

Chapter - 4

Business Services

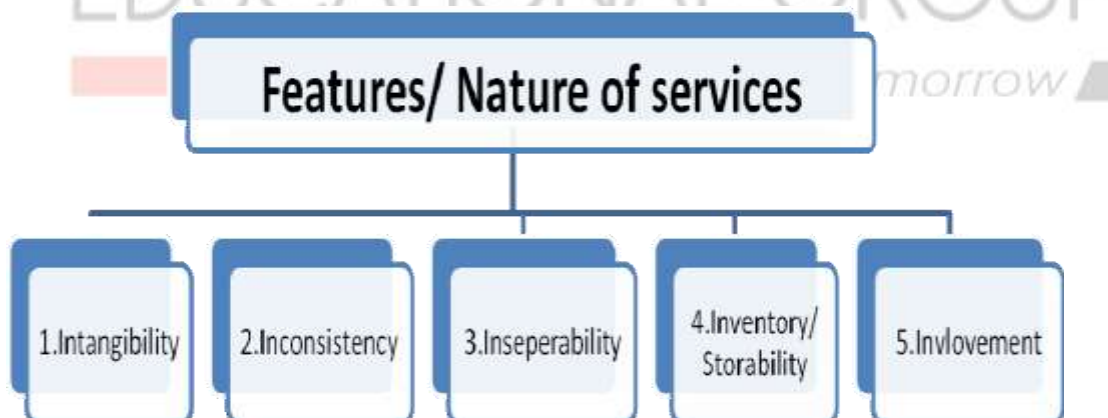
- **Introduction**

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. The service sector includes commercial firms engaged in banking, communication, transport, insurance, and warehousing. Businesses 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**

<u>Basis</u>	<u>Services</u>	<u>Goods</u>
Nature	An activity or a process. e.g., watching a movie in a cinema hall	A physical object. e.g., a videocassette of the 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

- **Banking Services**

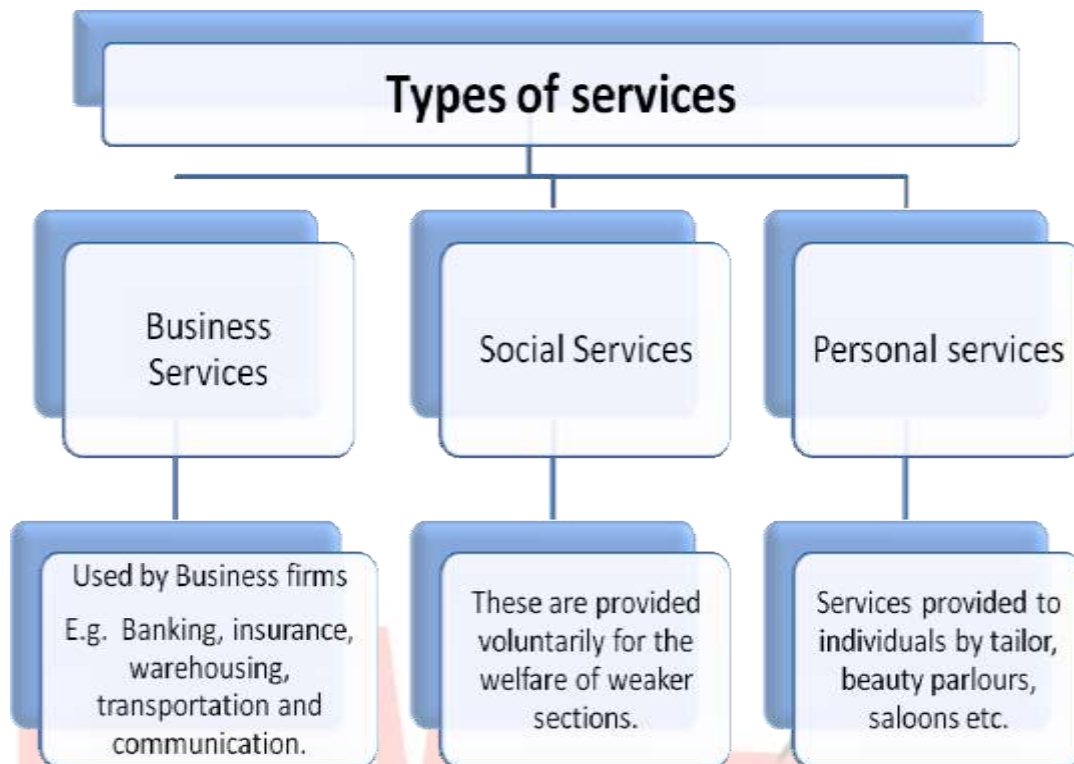
The bank is an institution that accepts deposits, withdrawal by cheques, and makes loans and advances to earn profits.

