

## CHAPTER - 4

### BUSINESS SERVICES

- **Introduction**

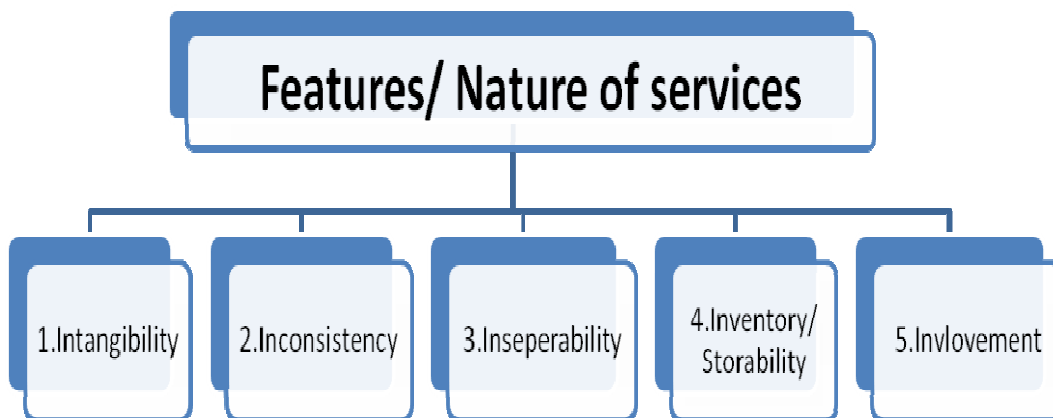
(10 Marks)

The chapter Business Services gives you a brief introduction to the **characteristics of business services**, the difference between **services and goods**, classification on **types of business services**, the concept of **e-banking**, identification and classification of **types of insurance policies** and the description of different **types of warehouses**.

- **Definition**

Auxiliaries to trade are also known as business services. Service sector includes commercial firms engaged in banking, communication, transport, insurance and warehousing. Business cannot be even imagined in the absence of these services. All these services collectively constitute the Service Sector.

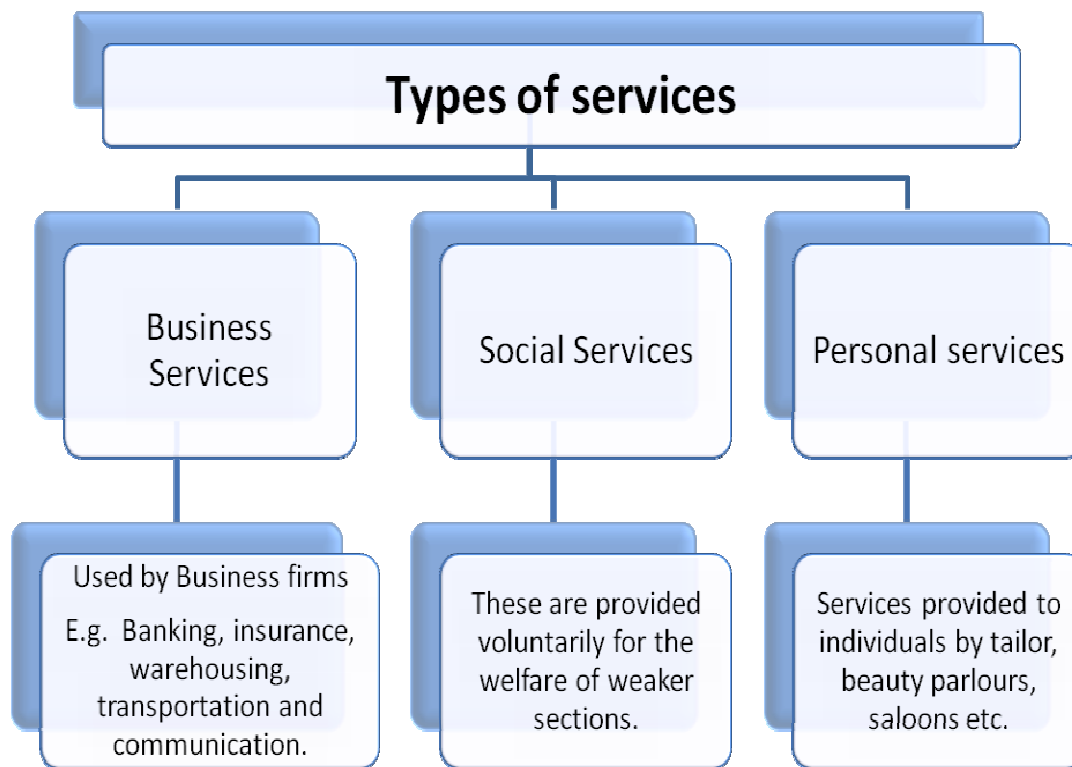
- **Nature/Features/Characteristics of services**



