COMMERCE

GRADE XII – Mumbai Board

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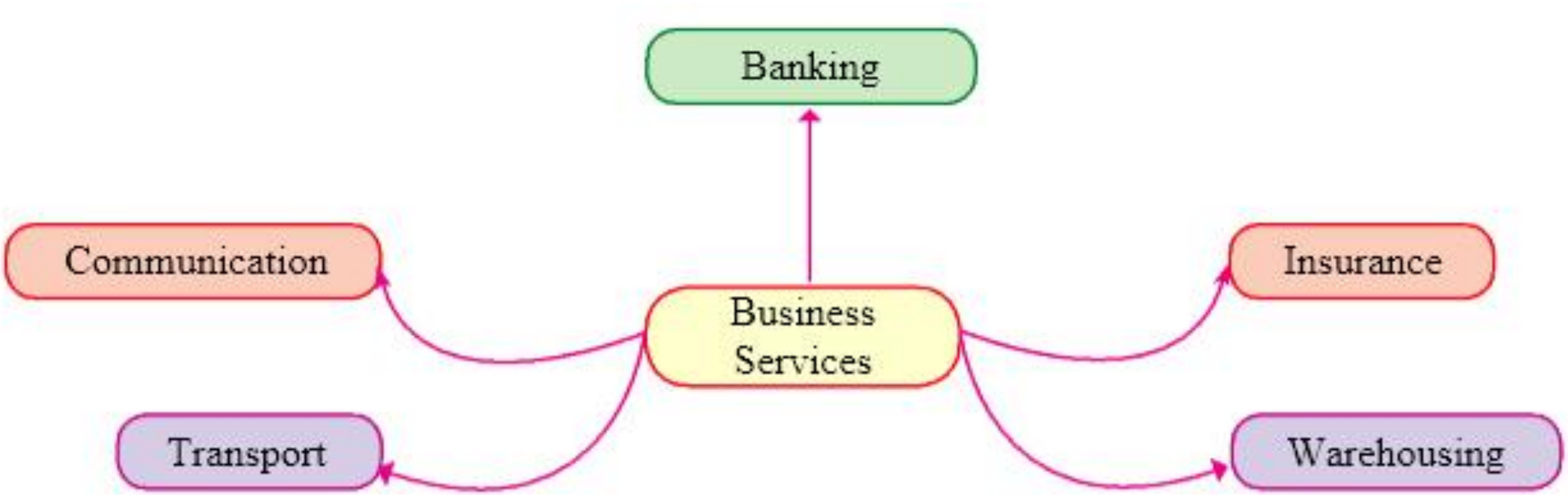
ORGANISATION OF COMMERCE AND MANAGEMENT

4

Business Services

4 BUSINESS SERVICES



4 BUSINESS SERVICES

Important points to learn:

1) Introduction, Meaning and Definition
2) Business Services – Features
3) Business Services – Types
    (a) Banking
    (b) Communication
    (c) Insurance
    (d) Transport
    (e) Warehousing
4) Comparative Study / Distinguish

Please Note:
These notes are general guidelines only for reference, for the students of SRK/MBBI Junior College, Dahanu. ***For detailed notes, students should refer only the prescribed textbook of the Maharashtra State Bureau of Textbook Production and Curriculum Research.*** *This study material is for learning purpose during lockdown.*

4 BUSINESS SERVICES

INTRODUCTION

Services

Services are intangible in nature; they are neither manufactured, transported nor stocked.

Services cannot be stored for a future use hence they are produced and consumed simultaneously.

Business Services

Business services are those services which help in successful running of business.

In other words, Business services are those services which help business to grow and help business to function seamlessly.

They are intangible, heterogeneous, inseparable, inconsistent, perishable in nature and require consumer participation.

MEANING and DEFINITION

Meaning

Sometimes Services are difficult to identify because they are closely associated with goods.

No transfer of possession or ownership takes place when services are sold, and they cannot be stored or transported, services are instantly perishable.

Definition

According to the **American Marketing Association**, Business Services mean,

"Activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods".

Business Services – FEATURES

1) Intangible: A service is not a physical product that can be touched or seen. A service can be experienced by the buyer or the receiver. Services lack material form, and therefore they are intangible. Due to intangibility, services cannot be demonstrated like goods, and therefore service providers must create good impact on the customers by delivering quality services on time.

