2 Business Services-1

What will you learn in this chapter ?

Introduction

Importance of services are increasing in an economy. There is a rise in the facilities and convenience due to services like Banking Insurance, Postal, Storage and Transportation etc. These services are just not helpful in business as a part of commerce but they extend to facilitate industries, agricultural and other business activities. Services like Banking, Insurance, Postal, Storage and Transportation have undergone so much of change that they just do not only work as business services but also as social and family-related services. In modern age, there are varieties and specialities seen in such services. All these institutions have become naturally interdependent.

2.1 Insurance

2.1.1 Meaning : Insurance refers to that written contract or agreement between two parties, through which the insuree pays premium and as against getting an undertaking from the insurer that he will be compensated as per the risk covered and the amount decided for the financial loss.

Insurance contract in a written form is known as insurance policy. Insurance does not remove the risk involved but it compensates for the financial loss caused by that risk.

2.1.2 Principles : The roots of insurance are connected with society and it is an agreement between two parties. So insurance is not a simple or ordinary contract and it cannot be related to law of contract. It is a special form of contract and hence apart from law of contract the following specific principles are also applicable :

(1) Principle of Utmost Good Faith : The main objective of an insurance contract cannot be of making profit. It is only to have compensation for financial loss. The basic law of insurance is a social concept. As such the parties involved in the insurance contract should have mutual and complete faith. While entering into a contract both the parties should provide all informations required regarding the insurance product. While taking an insurance policy, even if the information is not asked by either parties, both should provide it; if it is felt that it can have an impact on the contract. Any insurance agreement entered not having the necessary information amounts to fraud and it is against the principle of utmost good faith. Whenever it comes to be known that the principle of utmost good faith is broken, the insurance agreement or policy stands null and void and the insuree cannot get back the premium already paid and he loses the right of compensation for the risk.

(2) Principle of Indemnity : Insurance contract is made to compensate for the loss incurred by the insuree. So, the main objective of insurance is the principle of indemnity.

This principle is used to decide how much the insurance company will have to pay to the the insuree in the event of loss incurred. Any person who takes an insurance policy can get only compensation for the loss and he cannot earn profit. In other words he cannot get additional amount over and above the loss incurred. It is not applicable to life insurance.

If an insuree takes a policy for a product at a lower value than the original value, it is implied that he will propotionately get a lesser amount and a part of the loss will have to be borne by him.

Eg. (A) If a person takes an insurance policy for ₹ 3 lakh but the original value of the product is ₹ 5 lakh. Then in the event of complete loss of the product, the insuree will get maximum ₹ 3 lakh.

(B) When the value of product is ₹ 5 lakhs; but the insuree has insured it only for ₹ 3 lakh and if the product is partially damaged which is estimated at ₹ 2 lakh, the insuree will get only ₹ 1,20,000 as compensation as it is the proportionate amonut of ₹ 3 lakhs which is the insured amount

(C) When the value of the product is ₹ 5 lakh and it is insured for the full amount of ₹ 5 lakh and in the event of complete damage to the product, the insurance company will pay the full amount of ₹ 5 lakh to the insuree.

(3) Principle of Insurable Interest : The insuree must have financial interest in the product insured. Eg. The owner of the house has financial interest in a house while a tenant of the house does not have financial interest.

(4) Principle of Subrogation When a policy is taken for an insurable product and if it is fully damaged and when the insurance company pays compensation, the fully damaged product's ownership will be with the insurance company. This principle is not applicable in case of life insurance.

