



# *Business Studies Notes PDF*

*On*

*Business Services*

*(Class - 11 / Chapter - 4)*

**Goods:**

A good is a tangible item that can be supplied to a buyer and entails the transfer of ownership from the seller to the buyer.

**Services:**

Services are discreetly recognisable, basically intangible actions that satisfy demands but are not always tied to the selling of a product or another service. For example, banking services, telecommunication services etc,

**NATURE OF BUSINESS SERVICES:**

- 1. Intangibility:** Cannot be seen, touched or smelled. Just can only be felt, yet their benefits can be availed of e.g. Treatment by doctor.
- 2. Inconsistency:** Different customers have different demands & expectation. e.g.- Mobile services/Beauty Parlour.
- 3. Inseparability:** Simultaneous activity of production and consumption makes the production and consumption of services seem to be inseparable. Services must be utilised in the order in which they are created.
- 4. Inventory Loss:** Services cannot be stored for future use or performed earlier to be consumed at a later date. e.g. underutilized capacity of hotels and airlines during slack demand cannot be stored for future when there will be a peak demand.
- 5. Involvement:** A service characteristic is the customer's involvement in the service delivery process. Customers have the option of having services customised to meet their individual needs.

**Difference between Services and Goods**

BASIS	SERVICES	GOODS
Nature	An activity or process. e.g., watching a movie in a cinema hall	A physical object. e.g., video cassette of movie
Intangibility	Intangible e.g., doctor treatment	Tangible e.g., medicine
Type	Heterogeneous	Homogenous
Inconsistency	Different customers having different demands e.g., mobile services	Different customers getting standardized demands fulfilled. e.g., mobile phones
Inseparability	Simultaneous production and consumption. e.g., eating ice-cream in a restaurant	Separation of production and consumption. e.g., purchasing ice cream from a store
Inventory	Cannot be kept in stock. e.g., experience of a train journey	Can be kept in stock. e.g., train journey ticket
Involvement	Participation of customers at the time of service delivery. e.g., self-service in a fast food joint	Involvement at the time of delivery not possible. e.g., manufacturing a vehicle

**Type of Services:**

- 1. Social Services:** Provided voluntarily to achieve certain goals e.g. healthcare and education services provided by NGOs.
- 2. Personal Services:** Services which are experienced differently by different customers. e.g. tourism, restaurants etc.
- 3. Business Services:** Services used by business enterprises to conduct their activities smoothly. e.g. Banking, Insurance, communication, Warehousing and transportation.

**Banking:**

Banking companies transact the business of banking for the aim of lending and investing public money deposits repayable on demand or otherwise and withdrawal by checks, drafts, orders, or some other means. In simple terms, a bank accepts money on deposit that is repayable on demand, as well as lending money to generate a profit margin.

**TYPES OF BANK**

**(i) Commercial Banks:** Commercial banks are institutions dealing in money. These are governed by Indian Banking Regulation Act 1949 and according to it banking means accepting deposits of money from the public for the purpose of lending or investment. There are two types of commercial banks, public sector and private sector banks.

**(ii) Cooperative Banks:** Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members. It is an important source of rural credit, i.e., agricultural financing in India.

**(iii) Specialised Banks:** Specialised banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities. These banks provide financial aid to industries, heavy turnkey projects and foreign trade.

**(iv) Central Bank:** The Central bank of any country supervises controls and regulates the activities of all the commercial banks of that country. It also acts as a government banker. The Reserve Bank of India is the central bank of our country.

**Functions of Commercial Banks:****1. Acceptance of deposits:**

- Because banks are both borrowers and lenders of money, deposits are the foundation of loan operations. They pay interest as borrowers, and they receive interest as lenders.
- Deposits are generally taken through a current account, saving account and fixed deposit.
- Deposits in a current account can be withdrawn to the extent of the balance at any time and without any specific, timely warning.
- Fixed accounts are time deposits that pay a greater interest rate than savings accounts.
- A premature withdrawal is allowed, but the percentage of interest earned will be lost.

