

Chapter 4: Business Services

NCERT · Class 11 · Business Studies

Textbook exercises

Question 1

Define services and goods.

Solution

Ans: Services are intangible activities that need face-to-face interaction between the customer (service purchaser) and the service provider (service seller) at the moment of delivery. There is no requirement that the services entail the manufacture or sale of products. The following two categories are used to categorise services.

- Business Services: Banking, insurance, and warehousing are examples of business services.
- Professional Services: Legal services, medical counselling, and tax consulting are examples of professional services.

The phrase 'goods,' in contrast to services, refers to actual and tangible things whose ownership is passed to the customer as soon as the product is purchased. Examples of goods are, plants and machinery etc..

Question 2

What is e-banking? What are the advantages of e-banking?

Solution

Ans: E-banking is the use of an electronic medium to execute different banking activities such as money transfers, account checks, and loan applications. Commercial banks provide these services to make it simple for its account holders to perform financial transactions online from any location and at any time.

The following are some of the benefits of e-banking.

- **Availability 24x7:** E-banking is available 24 hours a day, 365 days a year. At any moment, a client can log into his or her own bank account and execute financial activities online. Customers benefit from increased flexibility and comfort because they do not have to visit their banks in person.
- **Convenient Access:** Transactions may be done on mobile phones and PCs as needed.
- **E-banking Decreases Bank Workload:** E-banking reduces bank workload by allowing a substantial part of tasks to be performed electronically.

Question 3

Write a note on various telecom services available for enhancing business.

Solution

Ans: The many sorts of telecom services that enable a firm to carry out its activities efficiently are listed below.

- **Cellular Mobile Service:** This includes voice and non-voice transmission, as well as data transmission.
- **Radio Paging Service:** This is a one-way communication system that sends out information in the form of a tone, numeric, or alphanumeric message.
- **Fixed-Line Service:** This type of service entails the installation of fibre optic cables across the nation for the transmission of data, including voice and non-voice communications.
- **Cable Service:** This service transmits media-related information to a designated operational region for which a licence has been obtained. The information flow is one-way with this sort of telecom service.
- **VSAT Service:** VSAT stands for "Very Small Aperture Terminal" and refers to a satellite-based communication service that allows information to be sent to far-flung and remote locations. As a result, businesses benefit from a broader reach and greater flexibility.
- **DTH Service:** DTH stands for Direct-To-Home, and it is a form of telecommunications service provided by DTH providers. Customers receive TV channels through satellites from the

corporations. Customers may watch several channels by connecting their television to a tiny dish antenna and a set-top box.

Question 4

Explain briefly the principles of insurance with suitable examples.

Solution

Ans: The following are the specific principles of a legal insurance contract:

- **Absolute Good Faith:** Both the insurer and the insured must believe in each other and the contract they have signed. For example, if Rahul has a heart condition, he should tell his insurance firm about it while purchasing a life insurance policy.
- **Insurable Interest:** The insurable interest requires that the owner of a particular insurance policy has an insurable interest in the subject matter of the insurance policy. For example, a wife having insurable interest in her husband's life due to financial dependency, a person's interest in his property etc.
- **Principle of Indemnity:** The goal of an insurance contract, according to the indemnity principle, is to restore the insured to the same financial position as before the loss. to he or she For example, if a person loses Rs. 1 lakh in a fire, the insurance company will only accept a claim up to Rs. 1 lakh and not more.
- **Principle of Proximate Cause:** The proximate cause insurance principle states that the nearest or closest cause should be considered, and the insurance company will compensate only for the causes that have been mentioned in the insurance contract, or any proximate causes, and not the remote causes of damage. For example, if a person is injured in a fire, this should be included in the contract so that the individual may collect the insurance benefits.
- **Principle of Subrogation:** Once the compensation is paid, the insurer gains ownership of the damaged item, preventing the insured from profiting from the sale of the damaged property. For example, if a person receives Rs. 1 lakh for a damaged stock, the stock's ownership will be transferred to the insurance company, and the person will no longer have control over the stock.
- **Principle of Contribution:** If an individual purchases many insurance policies for the same item, the insurers will pool their resources to reimburse the insured for the real loss. If a person A

insures his or her home for Rs. 2 lakh with insurance B and Rs. 1 lakh with another insurer, say C, then in the event of a loss of Rs. 90,000, insurer B and insurer C will pay A Rs. 90,000 in total and no more.

