

CHAPTER 4

Business Services

VERY SHORT ANSWER TYPE QUESTIONS :

1. Define services and goods?

Solution: Services are referred to as any intangible activity that involves interaction between the service provider and consumer. Purchasing the service does not result in ownership of any physical item.

Goods refer to objects that are tangible and have a physical appearance. The ownership of a good is transferred as soon as it is purchased.

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

Solution: Electronic banking or e-banking is the application of electronic medium for conducting different types of banking transactions, which includes money transfer, account balance checking, applying for cheque book and applying for loans. These services are provided by banks to help their customers access banking facilities anywhere, anytime.

Some advantages of e-banking are

1. It ensures the round-the-clock availability of most banking services, which helps make life comfortable for the customers.
2. Banking transactions can be conducted anytime, either through mobile or computer/laptop.
3. It reduces the load on banks by facilitating transactions online.

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

Solution: Various types of telecom services are available, which help in enhancing business. These are mentioned below.

1. Cellular Mobile Service: This includes all types of voice, non-voice and data transmission services.

2. Radio Paging Service: This service helps transmit information in the form of a tone, numeric or alphanumeric message.

3. Fixed-line service: It is about services that include voice, non-voice and data services that establish links for long-distance traffic using network connectivity through fibre optic cables.

4. Cable Service: In cable service, media information is transmitted in a defined area and for transmitting such information license needs to be acquired. The flow of information is one-sided in this type of service.

5. VSAT Service: VSAT stands for Very Small Aperture Terminal; it is a type of satellite-based communication system that can be used to provide information to remote areas.

6. DTH Service: DTH stands for Direct-to-home services; these are satellite-based media services in which media channels can be transmitted through a satellite and received through a small dish and antenna.

4. Explain the principles of insurance briefly with suitable examples.

Solution: The principles of insurance are as follows:

1. Utmost good faith: This principle states that both the insurer and insured must have faith in each other and in the contract signed by them. For e.g., if a person is suffering from cancer and does not inform the same to the insurance company, the insurance can reject the claim.

2. Insurable Interest: The owner of an insurance policy should have an ownership interest in the subject matter or object that is insured. The absence of an insurable interest makes the policy null and void.

For e.g., a truck driver has an insurable interest in the truck, as it is a source of income; if he sells the truck, he cannot earn any more money from it.

3. Indemnity: The principle of indemnity ensures that the insurance contract protects and compensates the insured for any loss. For e.g., if a car is insured for 2 lakhs and suffers some damage amounting to Rs.1 lakh, then the insurance company will compensate only the 1 lakh to the insured. The idea is to compensate the insured, not to make him gain any profit.

4. Proximate cause: This principle is used to determine the cause of loss and if that loss is due to the insured object. For e.g., if a house is burnt down on the fire, it will be checked to see how the fire started, and the compensation will be based on insurance against fire.

5. Subrogation: This principle states that once the appropriate compensation is paid, the ownership of the property or object gets transferred to the insurer so that the insured cannot sell the property for profit.

For e.g., if a person receives 1 lakh as damage to the car from car insurance, they can repair the car but not sell it for profit.

6. Contribution: If there are 2 insurers from which insurance is taken, then in case of any loss, both the insurance will contribute to filling up the loss. For e.g., if a person has taken a loan from 2 banks, then in case of repayment, both banks should equally contribute.

7. Mitigation: The insured should be taking care of the object that is insured. Like it was taken care of before getting the insurance. For e.g., if a car is purchased, the owner should take proper care and maintain the car.

5. Explain warehousing and its functions ?

Solution: Warehousing was initially thought of as an arrangement for storing goods in a scientific manner in order to preserve their quality, value and usefulness. In modern times, it has become more relevant as a logistical service provider with an emphasis on providing goods at the right time and in a cost-effective manner while preserving value and quality.

Functions of a Warehouse

1. Goods that are not needed on an immediate basis can be stored in warehouses. The goods can be supplied as and when required by the customers.
2. Consolidating is necessary for goods that are produced in small quantities but sold to customers in bulk. Warehouse help in consolidation of the goods.
3. A warehouse also stocks goods in bulk and then dispatches the items in small quantities as per the requirements of consumers. This is called breaking the bulk.
4. The functions of packaging, labelling and sorting of goods are some of the value-added services that a warehouse provides.
5. It also helps in price stabilisation by adjusting the supply of goods as per demand in the market.