**2. Cheque facility:**

- The cheque is the most advanced credit instrument, as well as a distinctive feature and function of banks for deposit withdrawal.
- It is the most practical and cost-effective mode of exchange.
- There are two types of cheques:
  - Bearer cheques, which can be cashed at a bank counter right away.
  - Crossed checks; that should only be placed in the payee's account.

**3. Lending of funds:**

- From the money obtained through deposits, banks provide loans and advances.

- The advances can be made in the form of overdraft and cash credit discount rate bills, common term loans, consumer credit and other miscellaneous advances.
- 4. Remittances of funds:**
- Because of the interconnection of branches, it is possible to move funds from one location to another.
  - Bank drafts, pay orders on mail transfer, and minimal commission charges are all used to transmit monies.
- 5. Allied services:**
- Bill payments, locker facilities, underwriting services come under this.
  - Other services they provide include purchasing and selling shares and debentures on behalf of clients, as well as other personal services.

### **E-banking:**

Online banking, often known as internet banking, e-banking, or virtual banking, is an electronic payment system that allows bank or other financial institution customers to execute a variety of financial transactions via the bank's website.

The word "internet banking" refers to the process of a client doing banking transactions over the internet. This sort of banking makes use of the internet as the primary mode of delivery for all banking transactions.

### **Benefits of E-banking:**

- E-banking facilitates digital payments and increases financial statement transparency.
- Internet banking allows customers to conduct business transactions from anywhere in the world as long as they have access to the internet (Apart from periods of website maintenance).
- E-banking aids in the reduction of banking service operational costs. At a cheap cost, better quality services can be provided.
- Lower operating cost results in higher interest rates on savings and lower rates on mortgages and loans offered from the banks.
- Some banks offer high yield certificates of deposits and don't penalize withdrawals on certificate of deposits, opening of accounts without minimum deposits and no minimum balance.
- Electronic cash transfers allow online banking users to automatically fund accounts from long-established bank accounts.
- A client can monitor his/her spending via a virtual wallet through certain applications.
- Transactions are completed faster than with ATMs or traditional banking.
- Customers can get discounts from retail stores using credit cards and debit cards.
- E-banking enables the bank to give consumers efficient, cost-effective, and high-quality service. It aids the bank in attracting new customers and successfully retaining existing ones.
- Customers can withdraw money from ATM machines at any time.

### **Insurance**

Insurance is a contract under which one party (Insurer or Insurance Company) agrees in return of a consideration (Insurance premium) to pay an agreed sum of money to another party (Insured) to make good for a loss, damage or injury to something of value in which the insured has financial interest as a result of some uncertain event.

### **Functions of Insurance:**

- **Certainty:** Insurance tends to reduce the level of risks, and the insured receives the payment for loss. The insurer charges for providing the certainty, in terms of premium.
- **Protection:** The second main function of insurance is to provide protection from probable chances of loss. Insurance cannot stop the happening of a risk or event but can compensate for losses arising out of it.
- **Risk sharing:** On the happening of a risk event, the loss is shared by all the persons exposed to it. The share is obtained from every insured member by way of premiums.
- **Capital formation:** The assets accumulated by insurers as a result of premium payments made by the insured are invested in a variety of income-generating schemes.
- **Assist in capital formation:** The accumulated funds of the insurer received by way of premium payments made by the insured are invested in various income generating schemes.

### Principles of Insurance:

- Utmost Good Faith
- Insurable Interest
- Principle of Indemnity
- Proximate Cause
- Principle of Subrogation
- Contribution
- Principle of Mitigation of Loss

### Types of Insurance:

#### 1. Life insurance:

- Life insurance is a contract in which the insurer agrees to pay the assured, or the person for whose benefit the policy is taken, the assured sum of money on the occurrence of a specified event contingent on human life or at the expiration of a specified period, in exchange for a certain premium, either in a lump sum or by other periodical payments.
- The policy is the written version of the agreement or contract that contains all of the terms and conditions.
- The insured is the one whose life is protected.
- The insurance company is the insurer and the consideration paid by the insured is the premium.
- The premium can be paid in installments over time.

