

Chapter – 4 Business Services

1. **Service Sector** Service sector includes commercial firm engaged in banking, communication, transport, insurance, warehousing etc. The service sector constitutes the basic infrastructure which is a must for smooth flow of business activities.

2. Nature of Services

Basic features of services are

- (i) Intangible
- (ii) Lack of Inconsistency
- (iii) Inventory
- (iv) Non-transferability or Inseparability
- (v) Involvement

3. Classification or Types of Services

Services can be broadly categorised into three categories

(i) **Business Services** Business services are these services which are used by business enterprise to carry on business activities more smoothly, e.g., banking, insurance, transportation, warehousing, communication etc.

(ii) **Social Services** Social services are carried voluntarily to achieve social goal to the society at large.

(iii) **Personal Services** Personal services are experienced by different customers. These depend upon the customer demands and preferences. Example: Tourism, Restaurants etc.

4. Various Categories of Business Services

- (i) Banking
- (ii) Insurance
- (iii) Communication
- (iv) Warehousing
- (v) Transportation

5. **Banking** A bank is an institution which attracts money on deposits for the purpose of being lent to industry or trade.

According to **Indian Banking Regulation Act, 1949**, “Banking means accepting deposits of money from the public for the purpose of lending or investment”.

Banks can be classified into following categories

(i) **Commercial Banks** Commercial banks are governed and regulated by Indian Banking Regulation Act, 1949 and according to it banking means accepting deposits from public for the purpose of lending investment.

There are Two Types of Commercial Banks

- (a) Public Sector Banks
- (b) Private Sector Banks

(ii) **Co-operative Banks** These banks are governed by provisions of state Co-operative Societies Act and are formed to provide loan and advances to its members on easy terms.

(iii) **Specialised Banks** These banks are formed to cater to specific needs of industries, export units. There are foreign exchange banks, industrial development bank, export-import banks etc.

(iv) **Central Banks** Central bank of any country controls regulates and supervises the activities of commercial banks, it is known as banker of banks.

6. Functions of Commercial Banks The main functions of commercial banks are

(i) **Collection of Deposits** Commercial banks is that they accept deposits from their clients. The common types of deposits accepted by bank are

- (a) Saving account deposits
- (b) Current account deposits
- (c) Recurring deposits
- (d) Fixed term deposits

(ii) **Lending of Funds** The commercial bank is to provide loans and advances out of the money received through deposits. These advances can be made in the form of overdraft cash credit etc.

(iii) **Cheque Facility** The banks collect the cheques for their customers drawn on other banks. To collect cheques banks have clearing houses.

(iv) **Agency Functions** Bank pay insurance premium on behalf of their clients. Bank also collect divided premium, interest, pension etc.

(v) **Allied Services** In addition to above functions bank also provide allied services such as bill payments, locker facilities etc.

7. e-banking Internet banking means any user with a PC and a browser can get connected to the banks website to perform any of the virtual banking functions and avail of any of the bank's services.

There are various benefits of e-banking provided to customer which are

- (i) e-banking provides 24 hours. 365 days a year services to the customer of the bank.
- (ii) Customers can. make some of the permitted transactions from office or house.
- (iii) Greater Customer satisfaction by offering unlimited access to the bank.

The banks also stand to gain by e-banking

- (i) e-banking provides competitive advantage to the bank.
- (ii) e-banking provides unlimited network to the bank.

8. Insurance Insurance is a contract between the insurer and insured in which insurer agree to make good the loss of insured on happening of an event in consideration of a regular payment called premium.

(i) Functions

- (a) Protection
- (b) Distribution of risk
- (c) Competitiveness
- (d) Specialisation
- (e) Better utilisation of capital
- (f) Promotes foreign trade
- (g) Credit facility
- (h) Capital formation
- (i) Social welfare

(ii) Principles

- (a) Principle of utmost. good faith
- (b) Principle of insurable interest
- (c) Principle of indemnity
- (d) Principle of contribution
- (e) Principle of subrogation
- (f) Principle of causa proxima
- (g) Principle of mitigation of loss

9. Types of Insurance

Insurance contracts are of following types

(i) **Life Insurance** It may be defined as a contract in which the insurer in consideration of a certain premium either is a lump-sum or by other periodical payments. agree to pay to the assured or the person for whose benefit the policy is taken. The life insurance is related with two types of risks

- (a) Risk of dying to early
- (b) Risk of dying to late

Types of life insurance policies are given below

(a) **Whole Life Policy** Under this policy the insured sum is paid only on the death of the insured Which means the policy is to run for the whole life of assured,

(b) **Endowment Life Assurance Policy** Under this policy the insurer pays a particular sum at the death of the person or on attaining a particular age.

(c) **Joint Life Policy** This policy is taken up by two or more persons. The premium is paid jointly or by either of them in installments.

(d) **Annuity Policy** Under this policy the assured sum or policy a certain money is payable after the assured attains age in monthly, quarterly, half yearly.

(e) **Children's Endowment Policy** This policy is taken by a person for his/her children to meet the expenses of their education or marriage.

(ii) **General Insurance**

(a) **Fire Insurance** Fire insurance is a contract under which one party in return for a consideration agrees to indemnify the other party for the financial loss.

Kinds of fire insurance policies are as follows

- Specific Policy
- Double Insurance
- Reinsurance

(b) **Marine Insurance** Marine Insurance is a contract between the insured and the insurer. The insured may be cargo owner or ship owner or freight receiver.

The different types of marine insurance are

- Cargo Insurance
- Hull Insurance
- Freight Insurance

10. **Communication Services** Communication refers to exchange of ideas, views or message between two or more persons.

According to **William H Newman**, "Communication is an exchange of facts ideas, opinion or emotions by two or more persons".

(ii) **Drawbacks**

- (a) Slow in speed
- (b) Bureaucratic in nature

12. **Telecom Services** Telecom services are the backbone of every business activity. In the absence of Telecom service every business activity will remain as a dream only.

The various types of telecom services are

- (i) Cellular mobile phone
- (ii) Radio paging services
- (iii) Fixed line service
- (iv) Cable service
- (v) VSAT services
- (vi) DTH services