- **Principle of Mitigation:** The insured shall treat the insured thing with the same care as he or she would if the insurance were not present. For example, if a person obtains fire insurance, he or she should take all reasonable steps to minimise property damage in the event of a fire, just as he or she would have done if the insurance had not been purchased.

Question 5

Explain warehousing and its functions.

Solution

Ans: Warehousing is the process of keeping things in a systematic and orderly way in order to preserve their worth and quality. Warehouses provide not only storage but also logistical services by locating the appropriate amount in the right place at the right time and at the right price.

- **Storage:** Warehouses make it easier to store products and raw materials that aren't needed right away for sale or manufacture, while also protecting them from rotting and damage.
- **Value-added Services:** They provide producers with value-added services such as product grading, packaging, and labelling.
- **Financing:** The warehouse receipt can be used as collateral to borrow money from banks or other financial organisations by the owner of the products or raw materials kept in the warehouse.
- **Break the Bulk:** Warehouses are responsible for dividing large quantities of items received from manufacturing companies into smaller quantities. The small batches are then transported as per the requirements of customers.
- **Consolidation:** The warehouses gather and consolidate material/goods from various manufacturing units before dispatching them to a specific consumer via a single transportation package.

Question 6

What are services? Explain their distinct characteristics?

Solution

Ans: Services are intangible economic activities that need face-to-face interaction between the customer and the service provider at the point of delivery. Services do not require the manufacture or sale of products and are mostly given to meet the needs of individuals.

Business services (such as banking, insurance, and warehousing) and professional services are the two types of services (including legal services, medical advice and tax consultancy).

The following are the types of services:

- **Intangible:** Because services cannot be seen or touched, they are intangible. They can only be experienced. As a result, the quality of services cannot be determined prior to their use. As a result, it becomes critical for service providers to provide services that meet the needs of the individuals involved.
- **Inseparable:** Simultaneous activity of production and consumption makes the production and consumption of services seem to be inseparable. Unlike products, which are manufactured today and sold later, services must be consumed immediately once they are made accessible.
- **Inconsistent:** There are no defined standards for services; they must be delivered according to the demand and expectations of service consumers at any given moment. Due to the fact that each service user has distinct interests and preferences, the type and quality of services offered varies per user.
- **Engagement:** At the moment of service delivery, the involvement of both the service user and the service provider is required. In a school, for example, the instructor and the pupils are actively involved in the exchange of knowledge-transfer services.
- **Inventory:** Services cannot be held in inventory and sold at a later date. They must be made available when service users request them. This is due to the fact that if services are not utilised immediately, they lose their value.

Question 7

Explain the functions of commercial banks with an example of each.

Solution

Ans: Commercial banks are responsible for the following tasks:

- **Deposits:** Banks accept and pay interest on a variety of public deposits, including savings account deposits, current account deposits, and fixed account deposits. They owe it to the depositor to refund the money placed by him or her.
- **Funds Lending:** Banks provide loans and advances based on the total amount of money they have on hand. Overdrafts, reduced trade bills, cash or consumer credits, and other types of advances are available. Banks make a lot of money from the interest they charge on these loans.
- **Extending the Cheque Facility:** Banks collect checks written on other banks, thus acting as a clearing house. Bearer cheques (encashable instantly at bank counters) and crossed checks (only deposited in the payees' accounts) are the two most common forms of cheques.
- **Funds Remittance:** Banks assist clients in moving funds from one location to another. Bank draughts and pay orders can be used to make these transfers, and there are no commission fees.
- **Provision of Ancillary Services:** In addition to their core duties, banks offer services such as lockers, underwriting, and bill payment. They also handle things like purchasing and selling stocks and debentures on behalf of their clients.

Question 8

Write a detailed note on various facilities offered by the Indian Postal Department.

Solution

Ans: The Indian Postal Department offers the services listed below.

- **Financial Facilities:**

Post offices provide a range of savings options to the general public. These facilities are provided through the post office's savings schemes like:

- Public Provident Fund (PPF)
- Kisan Vikas Patra
- National Saving Certificate (NSC)

- Recurring Deposit Scheme
- Fixed Deposit Scheme
- Mail Facilities:

Mail services include:

- Parcel Facilities: They make it easier to transport an item from one location to another.
- Registration Services: These services ensure that the article being sent is secure.
- Insurance Facilities: These cover the risks associated with postal transmission.