- **Difference between Services and goods**

<b><u>Basis</u></b>	<b><u>Services</u></b>	<b><u>Goods</u></b>
Nature	An activity or a process. e.g., watching a movie in a cinema hall	A physical object. e.g., a video cassette of movie
Type	Heterogeneous	Homogeneous
Intangibility	Intangible e.g., doctor treatment	Tangible e.g., medicines

Inconsistency	Different customers having different demands e.g. mobile services	Different customers getting standardized demands fulfilled
Inseparability	Simultaneous production and consumption e.g., eating an ice-cream in a restaurant	Separation of production and consumption e.g., purchasing ice cream from a store

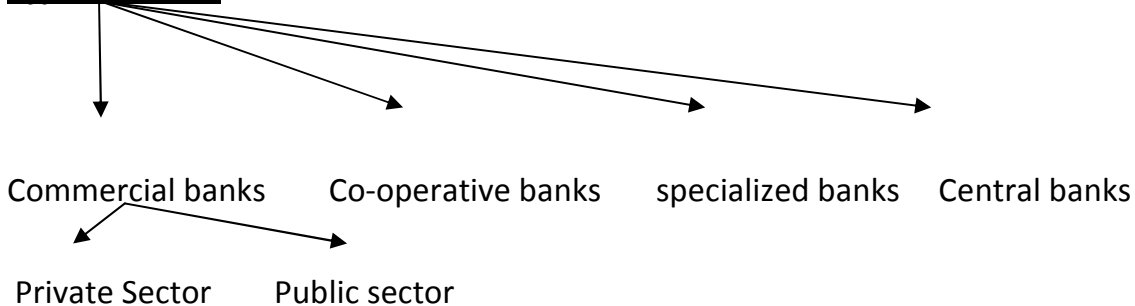



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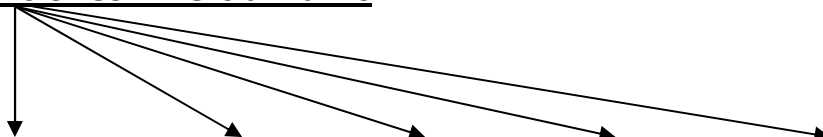
- **Banking Services**

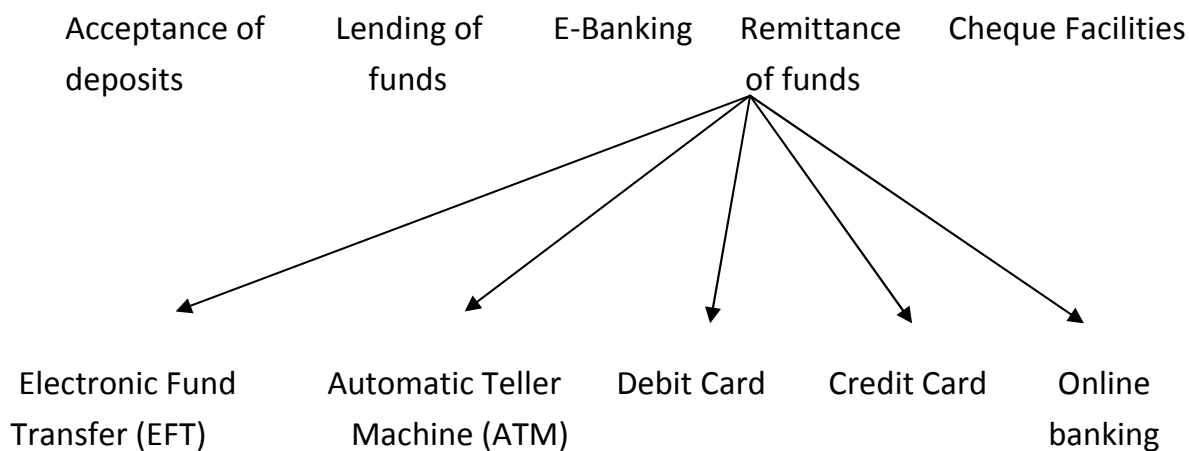
Bank is an institution that accepts deposits, withdrawal by cheques and makes loans and advances for the purpose of earning profits.

