4

Business Services

4.1 INTRODUCTION

Services are intangible in nature; they are neither manufactured, transported nor stocked. Services cannot be stored for a future use hence they are produced and consumed simultaneously.

Business services are those services which help in successful running of business. They are intangible in nature, heterogeneous, inseparable, inconsistent, perishable in nature and require consumer participation.

4.2 MEANING:

Sometimes services are difficult to identify because they are closely associated with goods. No transfer of possession or ownership takes place when services are sold, and they cannot be stored or transported, services are instantly perishable, and they come into existence at the time they are bought and consumed.

4.3 DEFINITIONS:

Following are some of the important definitions.

"A service is an act of performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."- **Philip Kotler**

"Activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods".- **American Marketing Association**

Features of services:

1) Intangibility:

A service is not a physical product that can be touched or seen. A service can be experienced by the buyer or the receiver. Services lack material form, and therefore they are intangible. Due to intangibility, services cannot be demonstrated like goods, and therefore service providers must create good impact on the customers by delivering quality services on time.

2) Inseparability:

Unique characteristic of services is that the service and the service provider cannot be separated. The presence of service provider is there at the time of delivering services to customers. In case of services production and consumption take place at the same time.

3) Inconsistency:

Services are heterogeneous. There can be no perfect standardization of services. Even if the service provider remains the same, the quality of the service may differ from time to time. For example, same restaurant can give different experience to two different customers.

4) Perishability:

The production and consumption of services are inseparable because storage of services is not possible. Being an intangible transaction there can never be an inventory of services. Unlike goods, they cannot be stored for future sale. For example, the vacant seats of morning flight of an airline cannot be utilized in afternoon flight of the same airline.

5) Non-transferability:

Unlike goods, all services are non-transferable in nature. The ownership of services cannot be transferred from service provider to customer. For example, a customer can book hotel room but the ownership of room remains with the hotelier.

6) Consumer participation:

For services, participation of consumer is equally important. Without the participation of consumer, services cannot be offered. The seller canot offer service without the presence of customer vice-versa customer cannot accept service, unless the seller is present to offer a service.

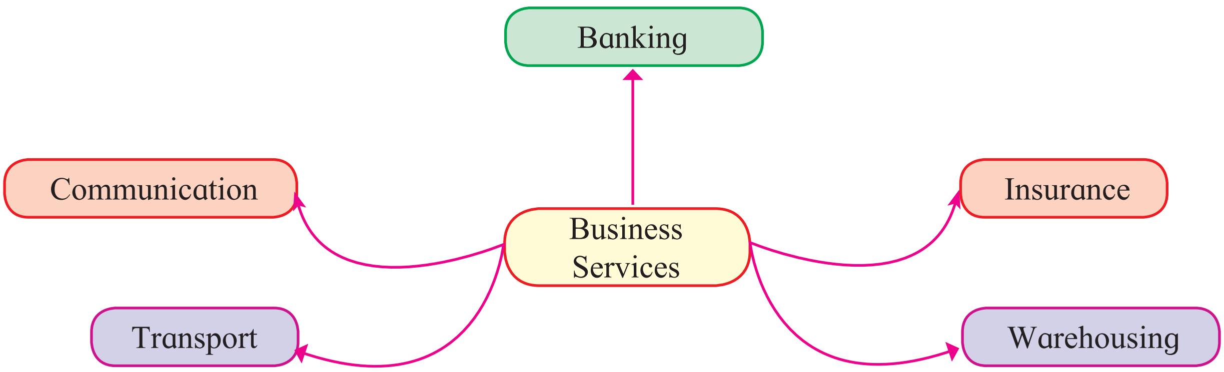
4.4 BUSINESS SERVICES:

Business Services:

Business cannot be operated in an isolated manner. It requires some activities which facilitate business to grow rapidly. Business services are those services which help business to grow and help business to function seamlessly.

Types of Business Services:

There are various types of services depending upon their nature and purpose. Some of the important services are as follows.



Find and visit different business service centers in your area.

Let us study the business services in detail.

4.5 BANKING

The term Bank comes from the French word 'Banco' which means a 'bench'. In earlier days, money-lenders used to display coins of different currencies in big heaps or benches or tables for the purpose of lending or exchanging.

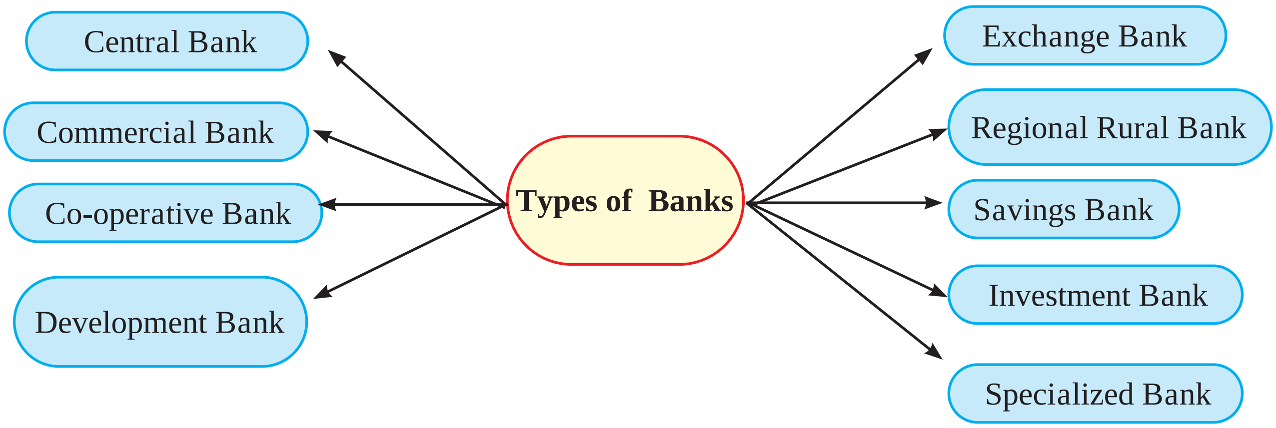
4.5.1 Meaning:

A bank is a financial institution which deals with deposits and advances and other related services. Bank provides various services related to money or financial requirements of consumers.

As per **The Indian Banking Regulation Act, 1949** banking company means "any company which transacts the business of banking in India" and the word banking has been defined as "accepting for the purpose of lending or investment of deposits of money from public, repayable on demand or otherwise, and withdrawable by cheque, draft and order or otherwise. "

4.5.2 Types of Banks:

There are several types of banks as follows:



1) Central Bank :

The central bank is the apex financial institution in banking industry in the country. Every country has their own central bank. In India, The Reserve Bank of India (RBI) is the central bank. The RBI was established in 1935 under the Reserve Bank of India Act, 1934.Some functions of RBI are as follows:

i) Frames monetary policy

ii) Issues currency notes

iii) Acts as a banker to the Government

iv) Acts as a banker's bank to commercial and other banks in India.

2) Commercial Bank:

The commercial banks play an important role in economic and social development of a country. Commercial banks perform important functions such as:

Primary Functions i.e. accepting of deposits and lending of money and Secondary Functions i.e. agency functions and utility functions. In India, commercial banks are divided into three groups:

a) Public sector banks where majority of capital is held by government such as Bank of India, State Bank of India etc.

b) Private sector banks are owned by group of individuals such as AXIS bank, HDFC bank etc.

c) Foreign banks are those banks which are established outside India but these banks have branches in India such as Citi bank, HSBC, Standard Chartered etc.

List down public, private and foreign banks in your area.

3) Co-operative Bank:

In India, co-operative banks are registered under Indian Co-operatives Societies Act and regulated under Banking regulation Act. Co-operative banks are popular in semi-urban and rural areas. The main aim of co-operative bank is to provide credit to economically backward people, farmers and small scale units. Generally, the co-operative bank works at three different levels:

a) Primary Credit Societies:

Primary Credit Co-operative society's work at village level. They collect deposits from members and common public. They also get funds from the State Co-operative Bank and District Co-operative Banks for the purpose of lending.

b) District Central Co-operative Bank:

These banks operate at district level. They obtain deposits from the public at the district level and also get funds from the State Co-operative Bank for the purpose of lending.

c) State Co-operative Bank:

This bank operates at state level. They provide funds to central co-operative bank and primary credit societies as required. State co-operative bank also performs function of monitoring over district bank and credit cooperative societies.

List down primary credit societies, district banks and state co-operative bank in Maharashtra.

4) Industrial Development Banks:

These are financial institutions that provide medium and long term funds to the business firms Examples of development bank are Industrial Finance Corporation of India (IFCI), State Finance Corporation (SFC), Maharashtra State Finance Corporation(MSFC) etc. Some functions of development bank are as follows:

i) Provision of medium and long term funds to business units for the purpose of expansion and modernisation.

ii) Underwriting of shares issued by public limited companies.

iii) Purchase of debentures and bonds.

5) Exchange Banks:

The exchange banks as well as large commercial banks facilitates foreign exchange transactions. Examples of exchange banks are Barclays Bank, Bank of Tokyo etc. Some functions of exchange bank are as follows:

i) Financing foreign trade transactions.

ii) Issue of letter of credit (LC)

iii) Discounting of bills of exchange.

iv) Remittances of dividend, interests and profits etc.

6) Regional Rural Bank:

Regional Rural Banks (RRBs) were established in 1975. These banks are sponsored by large public sector banks. The capital of RRB is contributed by Central Government 50%, State Government 15% and Sponsored Banks 35%.

RRBs mobilise deposits primarily from rural and semi-urban areas and provide loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans.

7) Savings Bank:

The main objective of savings bank is to encourage savings of the people, especially in rural areas. Examples of such banks include postal saving bank, commercial banks and cooperatives banks.

8) Investment Bank:

These banks provide financial and advisory assistance to their customers. Their clients generally include business firms and government organisations. Investment banks facilitate mergers and acquisitions by undertaking research and providing advice on investment decisions. Generally, investment banks do not directly deal with general public.

9) Specialised Banks:

These banks cater to the requirements and provide overall support for setting up business in specific areas.

i) Export and Import Bank (EXIM):

This bank provides fmancial assistance to exporters and importers and functions as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.

ii) Small Industries Development Bank of India (SIDBI):

Small Industries Development Bank of India (SIDBI) set up on 2nd April 1990 under an Act of Indian Parliament, acts as the principal financial institution for promotion,

financing and development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.

iii) National Bank for Agriculture and Rural Development (NABARD):

It is an apex institution for financing agricultural and rural sector. NABARD provides both short term and long term credit through regional rural banks. It is concerned with policy planning and operations relating to agricultural credit and credit for other activities in rural India. It provides finance to financial institutions and not to the individuals.

New models of banking:

1) Small Finance Banks -

Small finance banks are a type of niche banks in India. These are banks with a small finance bank license and provide basic banking service of acceptance of deposits and lending. The aim behind these banks is to provide financial inclusion to sections of the economy not being served by other banks such as small business units, small and marginal farmers, micro and small industries and un-organised sector entities. Existing non-banking financial companies (NBFC), microfinance institutions (MFI) and local area banks (LAB) can apply to become small finance banks. These banks can be promoted either by individuals, corporate, trusts or societies.

They are established as public limited companies in the private sector under the Companies Act, 2013.They are governed by the provisions of Reserve Bank of lndia Act, 1934, Banking Regulation Act, 1949.There is no territorial restrictions for these bank.

They were set up with the twin objectives of providing an institutional mechanism for promoting rural and semi urban savings and for providing credit for viable economic activities in the local areas.

Objectives of small finance banks:

(i) provision of savings for unserved and underserved sections of the population, and

(ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector.

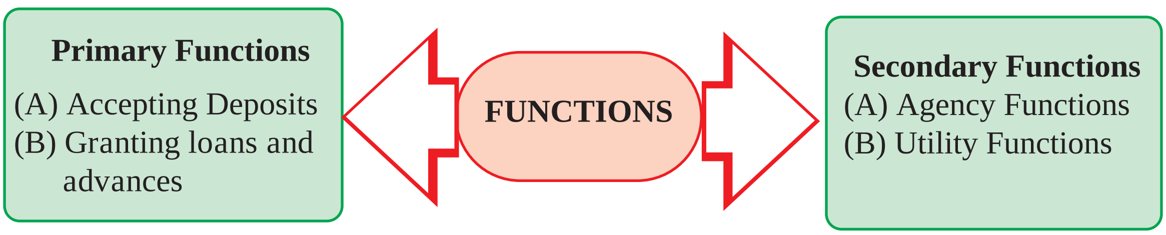
Examples are Jana Small Finance Bank, AU Small Finance Bank, Equitas Small Finance Bank etc.

2) Payment bank

It is a new model of banking. It is conceptualised by the Reserve Bank of lndia. The main aim is to offer financial services to small businesses and low income people. It is like any other bank as it can carry out most of the banking functions such as remittance services, mobile banking, ATM cards, net banking etc. But, it is not allowed to issue loans and credit cards. Similarly, it can accept the demand deposits only up to Rs. 1 lakh. Indian Post Payment Bank, Airtel Payment Bank, Paytm Payment Bank etc are some of the examples of active payment banks to the date.

4.5.3 Functions of commercial banks:

The functions of commercial banks can be broadly divided into two groups as follows:



1) Primary Functions:

The primary functions of commercial banks are known as core banking functions. The primary functions are as follows:

A) Accepting Deposits:

Commercial banks collect deposits from individuals and organizations. The deposits can be classified into two types i.e. Time Deposits and Demand deposits.

a) Time Deposits:

Time deposits are called as time deposits because they are repaid to the customers after the expiry of decided time.

1) Fixed Deposit:

Fixed deposit account is an account where fixed amount is kept for fixed period of time bearing fixed interest rate. Rate of interest is more as compared to saving bank account and varies with the deposit period.

Normally, withdrawal of amount is not permitted before maturity date. However, depositor can withdraw amount before maturity date for which bank will reduce the interest rate. For amount deposited in this account, a fixed deposit receipt (FDR) is issued by the bank. Against this receipt loan can be taken from the bank

2) Recurring Deposit:

It is operated by salaried persons and businessmen having regular income. A certain fixed sum of money is deposited into the account every month. Withdrawal of accumulated amount along with interest is paid after the maturity date. Rate of interest is higher which is similar to fixed deposit account. Separate passbook is provided to know the position of RD account.

b) Demand Deposits:

Demand deposits are those which are repaid to customers whenever they demand. That means, money can be withdrawn as per the wish of the customer through withdrawal slips, Cheques, ATM cards, online transfer etc.

1) Saving Account:

It is generally operated by those who earn regular or fixed income such as salary or wages. The main aim of this deposit account is to encourage habit of savings among people. These deposit accounts are meant for the purpose of maximum savings. There are restrictions on withdrawal limits from these accounts. These accounts carry low interest rates. Interest is credited monthly, quarterly, half-yearly and yearly basis on this account. Passbook facility, balance on SMS, account statement etc. facilities are provided to account holders to ascertain financial position.

For saving account holders some banks provide separate facility of flexi deposit. This facility combines the advantages of saving account and fixed deposit account. This is not separate deposit account. It is a type of saving bank account or current deposit account with special features and benefits.

In case of multiple option deposit account, the excess amount after a particular limit gets automatically transferred to fixed deposit. When adequate funds are not available to honor payments or cheques in savings account, funds get transferred from fixed deposit to saving banks account.

2) Current Account:

This account is operated by business firms and other commercial organizations such as hospitals, educational institutions etc. who have regular banking transactions. In this account there is no restriction on deposits and withdrawals of amounts. No interest is paid by the bank on this account. Overdraft facility is available for this account. For current account, banks provide statement of account every month.

B) Granting loans and advances:

Banks grant loans and advances to business firms and others who are in need of bank funds. The loans are provided for longer period of time from 1 year and more. Advances are provided for shorter period from 4 months to 1 year. The advances are in the form of cash credit, overdraft and discounting of bills etc.

1) Loans:

Commercial banks provide loan to businessman and others. The borrowers can use entire amount sanctioned or can withdraw in installments. Interest is charged on the amount sanctioned. The loans are as follows:

a) **Short Term Loans** are for a period upto 1 year to meet working capital requirements of the borrower.

b) **Medium Term Loans** are for a period of 1 year to 5 years to meet working capital as well as fixed capital requirements of the borrower.

c) **Long Term loans** are for a period of 5 years or more to meet long term capital requirements of the borrower.

2) Advances:

Advances are small term fund provided to businessman to satisfy different financial requirements of the business. Advances are as follows:

a) Cash Credit:

The cash credit advances are provided to current account and savings account holders. It provides working capital for longer period of time. Interest rate is higher on CC. Separate CC account has to be maintained by the borrower.

b) Overdraft:

This facility is offered to current account holders to meet their working capital requirements. The period can vary from 15 to 60 days. Interest is charged on actual amount withdrawn. No separate account is maintained, and entries are shown in current account. It is a temporary arrangement for a short period.

c) Discounting of bills of exchange:

The drawer of bills of exchange or beneficiary can discount the bill with bank and obtain an advance. On the due date of the bill, the bank will recover the amount from the drawee.

> Visit nearest bank in your area and list down primary functions performed by such bank.

IL Secondary Functions:

Secondary functions of commercial banks are classified into two groups:

(A) Agency Functions (B) Utility Functions

A) Agency Functions:

A commercial bank acts as an agent or representative of its client and performs certain functions as follows:

1) Periodic Collections and Payments:

Commercial bank collects salary, dividends, interests and any other income periodically as well as makes periodical payments such as taxes, bills, premiums, rent etc. on the standing instructions provided by customer. Commercial bank charges certain fixed amount quarterly or annually in the form of service charges from customer for providing such services.

2) Portfolio Management:

Large commercial banks undertake to purchase and to sell securities such as shares, bonds, debentures etc. on behalf of the clients. This handling of securities is known as portfolio management. Due to this facility more clients are opting for such services of commercial banks.

3) Fund Transfer:

Commercial banks provide facility of fund transfer from one branch to another branch or branch of another bank. Commercial banks come with various initiatives to make these transfer hassle free.

4) Dematerialisation:

Banks provides dematerialisation facilities to their clients to hold their securities in an electronic format. On behalf of clients, it undertakes the electronic transfer of shares in case of purchase or sale.

5) Forex Transactions:

Forex is an abbreviation for foreign exchange. A bank may purchase or sell foreign exchange on behalf of its clients. A bank purchases forex from its clients which the clients receive from foreign transactions and sell the forex when the clients need it for overseas transactions.

B) Utility Functions:

A commercial bank performs utility functions for the benefits of its clients. It provides certain facilities or products to its clients as follow:

1) Issue of Drafts and Cheques:

A draft /cheque is an order to pay money from one branch of bank to another branch of the same bank or other bank. A bank issues drafts to its account holders as well as non account holders whereas cheques are issued only to the account holders. Bank charges commission for issuing a bank draft.

2) Locker Facility:

This is common utility function of any commercial bank. The bank provides locker facility for the safe custody of valuables, documents, gold ornaments etc.

3) Project Reports:

A bank may prepare project reports and feasibility studies on behalf of the clients. Project reports enable the business firm to obtain funds from the market and to obtain clearance from government authorities.

4) Gift Cheques:

Banks issue gift cheques and gold coins to account holders as well as to non account holders.

The gift cheques/ coins can be used by the clients for the purpose of gifting on occasions like weddings, birthdays etc.

5) Underwriting Services:

A commercial bank may underwrite the issue of securities issued by companies. If the shares are not fully subscribed, the underwriting bank agrees to take up the unsubscribed portion of the securities.

6) Gold related Services:

Now a days many banks are providing gold services to its customers. Some banks also provide advisory services to its customers in terms of gold funds, gold ETF etc.

Visit nearest bank in your area and list down secondary functions performed by such bank

4.5.4 E-banking Service:

E-banking stands for electronic banking it is also called 'Virtual Banking'. E-banking is the result of the development in the field of electronics and computers. Under E-banking, the banking operations are computerised. Some of the elements of E-banking are as follows:

1) Automated Teller Machine:

The ATMs are electronic machines which are operated by the customer on his own to withdraw or deposit money. It can be used for other banking transactions also such as balance enquiry, transferring money, request for cheque book or bank statements etc. Nowadays, ATM also provides facility of cash deposits through CDM (cash deposit machines.)

2) Credit Cards:

A credit card is a payment card. It allows the cardholder to pay for different transactions he performs. The issuing bank creates a revolving account and grants a line of credit to the customer or user. Credit card offers convenience to customers as customer need not carry cash.

(3) Debit Cards:

Most of the banks nowadays offer debit card as soon as account is opened by account holder. Through debit card payments, the amount gets deducted from account holder's account. Some banks offer personalised debit and credit cards as per the requirement of customer.

4) RTGS:

RTGS stands for Real Time Gross Settlement. RTGS is a fund transfer system where transfer of funds or money takes place from one bank to another bank on "real time" and on "gross basis". It is the fastest money transfer system through the banking channel.

- **Real Time Settlement** means payment transaction is not subject to any waiting period. The transactions are settled as soon as they are processed. The receiving bank has to credit the account of the client within 2 hours of receiving the funds transfer message.
- **Gross Settlement** means the transactions are settled on one to one basis without bunching with any other transactions. The minimum amount to be remitted through RTGS is Rs. Two lacs while there is no upper limit for transactions. However, amount changes from bank to bank.

5) NEFT:

NEFT stands for National Electronic Fund Transfer. Under this system, funds are transferred electronically from one branch to another branch or one bank to another bank in the country. The client has to give details of NEFT code of branch and account number of beneficiary to whom the money is to be transferred.

The NEFT settlements take place at particular time during working hours. For instance, settlements of fund transfer requests in NEFT system is done on half-hourly basis. There are 24 half-hourly settlement batches run from 8 am to 7 pm on all working days of week. The main difference between NEFT and RTGS is that in the case of RTGS, transfer is done on gross settlement basis while NEFT is on deferred net basis, where transactions are bundled together.

Just to know

- From Dec.2019, this facility will be availale round the clock for customers

6) Net Banking and Mobile Banking:

With the introduction of net banking, the client is able to transact banking operations with the help of computers, laptop and other gadgets. The internet banking services enable a client to check various transactions, facilitates payments of various things, transferring funds etc.

Mobile banking refers to the use of banking services with the help of mobile phones. The client registers with the bank for this facility and gets a unique code for transactions. The client can perform various transactions such as request for balances, transfer of funds, stop payment, issue of cheque book etc.

7) IMPS Facility:

IMPS stands for immediate payment services. This facility allows customers to instantly transfer funds to any other bank account.

4.6 INSURANCE

4.6.1 Meaning:

Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. Insurance is a contract between the insurer and the insured, whereby the insurer agrees to compensate the insured against loss. The insured has to pay a certain fixed sum of money on timely basis to the insurer.

Some basic terms in insurance are as follows:

Insurered : The person who is protected against certain losses. Insured is known as assured in case of life insurance contracts. He is the policy holder.

Insurer : The firm or person who agrees to compensate the insured against losses for a consideration. Insurer is known as assurer in case of life insurance contracts, because he is bound to get the sum assured on the maturity of the policy or the nominee will get the sum assured on the death of the policy holder.

Premium : The consideration for which the insurer agrees to insure the insured. It is paid by the insured to the insurer.

Policy : The statement of contract between the insured and insurer. It contains the terms and conditions of the insurance contract.

Claim : It is demand made by the insured to the insurer to compensate for loss occurred due to mishap.

Proposal : It is a written request by the insured to the insurance company to issue an insurance policy.

Subject Matter : It refers to the subject or entity i.e life, property, cargo or ship etc. which is insured against which the policy is taken.

4.6.2 Principles of Insurance:

1) Principle of Utmost good faith:

In all types of insurance contracts both the parties must have utmost good faith towards each other. The insurer and insured must disclose all material facts clearly, completely and correctly.

The insured must provide complete, clear and correct information of the subject matter of insurance to the insurer. Similarly, the insurer must provide relevant information regarding terms and conditions of the contract. Failure to provide complete, correct and clear information may lead to non-settlement of claim.

For example, Mr. Shantanu has not provided information regarding his heart surgery at the time of taking policy. After his death, insurance company comes to know about this fact. As Mr. Shatanu has not provided correct and complete information at the time of taking policy, insurance company can refuse to give compensation to his family members.

2) Principle of Insurable interest:

Insurable interest means some financial interest in the subject matter. The insured must have insurable interest in the subject matter of insurance. Insurable interest is applicable to all insurance contracts. It is said to have insurable interest in subject matter, when the existence of that subject matter puts the insured in financial benefit. Whereas nonexistence of subject matter put him into financial loss.

For example,

i) a person has insurable interest in his own life and property.

ii) a businessman has insurable interest in the goods he deals and in the property of business.

In life insurance, the insurable interest refers to the life insured. Insurable interest must exist at the time of taking a life insurance policy;

3) Principle of Indemnity:

Indemnity means a guarantee or assurance to put the insured in same financial position in which he was immediately prior to the happening of the uncertain event.

This principle is applicable to fire, marine and general insurance. It is not applicable to life insurance as loss of life can never be measured in monetary terms. In case of death of the insured, the actual sum assured is paid to the nominee of the insured.

Under this principle, the insurer agrees to compensate the insured for the actual loss suffered. The amount of actual compensation is limited to the amount assured or the loss, whichever is less.

For example, *If property is insured for Rs. two lacs and if the loss by fire is Rs.one lac, then the insured can claim compensation of Rs.one lac only.*

4) Principle of Subrogation:

This principle is applicable to all contracts of indemnity. As per this principle, after the insured is compensated for the loss due to damage of the property insured, then the right of ownership of such property passes on to the insurer. This principle is applicable only when the damaged property has any value after the event causing the damage.

For example, *Mr. A owns a two-wheeler . The vehicle was stolen and subsequently Mr.A filed a complaint in local police station. Upon receiving report from police,. the insurance company compensated fully Mr.A for the loss of the vehicle. Later on the stolen vehicle was recovered by police. In this situation, the owner of the vehicle does not have any claim over the vehicle as he has already subrogated i.e. transferred the ownership rights of the vehicle to the insurer. The insurer gets every right to sell or to scrap the said vehicle.*

5) Principle of Contribution:

This principle is applicable to all contracts of indemnity where the insured has taken out more than one policy for the same risk or subject matter. Under this principle, the insured can claim the compensation only to the extent of actual loss either from one insurer or all the insurers. If the one insurer pays full compensation then that insurer can claim proportionate amount from other insurers from whom insured has taken policy.

For example, *Ms. Sayali insures her property of Rs.Two Lac Fifty Thousand with two insurers, with T Insurance Co. for Rs.One Lac(2/5th of the property value) and R Insurance Co. for Rs.One Lac Fifty Thousand (3/5th of the property value). If Ms. Sayali 's property is destroyed and the loss is worth Rs. One Lac Twenty Thousand, then both insurance companies will contribute towards actual loss i.e.Rs.One Lac Twenty Thousand. Thus company T will pay RS.48000/- (2/5th of the loss) and company R will pay Rs. 72000/-(3/5th of the loss).*

6) Principle of Mitigation of loss:

Insured must always try to minimise the loss of the property, in case of uncertain events. The insured must take all possible measures and necessary steps to control and reduce losses. Hence, it is the responsibility of the insured to protect the property and avoid loss. For example, A house of Mr. Jayant is on fire due to electric short circuit. In this case, Mr. Jayant cannot remain passive and must try his best to save his house from fire. Mr. Jayant must be active and cannot watch his house burn, just because house is insured.

7) Principle of Causa-Proxima:

Principle of casusa proxima means, when a loss is caused by more than one causes, then proximate cause of loss should be taken into consideration to decide the liability of the insurer. The property is insured against some causes and not against all causes, in such a case, the proximate cause of loss is to be found. If the proximate cause is the one which is insured against, the insurance company is bound to pay compensation and vice versa.

For example, a house was insured against the risk of theft. *There was a theft in the house and before leaving, the house was set on fire by thieves. Now, there are two causes of loss, theft and fire, and the nearest cause of loss was fire. As the house was insured against theft and not by fire, the insured will not get any compensation from insurance company for loss by fire. But, he will get the compensation for the property lost by theft.*

4.6.3 Types of Insurance

I) Life Insurance

Meaning:

It is a contract between insurer and insured whereby, the insurer agrees to compensate the insured a certain sum on the expiry of certain period or on death whichever is earlier for a consideration.

Types of life insurance policies:

1) Whole Life Policy:

Under this policy whole life of a person is insured. The insured cannot receive money from insurance company till he is alive. The rate of premium is normally low. The money becomes payable on the death of insured person to the nominee or the legal heir of the deceased policy holder.

2) Endowment Insurance Policy:

Insurance is taken for specific period under this policy. The sum assured along with bonus is given on the death of the insured to dependents or on the expiry of the specific period, to the insured.

3) Term Insurance Policy:

Term insurance policy is taken for a specific period. Term insurance policy has lowest premium among all insurance policies. Premium is fixed and does not change during the term of the policy. In case of untimely death, the dependents will receive the benefit amount specified in the term life insurance agreement.

4) Annuity Policy:

The insured has to pay the premium in lump sum or in instalments over a certain period of time. The insured will receive back a specific sum periodically from specified date onwards, either for life or for a fixed number of years. It is like pension payment scheme.

5) Money-back Policy:

Money-back policy provides a regular percentage of the sum assured during the life time of the policy and also guarantees the benefit of full sum assured in the event of the death of the insured to the dependents of the insured. Generally, the money back policy is availab1e for four terms-12 years, 15 years, 20 years, 25 years etc.

6) Child Insurance:

A child insurance policy is a saving cum investment plan that is designed to meet child's future financial needs. A child insurance policy allows kids to live their dreams. Child insurance policy gives you the advantage to start investing in the children's plan right from the time the child is born and provisions to withdraw the savings once the child reaches adulthood. Some child insurance policies allow intermediate withdrawals at certain intervals.

7) Retirement Plans:

A savings and investment plan that provides insured an income during retirement is called Retirement Plan. On maturity, this corpus is invested for generating a regular income stream which is referred to as pension or annuity.

8) ULIP Policy:

ULIP stands for unit linked insurance policies. ULIP policies are very popular as they combine the benefits of life insurance policies with mutual funds.

Just to know

Claim Settlement Process

On the happening of the event, the beneficiary is required to send claim intimation form to the insurance company as soon as possible. Claim intimation should contain details such as Date, Place, and Cause of Death. On successful submission of claim intimation form, an insurance company can ask for additional information about

1. Certificate of Death
2. Copy of Insurance Policy
3. Legal Evidence of title in case insured has not appointed a beneficiary
4. Deeds of assignment

On successful submission of all the document, the insurance company shall verify the claim and settle the same.

Collect and compare different life insurance policies taken by 10 persons.

II) Marine Insurance:

Meaning :

It gives protection against the losses caused due to the dangers of the sea. It is a form of insurance contract covering loss or damage to vessels or to cargo or passengers during marine transportation. All the principles of insurance are applicable to marine insurance contracts.

Types of marine insurance Policies :

1) Voyage Policy:

It is a policy in which the subject matter is insured for a specific voyage irrespective of time involved in it. In this case, risk begins only when the ship starts on voyage.

2) Time Policy:

In this policy the subject matter is insured for a definite period of time. A time policy cannot be for a period exceeding one year, but it may contain continuation clause. The continuation clause means that if the voyage is not completed within the specified time, the risk shall be covered until the voyage is completed.

3) Mixed Policy:

This policy is the combination of voyage and time policy. It therefore, cover the risk of both, particular voyage and for specified period of time.

4) Valued Policy:

Under this policy, goods are insured for an agreed value between the insurer and insured at the time of taking policy. This facilitates easy settlements of claims in case of such items where it is difficult to assess the real market value.

5) Blanket Policy:

This policy is taken for maximum limit of the required amount of protection and full amount of premium is paid in the beginning of the policy. This policy describe the nature of goods insured, specific route, ports and places of voyage. It covers multiple risks on one property or it covers many properties under the policy.

6) Port Risk Policy:

Port risk policy covers all types of risks of a vessel while it is anchored at the port for a particular period of time. This policy is applicable till the departure of the vessel from the port.

7) Composite Policy:

This type of policy is purchased from more than one insurers. The liability of each insurer is separate and distinct. This policy is taken when the amount of insurance is very high.

8) Single Vessel Policy:

This policy is suitable for small ship owner having only one ship or having one ship in different fleets. It covers the risk of one vessel of the insured.

9) Fleet Policy and Block Policy:

In fleet policy, several ships belonging to one owner are insured under the same policy. In block Policy, the cargo owner is protected against damage or loss of cargo in all modes of transport through which his/her cargo is carried i.e. covering all the risks of rail, road, and sea transport etc.

Find out different marine policies taken by a businessman or trader in your area.

III) Fire Insurance:

Meaning:

A fire insurance contract is an agreement whereby the insurer in return for consideration undertakes to indemnify the insured against the loss to property due to fire. Any property which is subject to damage by fire can be insured against fire. The loss due to fire, lightening and explosion is also covered by fire insurance.

Types of fire insurance Policies :

1) Valued Policy:

Under this policy, value of the subject matter of insurance is agreed upon at the time of making a contract. The insurer has to pay specific amount or value irrespective of amount of loss caused due to fire. Valued policy is taken for those goods whose value becomes difficult to calculate in case of loss by fire. For example, policy can be taken for art work, sculptures, paintings etc.

2) Average Policy:

It is policy which contains an average clause. If the subject matter is not insured as per the exact market value or it is undervalued, then the insurer is liable to pay that percentage of the loss for which it is insured.

For example, *If a policy is taken for Rs.One lac against the market value of Rs. Two lacs and loss incurred due to fire is Rs. Fifty thousand then the insurance company will pay Rs. Twenty Five Thousand.*

3) Specific Policy:

In case of specific policy, the property is insured for a definite sum irrespective of the market value. If there is a loss, stated amount will have to be paid to the policy holder.

In this policy, the actual value of the subject matter is not considered.

For example, *a property of Rs.one lacs is insured for Rs. Seventy Five Thousands and the loss due to fire is Rs. Forty Thousand then the insurance company will pay Rs. Forty Thousands in full as compensation.*

4) Floating Policy:

This policy can be taken for the goods which are lying at different locations or godowns or warehouses. Since the quantity of goods lying at different locations fluctuate from time to time, it becomes difficult for the owner to take specific policy. So businessmen or traders take fluctuating policy. Such policy is taken for one sum and one premium for goods lying at different places.

5) Excess Policy:

When the value of goods or stocks fluctuates, then excess policy may be taken by insured apart from normal policy. The insured will take two policies:

(a) one policy for the amount below which the value of the stock does not fall and

(b) another policy to cover the excess value by which the stock of the goods fluctuate.

For example, *If the value of stock ranges between Rs. One Lac Fifty Thousands and Rs. Two Lacs then One policy is taken for Rs.One lacs fifty thousand and another policy for excess amount i.e. Rs. Fifty thousand.*

6) Reinstatement Policy:

This is a type of policy where the insurer undertakes to replace the property or goods lost by fire. In this policy instead of paying compensation for the property lost by fire, the property is replaced. While paying the compensation, the depreciation amount of the policy is not taken into consideration. The rate of premium is higher in reinstatement policy.

7) Comprehensive Policy:

Normally, a fire insurance policy does not cover losses due to riots, war etc. However, this policy covers a lot of risks under single policy. The risks may be loss of goods due to fire, explosion, earthquakes, floods etc.

8) Consequential Loss Policy:

The fire insurance is originally purchased to indemnify the material loss only. The intangible interest was not indemnified. Thus, the consequential loss policy includes the loss of tangible and intangible properties. This policy provides an indemnity to the insured for loss of net profits, payment of standing charges and expenditure in respect of the increased cost of working.

9) Sprinkler Leakage Policy:

Sprinkler leakage policy covers damage to property caused by an automatic sprinkler system that has leaked or discharged water accidentally rather than in response to fire and smoke. However, the discharge or leakage of water due to heat caused by fire, repair or alteration of building, earthquake, war, explosion are not covered by this policy.

Just to know

Some insurance companies also provide other insurance such as:

Car Insurance

- Third party liability car insurance
- Comprehensive car insurance

Health Insurance

- Individual health insurance
- Family health insurance
- Critical illness health insurance

Crop Insurance

Travel Insurance

- International travel insurance
- Domestic travel insurance
- Student travel insurance.

Home Insurance

- Theft cover
- Earthquake cover

Cattle Insurance

4.7 TRANSPORT

In India, transport plays an important role in nation's economy. After 1991, development of infrastructure within the country has progressed at a rapid pace and today there are different modes of transport used such as land, water, air etc.

4.7.1 Meaning:

Transportation is the movement of people, animals and goods from one location to another location or it can be defined as a means of carrying goods and people from one place to another place.

4.7.2 Modes of transport:

Generally, transportation is carried through various modes such as railways, roads, waterways and airway. Modes of transport are as follows:

1. Road Transport
2. Rail Transport
3. Air Transport

4. Water Transport
5. Mono rail and Metro
6. Ropeways
7. Pipeline

1) Road Transport:

Roads are means that connect people and places on the surface of the land. It provides all over connectivity in any terrain as compared to other modes of transport.

Various means of transport are used under road transport such as bullock cart, cycles, rickshaws, buses, cars etc.

Bus Rapid Transit (BRT) systems have been introduced in many states to improve public transport system in India. India has a network of village roads, district roads, state highways and national highways which form the economic backbone of the country.

In India, Ministry of Road Transport and Highways (MoRTH) looks after development of surface transport throughout the country.

Advantages:

1) It is cheap mode of transport as compared to other modes of transport.
2) Perishable goods can be transported at a faster speed by road carriers over a short distance.
3) It is flexible mode of transport as loading and unloading is possible at any destination.
4) It provides door to door service. Also it functions as feeder transport to other modes of transport.
5) It helps people to travel and carry goods from one place to another place where any other mode of transport is not available.

Disadvantages:

1) Due to limited carrying capacity road transport is not economical for long distance transportation.
2) Transportation of heavy and bulky goods through road transport involves high cost.
3) Road transport is affected by adverse weather conditions such as floods, rain, landslides etc.
4) There is a possibility of road accidents which are common.
5) It causes pollution due to emission of gases which affects the health of people.

2) Rail Transport:

Transportation of goods and passengers on rail lines through trains is called as rail transport. It occupies an important place in land transport system of our country and is most dependable mode of transport to carry goods and passengers over long distance.

In India, *Ministry of Railways* looks after the development of rail transport throughout the country. Indian railway runs various type of trains like passenger trains, mails , express and cargo or goods trains. Some popular trains are Rajdhani express, Duronto express, Shatabdi express, Intercity express, Vande Bharat Express and holiday special trains etc.

Indian railways also runs some luxury trains such as Palace on Wheels, Deccan Odyssey, Ramayana Express, Maharaja Express to promote domestic tourism.

Advantages:

1) It is convenient mode of transport for travelling long distances.
2) It is suitable mode of transport for carrying heavy and bulky goods in large quantities over a long distance.
3) It is faster mode of transport as compared to road transport.
4) Its operation is less affected by adverse weather condition.
5) It ensures safety and security of goods.

Disadvantages:

1) It is relatively costly for carrying goods and passengers over short distances.
2) It is not available in remote parts of the country ..
3) It involves heavy losses of life as well as goods in case of accidents.
4) Time flexibility is not there as trains are running as per their fixed time.
5) It does not provide door to door service.

Just to know

From financial year 19-20, there will be no separate budget for Railways, it has clubbed with union budget.

3. Air Transport:

Air transport carries the goods and passengers through airways by using different aircrafts like passenger aircrafts, cargo aircraft, helicopters etc. This is the fastest mode of transport but it does not provide door to door service. In hilly or mountainous areas where other modes of transport is not accessible, air transport is important and convenient mode. Air transport is also suitable mode in case of emergency like war, medical, natural calamities, rescue operations etc. Air transport is classified into domestic transport and international transport. Air transport is carried out in fixed air routes. Various national and international public sector and private sector air ways companies are giving services on domestic and international routes. For example:

Domestic Air India (Public sector) Spicejet (private sector).

International Quantas Airways Limited (Australia-public sector) etc.

Advantages:

1) It is fastest means of transport among all means of transport.
2) Air transport plays vital role during war or emergency situations as it can be useful for rescue purpose or providing quick services in affected areas.
3) As air transport uses natural ways, no separate construction of routes required like road or rail transport.
4) It is less polluting as compared to road transport.
5) It is useful in such areas where others means of transport are not accessible.

Disadvantages:

1) It is relatively expensive mode of transport.
2) It is affected by adverse weather conditions.

3) It is not suitable for short distances.

4) It requires huge investment costs such as construction of airports, runways, air traffic control tower etc.

5) Air transport is subject to international restrictions as aeroplanes of some nations are not a11owed to fly over other countries.

Just to know

In India, Ministry of Civil Aviation looks after development of air transport throughout the country and The Directorate General of Civil Aviation (DGCA) is the Indian governmental regulatory body to investigate aviation accidents and incidents and also promotes safe and efficient air transportation through regulation and proactive safety svstems.

4) Water Transport:

Water transport refers to movement of goods and passengers on waterways by using various means like boats, steamers, launches, ships etc. With the help of these means goods and passengers are carried to different places, both within as well as outside the country. When the goods and passengers move inside the country, it is known as inland water transport. When the different means of transport are used to carry goods and passengers on the ocean or sea route, it is known as ocean or sea transport. In India, Ministry of Shipping looks after development of ocean transport throughout the country.

Advantages:

1) It is relatively economical mode of transport for bulky and heavy goods.

2) It is safe mode of transport with respect to occurrence of accidents

3) It helps to promote international trade.

4) There is no cost for constructing and maintaining of routes as most of them are naturally made.

5) It offers more flexibility as compared to rail transport.

Disadvantages:

1) It does not provide door to door service.

2) It gets heavily affected by adverse weather conditions.

3) It is comparatively slow moving transport.

4) More investment cost is involved in terms of ports, ships, maintenance etc.

5) It is subject to perils of sea.

Just to know

India currently ranks 6th among the maritime countries with a coastline of 7,517 km with 14 major ports (12 government and 1 corporate) and about 200 non-major ports currently operating in the western and eastern regions of the country. According to the ministry 95% of India's trade by volume and 70% by value occurs through maritime transport.

5) **Monorail and Metro:**

These are the types of rapid transit systems found in urban areas. These types of transport are energy efficient and less polluting too. A monorail is a railway in which the track consists of a single rail or a beam. The term is also used to describe the beam of the system, or the trains traveling on such a beam or track. From the passenger's perspective, monorails can have some advantages over other modes such as less intersection turns, no traffic jams, absence of problem of collision. Examples of monorail in India is Mumbai Monorail.

6) **Ropeway:**

Ropeway refers to mode of transport which connects two places on the hills or across a valley or river. In ropeway transport, trolleys move on wheels connected to a rope and are used for carrying passengers or goods. Examples are Raigad ropeway at Raigad fort, ropeway at Sonmarg in Srinagar etc.

7) **Pipeline Transport:**

Pipeline transport sends goods through a pipe, most commonly liquid and gases. Short distance systems exist for sewage, slurry or water while long distance networks are used for petroleum and natural gas.

4.8 WAREHOUSING

4.8.1 Meaning:

Warehousing refers to storage of goods and consists of all those activities which are connected with storage and preserving of goods. It is a means of storing the goods. Warehousing can be defined as a group of activities connected with the storing and preserving of stored goods from the time of production till the time of consumption.

Definition:

A warehouse is defined as "an establishment for the storage or accumulation of goods."

4.8.2 Functions of Warehouses:

1) **Storage:**

This is the basic function of warehousing. Surplus commodities which are not needed immediately can be stored in warehouses. They can be supplied as and when needed by the customers.

2) **Price Stabilization:**

Warehouses play an important role in the process of price stabilization. It is achieved by the creation of time utility by warehousing. In warehouses, usually large stock of goods is kept. Whenever, there is shortage in the market, goods can be immediately supplied through warehouses, which helps in price stabilization to avoid rise in price due to demand and supply difference.

3) Risk bearing:

When the goods are stored in warehouses they are exposed to many risks in the form of theft, deterioration, fire etc. Warehouses are constructed in such a way that they minimise these risks. A warehouse keeper has to take the reasonable care of the goods and safeguard them against various risks. For any loss or damage sustained by goods, warehouse keeper shall be liable to the owner of the goods.

4) Financing:

Loans can be raised from the warehouse keeper or from financial institutions against the goods stored by the owner. Goods act as security for the warehouse keeper or for financial institutions. In this manner, warehousing acts as a source of finance for the businessmen for meeting business operations.

5) Grading and Packing:

Warehouses now-a-days provide the facilities of packing, processing and grading of goods. Goods can be packed in convenient sizes as per the instructions of the owner.

6) Transportation:

Warehouses can provide transportation facility to bulk depositors. It collects goods from the place of production and also sends goods to the place of delivery on the request of the owner.

7) Time and Place Utility:

Warehouses create time utility by preserving the goods till they are demanded. It also creates place utility by providing the goods at the place, where they are required.

8) Processing:

Certain commodities are not consumed in the form they are produced. Processing is required to make them consumable. e.g. Paddy is polished, fruits are ripened etc. Sometimes warehouses undertake such activities on behalf of the owners.

4.8.3 Types:

1) Private Warehouses:

The private warehouses are owned and operated by big manufacturers and merchants to fulfill their own storage needs. Big business firms which need large storage capacity on a regular basis and who can afford money, construct and maintain their private warehouses. A big manufacturer or wholesaler may have a network of his own warehouses in different parts ofthe country.

2) Public Warehouses:

A public warehouse is a specialised business establishment that provides storage facilities to the general public for a certain charge. It may be owned and operated by an individual or a cooperative society. It works under a license from the government in accordance with the prescribed rules and regulations. Public warehouses provide storage facilities to small manufacturers and traders at low cost. These warehouses are well constructed and guarded round the clock to ensure safe custody of goods. Public warehouses are generally located near the junctions of railways, highways and waterways.

3) **Bonded Warehouses:**

Bonded warehouses are licensed by the government to accept imported goods for storage until the payment of custom duty. These warehouses work under the control of custom authorities.

The warehouse keeper is required to give an undertaking or 'Bond' that it will not allow the goods to be removed without the consent of the custom authorities. The goods are held in bond and cannot be withdrawn without paying the custom duty. If an importer is unable or unwilling to pay customs duty immediately after the arrival of goods he can store the goods in a bonded warehouse. He can withdraw the goods in installments by paying the customs duty proportionately.

4) **Duty paid Warehouses:**

If an importer faces any problem in transportation of goods, after making payment of duty, then goods can be stored at a duty paid warehouse. All duty paid warehouses are public warehouses which are available to all importers. Duty paid warehouses help the importer as proper care of goods is taken, processing of goods can be done like sorting, re-packing etc. Such warehouses are more useful for re-export of the goods. These are located near port & dock area.

5) **Government Warehouses:**

These warehouses are owned, managed and controlled by central and state governments or public authorities. It is difficult for small farmers, businessmen, traders to own a warehouse, so these government warehouses assist them in storing their goods at nominal charge. Central Warehousing Corporation of India (CWC), State Warehousing Corporation (SWC) and Food Corporation of India (FCI) are having warehouses across different states and country.

6) **Co-operative Warehouses:**

These warehouses are owned, managed and controlled by co-operative societies. They mainly provide warehousing facilities at most economical rates. These type of warehouses are very useful for farmers and traders and general public.

7) **Cold storage Warehouses:**

Cold storage warehouses provide facilities for perishable commodities like fruits, flowers, vegetables, dairy products etc. In cold storage warehouses, goods are stored and refrigerated at very low temperatures so as to preserve them and use them in future. International trade has become possible due to these warehouses.

4.9 COMMUNICATION

4.9.1 Meaning:

Communication is an art of exchanging ideas, facts, information etc. from one person or entity to another. The process of passing any information from one person to another with the help of some medium is termed as communication .Communication is very simple process where message is being transferred from a sender to the receiver. The receiver after receiving the message understand it in the desired form and then act accordingly.

4.9.2 Types of Communication:

Following are various types of communication:

I) Postal Services

II) Modern means of communication

I) Postal Services:

The postal services in India come under the Department of Post and Telegraph which is the part of Ministry of Communication and Information Technology. The Department of Posts, with its network of 1,54,965 Post Offices, is the largest postal network in the world.

Just to know

Currently approx. 5.88 lakhs employees are working with Indian postal services. India has the largest Postal Network in the world with 154,965 Post Offices (as on 31.03.2017) of which 149,067 are in the rural areas.

On an average, a Post Office serves an area of 21.56 Sq. Km and population of 7753 people.

Types of postal services:

1. Mail Services
2. Specialised Postal Services
3. Money Remittance Services
4. Retail Services

1. Mail Services:

a. Inland Letter:

Communication is contained on a sheet of paper with prescribed size & folding. Inland letter card is used for transmission within India only. The written portion of the inland letter is folded and sealed. Only the name and address of the receiver is visible from outside. Therefore, inland letter ensures confidentiality of the message.

b. Envelope:

It enables to send confidential messages as well as enclosures like cheques, photos, resumes etc. Envelope ensures safety of documents and confidentiality of messages.

c. Parcel:

Under parcel post services, parcels of specified size and weight can be sent across the country as well as outside the country. Anything can be sent in a parcel except those items which are prohibited. Parcels can be insured. An extra charge is to be paid for insurance. If the insured parcel is lost in transit, the post office pays the insured amount.

d. Book-Post:

Printed books, magazines, journals etc. can be sent through book post. Packets containing books and other printed matter can be inserted in the packets. For each book post parcel / packet, it is necessary to mention "Book Post" on the face of the packet or parcel.

2. Specialised Postal Services:

a. Business Post:

Business Post provides complete mailing solutions right from mail preparation to mail delivery, ideal for small businesses as well as large companies. Customers can choose from a range of cost-effective and professional mailing services, including printing, collating, inserting, sealing, and addressing to meet their :specific business needs. India Post has set up Business Post Centers in major cities specially to handle Business Post consignments.

b. Logistics Post:

Logistics Post provides business customers a cost-effective and efficient solution, which manages the entire value chain from collection to storage to transmission to distribution across the country.

c. Bill Mail Service:

Communications in the nature of financial statements, bills, monthly account bills or any such other items of similar nature may be posted by a service provider to customers at least once in 90 days under this service. The minimum quantity of articles to be posted at a time is 5000. The mails will be received at identified location provided. Bill Mail shall be fully sorted pin code wise and bundled delivery post office wise. There is no credit facility.

3. Money Remittance Services:

a. Electronic Money Transfer (eMO):

A money order is an order issued by the Post Office for the payment of a sum of money to the person whose name is mentioned in the money order. It is sent through the agency of the Post. Office. A 'Payee' is the person named in money order as the person to whom the money is to be paid. The advantage of sending money to someone through money order is that the money is delivered at the house or his place of stay.

b. Instant Money Order (iMO):

India Post presents Instant Money Order (iMO), the instant on-line money transfer service that is instant, convenient, reliable and affordable. iMO is an instant web based money transfer service through Post Offices (iMO Centre) in India between two resident individuals in Indian territory. One can transfer money from INR 1,000/- to INR 50,000/from designated iMO Post Offices. It is simple to send and receive money.

c. International Money Transfer:

Money Transfer Service Scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only inward personal remittances are permissible. Department of Posts, Government of India with the Western Union Financial Services, a state of the art International Money transfer Service is now available through the Post Offices in India, which enables instantaneous remittance of money from around 195 countries and territories to India.

4. **Retail Services:**

a. **Retail Post:**

Through 'Retail Post' the department offers convenience to the general public by making third party products and services available in their vicinity through selected Post Offices. Under Retail Post, a range of services are offered including the collection of electricity bills, collection of taxes, collection of other bills and fee for the Government etc. Further, under Retail Post, the Post Office sells application forms.

b. **e-Post:**

Department of Posts has introduced ePOST service. Through ePOST, customers can send their messages to any address in India with a combination of electronic transmission and physical delivery through a network of more than 1,55,000 Post Offices. ePOST sends messages as a soft copy through internet and at the destination it will be delivered to the addressee in the form of hard copy. ePOST can also be availed by the corporate customers, by having a business agreement with India Post. Corporate customers will get special ePOST rates and other value additions.

II) Modern means of communication:


Courier Service


Internet


e-mail

a. **Courier Service:**

An individual or a company responsible for the exchange of items between two or more parties is known as courier service. Courier services are usually employed by· a company and they charge a flat rate to the party using the courier service. Courier s·ervices are different from ordinary mail services by features such as speed, security, tracking, signature and swift delivery times. As a premium service, courier service is usually more expensive than usual mail services. Some examples of courier services are DHL, DTDC,UPS etc. '

b. **Internet:**

The Internet (interconnected network) is the global system of interconnected computer networks that use the Internet protocol suite (TCP/IP) to link devices worldwide. It is a network of networks that consists of private, public, academic, business, and government networks of local to global scope, linked by a broad array of electronic, wireless, and services, such as the inter-linked hypertext documents and applications of the World Wide Web (WWW), electronic mail and file sharing.

c. Email:

Electronic mail (email or e-mail) is a method of exchanging mail between people using electronic devices.Today's email systems are based on a store-and-forward model. Email servers accept, forward, deliver, and store messages. Neither the users nor their computers are required to be online simultaneously; they need to connect only briefly, typically to a mail server or a webmail interface for as long as it takes to send or receive messages.

Comparative Study/Distinguish Between

(1) Life Insurance, Fire Insurance and Marine Insurance

Life Insurance	Fire Insurance	Marine Insurance
1. Meaning		
A contract where by the insurance company undertakes to pay a certain sum of money either on death or maturity (whichever is earlier) for a consideration (premium)	A contract in which insurer promises to pay compensation to insured if something happens to the subject matter due to fire or related events.	A contract where by the insurance company undertakes to pay compensation to insured in case of loss to him due to dangers (perils) of the sea.
2. Policy taken by		
It can be taken by an individual for his own life or for his family members.	It can be taken by individual for their properties or by businessman. For their goods, properties business liabilities.	It can be taken by exporters, importers and shipping companies etc.
3. Subject matter		
In life insurance, the life of the insured is a subject matter	In Fire insurance, the goods and assets or property of the insured is the subject matter.	In Marine insurance, goods in ship, cargo and freight is the subject matter.
4. Tenure		
The policy can be issued for any number of years, even until the death of the assured.	It is generally for a short period like one year.	It is generally for a short period and may range from one month to a year. Normally it does not exceed one year.
5. Compensation		
It is paid either on death or maturity whichever is earlier.	It is paid only if there is loss due to fire during the term of policy	It is paid only if there is loss causing event during the term of the policy.

6. Principle of Indemnity		
It is not applicable as a human life cannot be valued in terms of money for calculating the actual loss.	It is applicable as insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event.	It is applicable as insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event.
7. Number of policies		
Insured can take any number of policies on the same life.\ Compensation is paid on all hte policies.	Generally only one policy can be taken but double insurance is possible. However, compensation does not exceed the actual loss.	Generally, only one policy can be taken. However, double insurance is possible. However, compensation does not exceed the actual loss.
8. Beneficiary		
The beneficiary can be insured (if he survives the selected term) or else the nomine or the legal heir on the death of the assured.	The beneficiary is the insured who has insured the property or goods.	The beneficiary is the insured person or company.
9.Surrender of policy		
The policy can be surrendered before the expiry of the term subject to certain conditions.	It cannot be surrendered.	It cannot be surrendered.

(2) Current Account, Saving Account and Fixed Deposit Account.

Current Account	Saving Account	Fixed Deposit Account
1. Meaning		
It is that account which is maintained by business man and others who have regular bank transactions.	It is that account which is opened by individuals in order to save a part of their income.	It is that account where a fixed sum of money is deposited for a fixed period.
2. Withdrawals		
Customers can withdraw money by cheques.	Customers can withdraw either by cheques or by withdrawal slips.	Customers cannot withdraw during the specified period.
3. Documents		
The bank gives a passbook, cheque book, statement of account and pay-in-slip book to the customers.	The bank gives a passbook, cheque book and pay-in-slip book to the customers.	The bank gives a fixed deposits receipt to the customers.
4. Who takes it		
It is suitable for traders, businessman, firms or institutions.	It is suitable for fixed income group, wages or salary earners.	It is suitable for any person wiht temporary idle cash.

5. Restrictions		
There are no restrictions on the operation of a current account as long as there is balance in the acount.	The customer have certain restrictions on withdrawals.	Amount becomes due on the expiry of the fixed period. If withdrawn earlier, then the rate of interest will be less than applicable.
6. Interest Rate		
Normally interest is not given	Interest rate is low	Interst rate is higher, longer the period, higher will be the rate of interest.
7. Nature of account		
It is of continuous Nature	It is of continuous Nature	It is for fixed period of time except when the fixed deposit receipt is renewed.
8. Facilities		
Temporary overdraft facility is given	No overdraft facility is given.	90% of the amount of fixed deposit can be given as loan.

3) Commercial Bank and Central Bank.

Commercial Bank	Central Bank
1. Function	
The main function is to accept deposits from public for lending to industry and others.	The main function of the central bank (RBI) is to regulate the money supply in the country.
2. Printing of currency	
The commercial banks cannot print currency	The central bank can print currency notes.
3. Acceptance of deposits	
The commercial bank accept deposits from public	The Central Bank does not accept deposits from public.
4. Loans	
The commercial banks provide loan to industry and commerce.	The Central bank provide loans to bankers and financial institutions
5. Ownership	
It can be owned by private and /or by the government agencies.	It is owned and controlled by the government of India
6. Number of banks	
There are many commercial banks in India.	There is only one Central Bank (RBI) in India.
7. Monetary policy	
The commercial banks do not frame any monetary policy	The Central Bank frames the monetary and credit policy.

The commercial bank does not keep check on the central bank	The central bank keeps a check on the commercial banks.

4) Road Transport, rail Transport, Water Transport and Air Transport.

Road Transport	Rail Transport	Water Transport	Air Transport
1. Speed			
Road transport has limited speed due to bad road condition, accidents, etc.	It has considerable speed since it runs on tracks which rarely gets disturbed	It is the slowest mode of transport	It is the fastest mode os transport.
2. Carrying capacity			
It has limited carrying capacity	It has huge carrying capacity	It has very huge carrying capacity	It has limited carrying capacity
3. Cost			
It requires limited capital investment in terms of construction of roads, vehicles and there maintenance.	The cost of construction of trains, railway tracks is high. Also the maintenance of trains, tracks and stations is high.	It uses waterways which are natural highway and hence there is no cost involved. However there is high cost involved for construction of ships and parts and also maintenance of ships and parts.	It uses airways which are natural and hence, there is no cost involved. However huge cost of constructions of aircrafts involved. These costs are way high compared to other modes of transport.
4. Distance			
Recommended for short distance.	Recommended for both short and long distance.	Suitable for long distance specially across countries and continents.	Suitable for long distance.
5. Charges			
Transport charges are not fixed due to increased fuel prices	Transport charges are relatively low and are fixed according to the distance.	Transport charges are low.	Transport charge are very high.
6. Door to door service			
It provides door to door services.	It does not provide door to door services	It does not provide door to door services.	It does not provide door to door services.
7. Means of Transport			
It uses animals, animal carts, motor-cycles, three and four wheelers.	It uses passenger trains and goods train.	It uses boats, big ships, liners, tankers etc.	It uses aircraft, helicopters, jets, etc.

8. Suitability			
It is suitable for transporting the goods in relatively smaller quantities for short distance.	It is suitable for transporting heavy goods in large quantity over long distance.	It is suitable for transporting way heavy goods, machineries in large quantities to any part of the world.	It is suitable for transporting light weight perishable and valuable goods to any part of the world.
9. Safety			
It provides limited safety to goods from the sun, rain, wind, etc.	Goods are kept in locked wagons which provide protection against sun, wind, rain, etc.	Goods are safe as they are specially packed.	Goods are safe as they are specially packed.
10 Accidents			
Chances of accidents are more due to poor road conditions and negligent drivers	Chances of accidents are less because of one way track and good signal system.	Chances of accidents are less in waterways.	Chances of accidents are less because of maintenance and expert pilots.
11. Ownership			
Ownership is in the hands of private parties as well as the government.	Ownership is in the hands of the Government.	It is owned by both private sector as well as public sector.	It is owned by both private sector as well as public sector.

Summary

Business Services:

1. Banking 2. Insurance 3. Transport 4. Warehousing

5. Communication

1. Banking:

Types of Banks:

1. Central Bank 2. Commercial Bank 3. Co-operative Bank 4. Development Bank

5. Exchange Banks 6. Regional Rural Bank 7. Savings Bank 8. Investment Bank

Functions of commercial banks:

I. Primary Functions II. Secondary Functions

2. Insurance:

Principles of Insurance:

1. Principle of Utmost good faith
2. Principle of lnsurable interest

3. Principle of Indemnity

4. Principle of Subrogation

5. Principle of Contribution

6. Principle of Mitigation of loss

7. Principle of Causa-Proxima

Types of Insurance:

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

3. Transport:

Modes of Transport:

1. Road Transport 2. Rail Transport 3. Water Transport 4.Air Transport

5. Monorail and Metro 6. Ropeways 7. Pipeline

4. Warehousing:

Functions:

1. Storage 2. Price Stabilization 3. Risk bearing 4. Financing

5. Grading and Packing 6. Transportation 7. Time and Place Utility 8. Processing

Types:

1. Private Warehouses 2. Public Warehouses 3. Bonded Warehouses4. Duty paid Warehouses 5. Government Warehouses 6. Co-operative Warehouses 7. Cold storage Warehouses

5. Communication:

Types of communication:

I) Postal Services

1. Mail Services 2. Specialised Mail Services

3. Money Remittance Services 4. Retail Services

II) Modern means of communication

a. Courier Service b. Internet c. Email

EXERCISE

Q.1.(A) Select the correct option and rewrite the sentence.

1) Door to door service is provided by .... transport.
   a) railway b) road c) air

2) .... creates time utility.
   a) Warehouse b) Transport c) Communication

3) .... warehouses provide facilities for perishable commodities.
   a) Bonded b) Cold storage c) Government

4) .... policy covers all types of risks of a vessel while it is anchored at the port for a particular period oftime.

a) Port risk b) Voyage c) Floating

5) Principle of .... is not applicable to life insurance.
a) insurable interest b) utmost good faith c) indemnity

(B) Match the pairs.

Group A		Group B	
A)	Air Transport	1)	Time utility
B)	Warehousing	2)	Intangible in nature
C)	Money remittance	3)	Fastest mode of transport
D)	Pipeline Transport	4)	April,2019
E)	Business Service	5)	Western Union Money Transfer
		6)	Fixed deposit account
		7)	Petroleum and gas
		8)	Tangible
		9)	Place utility
		10)	Savings account

(C) Give one word/phrase/term for the following sentence.

1) These warehouses are owned, managed and controlled by central and state governments or public authorities.
2) An art of exchanging ideas, facts, information etc. from one person or entity to another.
3) A rail system in which the track consists of a single rail or a beam.
4) A transport system used to carry petroleum and gases.
5) A ministry who looks after development of surface transport throughout country.

(D) State whether following statements are true or false.

1) Business services are important for the growth of business .
2) Current Account is opened by salaried persons.
3) NEFT stands for National Electric Fund Transfer.
4) Air transport is cheapest mode of transport.
5) The Internet is the global system of interconnected computer networks that use the internet protocol suite to link devices worldwide.

(E) Find the odd one.

1) Primary credit co-operative society, state co-operative bank, district co-operative bank, exchange bank .
2) NABARD, RBI, SIDBI, EXIM.
3) Direct mail, Logistics post, Business post, Parcel

4) Endowment policy, Whole life policy, Money back policy, Blanket policy.

(F) Complete the sentence.

1) The term bank comes from the French word ....
2) .... warehouses provide facilities for perishable commodities
3) In .... policy, several ships belonging to one owner are insured under the same policy.
4) .... banking refers to the use of banking services with the help of mobile phones.

(G) Select the correct option and complete the following table.

(RTGS, SIDBI, apex financial institution in banking industry of country, recuring deposit, long term loans)

Group A	Group B
1	fund transfer on real time and gross basis
2. loans to meet long term capital requirements	....
3	Account operated by salaried and businessmen both.
4. Central bank	....
5	Principal financial institution for MSMEs

(H) Answer in one sentence.

1) What is debit card?
2) What is 'subject matter' in insurance?
3) What is government warehouse?
4) What is air transport?
5) What is communication?

(I) Correct the underlined word and rewrite the following sentences.

1) Overdraft facility is available for <u>savings</u> bank account holder.
2) Services are <u>tangible</u> in nature.
3) Insurance helps to <u>maximize</u> the risks in the business.
4) The <u>foreign</u> bank is the apex financial institution in banking industry in the country
5) RTGS stands for <u>Reasonable</u> Time Gross Settlement.

(J) Arrange in proper order.

1) Claim, Accident, Taking the policy, Compensation 2) Email, Inland letter, Courier

Q.2. Explain the following terms/concepts.

1) Transport 2) Communication 3) Banking 4) Insurance 5) Warehousing

Q.3. Study the following case/situation and express your opinion.

1) Ms. Harshali has started new business two years ago. Her customers are located in different parts of the country and hence they are directly depositing bill amount in her business account. At the same time she used to pay various payments from this account only.

i) Identify Type of account maintained by Ms. Harshali.

ii) Suggest any one modern way of money transfer to Ms.Harshali.

iii) State any one facility she gets on her bank account?

2) Mr. Jagan is a salaried person. He wants to take policy for his two children which assures them protection as well as completes their financial needs once they become major by age.

i) Suggest him a policy which can satisfy requirements of his children.

ii) Who are beneficiaries of policy?

iii) In above case which principle is involved?

3) Mr. Sharan is successful manufacturer. He is having production units at various locations. He is having multiple production units, he has large stock of raw material and finished goods. He is worried about safeguarding goods from any unwanted financial loss. He also requires to transfer raw material and finished goods from one unit to other but does not have any facility for that. He also requires funds for expansion.

i) Name the service which will help him to safeguard goods from any damage?.

ii) Which service will help him to remove difficulty of place?

iii) From which service sector will he get financial support?

4) Mr. Amit is a businessman. He has his own factories in Pune and Nashik. He lives in Pune with his wife and 2 daughters aged 5 and 8 years.

i) Can Mr. Amit take a life insurance policy for his wife and 2 children?

ii) Can Mr. Amit take a marine insurance policy for his factories?

iii) Which type of insurance should Mr. Amit take for protecting his factories from loss due to fire?

Q.4. Distinguish between.

1) Duty Paid Warehouse and Bonded Warehouse
2) Central Bank and Commercial Bank
3) Road Transport and Air Transport
4) Life Insurance and Marine Insurance
5) Savings Account and Current Account
6) Life Insurance and Fire Insurance
7) Road Transport and Rail Transport
8) Rail Transport and Air Transport
9) Current Account and Fixed Deposit Account

Q.5. Answer in brief.

1) State four types of deposits.

2) State four modes of transport.

3) State four life insurance policies.

4) State any four features of business services.

5) State money remittance services of postal department.

Q.6. Justify the following statements.

1) Air transport is fastest mode of transport.

2) Communication is essential for growth of business.

3) Principle of subrogation is applicable to all contracts of indemnity.

4) Warehousing is important.

5) Cash can be withdrawn from ATM at any time.

Q.7. Attempt the following.

1) Explain money remittance services of post department.

2) Explain marine insurance policies.

3) Explain types of warehouses.

4) Explain utility function of banks.

5) Explain modes of traditional communication.

6) Explain disadvantages of air transport.

7) Describe the role of transport.

8) What are the functions of warehouses?

Q.8. Answer the following.

1) What is insurance ? Explain principles of insurance.

2) Define bank. Explain. Different types of banks.

3) What is warehouse? Explain its different functions.

4) What is Services? Explain in detail different business services.

5) What is communication? Explain in detail various types of communication.

6) What is road transport. Explain its advantages and disadvantages.

Answer Key

Q.l. (A) 1) road 2) warehouse 3) cold storage 4) port risk 5) indemnity

(B) A-3 B-1 C-5 D-7 E-2

(C) 1) government warehouse 2) Communication 3) monorail 4) pipeline transport 5) Ministry of Road Transport and Highways

(D) True: 1, 5 False: 2,3,4

(E) 1) exchange bank 2) RBI 3) Parcel 4) Blanket policy.

(F) 1) Banco 2) Cold storage 3) fleet 4) Mobile

(G) 1) RTGS 2) long term loans 3) Recurring Deposit 4) apex financial institution in banking industry of country 5) SIDBI

(I) 1. Current 2. Intangible 3.Minimise 4. Centrals. 5. real

(J) 1. Taking the policy, Accident, Claim, Compensation

2. Inland letter, Courier, E-mail

Career Opportunities:

1. Bank- Banker, Manager, e-Seva Kendra
2. Insurance- Insurance Agent., Insurance advisor
3. Warehousing- Warehouse keeper, Warehouse manager.
4. Transportation- Transportation facilities, courier services, Travel Agent.

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