The following are some of the mail services supplied by banks:

- Postcards: This is the least expensive method of mail delivery.
- Letter: It is enclosed in an envelope and guarantees the confidentiality of the information communicated.
- Registered Mail: Registered mail ensures that the mail sent to the recipient is delivered or returned to the sender if it is not.
- Additional Services:

Greeting cards, media mail, international money transfers, speed mail, passport services, and e-billing services are also offered by these departments.

Question 9

Describe various types of insurance and examine the nature of risks protected by each type of insurance.

Solution

Ans: The following three forms of insurance are available:

1. Life Insurance:
 - It is a contract between the insurer and the insured in which the insurer promises to pay the insured a predetermined sum in the event of the insured's death or the insurance contract's

maturity, whichever happens first.

- That is, if the insured person dies before the contract's maturity date, the promised sum is paid to his or her family. If the insured lives to the end of the contract's term, he or she will be paid the agreed-upon amount.
- The insured pays a certain amount to the insurer as a premium in exchange for this guarantee. Life's uncertainties necessitate the purchase of a life insurance policy.
- Risk Covered: Life insurance plans protect us against two sorts of risks:
 - Risk of dying too early
 - Risk of dying too late
- Risk of dying too early
- Risk of dying too late

1. Fire Insurance:

- In exchange for the premium paid, the insurer guarantees to make good any loss or damage caused by fire over a specified period of time, up to the amount specified in the policy.
- The fire insurance policy is usually for a year and must be renewed on a regular basis.
- A claim for fire damage must meet the following two requirements:
 - There must be a monetary loss.
 - Fire must be unintended and accidental.
- There must be a monetary loss.
- Fire must be unintended and accidental.

1. Marine Insurance:

- A marine insurance contract is an arrangement in which the insurer agrees to indemnify the insured against maritime losses in the way and to the extent agreed upon.
- Risk Covered: Marine insurance protects against losses caused by marine perils, often known as sea perils. There are three factors to consider:

- Hull Insurance: Because the ship is exposed to several dangers at sea, this insurance policy is designed to compensate the insured for losses incurred as a result of ship damage.
 - Cargo Insurance: Cargo or the goods in the ship is exposed to numerous dangers while being transported by ship, this insurance covers the risk of voyage.
 - Freight Insurance: If the cargo is damaged or lost in transit, the shipping business is not reimbursed for the freight payments, hence to avoid this scenario, the shipping company takes up this insurance policy.
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 - Cargo Insurance: Cargo or the goods in the ship is exposed to numerous dangers while being transported by ship, this insurance covers the risk of voyage.
 - Freight Insurance: If the cargo is damaged or lost in transit, the shipping business is not reimbursed for the freight payments, hence to avoid this scenario, the shipping company takes up this insurance policy.

Question 10

Explain in detail the warehousing services.

Solution

Ans: Warehousing was once thought of as a static unit for keeping and storing goods in a scientific and systematic manner in order to preserve their original quality, value, and utility, but it is now thought of as a logistical service that makes the right quantity, at the right place, at the right time available. The following are the different warehousing services:

- Storage: Warehouses make it easier to store products and raw materials that aren't needed right away for sale or manufacture, while also protecting them from rotting and damage.
- Value-Added Services: They provide producers with value-added services such as product grading, packaging, and labelling.

- **Financing:** The warehouse receipt can be used as collateral to borrow money from banks or other financial organisations by the owner of the products or raw materials kept in the warehouse.
- **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
- **Consolidation:** The warehouses gather and consolidate material/goods from various manufacturing units before dispatching them to a specific consumer via a single transportation package.
- **Stockpiling:** The seasonal storing of commodities for certain businesses is the next role of warehousing. Raw materials, which are not required immediately for sale or manufacturing, are stored in warehouses. They are made available to enterprises according to the number of consumers they have.
- **Price Stabilisation:** Warehousing provides the role of price stabilisation by adapting the supply of products to the demand condition.

Question 11

Identify a list of various services you use on a regular basis and identify their distinct characteristics.

Solution

Ans: The various services that we use on regular basis are:

- Communication services
- Transportation services
- Banking services
- Education services
- Health care services
- Tourism
- Services of carpenter, plumber, electrician etc.