**Types of banks**



**Functions of Commercial Banks**





**1. E-BANKING:** E-banking means banking transactions carried out with the help of computer systems (i.e., that is banking over the internet).

**1. Electronic Fund Transfer (EFT):** Under this system, a bank transfers wages and salaries directly from the company's account to the accounts of employees of the company.

**2. Automatic Teller Machine (ATM):** It refers to an electronic terminal that allows people with plastic card to perform simple banking transactions like withdrawal of cash 24x7 without any help of human teller.

**3. Debit Card:** It refers to a plastic card that allows the bank to take money from the customer's account and transfer it to a seller's account.

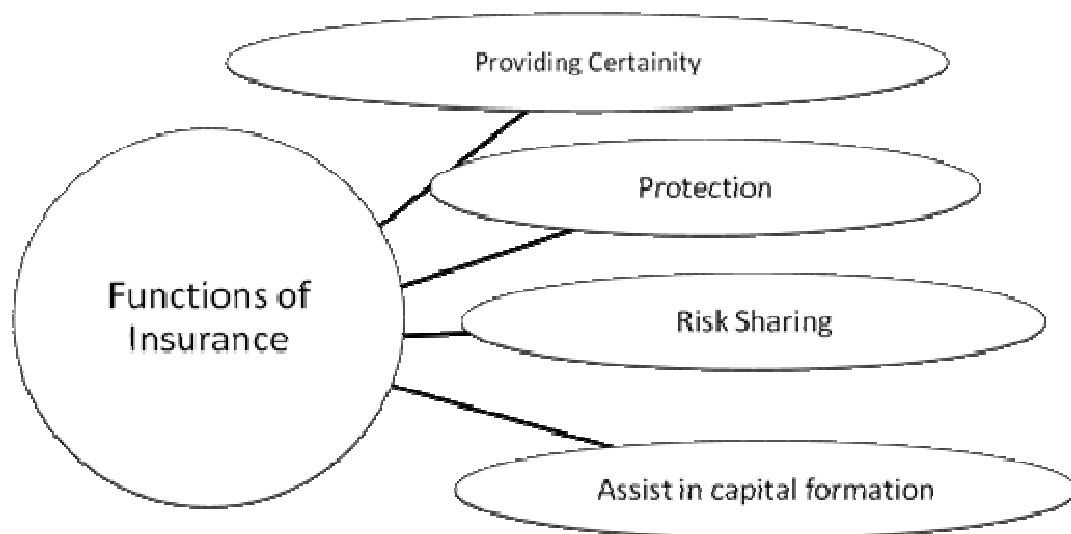
**4. Credit Card:** It refers to a plastic card that allows the customer to buy now and payback the loaned amount to bank at a future date.

**5. Online Banking:** Under this system, when the customer gives instruction on his computer, the bank computer transfers money from/ to customer's account to biller's account.

