few vendors. People are purchasing a wide range of things, including food, clothing, and technology. Additionally, a range of goods and services are offered through the businesses. Therefore, a market traditionally refers to a gathering place for the trade of products and services.

But what does an economic market entail? A market is not referred to as a specific location in economics. A market is defined by economists as a gathering of buyers and sellers, or a situation in which buyers and sellers interact directly or indirectly to exchange products and services. In this article we discuss about the market, Classification of markets, Forms of market/types of market.

Classification of Markets

Markets can be broadly divided into two categories: the product market and the factor market. The market for buying and selling production inputs including land, capital, labor, etc. is referred to as the factor market. The other market classifications are as follows:

According to Geographic Location

Local Markets:
The buyers and sellers in such a market are restricted to the neighborhood or local area. Since the cost of transporting such goods might be high, they typically sell perishable everyday items.

Regional Markets:
These markets are more widespread than regional ones, such as districts or a group of a few smaller states.

National Market:
This occurs when consumer demand is restricted to a single nation. Alternatively, the government can forbid the export of these commodities.

International Market:

We refer to a market as being international when there is an international demand for the product and when large quantities of the goods are also exchanged worldwide.

According to Time
Very Short Period Market:

When this occurs, the supply of the items is fixed and cannot be adjusted at the moment. Take the flower and vegetable market, for instance. produce, etc. The demand for a product will determine its price.

Short Period Market:

The market is a little bit longer than it was before. The supply can be somewhat modified here.

Long Period Market:

Here, scaling production makes it simple to modify the supply. As a result, it is flexible and may evolve to meet consumer demand. As a result, the market will eventually arrive at its equilibrium price.

According to Nature of Transaction
Spot Market:

This is where spot transactions take place, meaning that the money is paid right away. No credit system exists.

Future Market:

Here are the credit transactions taking place. The consideration will allegedly be paid at some point in the future.

According to Regulation
Regulated Market:

Such a market is subject to some oversight by relevant governmental agencies. By doing this, the market will be free of any unfair commercial practices. A product or even a collection of products may be the subject of such markets. The stock market is a well-regulated market, for instance.

Unregulated Market:

This market is completely unregulated. There is neither control nor regulation; everything is decided by market forces.

Forms of Market

The market is shown as a tool for the general public's cultural benefit. The many market types make up the market structure, which is characterized by the nature and intensity of competition for the products and services offered in the market. The concept of rivalry that is succeeding in a certain kind of market will determine the forms of the market, whether for the products market, the factor market, or the service market.

Types of the Market:

Monopoly:

A monopolistic market is a market structure that possesses the characteristics of a pure market. A true monopoly can only exist when one supplier offers a certain service or product to lots of clients. In a monopolistic market, the dominant organization, also known as the dominating organization, has total control over the market and determines the supply and cost of its products. Google, Microsoft, Facebook, and the Indian Railway, to name a few.

Oligopoly:

An oligopoly is a market form with a small number of enterprises, none of which can prevent the others from having a significant impact. The fixation or concentration proportion determines how much of the market the largest company's control. As an illustration, consider commercial aviation, the auto industry, cable television, etc.

Perfect competition:

Perfect competition is a type of market form in which all producers and end consumers have complete and accurate information and there are no transaction costs. In this type of setting, there are a huge number of competitor manufacturers and consumers. For instance, agricultural products such as potatoes, carrots, and different grains, as well as the stock market, currency exchange markets, and even online shopping platforms.

Monopolistic competition:
Monopolistic competition depicts an industry where numerous businesses provide their comparable (but imperfect) replacement services and goods. In monopolistic competitive industries, exit and entrance barriers are minimal, and decisions made by one firm do not directly affect those of its competitors. Brand differentiation and separation are key business strategies used to combat monopolistic competition. For instance, hair salons, eateries, lodging facilities, and bars.

Oligopsony:
A commercial potential for services and goods that is influenced by a few significant customers is known as an oligopoly. The concentration of market demand among a small number of parties allows each to exercise substantial control over its vendors and effectively regulate costs. For instance, an international oligopsony is emerging in the supermarket sector.

Natural monopoly:
A natural monopoly is a type of monopoly that can naturally arise due to high startup costs or enormous economies of scale associated with running a business in a certain industry, which can result in significant obstacles to entry and exit for potential competitors. A company with a natural monopoly could be the primary provider of a good or service in a sector or region. Natural monopolies frequently develop in industries that depend on cutting-edge equipment, raw materials, or other related components. For instance, there is a natural monopoly in the utilities service sector. It entails providing towns and cities around the nation with water, power, sewer services, and energy distribution.