2) Inseparable: Unique characteristic of services is that the service and the service provider cannot be separated. The presence of service provider is there at the time of delivering services to customers. In case of services, production and consumption take place at the same time.

3) Inconsistent: Services are heterogeneous. There can be no perfect standardization of services. Even if the service provider remains the same, the quality of the service may differ from time to time.

4) Perishable: The production and consumption of services are inseparable because storage of services is not possible. Unlike goods, they cannot be stored for future sale.

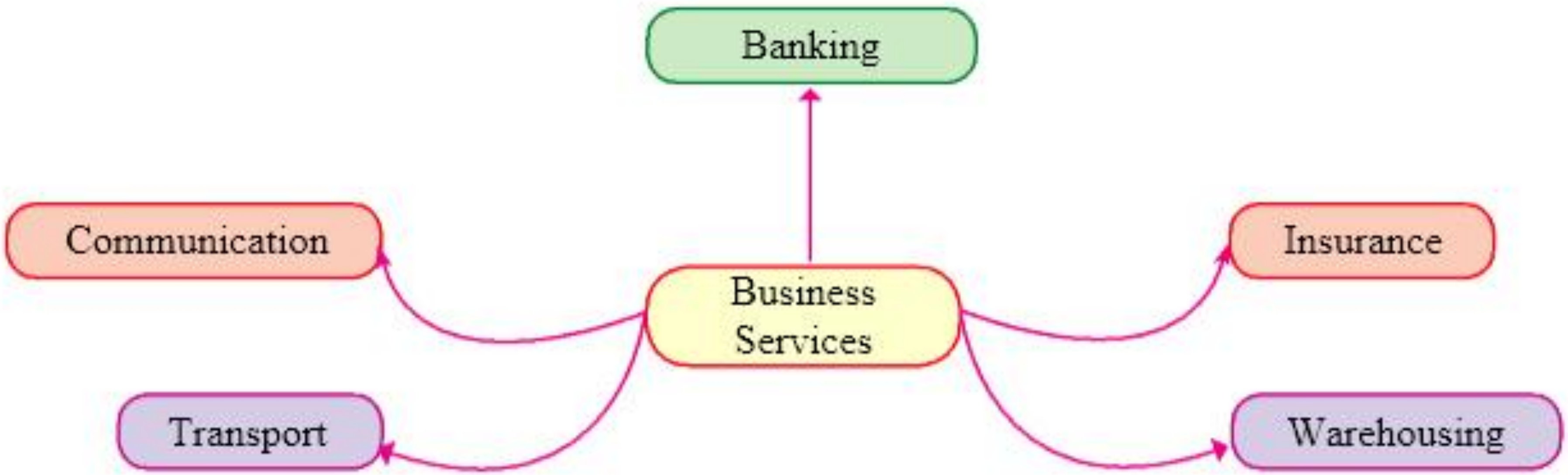
Business Services – FEATURES

5) Non-Transferable: Unlike goods, all services are non-transferable in nature. The ownership of services cannot be transferred from service provider to customer.

6) Consumer Participation: For services, participation of consumer is equally important. Without the participation of consumer, services cannot be offered. The seller cannot offer service without the presence of customer vice-versa customer cannot accept service, unless the seller is present to offer a service.

Business Services – TYPES

Business cannot be operated in an isolated manner. It requires some activities which facilitate business to grow rapidly.



Banking | Communication | Insurance | Transport | Warehousing

We shall follow the above order to study the types of business services.

Business Services – TYPES

1) BANKING

The term Bank comes from the French word 'Banco' which means a 'bench'.

A bank is a financial institution, which facilitates to provide finance to the business. Bank provides various services related to money or financial requirements of consumers.

TYPES OF BANKS:

1) Central Bank	*Apex financial institution of the country.* ***In India it is the RBI.***
2) Commercial Bank	*Important role in economic and social development of the country.*
3) Cooperative Bank	*Credit to economically backward farmers and Small Scale Units.*
4) Development Bank	*Medium and Long term funds to the business firms.*
5) Exchange Bank	*Facilitates Foreign Exchange (FOREX) transactions.*
6) Regional Rural Bank	*Encourage deposits & provide loans to small-marginal farmers, etc.*
7) Savings Bank	*Encourage savings of the people, especially in rural areas.*
8) Investment Bank	*Provide financial and advisory assistance to their customers.*
9) Specialised Bank	*Provide overall support for setting up business in specific areas.*

SPECIALISED BANKS

SIDBI – Small Industries Development Bank of India

Small Industries Development Bank of India (**SIDBI**) is a development, financial institution in India. Its purpose is to provide refinance facilities and lending to industries, and serves as the principal financial institution in the Micro, Small and Medium Enterprises (MSME) sector.