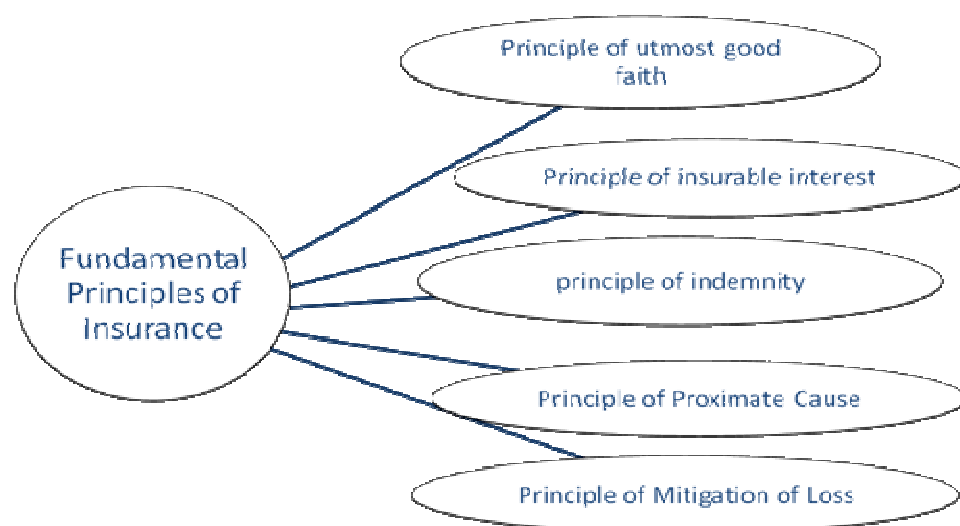
- **Insurance:**

It is a contract where by in exchange of fixed consideration one party promises to pay a fixed amount either at happening of an event or at the expiry of certain period.

- **Functions of Insurance**



- **Fundamental Principles of insurance:**



**Principle of utmost faith:** refers that no material or important facts should be concealed by both the parties of insurance contract.

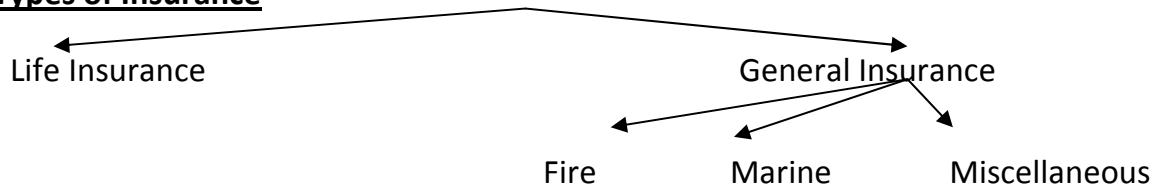
**Principle of Insurable Interest:** There must be some pecuniary interest in the subject matter of the insurance contract.

**Principle of Indemnity:** Refers that the insured can get only the compensation against actual loss and he cannot make profit out of the insurance.

**Principle of proximate cause:** It refers to the direct cause and not the remote cause.

**Principle of mitigation of loss:** states that it is the duty of the insured to take reasonable steps to minimize the loss/damage to the insured property.

- **Types of Insurance**



**Life Insurance:** It is a contract under which the insurer, in consideration of a premium, undertakes to pay a fixed sum of money on the death of the insured or on the expiry of a specified period of time, whichever is earlier.

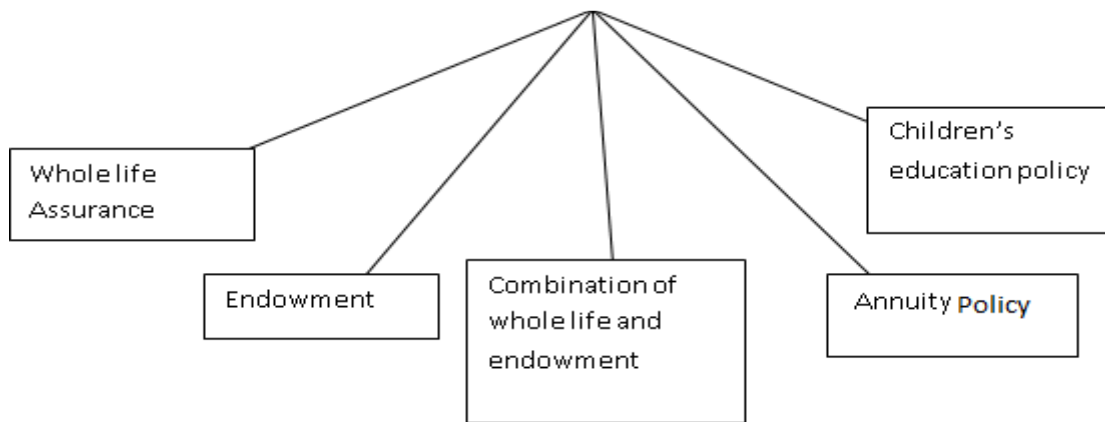
**Fire insurance:** it is a contract whereby the insurer undertakes to make good any loss/damage caused by fire during a specified period.