TYPES OF BANK

- Commercial bank
 - a) Private sector
 - b) Public sector
- Co-operative bank
- Specialized bank
- Central bank

FUNCTIONS OF COMMERCIAL BANK

- ACCEPTANCE OF DEPOSITS
- LENDING OF FUNDS
- E-BANKING
- REMITTANCE OF FUNDS
- CHEQUE FACILITIES



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.

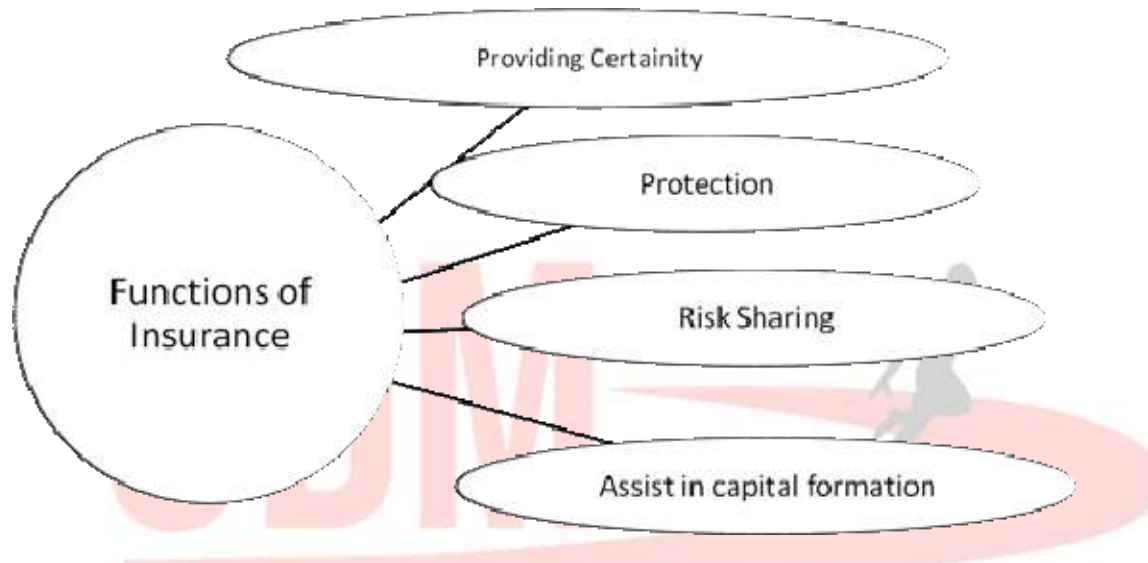
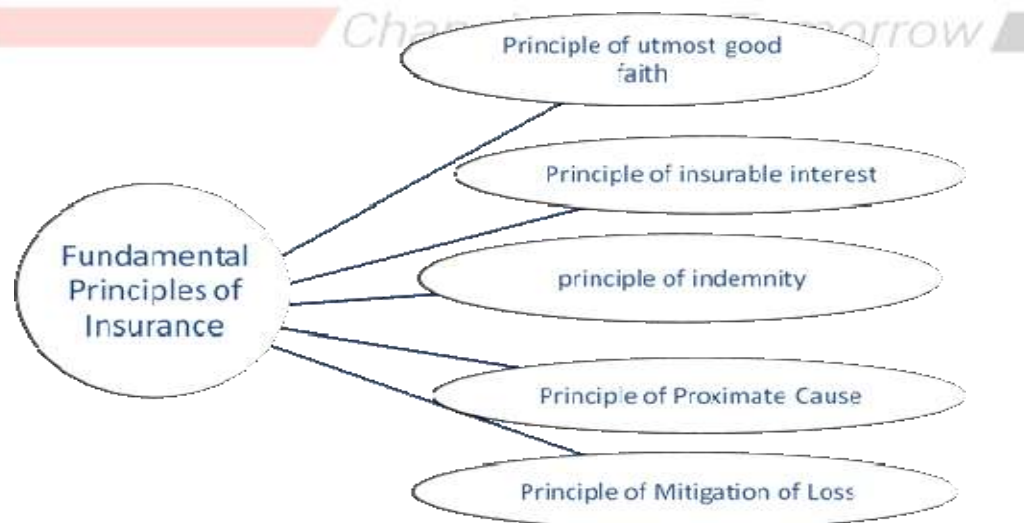
3. **Debit Card:** It refers to a plastic card that allows the bank to take money from the customer's account and transfer it to a seller's account.

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

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

Insurance:

It is a contract whereby in exchange for fixed consideration one party promises to pay a fixed amount either at the happening of an event or at the expiry of a 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 the 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 a 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
- GENERAL INSURANCE
 - FIRE
 - MARINE
 - MISCELLANEOUS

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 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.