It was established on April 2, 1990, through an Act of Parliament. It is headquartered in Lucknow. SIDBI operates under the Department of Financial Services, Government of India.

SIDBI is regulated and supervised by the Reserve Bank of India. It plays a statutory role in the financial markets through credit extension and refinancing operation activities and cater to the financing needs of the industrial sector. Its promotion and development program focuses on rural enterprises promotion and entrepreneurship development.

***Refinance**
Replacement of an existing debt obligation with another debt obligation under different terms

SPECIALISED BANKS

NABARD – National Bank for Agriculture and Rural Development

The importance of institutional credit in boosting rural economy has been clear to the Government of India right from its early stages of planning. Therefore, the Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements For Institutional Credit for Agriculture and Rural Development.

The Committee was formed on March 30, 1979, under the Chairmanship of Shri B. Sivaraman, former member of Planning Commission (now NITI Aayog), Government of India. As per the recommendation of the Committee, **National Bank for Agriculture and Rural Development (NABARD) was approved by the Parliament through Act 61 of 1981. NABARD came into existence on 12 July 1982.** NABARD today is fully owned by Government of India.

Role of NABARD

* Loans to Warehouses, Cold Storage and Cold Chain Infrastructure
* Credit Facilities to Marketing Federations
* Direct Refinance to Cooperative Banks
* Short/Long Term Refinance
* Swachh Bharat Mission-Gramin
* Long Term Irrigation Fund

E-BANKING SERVICES

E-banking stands for electronic banking it is also called 'Virtual Banking'. E-banking is the result of the development in the field of electronics and computers.

Under E-banking, the banking operations are computerised. Some of the elements of E-banking are as follows:

1)	ATM	***A**utomated **T**eller **M**achine - Customer can use banking services via machine*
2)	Debit Card	Amount gets deducted from account holder's account ***as per the balance**.*
3)	Credit Card	Amount gets deducted from account holder's account ***as CREDIT.***
4)	RTGS	***R**eal **T**ime **G**ross **S**ettlement – Fund transfer* in "real time" & on "gross basis".
5)	NEFT	***N**ational **E**lectronic **F**und **T**ransfer – E*lectronically transfer of funds.
6)	IMPS	**I**mmediate **P**ayment **S**ervices – Transfer funds instantly
7)	Net/Mobile Banking	Transact banking operations with the help of computers, mobile, etc. 24x7

Business Services – TYPES

2) COMMUNICATION

Communication is an art of exchanging ideas, facts, information etc. from one person or entity to another. The process of passing any information from one person to another with the help of some medium is termed as communication.

Communication is very simple process where message is being transferred from a sender to the receiver. The receiver after receiving the message understand it in the desired form and then act accordingly.

TYPES OF COMMUNICATION:

1) **Postal Services**

   a) Mail Services
   b) Specialised Postal Services
   c) Money Remittance Services
   d) Retail Services

2) **Modem means of communication**

   a) Courier Service
   b) Internet
   c) E-Mail

BUSINESS SERVICES

Postal Services

The postal services in India come under the Department of Post and Telegraph which is the part of Ministry of Communication and Information and Technology. The Department of Posts, with its network of over 1.5 lakh Post Offices, is the largest postal network in the world.

TYPES OF POSTAL SERVICES:

1) Mail Services: It includes the following:

a) Inland Letter- A sheet of paper with prescribed size & folding, used within India only.
b) Envelope - Enables to send confidential messages as well as safely.
c) Parcel - Parcels of specified size & weight can be sent across the country & abroad.
d) Book Post - Printed books, magazines, journals etc. can be sent through book post.

2) Specialised Postal Services: It includes the following:

a) Business Post - Provides complete mailing solutions for businesses.
b) Logistic Post - Provides business customers a cost-effective and efficient value chain.
c) Bill Mail Service - Refers to delivery of financial statements, bills, monthly bills, etc.