2 1 3 Type of Insurance :

Type of Insurance

- **Life Insurance**
  - **Whole Life Insurance**
  - **Endowment Insurance**
- **General Insurance**
  - **Goods Transportation Insurance**
    - Marine Insurance
    - Air Insurance
    - Rail/Road Insurance
  - **Fire Insurance**
  - **Other General Insurance**
    - Insurance Against Loss
    - Health Insurance
    - Insurance Against Theft
    - Animal Insurance
    - Group Insurance
    - Sports Insurance
    - Vehicle Insurance
    - Third Party Insurance
    - Credit Insurance
    - Insurance of loyalty against fraud
    - Accident Insurance
    - Insurance against natural calamities
    - Employees compensation Insurance
    - Employees compensation Insurance

(1) Life Insurance :

(a) Whole-Life Insurance : When a person who is insured dies, the insurance company undertakes to pay a pre-decided sum as a compensation to the legal heir of the deceased according to the contract or an agreement, it is known as whole life insurance. The insurer has to pay periodic premium which is to be paid, throughout his life.

Life is precious and hence there cannot be any price decided for it. An insuree decides the value of his life and his capacity to pay premium. In this case, the principle of Indemnity cannot be applied at the time of death of an insuree. If the death is not unnatural, the insurance company has to give the full amount as per the contract to the heir of the deceased.

(b) Endowment Insurance : When the insurance company promises to pay the policy amount to the insuree at the end of the policy period to him or to the legal heir in the event of his death, it is known as endowment insurance. In return, the insuree pays a pre-decided amount as premium, periodically till the duration of the policy.

(2) General Insurance :

There are three types of General Insurance (A) Goods Transportation Insurance (B) Fire Insurance, (C) Other forms of General Insurance.

(a) Goods Transportation Insurance : When goods are transported from one place to the other, there is a risk of full or partial loss/damage. There are insurance policies for such risk, which are (I) Marine Insurance, (II) Air Insurance, (III) Rail/Road Insurance.

(I) Marine Insurance : Transportation of goods through sea route is very economical but it is risky and slow. In the 18^{th} century most of the international trade used to take place via sea route. Hence it is a very ancient and widely used form of insurance. Lloyds of London was the first to start marine insurance. This company has maintained its image of loyalty for more than 325 years.

(II) Air Insurance : With the advent of 19^{th} Century, the movement of goods through air commenced, which also led to the beginning of air insurance. Air transportation is too costly and risky. Hence highly valuable and light weight goods are transported by air. The premium for air insurance is much higher than marine and rail/road insurance.

(III) Rail / Road Insurance : Land transit involves rail and road transit of goods. The most important form of risk involved in such transit are theft, dacoity and damage, to the products etc. Insurance is a form of protection against such risk.

(b) Fire Insurance : The promise by the insurance company to pay compensation against the full or partial loss or damage to property due to fire, against a predecided amount of premium is known as fire insurance. It is based on the principle of insurable interest. The insuree should get compensation equivalent to the loss of value of property due to fire provided he has insurable interest.

(c) Other General Insurance : The business of insurance has grown with the time and new types of insurance have come into existence. Insurance of the voice for a singer, third party insurance to give compensation because of use of vehicles to others, insurance for labour compensation in case of accident, insurance for labourers, employee insurance, student insurance to protect general and social damage, medical insurance (mediclaim) to compensate for medical treatment, insurance against loss caused due to the closure of a business unit, insurance against loss due to fraudulent activites by employees to employer, insurance against any cancellation or postponement of any entertainment programme/sports events either due to natural or man made risks are some of the types of insurance.

Mediclaim or medical insurance is to compensate for the huge medical expenses incurred by a person in the event of any health problem as against a periodical premium paid by an insuree to an insurance company.

2.1.4 Privatisation of Insurance :

Insurance was initiated by private sector in India. As India was a British Colony many foreign insurance companies started insurance business in India. As they were blamed for practising illegimate business practices, on 19th January, 1956 through an ordinance, Life Insurance business was nationalised and the Life Insurance Corporation of India was set up. Thus, the monopoly of life insurance corporation was established.

General insurance was introduced by the Britishers in India. Periodical controls were imposed on general insurance as well and it has continued after-independence. On 1st January 1973, the general insurance business was nationalised on the basis of General Insurance Business (Nationalisation) Act of 1972.