**2. Fire Insurance:** It provides safety against loss from fire. If property of insured gets damaged due to property as compensation from insurance company. If no such event happens, then no claim shall be given.

#### Features:

- (I) Utmost Good Faith
- (II) Contract of Indemnity
- (III) Insurable Interest in Subject matter.
- (IV) Subject to the doctrine of causa proxima.
- (V) It is a contract for a year. It generally comes to an end at the expiry of the year and may be renewed.

**3. Marine Insurance:** Marine Insurance provides protection against loss during sea voyage. The businessmen can get his ship insured by paying the premium fixed by the insurance company. The functional principles of marine insurance are the same as the general principles of Insurance.

### OTHER INSURANCE

**Health Insurance:** With a lot of awareness today, Health insurance has gained a lot of popularity. General Insurance companies provide special health insurance policies such as Mediclaim for the general public. The

insurance company charges a nominal premium every year and in return undertakes to provide up to stipulated amount for the treatment of certain diseases such as heart problem, cancer, etc.

### **Communication Services:**

Business does not operate in a vacuum; it must communicate with others in order to exchange ideas and information. To be effective, communication services must be efficient, accurate, and quick. In today's fast-paced and competitive world, advanced technology is critical for speedy decision-making.

**For example,**

1. Postal Services
2. Telecom Services

**1. Postal Services:** This service is required by every business to send and receive letters, market reports, parcel, money orders etc. on a regular basis. All these services are provided by the post and telegraph offices scattered throughout the country. The postal department performs the following services.

- **Financial facilities:** These facilities are provided through the post office's savings schemes like Public Provident Fund (PPF), KisanVikasPatra, and National Saving Certificate.
- **Mail Services:** The mail services offered by post offices includes transmission of messages through postcards, Inland letters, envelopes etc.
- **Additional Services:** Greeting cards, media mail, international money transfers, speed mail, passport services, and e-billing.

**2. Telecom Services:** Today's global business world, the dream of doing business across the world, will remain a dream only in the absence of telecom services. The various types of telecom services are:-

- Cellular mobile services
- Cable services
- Fixed line services
- VSAT Service (Very small Aperture Terminal)
- DTH services

### **Transportation:**

Transportation comprises freight services together with supporting and auxiliary services by all the modes of transportation i.e. rail, road, air and sea for the movement of goods and international carriage of passengers. Both government and industry must be proactive and consider the efficient operation of this service as a need for providing a lifeline to a business.

### **Warehousing Services:**

Economic expansion has always placed a premium on storage. Initially, the warehouse was thought of as a static unit for maintaining and storing commodities in a scientific and systematic manner in order to preserve their original quality, worth, and utility. Warehouses have progressed from being merely storage facilities to becoming cost-effective logistical service providers.

### **Types of warehouses:**

- Cooperative warehouse
- Government warehouse
- Bonded warehouse
- Public warehouse
- Private warehouse

### Functions of Warehousing:

- **Consolidation:** In this function the warehouse receives and consolidates materials/goods from different production plants and dispatches the same to a particular customer on a single transportation shipment.
- **Break the bulk:** Warehouses are responsible for dividing large quantities of items received from manufacturing companies into smaller quantities. The smaller quantities are then transported according to the requirements of clients to their places of business.
- **Stockpiling:** The next function of warehousing is the seasonal storage of goods to select businesses. Goods or raw materials, which are not required immediately for sale or manufacturing, are stored in warehouse.
- **Value added services:** Certain value added services are also provided by the warehouses, such as transit mixing, packaging and labeling. When prospective buyers inspect goods, they may need to be opened, covered, and labeled again.
- **Price stabilization:** Warehousing acts as a price stabilizer by altering the supply of commodities to match the demand scenario. As a result, when supplies rise and demand falls, and vice versa, prices are kept in check.
- **Financing:** Warehouse owners advance money to the owners in exchange for security of products, and then sell goods to clients on credit terms.

[Follow on Facebook](#)[Follow on Instagram](#)[Join us on Telegram](#)A purple rectangular box with the word "Commerce" written in a white, cursive font. There are small black dots at the corners of the box.**CLASSES**