TYPES OF POSTAL SERVICES:

3) Money Remittance Services: It includes the following:

a) Electronic Money Transfer (eMO) - A money order is an order issued by the Post Office for the payment of a sum of money to the person whose name is mentioned in the money order. The advantage of sending money to someone through money order is that the money is delivered at the house or his place of stay.

b) Instant Money Order (iMO) - India Post presents Instant Money Order (iMO), the instant on-line money transfer service that is instant, convenient, reliable and affordable. It is simple to send and receive money.

c) International Money Transfer - Money Transfer Service Scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only inward personal remittances are permissible.

4) Retail Services: It includes the following:

a) Retail Post - The department offers convenience to the general public by making third party products and services available in their vicinity through selected Post Offices.

b) e-Post - Customers can send their messages to any address in India with a combination of electronic transmission and physical delivery.

Modern Means of Communication

The postal services in India come under the Department of Post and Telegraph which is the part of Ministry of Communication and Information and Technology. The Department of Posts, with its network of over 1.5 lakh Post Offices, is the largest postal network in the world.

TYPES OF MODERN MEANS OF COMMUNICATION:

1) Courier Services - An individual or a company responsible for the exchange of items between two or more parties is known as courier service. As a premium service, courier service is usually more expensive than usual mail services.

2) Internet Services - The Internet (interconnected network) is the global system of interconnected computer networks that use the Internet protocol suite (TCP/IP) to link devices worldwide.

3) Email Services - Electronic mail (email or e-mail) is a method of exchanging mail between people using electronic devices. Neither the users nor their computers are required to be online simultaneously; they need to connect only for as long as it takes to send or receive messages.

Business Services – TYPES

3) INSURANCE

Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to protect against the risk of a contingent or uncertain loss.

Insurance is a contract between the insurer and the insured, whereby the insurer agrees to compensate the insured against loss. The insured has to pay a certain fixed sum of money on timely basis to the insurer, known as Premium.

BASIC TERMS IN INSURANCE:

1)	Insurer	*One who agrees to compensate the insured against losses for consideration.*
2)	**Assured*	*Insured is known as Assured in case of life insurance contract. A policy holder.*
3)	Insured	*One who is protected against certain losses.*
4)	Proposal	Written request by the insured to the insurer to issue an insurance policy.
5)	Subject Matter	*The subject or entity i.e. life, property, cargo, etc. which is insured.*
6)	Policy	*The statement of contract between the insured and insurer with terms.*
7)	Premium	*Medium and Long term funds to the business firms.*
8)	Claim	Demand made by the insured to the insurer to compensate for the loss.

INSURANCE PRINCIPLES

1) Principle of Utmost good faith: In all types of insurance contracts both the parties must have utmost good faith towards each other. The insurer and insured must disclose all material facts clearly, completely and correctly. Failure to provide complete, correct and clear information may lead to non-settlement of claim.

2) Principle of Insurable interest: Insurable interest means some financial interest in the subject matter. The insured must have insurable interest in the subject matter of insurance. Insurable interest is applicable to all insurance contracts.

3) Principle of Indemnity: Indemnity means an assurance to put the insured in same financial position in which he was immediately prior to the happening of the uncertain event. In this the insurer agrees to compensate the insured for the actual loss suffered. This principle is applicable to fire, marine and general insurance. ***It is not applicable to life insurance as loss of life can never be measured in monetary terms***.

4) Principle of Subrogation: After the insured is compensated for the loss due to damage of the property insured, the right of ownership of such property passes on to the insurer.

INSURANCE PRINCIPLES

5) Principle of Contribution: This principle is applicable to all contracts of indemnity where the insured has taken out more than one policy for the same risk or subject matter. Under this principle, the insured can claim the compensation only to the extent of actual loss either from one insurer or all the insurers. If the one insurer pays full compensation then that insurer can claim proportionate amount from other insurers from whom insured has taken policy.

6) Principle of Mitigation of loss: Insured must always try to minimise the loss of the property, in case of uncertain events. The insured must take all possible measures and necessary steps to control and reduce losses. Hence, it is the responsibility of the insured to protect the property and avoid loss.