**Marine Insurance:** A marine insurance is an agreement where by the insurer undertakes to indemnify the insured loss against perils of the sea.

- **Difference between life, fire and marine insurance**

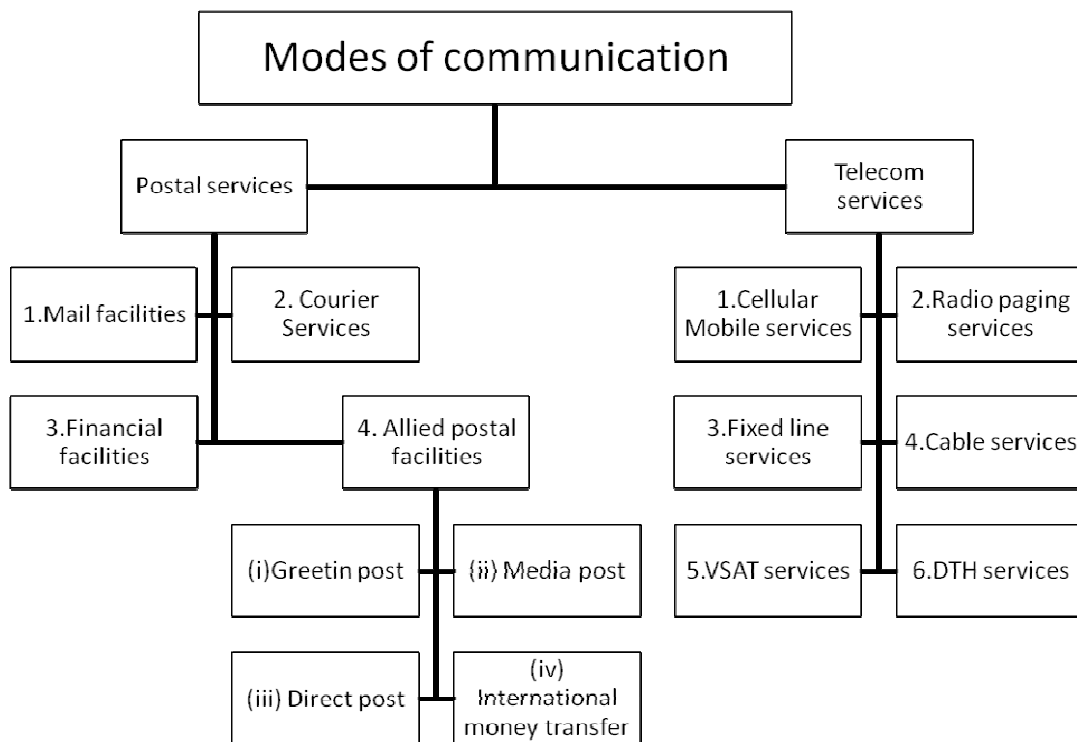
	<b>BASIS OF DIFFERENCE</b>	<b>LIFE INSURANCE</b>	<b>FIRE INSURANCE</b>	<b>MARINE INSURANCE</b>
1	Subject matter	Human life	Assets	Ship, cargo or freights
2	Element	Both protection and investment	Protection only	Protection only
3	Insurable interest	Must be present at the time of effecting the policy	Must be present both at the time of effecting the policy as well as when the claim falls due	Must be present at the time when claim falls due
4	Duration	Usually exceeds a year	Does not exceed a year	Period or voyage or mixed
5	Indemnity	Not based on principle of indemnity	Is a contract of indemnity	Is a contract of indemnity
6	Surrender value	Has a surrender value	Does not have any surrender value	Does not have any surrender value

### Types of Life Insurance Policies (Insurance Products)



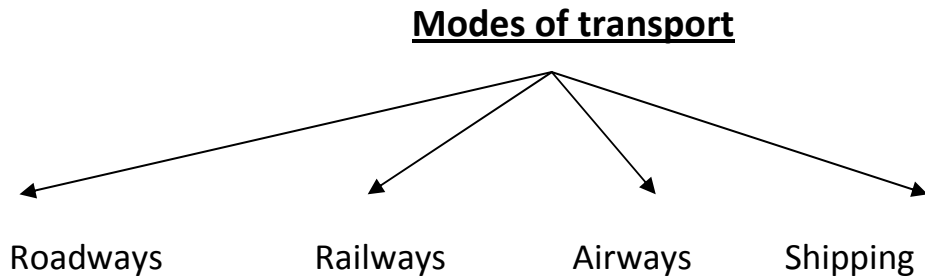
### Communication services:

These are helpful to business for establishing links with outside world. The main service is postal and telecommunication.



