Revision Notes

Class – 11 Business Studies

Chapter 4 - Business Services

Goods

A good is a tangible item that can be supplied to a buyer and entails the transfer of ownership from the seller to the buyer.

Services

Services are discreetly recognisable, basically intangible actions that satisfy demands but are not always tied to the selling of a product or another service. For example, banking services, telecommunication services etc,

Features of Services

1. Intangibility

- They cannot be touched. They are experiential in nature.
- Often, the quality of the item cannot be evaluated before consumption.
- Service providers should strive consciously to create a desired service in order for the consumer to have a positive experience.

2. Inconsistency

- There is no such thing as a typical tangible product, hence services must be performed uniquely each time.
- Customers have varying requirements and expectations in terms of services they require.

- Service providers must be able to adjust their offerings to better match the needs of their clients.

3. Inseparability

- Simultaneous activity of production and consumption makes the production and consumption of services seem to be inseparable.
- Services must be utilised in the order in which they are created.
- Service providers may use appropriate technology to create a substitute for the person, but client interaction remains a fundamental aspect of services.

4. Inventory

- It is not possible to save services for later use.. That is, services are perishable, and suppliers may only hold a limited amount of connected commodities, not the service itself.
- This means that demand and supply must be regulated because the service must be provided when the client requests it.
- They cannot be completed ahead of time and consumed later.

5. Involvement

- A service characteristic is the customer's involvement in the service delivery process.
- Customers have the option of having services customised to meet their individual needs.

Difference between goods and services

Basis	Services	Goods

Nature	An activity or process, for example watching a movie in a cinema hall.	A physical object, For example, video cassette of movie
Type	Heterogeneous	Homogenous
Intangibility	Intangible Example; Doctor treatment	Tangible Example; medicine
Inconsistency	Different customers have different demands. Example; mobile service may vary from customer to customer.	Different customers getting a standardized demand fulfilled. Example; mobile phones
Inseparability	Simultaneous production and consumption takes place. Example; eating ice cream in a restaurant	Separation of production and consumption. Example; purchasing ice cream from a store.
Inventory	Cannot be kept in stock. Example; experience of a train journey.	Can be kept in stock. Example; train journey ticket

Involvement	Participation of customers at the time of service delivery exists. Example; Customer tells the type of service in a fast food joint.	Involvement at the time of delivery is not possible. Example; manufacturing a vehicle

Types of Services

1. **Business services:**

- Business services are those that are utilised by businesses in order to carry out their operations.
- Banking, insurance, transportation, warehousing, and communication services are just a few examples.

2. **Social Services:**

- Services that are generally supplied freely in the pursuit of particular social goals are referred to as social services.
- These social aims could include raising the standard of living for the poorest members of society, providing educational opportunities for their children, and improving health and sanitation in slum regions.
- For example, certain Non-Governmental Organizations (NGOs) and government institutions provide health care and education services.

3. **Personal Services:**

- Personal services are ones that differ in how they are received by various clients. The nature of these services cannot be consistent.
- They will vary based on the type of service provided.

- They will also be determined by the preferences and wants of the customers. For example, tourism, recreational services, and restaurants.

Banking:

- Banking companies transact the business of banking for the aim of lending and investing public money deposits repayable on demand or otherwise, and withdrawable by checks, drafts, orders, or some other means.
- In simple terms, a bank accepts money on deposit that is repayable on demand, as well as lending money to generate a profit margin.

Types of Banks

Basis	**Commercial bank**	**Cooperative Banks**	**Specialised Banks**	**Central Bank**
Meaning	They are governed by Indian Banking Regulation Act 1949 and according to it banking means accepting deposits of money from the public for the purpose of	Cooperative banks are governed by provisions of state Cooperative societies act.	These banks are foreign exchange banks, industrial banks, development banks, and export-import banks that cater to the unique demands of	The central bank of any country supervises, controls and regulates the activities of all the commercial banks of the country.

	lending or investment.		these operations.	
Purpose	Accepting deposits of money from the public for the purpose of lending or investment.	It is meant essentially For providing cheap credit to their members.	These banks are foreign exchange banks, industrial banks, development banks, and export-import banks that cater to the unique demands of these operations.	The central bank of any country supervises, controls and regulates the activities of all the commercial banks of the country. Any country's currency and credit policies are controlled and coordinated by it.
Examples	There are two types of bank Public: In which the government has a major number of public sector banks like SBI PNB IOB etc. Private Banks are HDFC ,	a. Saraswat cooperative bank Cosmos cooperative bank	EXIM Bank SIDBI NABARD	RBI

	ICICI, AXIS etc.			