7) Principle of Causa-Proxima: Principle of casusa proxima means, when a loss is caused by more than one causes, then prox-imate cause of loss should be taken into consideration to decide the liability of the insurer. The property is insured against some causes and not against all causes, in such a case, the proxi-mate cause of loss is to be found.

TYPES OF INSURANCE

1) Life Insurance: It is a contract between insurer and insured whereby, the insurer agrees to compensate the insured a certain sum on the expiry of certain period or on death whichever is earlier for a consideration (premium).

Types of Life Insurance Policies:

A) Whole Life Policy: Under this policy whole life of a person is insured. The insured cannot receive money from insurance company till he is alive. The rate of premium is normally low.

B) Term Insurance Policy: Term insurance policy is taken for a specific period. Term insurance policy has lowest premium among all insurance policies. Premium is fixed and does not change during the term of the policy.

C) Annuity Policy: The insured has to pay the premium in lump sum or in instalments over a certain period of time. The insured will receive back a specific sum periodically from specified date onwards, either for life or for a fixed number of years. It is like pension payment scheme.

Types of Life Insurance Policies:

D) Endowment Insurance Policy: Insurance is taken for specific period under this policy. The sum assured along with bonus is given on the death of the insured to dependents or on the expiry of the specific period, to the insured.

E) Child Insurance: A child insurance policy is a saving cum investment plan that is designed to meet child's future financial needs. A child insurance policy allows kids to live their dreams. Child insurance policy gives you the advantage to start investing in the children's plan right from the time the child is born and provisions to withdraw the savings once the child reaches adulthood.

F) ULIP Policy: ULIP stands for unit linked insurance policies. ULIP policies are very popular as they combine the benefits of life insurance policies with mutual funds.

G) Retirement Plans: A savings and investment plan that provides insured an income during retirement is called Retirement Plan. On maturity, this corpus is invested for generating a regular income stream which is referred to as pension or annuity.

TYPES OF INSURANCE

2) Fire Insurance: A fire insurance contract is an agreement whereby the insurer in return for consideration undertakes to indemnify the insured against the loss to property due to fire. The loss due to fire, lightening and explosion is also covered by fire insurance.

Types of Fire Insurance Policies:

A) Valued Policy: Under this policy, goods are insured for an agreed value between the insurer and insured at the time of taking policy. This facilitates easy settlements of claims in case of such items where it is difficult to assess the real market value.

B) Average Policy: This contains an average clause. If the subject matter is not insured as per the market value, then the insurer is liable to pay that percentage of the loss for which it is insured.

C) Specific Policy: In case of specific policy, the property is insured for a definite sum irrespective of the market value. If there is a loss, stated amount will have to be paid to the policy holder. In this policy, the actual value of the subject matter is not considered.

Types of Fire Insurance Policies:

D) Floating Policy: This policy can be taken for the goods which are lying at different locations or godowns or warehouses. Such policy is taken for one sum and one premium for goods lying at different places.

E) Comprehensive Policy: Normally, a fire insurance policy does not cover losses due to riots, war etc. However, this policy covers a lot of risks under single policy. The risks may be loss of goods due to fire, explosion, earthquakes, floods etc.

F) Consequential Loss Policy: The fire insurance is originally purchased to indemnify the material loss only. The intangible interest was not indemnified. Thus, the consequential loss policy includes the loss of tangible and intangible properties. This policy provides an indemnity to the insured for loss of net profits, expenditure in respect of the increased cost of working, etc.

TYPES OF INSURANCE

3) Marine Insurance: It gives protection against the losses caused due to the dangers of the sea. It is a form of insurance contract covering loss or damage to vessels or to cargo or passengers during marine transportation. All the principles of insurance are applicable to marine insurance contracts.

Types of Marine Insurance Policies:

A) Valued Policy: Under this policy, value of the subject matter of insurance is agreed upon at the time of making a contract. Valued policy is taken for those goods whose value becomes difficult to calculate in case of loss by fire.

B) Voyage Policy: It is a policy in which the subject matter is insured for a specific voyage irrespective of time involved in it. In this case, risk begins only when the ship starts on voyage.

C) Time Policy: In this policy the subject matter is insured for a definite period of time. A time policy cannot be for a period exceeding one year, but it may contain continuation clause, where-by the risk shall be covered until the voyage is completed.