LONG ANSWER TYPE QUESTIONS:

1. What are services? Explain their distinct characteristics.

Solution: Services are referred to as any intangible activity that involves interaction between the service provider and consumer. Purchasing the service does not result in ownership of any physical item.

The distinct characteristics of services are

- 1. Intangibility:** The first and foremost characteristic of service is that it is intangible in nature, i.e., it lacks a physical form. It can only be experienced.
- 2. Inseparability:** Services are inseparable in nature, unlike goods which can be produced at one time and consumed at a different time. Service has to be consumed as soon as it is presented.
- 3. Inconsistency:** Services need to be performed each time, and they should be according to the customer's requirements. Hence, they are inconsistent in nature.
- 4. Involvement:** There should be involvement between the user availing the service and the provider of the service at the time of service delivery. It is essential for the accurate delivery of services.
- 5. Inventory:** Services cannot be stored for being used at a later date; they should be provided as soon as it is asked for. Services lose value if it is not consumed immediately.

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

Solution: Commercial banks perform the following functions:

- 1. Accepting Deposits:** Banks accept deposits from customers in the form of savings accounts, recurring deposits, fixed deposits and current account deposits and pay interest to customers on a quarterly or yearly basis.
- 2. Lending:** Banks also act as lenders by granting loans in the form of overdrafts, cash credit, trade bills, etc. The bank earns profit by charging interest to customers on such loans.
- 3. Fund Remittance:** Banks provide the facility of transferring the funds of customers to different places. These transfers are facilitated by banks in the form of payment orders and bank drafts, adding some transaction charges.
- 4. Check extension facility:** Banks collect cheques from other banks and therefore act as a clearing house for all cheques. Cheques are of two types: bearer cheques and crossed cheques.
- 5. Other value-added services:** Banks provide value-added services like locker facility, bill payment, and selling and buying of shares.

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

Solution: The Indian Postal Department provides the following facilities

Various saving schemes are offered, which include

1. Kisan Vikas Patra
2. National Savings Certificate
3. Fixed Deposit Scheme
4. Public Provident Fund
5. Recurring Deposit
6. Money order

Mail Services: The post office provides the following types of facilities in mailing:

1. **Parcel Facility:** It is the facility of providing parcel service from one destination to another.
2. Registration of parcels to provide security during transit.
3. Insurance facility providing safety cushion.

Other Facilities:

1. **Passport Service:** Helps in applying for a Passport.
2. **Direct Post:** This comprises brochures, questionnaires, and pamphlets.
3. **Speed Post:** This service involves the speedy transfer of articles to the intended addresses.

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

Solution:

The following are the types of insurance:

1. Life Insurance
2. Fire Insurance
3. Marine Insurance

Life insurance: It is a type of insurance where there is a contract between the insurer and the insured in which the insurer agrees to pay a pre-specified amount in the event of the death of the insured or on the maturity of the insurance policy. The need for an insurance policy

arises in current times due to the uncertainties of life. In case of the death of the insured, the family members receive the assured amount, while if the insured survives the maturity period, they will be getting a specified sum of money. The insured needs to pay a premium to the insurer, which may be monthly, quarterly or yearly. Life insurance policies protect the insured from the risk of dying early.

Fire Insurance: This type of insurance protects the insured from damage to property caused by fire; here, the insurer accepts a premium from the insured with the assurance of compensating the insured in the event of loss or damage to the property caused due to fire. Fire insurance protects against the risk of property damage due to fire.

Marine Insurance: In marine insurance, the owner of a ship or cargo is protected against the loss or damage of a ship or cargo in the sea. It provides protection against the risks faced at sea in forms of high tides, pirates, storms, rocks or damages caused by fire. The insured needs to pay a certain amount of premium based on the amount protected.

5. Explain in detail the warehousing services ?

Solution: Warehousing was initially thought of as an arrangement for storing goods in a scientific manner in order to preserve their quality, value and usefulness. In modern times, it has become more relevant as a logistical service provider with an emphasis on providing goods at the right time and in a cost-effective manner while preserving value and quality.

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