

Revision Notes for CBSE Class 11 Business Studies Chapter 4, Business Services:

What is a Service?

Services are intangible economic activities performed to achieve certain needs and does not necessarily has to be associated to selling of a product. Example: receiving advice from doctors.

Nature of Services

- Services are intangible, they can't be touched.
- Services are inconsistent since they are intangible, they have to be exclusively performed for people as per their needs.
- It is inseparable from production and consumption, because it takes place unknowingly.
- Since, they are intangible they can't be stored for long enough and thus possess less inventory.
- High involvement of the customer.

Differences between goods and services

Goods	Services
It is a physical object	It is an activity or a process
It is homogeneous	It is heterogeneous
Tangible	Intangible
Consistent, fulfills similar needs of customers. Eg: mobile phones	Inconsistent, deals with exclusive demands of customers. Eg: Mobile services
Separate production and consumption	Simultaneous production and consumption
Can be kept in stock	Cannot be kept in stock
Involvement of customers takes place if delivery hasn't happened	Involvement of customers takes places during delivery process

Types of Services

- **Business Services-** Services used by businesses for conduct of their activities are business services. For example, banking, insurance, transportation, warehousing and communication services.
- **Social Services-** Services offered in pursuit of social goals are called social services. For example: health care and education services provided by certain Non-government Organisations (NGOs) and government agencies.
- **Personal Services-** These services are different in nature of experience of their customers. For example, tourism, recreational services, restaurants

What is Banking?

Banking means accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheques, draft, order or otherwise. A bank accepts money on deposits, repayable on demand and also earns a margin of profit by lending money.

Types of Banks

Banks can be classified into four types:

- **Commercial Banks-** They are institutions that deal in money. For them, banking means accepting deposits from people and lending on investment. They are governed by Indian Banking Regulation Act, 1949. There are two types of commercial banks: public sector and private sector.
- **Cooperative Banks-** They are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members.
- **Specialised Banks-** These banks provide financial aid to industries, heavy turnkey projects and foreign trade. Banks such as foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities.
- **Central Bank-** The Central bank of any country supervises, controls and regulates the activities of all the commercial banks of that country. RBI is the central bank in India.

Functions of Commercial Banks

- Acceptance of deposits
- Lending of funds
- Cheque facility

- Remittance of funds
- Allied services

What is e-banking?

Performing of any virtual banking functions and availing any of the bank's services by connecting to bank's website via internet browser is called e-banking.

Benefits of e-banking:

- Facilitates digital payments and promotes transparency in financial statements.
- Provides service at any time of the day and is available for 365 days.
- Easy transactions via travelling
- Maintains financial discipline since every transaction goes into transparent record.
- Greater customer satisfaction

What is insurance?

Insurance is thus a device by which the loss likely to be caused by an uncertain event is spread over a number of persons who are exposed to it and who prepare to insure themselves against such an event.

Functions of insurance

- Providing certainty
- Protection
- Risk sharing
- Assist in capital formation

Principles of insurance

- Utmost good faith
- Insurable interest
- Indemnity
- Proximate cause
- Subrogation
- Contribution
- Mitigation

Types of insurance

- **Life insurance-** A life insurance policy was introduced as a protection against the uncertainty of life. The insurance company undertakes to insure the life of a person in exchange for a sum of money called premium.
- **Fire insurance-** Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by fire during a specified period upto the amount specified in the policy. Fire insurance can be claimed only when: there is an actual loss and fire incident was accidental and non intentional.
- **Marine insurance-** A marine insurance contract is an agreement whereby the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses. Marine insurance provides protection against loss by marine perils or perils of the sea.

Types of life insurance policies

- **Whole-life policy-** In this kind of policy, the amount payable to the insured will not be paid before the death of the assured.
- **Endowment Life Assurance Policy-** The insurer (Insurance Company) undertakes to pay a specified sum when the insured attains a particular age or on his death whichever is earlier.
- **Joint Life Policy-** This policy is taken up by two or more persons. The premium is paid jointly or by either of them in instalments or lump sum.
- **Annuity Policy-** Under this policy, the assured sum or policy money is payable after the assured attains a certain age in monthly, quarterly, half yearly or annual installments.
- **Children's Endowment Policy-** This policy is taken by a person for his/her children to meet the expenses of their education or marriage.

Types of Marine Insurance policies

- **Ship or hull insurance-** This insurance policy is for indemnifying the insured for losses caused by damage to the ship.

- **Cargo insurance**-The cargo while being transported by ship is subject to many risks. Thus, an insurance policy can be issued to cover against such risks to cargo.
- **Freight insurance**- Freight insurance is for reimbursing the loss of freight to the shipping company i.e., the insured.

What are Communication Services?

Communication services are essential for a business for the following reasons:

- Establishing links with the outside world viz., suppliers, customers, competitors etc.
- Transmission of ideas and information.

Types of Communication Services

- **Postal services**-They mainly function on providing two facilities, mail facilities and financial facilities. Other facilities offered by them are: Greeting post, media post, passport facilities, Direct post, Speed post and E-bill post.
- **Telecom services**- It aims to offer services related to cable and television. Multiple types of telecom services are: Cellular mobile services, Fixed line services, Cable services, VSAT services, DTH services.

Transportation services

Transportation comprises freight services together with supporting and auxiliary services by all modes of transportation i.e., rail, road, air and sea for the movement of goods and international carriage of passengers.

Warehousing Services

Warehouse is a static unit for keeping and storing goods in a scientific and systematic manner so as to maintain their original quality, value and usefulness.

Types of warehouses

- **Private warehouses**- Private warehouses are operated, owned or leased by a company handling their own goods, such as retail chain stores or multi-brand multi-product companies.
- **Public warehouses**- Public warehouses can be used for storage of goods by traders, manufacturers or any member of the public after the payment of a storage fee or charges.
- **Bonded warehouses**- Bonded warehouses are licensed by the government to accept imported goods prior to payment of tax and customs duty.
- **Government warehouses**- These warehouses are fully owned and managed by the government.
- **Cooperative warehouses**- Some marketing cooperative societies or agricultural cooperative societies have set up their own warehouses for members of their cooperative society.

Functions of warehousing

- Consolidation
- Break the bulk
- Stock piling
- Value added services
- Price stabilisation
- Financing