

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

Class 11 commerce Sub. BST. Date 16.11.2020

Teacher name – Ajay Kumar Sharma

### BUSINESS SERVICES

#### SUMMARY

**Nature of services:** Services are those separately identifiable, essentially intangible activities that provide satisfaction of wants, and are not necessarily linked to the sale of a product or another service. There are five basic features of services. These features also distinguish them from goods and are known as the five Is of services i.e., Intangibility, Inconsistency, Inseparability, Inventory (less), Involvement.

**Difference between services and goods:** While goods are produced, services are performed. A service is an act which cannot be taken home. What we can take home is the effect of the services. And as the services are sold at the consumption point, there are no inventories.

**Types of services:** Business Services, Social Services, Personal Services.

**Business services:** In order to be competitive, business enterprises are becoming more and more dependent on specialised business services. Business enterprises look towards banks for availability of funds; insurance companies for getting their plant, machinery, goods, etc., insured; transport companies for transporting raw material and finished goods; and telecom and postal services for being in touch with their vendors, suppliers and customers.

**Banking:** A banking company in India is one which transacts the business of banking which 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.

**Type of banks:** Banks can be classified into the following i.e., commercial banks, cooperative banks, specialised banks, central bank.

**Functions of commercial bank:** Some of them are the basic or primary functions of a bank while others are agency services or general utility services in nature. Acceptance of deposits, lending of funds, cheque facility, remittance of funds, allied services.

**e-Banking:** The latest wave in information technology is internet banking. It is a part of virtual banking and another delivery channel for customers. e-banking is electronic banking or banking using the electronic media. Thus,



e-banking is a service provided by many banks, that allows a customer to conduct banking transactions, such as managing savings, checking accounts, applying for loans or paying bills over the internet using a personal computer, mobile telephone or handheld computer (personal digital assistant)

**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 are prepared to insure themselves against such an event. It is a contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make good a loss, damage or injury to something of value in which the insured has a pecuniary interest as a result of some uncertain event.

**Fundamental principle of insurance:** The basic principle of insurance is that an individual or a business concern chooses to spend a definitely known sum in place of a possible huge amount involved in an indefinite future loss. Insurance, therefore, is a form of risk management primarily used to safeguard against the risk of potential financial loss.

**Functions of insurance:** Providing certainty, Protection, Risk sharing, Assist in capital formation.

### **Principles of Insurance**

**Utmost good faith:** A contract of insurance is a contract of uberrimae fidei i.e., a contract founded on utmost good faith. Both the insurer and the insured display good faith towards each other in regard to the contract.

**Insurable interest:** The insured must have an insurable interest in the subject matter of insurance.

Insurable interest means some pecuniary interest in the subject matter of the insurance contract.

**Indemnity:** According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against.

**Proximate cause:** When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is a natural consequence.

**Subrogation:** It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of the insured in respect of recovery from an alternative source is involved.

**Contribution:** As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss payment.

**Mitigation:** This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property.



## **Types of Insurance**

**Life insurance:** Life insurance may be defined as a contract in which the insurer, in consideration of a certain premium, either in a lump sum or by other periodical payments, agrees to pay to the assured, or to the person for whose benefit the policy is taken, the assured sum of money, on the happening of a specified event contingent on the human life or at the expiry of a certain period.

This insurance provides protection to the family at premature death of an individual or gives adequate amount at an old age when earning capacities are reduced. The insurance is not only a protection but is a sort of investment because a certain sum is returnable to the insured at the time of death or at the expiry of a certain period.

The main elements of a life insurance contract are:

- (i) The life insurance contract must have all the essentials of a valid contract.
- (ii) The contract of life insurance is a contract of utmost good faith.
- (iii) In life insurance, the insured must have insurable interest in the life assured.
- (iv) Life insurance contract is not a contract of indemnity.

**Types of life insurance policies:** People have different requirements and therefore they would like a policy to fulfill all their needs. The needs of people for life insurance can be family needs, children's needs, old age and special needs. To meet the needs of people the insurer's have developed different types of products such as Whole Life Assurance, Endowment type plans, combination of Whole Life and Endowment type plans, Children's Assurance plans and Annuity plans.

**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 a fire during a specified period upto the amount specified in the policy.

The main elements of a fire insurance contract are:

- (i) In fire insurance, the insured must have insurable interest in the subject matter of the insurance.
- (ii) Similar to the life insurance contract, the contract of fire insurance is a contract of utmost good faith i.e., uberrimae fidei.
- (iii) The contract of fire insurance is a contract of strict indemnity.
- (iv) The insurer is liable to compensate only when fire is the proximate cause of damage or loss.

**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. Marine insurance is slightly different from other types. There are three things involved i.e., ship or hull, cargo or goods and freight.

The main elements of a marine insurance contract are:

- (i) Unlike life insurance, the contract of marine insurance is a contract of indemnity.
- (ii) Similar to life and fire insurance, the contract of marine insurance is a contract of utmost good faith.
- (iii) Insurable interest must exist at the time of loss.
- (iv) The principle of causa proxima will apply to it.

**Communication services:** Communication services are helpful to business for establishing links with the outside world viz., suppliers, customers, competitors etc. The main services which help business can be classified into postal and telecom.

**Postal services:** Various facilities provided by postal department are broadly categorised into financial facilities, mail facilities.

**Telecom services:** The various types of telecom services are of the following types: Cellular Mobile Services, Radio Paging Services, Fixed line services, Cable Services, VSAT Services, DTH services.

**Transportation:** 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:** The warehouse was initially viewed as a static unit for keeping and storing goods in a scientific and systematic manner so as to maintain their original quality, value and usefulness.

Today's warehouses have ceased to be mere storage service providers and have really become logistical service providers in a cost efficient manner.

**Types of warehouses:** private warehouses, public warehouses, bonded warehouses, government warehouses, cooperative warehouses.

**Functions of warehousing:** The functions of warehousing are normally discussed as follows : consolidation, break the bulk, stock piling, value added services, price stabilisation, financing.