Functions of Commercial Banks:

1. **Acceptance of deposits:**

- Because banks are both borrowers and lenders of money, deposits are the foundation of loan operations. They pay interest as borrowers, and they receive interest as lenders.
- Deposits are generally taken through a current account, saving account and fixed deposit.
- Deposits in a current account can be withdrawn to the extent of the balance at any time and without any specific, timely warning.
- Fixed accounts are time deposits that pay a greater interest rate than savings accounts.
- A premature withdrawal is allowed, but the percentage of interest earned will be lost.

2. **Cheque facility:**

- The cheque is the most advanced credit instrument, as well as a distinctive feature and function of banks for deposit withdrawal.
- It is the most practical and cost-effective mode of exchange.
- There are two type of cheques:
    - Bearer cheques, which can be cashed at a bank counter right away.
    - Crossed checks; that should only be placed in the payee's account.

3. **Lending of funds:**

- From the money obtained through deposits, banks provide loans and advances.

- The advances can be made in the form of overdraft and cash credit discount rate bills, common term loans, consumer credit and other miscellaneous advances.

4. **Remittances of funds:**

- Because of the interconnection of branches, it is possible to move funds from one location to another.
- Bank drafts, pay orders on mail transfer, and minimal commission charges are all used to transmit monies.

5. **Allied services:**

- Bill payments, locker facilities, underwriting services come under this.
- Other services they provide include purchasing and selling shares and debentures on behalf of clients, as well as other personal services.

E-banking:

- Online banking, often known as internet banking, e-banking, or virtual banking, is an electronic payment system that allows bank or other financial institution customers to execute a variety of financial transactions via the bank's website.
- The word "internet banking" refers to the process of a client doing banking transactions over the internet.
- This sort of banking makes use of the internet as the primary mode of delivery for all banking transactions.

Benefits of E-banking:

- E-banking facilitates digital payments and increases financial statement transparency.

- Internet banking allows customers to conduct business transactions from anywhere in the world as long as they have access to the internet (Apart from periods of website maintenance).
- E-banking aids in the reduction of banking service operational costs. At a cheap cost, better quality services can be provided.
- Lower operating cost results in higher interest rates on savings and lower rates on mortgages and loans offered from the banks.
- Some banks offer high yield certificates of deposits and don't penalize withdrawals on certificate of deposits, opening of accounts without minimum deposits and no minimum balance.
- Electronic cash transfers allow online banking users to automatically fund accounts from long-established bank accounts.
- A client can monitor his/her spending via a virtual wallet through certain applications.
- Transactions are completed faster than with ATMs or traditional banking.
- Customers can get discounts from retail stores using credit cards and debit cards.
- E-banking enables the bank to give consumers efficient, cost-effective, and high-quality service. It aids the bank in attracting new customers and successfully retaining existing ones.
- Customers can withdraw money from ATM machines at any time.

Insurance

- It is a contract or agreement in which one party (the insured) agrees to pay another party (the insurer) an agreed sum of money (premium) when something of worth in which the insured has a pecuniary stake is lost, damaged, or injured. And, in exchange for the premium paid by the insured, the insurer/insurance company agrees to assume the risk of the unforeseen catastrophe and compensate the insured up to the agreed-upon amount.
- There are two major types of insurance:

  - Life Insurance
  - General Insurance.
- General insurance further includes
  - Marine insurance
  - Fire Insurance.
  - Health Insurance.
  - Burglary Insurance.
  - Cattle Insurance.
  - Crop Insurance.
  - Vehicle Insurance etc.

Basic Terminology:

a. **Insured:** Insured is the one who takes up the insurance policy, and is exposed to a certain risk.

b. **Insurer:** Insurer is the one who agrees to take the responsibility of the risk the insured is exposed to.

c. **Premium:** It is a fee that the insured has to pay the insurer in return for the risk taken up by the insurer on behalf of the insured.

d. **Insurance Policy:** It is a policy or document that specifies the terms and conditions related to the insurance contract.

e. **Sum assured:** It is the amount for which the insurance policy is taken.