Types of Marine Insurance Policies:

D) Blanket Policy: This policy is taken for maximum limit of the required amount of protection and full amount of premium is paid in the beginning of the policy. This policy describe the nature of goods insured, specific route, ports and places of voyage. It covers multiple risks on one property or it covers many properties under the policy.

E) Single Vessel Policy: This policy is suitable for small ship owner having only one ship or having one ship in different fleets. It covers the risk of one vessel of the insured.

Business Services – TYPES

4) TRANSPORT

In India, transport plays an important role in nation's economy. After 1991, development of infrastructure within the country has progressed at a rapid pace and today there are different modes of transport used such as land, water, air etc.

Transportation is the movement of people, animals and goods from one location to another location or it can be defined as a means of carrying goods and people from one place to another place.

MODES OF TRANSPORT:

1)	Road	*Connect people and places on the surface of the land.*
2)	Water	*Movement of goods & passengers on water by using boats, ships etc.*
3)	Air	*Ferrying goods and passengers through airways by using different aircrafts.*
4)	Rail	*Transportation of goods and passengers on rail lines through trains.*
5)	Metro/Mono R	*Rapid transit systems found in urban areas*
6)	Ropeway	*Mode of transport connecting two places on hills or across a valley or river.*
7)	Pipeline	*Sends goods through a pipe, most commonly liquid and gases.*

Business Services – TYPES

5) WAREHOUSING

Warehousing refers to storage of goods and consists of all those activities which are connected with storage and preserving of goods.

Warehousing can be defined as a group of activities connected with the storing and preserving of stored goods from the time of production till the time of consumption.

FUNCTIONS OF A WAREHOUSE:

1) Storage: This is the basic function of warehousing. Surplus commodities which are not needed immediately can be stored in warehouses. They can be supplied as and when needed by the customers.

2) Price Stabilization: Warehouses play an important role in the process of price stabilization. It is achieved by the creation of time utility by warehousing. Whenever, there is shortage in the market, goods can be immediately supplied through ware-houses, which helps in price stabilization to avoid rise in price due to demand and supply difference.

Functions of a Warehouse:

3) Risk bearing: When the goods are stored in warehouses they are exposed to many risks in the form of theft, deterioration, fire etc. Warehouses are constructed in such a way that they minimise these risks.

4) Financing: Loans can be raised from the warehouse keeper or from financial institutions against the goods stored by the owner. In this manner, warehousing acts as a source of finance for the businessmen.

5) Grading and Packing: Warehouses now-a-days provide the facilities of packing, processing and grading of goods. Goods can be packed in convenient sizes as per the instructions of the owner.

6) Transportation: Warehouses can provide transportation facility to bulk depositors. It collects goods from the place of production and also sends goods to the place of delivery on the request of the owner.

Types of Warehouses:

1) Private Warehouses: The private warehouses are owned and operated by big manufacturers and merchants to fulfill their own storage needs. A big manufacturer or wholesaler may have a network of his own warehouses in different parts of the country.

2) Public Warehouses: A public warehouse is a specialised business establishment that provides storage facilities to the general public for a certain charge. It may be owned and operated by an individual or a cooperative society.

3) Bonded Warehouses: Bonded warehouses are licensed by the government to accept imported goods for storage until the payment of custom duty. These warehouses work under the control of custom authorities.

4) Duty paid Warehouses: If an importer faces any problem in transportation of goods, after making payment of duty, then goods can be stored at a duty paid warehouse. All duty paid warehouses are public warehouses which are available to all importers. These are located near port & dock area.

Types of Warehouses:

5) Government Warehouses: These warehouses are owned, managed and controlled by central and state governments or public authorities. It is difficult for small farmers, businessmen, traders to own a warehouse, so these government warehouses assist them in storing their goods at nominal charge.

6) Co-operative Warehouses: These warehouses are owned, managed and controlled by co-operative societies. They mainly provide warehousing facilities at most economical rates. These type of warehouses are very useful for farmers and traders and general public.

7) Cold storage Warehouses: Cold storage warehouses provide facilities for perishable commodities like fruits, flowers, vegetables, dairy products etc. In cold storage warehouses, goods are stored and refrigerated at very low temperatures so as to preserve them and use them in future. International trade has become possible due to these warehouses.

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