Service characteristics include:

- **Intangible:** Because services cannot be seen or touched, they are intangible. They can only be experienced. As a result, the quality of services cannot be determined prior to their use. As a result, it becomes critical for service providers to provide services that meet the needs of the individuals involved.
- **Inseparable:** Simultaneous activity of production and consumption makes the production and consumption of services seem to be inseparable. Unlike products, which are manufactured today and sold later, services must be consumed immediately once they are made accessible.
- **Inconsistent:** There are no defined standards for services; they must be delivered according to the demand and expectations of service consumers at any given moment. Due to the fact that each service user has distinct interests and preferences, the type and quality of services offered varies per user.
- **Engagement:** At the moment of service delivery, the involvement of both the service user and the service provider is required. In a school, for example, the instructor and the pupils are actively involved in the exchange of knowledge-transfer services.
- **Inventory:** Services cannot be held in inventory and sold at a later date. They must be made available when service users request them. This is due to the fact that if services are not utilised immediately, they lose their value. Services cannot be generated in advance of sale and saved for future need; for example, a vacant seat on an aeroplane or a spare berth on a train indicate service capacity that will be lost forever.

Question 12

Do a project on banking services. Approach a nearby bank and collect information about various services offered by them and also collect leaflets about salient features of different schemes. Compile and suggest what extra services you may like to propose.

Solution

Ans: A bank is a money-handling financial entity. The Indian Banking Regulation Act of 1945 governs it. A commercial bank institution is defined as one that accepts money from the public for the purpose of lending or investing. Commercial banks are divided into two categories. Banks in both the public and private sectors.

I had approached a government-owned bank. A public bank is one in which the government owns a significant part and which operates on the premise of public good rather than profit.

The following are the services provided by the bank:

1. Deposits: A bank's primary function is to accept public deposits. There are three different kinds of deposits:
 1. Current Account Deposit: These are deposits that can be withdrawn at any moment up to the amount of the balance.
 2. Savings Account: The main goal of this sort of account is to encourage people to save more. On deposits held in these banks, the bank pays a rate of interest. The country's central bank determines this rate of interest. There are limits on the number of withdrawals and the amount of withdrawals that can be made in a given time period
 3. Fixed Account Deposit: Because they are for a specific length of time, these deposits are also known as time deposits. The bank pays a larger rate of interest on this sort of deposit account than on a savings account.
 2. Lending Fund: The central bank uses the deposits it has gathered to make loans and advances. Overdrafts, cash credits, discounting trade bills, term loans, consumer credits, and other miscellaneous advances are all examples of this.
 3. Cheque Facility: The cheque is the most developed tool for withdrawing deposits and is a unique characteristic of banks. It is a very practical and cost-effective form of exchange. There are two sorts of checks: paper checks and electronic checks.
 1. Bearer Cheques: These cheques can be cashed right away at a bank.
 2. Crossed Checks: These checks must be deposited solely in the account of the payee.
 4. Funds Remittance: Due to the interconnectedness of branches, banks offer the ability to move funds from one location to another. On a commission basis, this is done by bank draughts, pay orders, and mail transfers.
 5. Auxiliary: Bill payment, locker facility, underwriting service, buying and selling of shares and debentures, dividend collecting, and insurance premium payment are examples of linked services.
1. Current Account Deposit: These are deposits that can be withdrawn at any moment up to the amount of the balance.

2. **Savings Account:** The main goal of this sort of account is to encourage people to save more. On deposits held in these banks, the bank pays a rate of interest. The country's central bank determines this rate of interest. There are limits on the number of withdrawals and the amount of withdrawals that can be made in a given time period
3. **Fixed Account Deposit:** Because they are for a specific length of time, these deposits are also known as time deposits. The bank pays a larger rate of interest on this sort of deposit account than on a savings account.
1. **Bearer Cheques:** These cheques can be cashed right away at a bank.
2. **Crossed Checks:** These checks must be deposited solely in the account of the payee.

There are no other services that I want to propose which the bank should provide.

Question 13

Visit a nearby bank branch in your locality and collect information about various types of account available for customers to open as per their requirement.