- Transportation:

It refers to the physical movement of goods from one place to another.

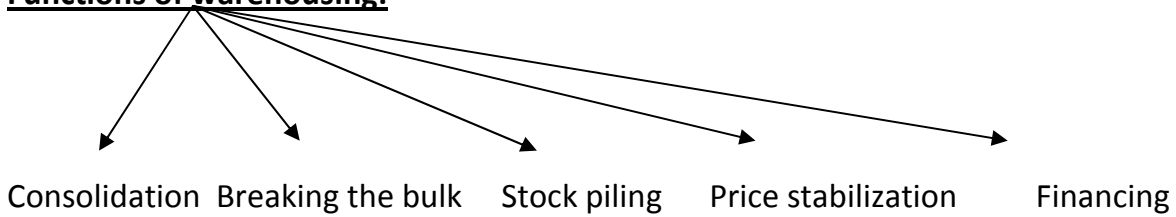


- **Warehousing:**

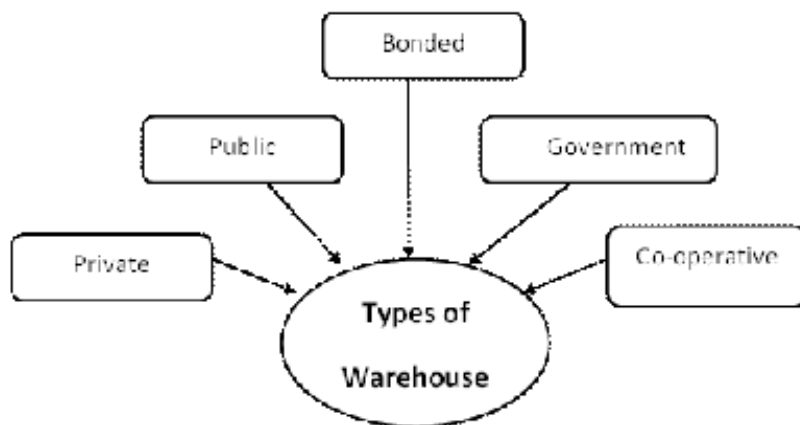
It refers to that activity under which goods are kept safely and systematically at a particular place.

**Warehouse:** It refers to the specially built building where the raw materials and finished goods are kept safely till their owner does need them.

**Functions of warehousing:**



- **Types of Warehouses:**



**Very Short Answer type Questions**

1. Give two examples of e-banking.
2. Who can get an overdraft from a bank?
3. Give full form of ATM.

4. In which type of insurance, insurable interest must exist only at the time of insurance?
5. Name two companies that offer DTH services in our country.
6. List two main functions of warehousing.
7. Name the oldest mode of transportation.

**SA (3/4 m)**

1. Distinguish between goods and services.
2. Explain any two kinds of life insurance policies.
3. State any two benefits of transportation.
4. Explain any three types of warehouses.

**LA (5/6m)**

1. Explain the functions of commercial banks.
2. Distinguish between life insurance and fire insurance.
3. Explain the various functions of warehouses.
4. Explain the main modes of transport.

• **HOTS (High Order Thinking Skill)**

1. Name the type of banking under which ATM, Credit card and EFT facilities are available.
2. Mala obtained a life insurance policy of her husband. After 3 years, Mala divorced her husband. After one year of divorce, her husband died in a car accident. Can Mala claim the amount of policy from the insurance company?
3. Ships carrying oil are called \_\_\_\_\_.
4. Cellular companies offer satellite based media service. The service can be viewed on \_\_\_\_\_.

• **Gist of the Lesson:**

- ❖ *Auxiliaries to trade are also known as business services.*
- ❖ *Service sector include commercial firms engaged in banking, communication, transportation, insurance and warehousing.*
- ❖ *Business can't be even imagined in the absence of these services.*
- ❖ *All the services collectively constitute the service sector.*