Features of Insurance

- Insurance is the exchange of a little monthly payment (premium) for the risk of a significant potential loss.

- The risk of loss still exists, but it is dispersed over a vast number of policyholders exposed to the same risk.
- The premium paid by them is pooled out of which the loss sustained by any policy holder is compensated.
- Risk is transferred from one party (Insured(to another party (Insurer).
- Insurance can be done for any type of risk, fire, threat, third party etc.
- Two parties are required namely the insured and the insurer for the insurance contract to take place.

Functions of Insurance:

1. **Certainty:**

- Insurance tends to reduce the level of risks, and the insured receives the payment for loss.
- The insurer charges for providing the certainty, in terms of premium.

2. **Protection:**

- Protection from probable chances of loss, such as loss due to fire, theft etc..
- Insurance cannot prevent a risk or event from occurring, but it can compensate for losses incurred as a result of it.

3. **Risk sharing:**

- All those who have been affected by the loss, share it.
- Every insured member pays a premium to acquire their share.

4. **Capital formation:**

- The assets accumulated by insurers as a result of premium payments made by the insured are invested in a variety of income-generating schemes.

Principle of Insurances:

1. **Principle Utmost Good faith:**

- Insurance contracts require that both parties act with the utmost good faith.
- This means that both parties must provide all relevant information honestly and completely. This not only measures the level of risk, but also helps insurance companies accurately price premiums for insurance applicants.
- Insurance policies can be declared null and void if an applicant provides wrong representation of material fact that was relied on by the insurance company.

2. **Principle of Insurable interest:**

- The insurable interest requires that the owner of a particular insurance policy has an insurable interest in the subject matter of the insurance policy. For example, a wife having insurable interest in her husband's life due to financial dependency, a person's interest in his property etc.
- In life insurance insurable interest must be present at the time of policy implementation, but it is not required when claims are due.
- In fire insurance insurable interest on the subject matter must be present both at time of effecting policy as well as when claim falls due.
- In marine insurance insurable interest must exist at the time the claim is due or merely at the time of the loss.
- The insurance coverage in question may be null and void if there is no insurable interest.

3. **Principle of Indemnity:**

- The indemnity concept ensures that an insurance contract protects and compensates you in the event of damage, loss, or injury.
- An insurance contract's objective is to make you whole in the case of a loss, not to allow you to profit.

- Hence in case of insurance other than life insurance, one can only be compensated for the amount of loss or the amount assured, whichever is lower.

4. Principle of Proximate cause:

- When more than one event causes an accident or damage, the proximate cause principle comes into play.
- The proximate cause insurance principle states that the nearest or closest cause should be considered, and the insurance company will compensate only for the causes that have been mentioned in the insurance contract, or any proximate causes, and not the remote causes of damage.

5. Principle of Subrogation:

- In the insurance context, subrogation occurs when you are hurt by a negligent third party and your insurance company reimburses you for your damages.

6. Principle of Contribution:

- This principle applies to all indemnity contracts. if the insured has taken more than one policy on the same subject matter, the insured can only claim reimbursement to the extent of actual loss from all insurers or from any one insurer, according to this concept.
- Hence if a risk is insured from more than one insurer, and the loss amount is less than the total sum assured, the insured will be compensated only for the actual loss amount.
- For example, an insured has taken an insurance policy from three insurers of Rs 50,000 each on the same subject matter, and the loss due to fire is only Rs 75000. So, in this case the insured will not get Rs 50,000 from each insurer, instead he will be paid proportionately by all the insurers, in the ratio of sum assured, such as 1:1:1, that is Rs 25000 from each insurer, or any other method but the amount would not exceed Rs 75000.

7. Principle of Mitigation of Loss:

- You have an obligation as the owner of an insurance policy to take the required precautions to minimise the loss of your insured property. You cannot be careless or irresponsible simply because you are covered, according to the law.

Types of Insurance

1. Life insurance:

- Life insurance is a contract in which the insurer agrees to pay the assured, or the person for whose benefit the policy is taken, the assured sum of money on the occurrence of a specified event contingent on human life or at the expiration of a specified period, in exchange for a certain premium, either in a lump sum or by other periodical payments.
- The policy is the written version of the agreement or contract that contains all of the terms and conditions.
- The insured is the one whose life is protected..
- The insurance company is the insurer and the consideration paid by the insured is the premium.
- The premium can be paid in instalments over time.