In the second part of the activity match the information given in column A with the information given in Column B

S. No	Column A	Column B
1.	Multiple Option Deposit	It is a temporary pass through account held by a third party during the process of a transaction between two parties unless the transaction is completed.
2.	Savings Account	A kind of deposit scheme introduced by different banks, where the excess amount in the savings bank account is transferred to fixed deposit account and the account holder earns more rate of interest. If the bank receives a cheque for this account and the balance is not sufficient, the amount will be transferred from fixed deposit account to savings bank account to clear the cheque. In short, it gives the account holder the

		interest of a term deposit with the flexibility of partial withdrawal, whereas, the remaining cash will get better interest.
3.	Current Account	It is also called cumulative deposit scheme. Any resident, individual, association, club, institution/ agency is eligible to open this account in single/joint names. The account can be opened for any period ranging from 6 months to 120 months, in multiple of 1 month for monthly installment. The amount selected for installment at the start of the scheme is payable every month and the number of installments once fixed, cannot be changed. The rate of interest is compounded quarterly and the final amount is paid on maturity.
4.	Fixed Deposit Account	Any resident, individual, association, club, etc., is eligible for this account. It is a kind of modest credit option available to the depositor. Two free cheque books will be issued each year. Internet banking facility will be provided without any charge. Balance enquiry, NEFT, bill payment, mobile recharge, etc., are provided through mobile phones. Students can open this account with zero balance by providing the required documents.
5.	Demand Account	This account can be opened by any resident, individual, association, limited company, religious institution, educational institution, charitable institution, club, etc. Payments can be done unlimited number of times. Funds can be remitted from any part of the country to the corresponding account. Overdraft facility and Internet banking facility are available.
6.	Escrow Account	It is classified as short deposit receipt and fixed deposit receipt 1. Short Deposit Receipt • Banks accept deposits from customers varying from 7 days to a maximum of 10 years. • The period for 'short deposits' can vary from 7 days to 179 days. • The minimum amount that can be deposited under this scheme is Rs. 5 lakh for a period of 7-14 days. 1. Fixed Deposit Receipt • Any resident, individual, association, minor, society, club, etc., is eligible for this account. • The minimum FDR in metro and Urban branches is Rs. 10,000 and in rural and semiurban and for senior citizens is Rs. 5000. • Interest rate differs from bank to bank depending upon the tenure of the deposits and as bank changes the rate.

		• Additional interest of 0.50% is offered to senior citizens on deposits placed for a year and above
7.	Recurring Deposit Account	1. This account offers stress-free transactions on the shares. 2. An individual, Non-Resident Indian, foreign institutional investor, foreign national, corporate, trusts, clearing houses, financial institution, clearing member, mutual funds, banks and other depository account. 3. For opening this account, an applicant requires to fill a form, submit his/her photo along with a photocopy of Voter ID/Passport /Aadhar Card/ Driving Licence and a Demat account number will be provided to the applicant immediately after the completion of processing of the application.

Solution

Ans: Various types of accounts available:

- **Current Account Deposit:** These are deposits that can be withdrawn at any moment up to the amount of the balance.
- **Savings Account:** The main goal of this sort of account is to encourage people to save more. On deposits held in these banks, the bank pays a rate of interest. The country's central bank determines this rate of interest. There are limits on the number of withdrawals and the amount of withdrawals that can be made in a given time period
- **Fixed Deposit Account:** Because they are for a specific length of time, these deposits are also known as time deposits. The bank pays a larger rate of interest on this sort of deposit account than on a savings account.

Match the Columns:

S. N o	Colu mn A	Column B
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1.	Multiple Option Deposit	A kind of deposit scheme introduced by different banks, where the excess amount in the savings bank account is transferred to fixed deposit account and the account holder earns more rate of interest. If the bank receives a cheque for this account and the balance is not sufficient, the amount will be transferred from fixed deposit account to savings bank account to clear the cheque. In short, it gives the account holder the interest of a term deposit with the flexibility of partial withdrawal, whereas, the remaining cash will get better interest.
2.	Savings Account	Any resident, individual, association, club, etc., is eligible for this account. It is a kind of modest credit option available to the depositor. Two free cheque books will be issued each year. Internet banking facility will be provided without any charge. Balance enquiry, NEFT, bill payment, mobile recharge, etc., are provided through mobile phones. Students can open this account with zero balance by providing the required documents.
3.	Current Account	This account can be opened by any resident, individual, association, limited company, religious institution, educational institution, charitable institution, club, etc. Payments can be done unlimited number of times. Funds can be remitted from any part of the country to the corresponding account. Overdraft facility and Internet banking facility are available.
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