To analyse and appraise the working of insurance sector, a committee was appointed. It recommended the joint business by foreign insurance company with Indian Counterparts. Insurance Regulatory and Development Authority (IRDA) was set up in 1999 to support it.

2.1.5 Insurance Regulatory and Development Authority (IRDA) : This is a supreme autonomous and legal institution which manages the regulatory and development activities in the field of Insurance. IRDA act of 1999 has opened the doors of insurance sector to the private insurance companies and to foreign insurance companies to the extent of 26%, which was raised to 49% in 2015. So foreign insurance company can invest directly in the Indian Insurance companies up to 49%. The main objectives of IRDA are (1) Policy holders gets more choice. (2) Promote healthy competition among the various insurance companies which can improve the services with the lower premium. (3) Mobilise more resource for the economy. (4) To bring self-discipline among the insurance companies. (5) To create a mechanism for complaint redressal etc.

2.2 Postal Services :

Postal services play an important role in the written information and communication. It is essential to pass on information from one place to another speedily and without interruption. The same service can be available through private postal service (courier services) or Aangadiya too, to individuals and business units. The Indian postal department has been providing information and communication services for more than 150 years. Postal department is providing services other than just postal services like money order, acceptance of various forms of deposits, through small savings plans, postal life insurance and rural insurance schemes. It also provides other services like investment in mutual funds and service of agent on behalf of the government of India for many schemes. It also provides services of paying retirement pension. It has got licence to provide banking services and hence it acts as a bank to its customers. There are more than 1,50,000 post offices in India, out of it almost 90 % are set up in rural areas. It provides following service.

2.2.1 General Posts/Letters : Information and communication can be sent through post card, inland letters covers etc.

2.2.2 Registered Post : Postal department provides services of registered post. Such posts are delivered by the postal department for which the charges are more than the general postal communication. If the sender of the post requires a proof in the form of the signature of the receiver (Acknowledgement), some extra charge will have to be paid.

2.2.3 Parcel Services : All products other than those prohibited by law can be sent in the form of parcel from one place to the other. If needed, insurance is taken for the parcel too. Booking of the parcel can be done from any post office. Generally the sender of the parcel pays fees to the post office.

Value Payable Post (V.P.P.) : Inparal service V.P.P. is more popular. Any producer or seller on receiving an order for a product, sends a parcel through the postal department and the receiver of the parcel pays the parcel charges and also the price which is predecided, to the postal department which in turn, is passed on to the sender.

2.2.4 Speed Post/Parcel : The postal department guarantees to deliver the post/parcel within a stipulated time, within the places decided in India. The charges are higher for speed post/parcel than general post/parcel. It can also be insured if required.

2.2.5 Express Parcel : This service is available for both, individuals and business units. Express parcel is sent very speedily within the prescribed time limit. Postal department sends either through air or through any other fast route. The fees for this is even higher than the speed post.

2.2.6 Saving Services : Postal department, just like banks provides various types of saving schemes/ services like savings account, five year recurring deposit, term deposits, monthly income plan, senior citizen savings certificate, 15 years Public Provident Fund, 5/10 years Kisan Vikas Patra, Sukanya Samruddhi Account, etc.

Just like bank, post office savings account can also be opened for which cheque book is given and now there is the facility of ATM card too.

2.2.7 Recurring Deposit : According to this scheme, the account holder has to pay the amount as decided, on or before the pre decided date to the post office. At the end of five years when the account matures the entire principle amount along with the interest will be received by the account holder. After 5 years period if required the duration of the recurring deposit account can be extended for another five years.

2.2.8 Term Deposit : Term deposit is like fixed deposit schemes available in the post office. As per scheme, accounts can be opened for the duration of 1, 2, 3, or 5 years for ₹ 200 or in its multiple. Interest calculation is done every 3 months but the amount of interest is paid on yearly basis. This account can be transferred from one post office to another. Such an account can be closed anytime before the maturity period.

2.2.9 National Savings Certificate (N.S.C.) : Those who want to invest in NSC will have to purchase it from the post office. The duration of this savings certificate is 5 or 10 years. The information of interest rate is given in advance. At the end of the maturity period of 5 or 10 years, the amount can be claimed by fulfilling the required formalities from any post office.

2.2.10 Kisan Vikas Patra (K.V.P.) : The depositor in Kisan Vikas Patra gets double the invested amount after 100 months (8 years and 4 months). This certificate is available only for prescribed amount and after the maturity date the amount can be claimed by fulfilling the required formalities from any post office.

2.2.11 Public Provident Fund (P.P.F.) : Any individual can open an account in Public Provident Fund Scheme. The period/duration of this account is 15 years. The minimum amount to be paid in this account is ₹ 500 per annum. After 15 years, under the prevailing rules, the duration of this account can be extended by 5 years everytime. This account cannot be closed before 15 years. The money deposited in this account is exempted from income tax calculation. In the event of death of the account holder, the amount will be given to the nominated heir.

2.2.12 Postal Insurance : Prior to independence of India, as a part of welfare scheme, Postal insurace was started. All employees of central government, state government and other semi-goverment organisations are eligible for this insurance. There are different types of policies under the postal insurance schemes. The salient features of this postal insurance are the lowest premium and maximum bonus.

2.2.13 Monthly Income Scheme (M.I.S.) : This scheme is useful for those investors who require interest income on a monthly basis. Under this scheme individual or joint account can be opened. This account can be opened for a period of 5 years. As per the requirement, this account can be transferred from one post office to another. If needed, the depositor can withdraw money based on certain terms and condition after 1 year.

2.2.14 Money Order : Money order is an arrangement to send money from one place to other through post office. For this service post office charges commission. The receiver of money will have to sign a receipt which will be sent to the sender.

Post office has started Instant Money Order (IMO) by using online technology through which amount to the extent of ₹ 1000 to ₹ 50,000 can be sent to any part of India within a day. When the sender reaches post office and after paying money and commission, immediately a secret number in a sealed envelope is given to him. The sender gives that secret number to the receiver. When the receiver present a photo Id and secret number, he can receive money from any designated post office. Recently the department of Post through started E-Money Order (EMO). At present this service is made available in designated post office only. Through EMO, money can be received by the receiver the very next day at his address. ₹ 1 to ₹ 5000 can be sent through EMO. The postal department uses web services and computer network to send money. As EMO uses online technology, the sender of money will have to go to the post office personally or visit the web site of post office through his personal computer or mobile phone and fill up online form. The sender should fill up the name, address and pincode of the receiver. Within 24 hours money is paid to the receiver at his address. At the time of receiving money, proof of photo-Id should be presented by the receiver. Along with money, if needed one message out of pre-decided messages can be sent to the receiver.

2.2.15 Other Related Services : Postal Department provides other services like purchase and sale of foreign currency, traveller's cheque in foreign currency, debit card in foreign currency, draft in foreign currency, mutual fund investment agency, services for various schemes of Goverment of India as an agent, banking services, depositing pension money in the savings account of pensioners, railway ticket booking etc.

People have great faith in the postal department as it is under the direct ownership of Government of India

2.3 Godown/Warehouse

After production, every product cannot be immediately sold or consumed and hence storage becomes essential. Godown is necessary for preseving the perishable goods. Some goods have only seasonal demand but its production takes place throughout the year, such goods are stored in godown and when there is a demand it will be supplied from godown. On many occasions, materials are essential to be stored for production for inventory management as part of commerce and godown service is essential.

2.3.1 Meaning : Godown is such a service where product is stored. While storing the product the quality of the product is preserved so that minimum changes occurs in the quality. This is the main objective. Godown creates time utility for product.

2.3.2 Types :

Types of Godown

- **Ownership Perspective**
  - **Private godown**
  - **Public godown**
- **Payment of Customs Duty Perspective**
  - **Customs duty paid godown**
  - **Bonded godown (Customs duty is not paid)**
- **Usefulness Perspective**
  - **General godown**
  - **Special godown**

(A) Types of Godown from the Ownership Perspective :

(1) Private Godown : Any trader or manufacturer who owns a godown for strorage of his goods according to his requirment is known as private warehouse.

(2) Public Godown : The godown which is owned not for storing goods for own business, but for public use is known as public godown. Such godowns are owned by private individual or by an institution. Businessman and others use these godowns and they pay rent and bear other expenses. Public godowns are situated near railway station, port and airport.

Today, public warehouses have developed as an independent profession. Today public godowns have become an independent profession. They guarantee product storage, maintenance and protection. Public godowns provide receipts for the products which have been accepted by them for storage. The receipts are transferable and so while the product is in public godown, there can be purchase and sale of such products.

(B) Classification of Godowns from the Perspective of Customs Duty :

(1) Godowns for Product whose Customs Duty is Paid : Imported goods for which import duty has been paid but there is no immediate availability of transport facilities to transport them to their destination, they are stored in public godowns near sea port, airports and border areas. Such godowns are known as godowns for product whose customs duty is paid.

(2) Bonded Godown : Customs duty will have to be paid on import. If such goods for which customs duty has not been paid are stored in the godown, those godowns are known as Bonded godown. Such godowns are located near places of import like ports, borders of country etc. The importer wants to re-export the product, these godowns facilitate by way of classification and repacking. The basic nature of product is not to be changed. Such godowns are a blessing for re-exporting.

(C) Godowns based on Usefulness Perspective :

(1) General Godowns : Those goods for which no special care or specific maintenance or treatment is required and when such goods are stored in godowns, such godowns are known as general godowns. All product of different shapes, weight, volume, nature are stored in such godowns which are wide-spread.

(2) Specific Godowns : Those products which require special care, treatment and maintenance and godowns which store such products are known as specfic godowns. Such specific godowns become important for products like explosives, crackers, poisonous chemicals, cooking gas, petrol etc. Some examples of specific godowns are underground tanks for petroleum products, special types of bricks for poisonous chemicals, for perishable items like fruits, milk, vegetables etc. cold storage is necessary. These godowns are expensive. Different laws are to be followed for safety purpose.

2.4 Transportation Services :

2.4.1 Meaning : Transportation service facilitate transit of people, goods from one place to another. Transportation service is required to shift goods from one place to another. Initally animals and vehicles were used. Along with them water ways were used for the same purpose with the modern inventions, the use of aeroplane began.

2.4.2 Types :

(1) Human Operated : Even today human operated transportation exists, to manage transit of human beings and goods and it is environment-friendly too. In many places, pedal rickshaw is still prevalent, which transports people from one place to another. For instance, Kolkata has pedal rickshaw and in almost all parts of India goods are transported through human operated carriers.

(2) Animal Operated : For short distance transit of goods animal operated transportation is used e.g. horse cart, bullock cart etc.

(3) Airways : Airways are used for human and goods transit for long distance and speedy movement. For take off and landing, runway is necessary. For short distance and for less quantity of goods and few people, when runway is not available in hostile regions, helicopter service is more suitable.

(4) Land Transport :

(A) Railways : Human and goods transit takes place through railways. Usually diesel or electricity is used for railway engine. Many a times many coaches or all coaches have fuel engines which are known as multiple unit trains. Presently railways use cable, gravitational force, magnetic force etc.

Recently, Compressed Natural Gas (CNG) is being used as fuel in India for railway engines. Railways which connect different towns and cities and also trains running within the city have proved to be the spinal cord of transportation.

(B) Roadways : In roadways there is freedom to move from one road to another to change place, direction, speed and time according to the requirement; which is not possible or easy in other modes of transportation. It is possible to provide this service at the doorstep.

Bus is an effective way of transportation for people. For transit of goods of lesser weight and distance, truck is very useful. Because of vehicular traffic, the problems of air pollution, noise pollution, traffic jam and parking arises. Due to this, in many cities, Bus Rapid Transit System (BRTS) has been started. For such buses, a dedicated road is reserved, so that such buses can reach from one place to another at a fast pace. The duration between one bus and the other is kept minimum which makes the service effective. In Gujarat, this service is prevalent in cities like Ahmedabad, Surat, Rajkot etc.

(5) Waterways : Sea, river, lake, canal are some of the waterways on which boats, ferries, ships etc provide water transport. Nearby seashore places or where water and even land is there, hovercraft is used which uses a giant, highspeed fan. Big dams are constructed and water is made available to distant places through canals. Canals are also used as waterways. Foreign trade takes place mostly through waterways.

Compared to other modes of transportation, waterways are slow even though now a days with the use of modern engines, huge quantity of goods can be transported effectively. Compared to airways, waterways is cheaper for transporting goods from one continent to other, but it takes more time. At the near by coastal areas, ferry service has proved very profitable.

(6) Transit through Pipeline : Pipeline is used for liquid or gaseous products. This arrangement is useful for transportation of fluid waste, water, petroleum, natural gas etc.

For instance, for transporting gas from Hajira (Gujarat) to Madhya Pradesh and Uttar Pradesh pipeline is laid. Oil, and petroleum products are transported through pipeline in states like Assam, Bihar, Gujarat, Uttar Pradesh and Haryana.

What did you learn in this chapter ?

(1) Insurance services :

Meaning : It is a written agreement between insuree and insurer which promises to pay the pre-decided amount according to the pre-decided calculation, a compensation against a pre-decided amount of premium in the event of pre-decided losses.

Principles : (1) Principle of Utmost Good Faith (2) Principle of Indemnity (3) Principle of Insurable Interest (4) Principle of Subrogation.

Types of Insurance : (1) Life Insurance (A) Whole Life Insurance (B) Endowment Insurance (2) General Insurance : (A) Transit Insurance

(I) Marine Insurance (II) Air Insurance (III) Road Insurance

(B) Fire Insurance

(C) Other General Insurance

Privatisation of Insurance :

Insurance Regulatory and Development Authority (IRDA) :

(2) Postal Services : (1) General Postal Letter (2) Registered Post (3)Parcel Services, Value Payable Post (4) Speed Post/Parcel (5) Express Parcel (6) Saving Services (7) Recurring Deposit Plans (8) Term Deposit, (9) National Savings Certificate (N.S.C.), (10) Kisan Vikas Patra (K.V.P.),

(11) Public Provident Fund (P.P.F.), (12) Postal Insurance, (13) Monthly Income Scheme (M.I.S.), (14) Money Order-Instant Money Order, E-Money Order, (15) Other Related Services.

(3) Godown/Warehouse Services :

Meaning : Product are stored in such a way through godown services that the basic nature and quality of the product is preserved or the change is minimal.

Types : (1) Based on Ownership : (A) Private godown, (B) Public godown,
(2) Based on Payment of Customs Duties :(A) Customs duty paid godown
(B) Bonded godown
(3) Based on uses : (A) General Godown (B) Special Godown.

(4) Transportation Services :

Meaning : To transport goods from one place to another, transportation services are used types. (1) Manually Operated (2) Animal Operated (3) Air Transport (4) Land Transport (a) Rail Transport (b) Road Transport (5) Waterways (6) Pipeline.

EXERCISE

1. Select the correct alternative and write answers to the following questions :

(1) Which of the following principle is not an insurance principle ?
(a) Principle of Utmost Good Faith (b) Principle of Indemnity
(c) Principle of Insurable Interest (d) Principle of Profit

(2) Which type of insurance is ancient and widely prevalent ?
(a) Goods Transit Insurance (b) Marine Insurance (c) Air Insurance (d) Rail/Road Insurance

(3) How much can Foreign Insurance Companies invest in Indian insurance companies ?
(a) 25 % (b) 49 % (c) 74 % (d) 100 %

(4) How much amount is paid for Kisan Vikas Patra on maturity ?
(a) Double (b) Triple (c) Four Times (d) Five Times

(5) Which types of Insurance involves highest risk, out of the following ?
(a) Goods transport Insurance (b) Marine Insurance
(c) Air Insurance (d) Rail/Road Insurance

(6) In which types of money order services, money does not reach to the doorstep of the receiver ?
(a) Ordinary Money Order (b) Instant Money Order (IMO)
(c) E-Money Order (d) Special Money Order

Answer : (1) (d) (2) (b) (3) (b) (4) (a) (5) (c) (6) (b)

2. Answer the following questions in one sentence each :

(1) What is insurance ?
(2) What is insurance policy ?
(3) What is life insurance ?
(4) Give the meaning of general insurance.
(5) State the fastest mode of transportation.
(6) Give the meaning of warehouse.
(7) What is multiple unit train ?

3. Answer the following questions in short :

(1) State the principles of insurance.

(2) Give a list of types of General Insurance

(3) Life insurance does not apply to loss-compensation principle - why?

(4) Write a note on Health Insurance.

(5) Write a note on Public Provident Fund scheme.

(6) For what kind of products Pipeline transit is most suitable ?

4. Answer the following questions in brief :

(1) What is the principle of Utmost Good Faith ?

(2) Explain principle of indemnity.

(3) Explain the principle of insurable interest.

(4) "Insurance does not remove risk, but it compensates for the loss resulting from the risk" Justify this statement.

(5) "Godown creates time utillity" - Discuss.

(6) What are special godowns ? Explain with examples.

5. Answer the following questions in detail :

(1) How does insurance contract differ from general contract ?

(2) State and explain the types of life insurance.

(3) State the types of General Insurance and explain any two in detail.

(4) Write a note on Insurance Regulatory and Development Authority.

(5) Show the classification of warehouses with the help of chart. Explain customs duty paid warehouse

Full Form of Abbreviations

LIC of India	:	Life Insurance Corporation of India
VPP	:	Value Payable Post
FDI	:	Foreign Direct Investment
ATM	:	Automated Teller Machine
MIS	:	Monthly Income Scheme
IMO	:	Instant Money Order
EMO	:	Electronic Money Order
CNG	:	Compressed Natural Gas
BRTS	:	Bus Rapid Transit System
IRDA	:	Insurance Regulatory and Development Authority
NSC	:	National Savings Certificate
KVP	:	Kisan Vikas Patra
PPF	:	Public Provident Fund
MIS	:	Monthly Income Scheme

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3 Business Services-2

What will you learn in this chapter ?

Introduction

Importance of commerce is increasing in present time. In commerce, apart from trade, banking is considered as its auxiliary service. Banking industry is very useful to industries, agriculture and other fields in addition to trade.

The institute providing services of banking is called a Bank. The first bank of the world started in Geneva in the year 1407. The word **'Bank'** is derived from the Italian word 'Banco'. Evidences of the activities of the bank are also found in the ancient time. This word emerged in the Roman empire, where the money lenders, known as **'Macella'**, used to establish thier small temporary shops on a long bench called as **'Bancu'** within a closed fence. The word 'Bancu' and 'Bank' have been derived from this.

3.1 Meaning

(1) According to the Reserve Bank of India, "Bank is an institute which collects deposits in order to lend them with condition to return it at the end of the fixed term or whenever it is demanded".

(2) The institute providing service of banking is called bank.

3.2 Functions

(1) To accept deposits and apart from these services bank performs other activities too. (2) To invest or lend money. But in the present time, a bank does other functions too. Apart from these, banking services have been developed very well and variety is found in its services too. There is an immense growth in the services offered by bank and the focus is on customers. It is difficult to make a list of all functions of bank. Functions of bank can be divided into two parts. Main functions and subsidiary functions. They are as given on next page.