2. Fire insurance:

- In exchange for the premium paid, the insurer guarantees to make good any loss or damage caused by fire over a specified period of time, up to the amount specified in the policy.
- The fire insurance policy is usually for a year and must be renewed on a regular basis.
- A claim for fire damage must meet the following two requirements:
  - There must be a monetary loss.
  - Fire must be unintended and accidental.

3. Marine Insurance:

- A marine insurance contract is an arrangement in which the insurer agrees to indemnify the insured against maritime losses in the way and to the extent agreed upon.
- Marine insurance protects against losses caused by marine perils, often known as sea perils. There are three factors to consider:
    - **Hull Insurance:** Because the ship is exposed to several dangers at sea, this insurance policy is designed to compensate the insured for losses incurred as a result of ship damage.
    - **Cargo insurance:** Cargo or the goods in the ship is exposed to numerous dangers while being transported by ship, this insurance covers the risk of voyage.
    - **Freight insurance:** If the cargo is damaged or lost in transit, the shipping business is not reimbursed for the freight payments, hence to avoid this scenario, the shipping company takes up this insurance policy.

Communication Services

- Business does not operate in a vacuum; it must communicate with others in order to exchange ideas and information.
- To be effective, communication services must be efficient, accurate, and quick. In today's fast-paced and competitive world, advanced technology is critical for speedy decision-making.
- For example,
    1. Telecommunication Services.
    2. Postal Services

1. Telecommunication Services

- The key to the country's rapid economic and social development is world-class telecommunication infrastructure.

- Types of telecom services are:

a. **Cellular mobile services**: These are all types of mobile telecom services including voice and non voice messages, data services and PPO services utilising any type of network equipment within their service area.

b. **Cable services:** These are linkages and switched services within a licensed area of operation how to operate media services, which are essentially one-way entertainment related services.

c. **Fixed line services:** All sorts of fixed services, including voice and non-voice communications, as well as data services, are used to establish linkage for long-distance traffic. These make use of any form of network equipment, which is typically connected by fibre optic cables.

d. **VSAT services**: VSAT (Very Small Aperture Terminal) is a satellite based communication service. In both urban and rural locations, it provides businesses and government organisations with a highly flexible and reliable communication solution.

e. **DTH services**: DTH (direct to home) services are another satellite-based media service offered by cellular providers.. With the help of a tiny dish antenna and a set top box, one can receive media services directly from a satellite.

2. Postal Services

- The Indian Postal and Telegraph Department provides a variety of postal services throughout the country.
- The numerous services supplied by the postal department are essentially classified into the following categories as a result of their regional and divisional level arrangements:
    - **Financial facilities:** These facilities are provided through the post office's savings schemes like Public Provident Fund (PPF), Kisan Vikas Patra, and National Saving Certificate.
    - **Mail facilities:** Mail services include parcel services, which is the transmission of articles from one location to another; registration

services, which ensures the security of the transmitted articles; and insurance services, which provide coverage for any dangers faced during postal transmission.

- **Additional Services**: Greeting cards, media mail, international money transfers, speed mail, passport services, and e-billing.

Transportation Services

- Transportation includes freight services, as well as supporting and auxiliary services, provided by all means of transportation, including rail, road, air, and sea, for the movement of commodities and international passenger transportation.
- Transportation removes the barrier of location, that means the production and consumption of goods may not take place at the same place, hence to avoid the distance between the production and consumption location, transportation comes to rescue.
- Both government and industry must be proactive and consider the efficient operation of this service as a need for providing a lifeline to a business.

Warehousing Services

- Economic expansion has always placed a premium on storage. Initially, the warehouse was thought of as a static unit for maintaining and storing commodities in a scientific and systematic manner in order to preserve their original quality, worth, and utility.
- Warehouses have progressed from being merely storage facilities to becoming cost-effective logistical service providers.
- This makes the correct quantity, at the right moment, in the right physical form, and at the right price, available.

Types of warehouses:

- Some marketing cooperative societies for agricultural cooperative societies have set up their own warehouses for members of their cooperative society.
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2. **Government warehouse**

   - The government operates and manages these warehouses.
   - They are managed by the government through public-sector organisations.

3. **Bonded warehouse**

   - Bonded warehouses are government-licensed facilities that receive imported products in exchange for payment of taxes and customs duties.
   - These are things that have been brought in from other countries. Porters are not allowed to take items from the airport's pier until the customs duty has been paid.

4. **Public warehouse**

   - After paying a storage fee or charges, traders, producers, or any member of the public can utilise public warehouses to store their goods.
   - The operation of the residences is regulated by the government through the issuance of licences.
   - Flexibility in terms of the number of sites, no fixed costs, and the possibility to provide value-added services like packing and labelling are all advantages.

5. **Private warehouse**

   - They are run, owned, or leased by a business that handles its own products, such as retail outlets or multi-brand multi-product businesses.

- Control, flexibility, and other advantages such as improved dealer connections are all advantages of private storage.

Functions of warehousing:

1. **Consolidation:**

- The warehouses gather and consolidate material/goods from various manufacturing units before dispatching them to a specific consumer via a single transportation package.

2. **Break the bulk:**

- Warehouses are responsible for dividing large quantities of items received from manufacturing companies into smaller quantities.
- The smaller quantities are then transported according to the requirements of clients to their places of business

3. **Stockpiling:**

- The seasonal storing of commodities for certain businesses is the next role of warehousing. Raw materials, which are not required immediately for sale or manufacturing, are stored in warehouses. They are made available to enterprises according to the number of consumers they have.

4. **Value added services:**

- Certain value added services are also provided by the warehouses, such as transit mixing, packaging and labelling.When prospective buyers inspect goods, they may need to be opened, covered, and labelled again.

5. **Price stabilization:**

- Warehousing acts as a price stabiliser by altering the supply of commodities to match the demand scenario. As a result, when supplies rise and demand falls, and vice versa, prices are kept in check.

6. **Financing:**

- Warehouse owners advance money to the owners in exchange for security of products, and then sell goods to clients on credit terms.

Difference between Life Insurance, marine insurance, fire insurance:

Basis	Life Insurance	Fire Insurance	Marine Insurance
Subject Matter	Human life is the subject matter of life Insurance.	The subject matter is any physical property or any asset that could be damaged due to fire.	The subject matter is ship, cargo or freight.
Element	Life insurance can be used for both protection and investment.	Fire insurance has only the elements of protection and not the elements of investment.	Marine insurance has only the elements of protection.
Insurable Interest	Insurable interest must be present at the time of policy implementation, but it is not required when claims are due.	Insurable interest on the subject matter must be present both at time of effecting policy as well as when claim falls due.	Insurable interest must exist at the time the claim is due or merely at the time of the loss.
Duration	A life insurance policy normally lasts longer than a year and is purchased for a period of time	The average length of fire insurance coverage is one year.	Marine insurance policy is for one year or the period of voyage or mixed.

	ranging from 5 to 30 years or for the rest of one's life.		
Indemnity	The notion of indemnity does not apply to life insurance. The sum assured is paid either on the happening of a certain event or on maturity of the policy.	A contract of indemnification is what fire insurance is. Only the exact amount of loss can be claimed from the insurer by the insured.The loss resulting from the fire is covered up to the policy's maximum level.	Marine insurance is a contract of indemnity. The insured can claim the market value of the ship and cost of goods destroyed at the sea and the loss will be indemnified.
Loss Measurement	Loss is not measurable.	Loss is measurable.	Loss is measurable.
Surrender Value Or Paid Up Value	Surrender value or paid up value is a term used to describe the worth of a life insurance policy.	Fire insurance has no surrender value or paid-up value.	There is no surrender value or paid-up value for marine insurance.
Policy Amount	One can be insured for any amount in life Insurance.	The policy amount cannot exceed the value of the subject matter under fire insurance.	In marine insurance the amount of the policy can be in the market value of the ship or cargo.

Contingency Of Risk	There is an element of certainty. The event i.e. death of a policyholder is bound to happen. Therefore a claim will be present.	The event, i.e., fire devastation, may not occur. No claim may be made in case no damage occurs. Hence there is an element of uncertainty.	The event i.e., loss at the sea may not occur and there may be no claim. There is an element of uncertainty.