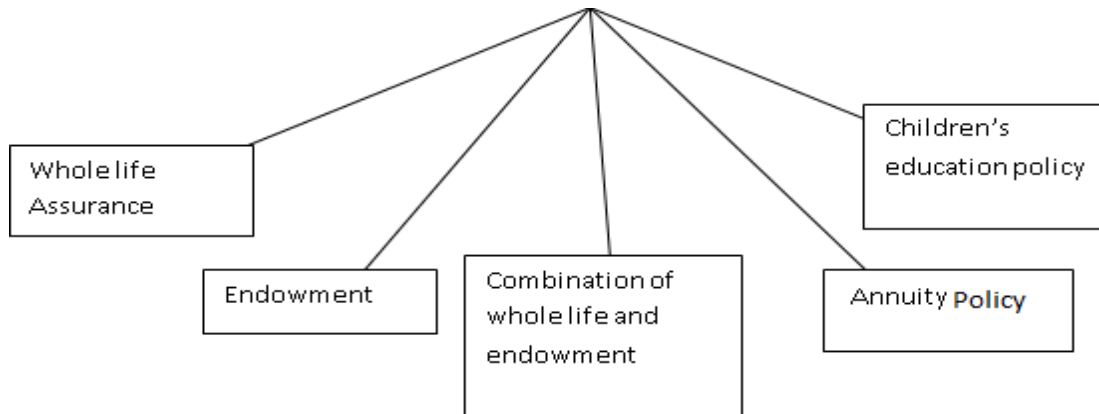
Marine Insurance: A marine insurance is an agreement whereby the insurer undertakes to indemnify the insured loss against perils of the sea.

Difference between life, fire, and marine insurance

	BASIS OF DIFFERENCE	LIFE INSURANCE	FIRE INSURANCE	MARINE INSURANCE
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 the 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

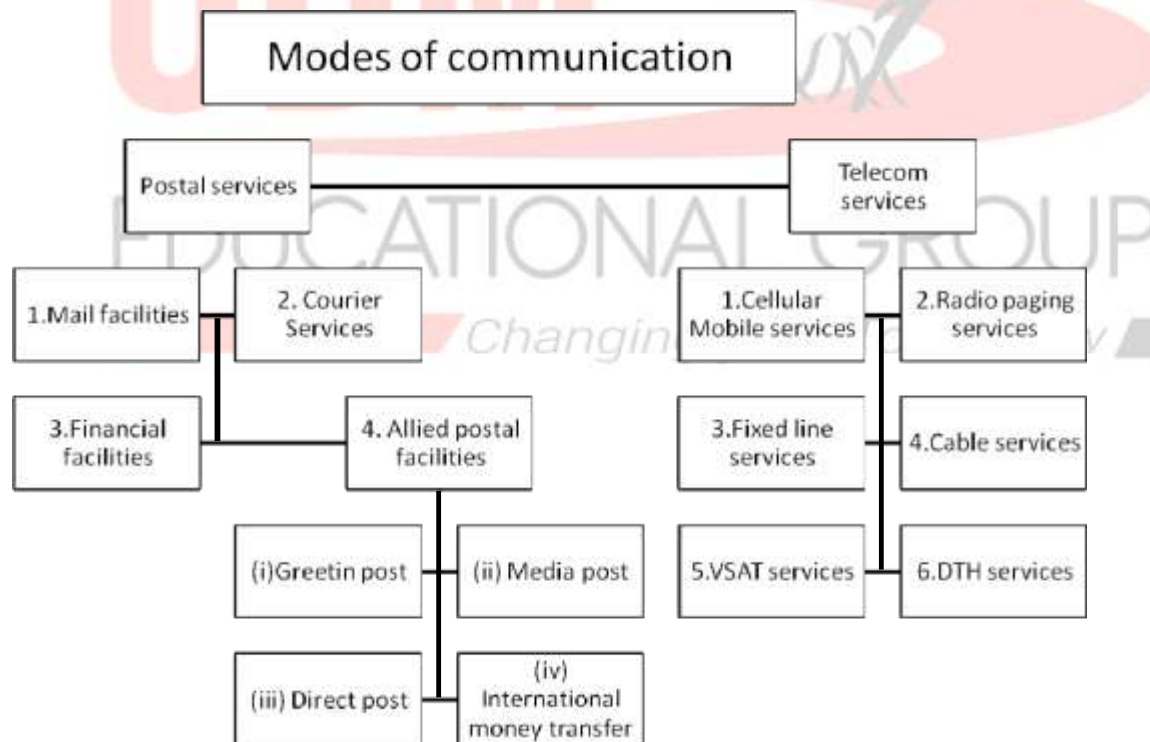
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Types of Life Insurance Policies (Insurance Products)



Communication services:

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



Transportation:

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

MODE OF TRANSPORTATION

- ROADWAYS
- AIR WAYS
- RAILWAYS
- SHIPPING

Warehousing:

It refers to the 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 until their owner does need them.

Functions of warehousing:

Consolidation Breaking the bulk Stockpiling Price stabilization
Financing

Types of Warehouses: