

chapter 4



At the end of this chapter, students should be able to:

• define the term “service industries”

• mention the different types of service industries;

• explain the different types of service industries;

• Explain the contributions of service industries to Nigeria’s economic development.

4.1 Introduction

The service industry is also known as the tertiary sector of an economy. It involves the provision of services to business as well as final consumers. This chapter shall examine the meaning of service industry, types of service industries such as tourism, transport, banking, insurance, warehousing, advertisement and entertainment and contribution of service industries to economic development.

4.2 Meaning of Service Industries

Service industries are a form of commercial activities in production. It could be direct or indirect. Direct services include those whose economic activities involve the provision of satisfaction, amusement and enjoyment and rendering of personal services to others.

The people who render the services are paid directly by those who enjoy any of their services. Indirect services involve those who earn their living by rendering one type of service or another to the members of public.

One thing that is common with the workers is that they are not paid directly by those who enjoy their services. They are indirectly paid by the government through the taxes paid by members of the public. These indirect

services include police, armed forces, teachers, civil servants, lawyers, etc.

4.3 Types of Service Industries

- (a)** Tourism
- (b)** Transportation
- (c)** Banking
- (d)** Insurance
- (e)** Warehousing
- (f)** Advertising
- (g)** Entertainment

Tourism

Tourism is travelling for recreation, leisure or business purposes. The World Tourism Organization defines tourists as people who travel to and stay at places outside their usual environment for more than 24 hours and not more than one consecutive year for leisure, business and other purposes. Tourism is vital for any country. It is a type of service industry incorporating transportation service such as airlines, cruises, ships and taxi cabs; hospitality service such as accommodation, including hotels and resorts and entertainment venues such as amusement parks, casinos, shopping malls, music venues and theatre. A tour is a journey that is a round trip. It is the act of living and returning to the original starting point.

Importance of Tourism

1. It exposes people to different lifestyles as experienced in different areas.
2. Management of resources in such a way that economic, social and aesthetic value can be fulfilled while maintaining cultural integrity and essential ecological processes.
3. Meeting the need of the present without compromising the ability of future generation to meet their own needs.
4. It leads to having regard for ecological and sociocultural value.
5. It leads to creativity.
6. It serves as source of revenue to the government.
7. It produces cultural integration.
8. It provides employment opportunities.
9. It showcases and preserves ancient landmarks that can serve as education to younger generation.

Transportation

Transportation is a means whereby people and goods are moved from one place to another. Transport plays a crucial role in the service industry.

Importance of Transportation

1. Facilitates quick and efficient distribution of goods in a country.
2. Promotes trading activities between different parts of a country.
3. Facilitates efficient movement of productive resources.
4. Encourages the development of rural areas.
5. Leads to economic growth and development of a country.
6. Widens the market for the sale of goods and services.

Banking

A bank is an institution set up purposely for safekeeping of money, valuable goods and documents like wills, certificates, gold and others.

The existence of banks has been a big boost to business activities all over the world. They help to oil the wheel of business activities by providing financial services, which is the essential ingredient of businesses available. There are different types of bank like central bank, commercial bank, industrial bank, merchant bank, savings and loans bank, development banks, mortgage banks, banks, etc. They accept deposits from members of the public through savings, current and fixed deposit accounts.

They grant credits to their customers through granting of loans and overdrafts.

Insurance

This is a provision made for the protection of persons or objects against risks. Man is faced with many risks in his daily activities, and some of these risks are inevitable and controllable, while others are not. In a bid to reduce these risks, insurance contract policies are taken with insurance companies for the protection of life and property against insurable risks. Types of insurance that can be taken include motor vehicle, fire, fidelity guarantee, burglary, accident, consequential loss, bad debts, marine, life assurance, etc.

Importance of Insurance

1. Insurance helps to reduce risks.
2. Insurance serves as a saving scheme to an individual, e.g., life endowment assurance.
3. Marine insurance protects international trade.
4. Life assurance motivates workers to work hard and thereby increases their production.
5. Insurance companies act as both money and capital markets where both short-term and long-term loans can be obtained.

Warehousing

This is the act of keeping of goods produced ahead of demand or until the time they will be needed. Warehousing of goods makes it possible for production to continue. Warehouses are of the following types: ordinary, bonded and state.

Advertising

This is a means of bringing the existence or production of new goods and services to the knowledge of members of the public and to persuade them to buy and use these goods and services. Through advertising, information is passed and awareness is created. Advertising is divided into persuasive, informative, competitive, direct and indirect advertising. It can be carried out through the following media or methods: radio; television; newspapers, magazines and journals; cinema; catalogues and price lists; leaflets; hand

bills; circulars; mobile shops; speakers, etc.

Importance of Advertising

1. It stimulates demand and increases production.
2. It promotes the values of goods and services.
3. It serves as an agent of market expansion.
4. It creates awareness of existence of a product.

Entertainment

The entertainment industry (also known as show business) consists of a large number of sub-industries devoted to entertainment.

However, the term is often used in the mass media to describe the mass media companies that control the distribution and manufacturing of mass media entertainment.

Types of Live Entertainment

- â€¢ Circus
- â€¢ Musical theatre
- â€¢ Performance act
- â€¢ Comedy
- â€¢ Sports
- â€¢ Concert

Music Industry as a Type of Entertainment

- â€¢ Composers and song writers
- â€¢ Singers and musicians
- â€¢ Orchestras
- â€¢ Concert halls
- â€¢ Choreographers

Exploitation Entertainment

- â€¢ Amusement parks
- â€¢ Fun fairs
- â€¢ Trade shows

Summary

â€¢ Service industries refer to the outfits responsible for the provision of services to businesses as well as to final consumers.

Types of service industry

- (i) Tourism
- (ii) Transportation
- (iii) Banking
- (iv) Insurance
- (v) Warehousing
- (vi) Advertising
- (vii) Entertainment

Contribution of service industries to economic development

- (i) It generates revenue.
- (ii) It creates recreational facilities.
- (iii) It encourages investors.

Class Activity

The teacher should guide the students to embark on an excursion to a lake, an amusement park, a trade fair, etc. The teacher should also lead the students to discuss the role tourism can play in employment generation in a country.

Revision Questions

Objective Questions

1. Service industries are a form of in production.
(a) Commercial activities
(b) Productive activities
(c) Recreational activities
(d) Educational activities
2. Types of service industry include:
(a) Tourism, transportation and banking
(b) Insurance and warehousing
(c) Advertising and entertainment
(d) (a) and (b)
(e) All of the above
3. Warehousing is divided into how many types?
(a) 4 (b) 7
(c) 3 (d) 2
(e) 5
4. Advertising is divided into:
(a) Persuasive
(b) Informative
(c) Competitive
(d) Direct and indirect
(e) All of the above
5. There are types of live entertainment.
(a) 4 (b) 5
(c) 7 (d) 6
(e) 2

Essay Questions

1. List the roles of service industries in economic development.
2. Explain the meaning of service industry.
3. List and explain the types of service industry.
4. (a) What is advertisement?
(b) Explain all the types of advertisement that you know.
5. (a) What is insurance?
(b) Explain five reasons why an individual should take an insurance policy.

Glossary

Tourism: This is travelling for recreation, leisure or business purposes.

Transportation: It is a means where by people and goods are moved from one place to another.

Banking: This is the activity of keeping money and other valuables by some financial organizations for their customers.

Insurance: This is a provision made for the protection of persons or objects against risks.

Warehousing: This is the act of keeping of goods produced ahead of demand or until the time they will be needed.

Advertising: This is a means of bringing the existence of new goods and services to the knowledge of members of the public and persuading them to buy and use these goods and services.