

CHAPTER 4

BUSINESS SERVICES

All of us have seen super markets in your nearby town. Have you ever thought how a supermarket owner does his business? How he gets goods? How he gets the money to purchase large quantities of stock? How he communicates to his wholesalers or producers and also to customers? How he safeguards himself from various risks associated with his business? The answer to all the above questions lies in the understanding of business services. The transportation of goods from wholesalers to his shop is carried out through train and trucks (transportation services). They are then stored at various godowns or warehouses. Super market owner use postal mail and telephone facilities to be in touch with customers, banks and suppliers (communication services). In a business there are various types of risks like fire, theft, flood, competition etc. Some of them are insurable, others are non insurable. Supermarket owner needs finance to meet various fixed and working capital requirements, the owners have to take loans and advances from banks (banking services). Thus we see that a single business a supermarket is actually a collective outcome of various business services.

Types of services

Services can be classified into three broad categories, viz., business services, social services and personal services.

1. Business services

Business services are those services which are used by business enterprises for the conduct of their activities. For example transportation, banking, insurance warehousing and communication services

2. Social services

Social services are those services which are generally provided voluntarily to achieve some social goals. These social goals may be to improve the standard of living for weaker sections of the society, to provide free education to their children, or to provide health care and hygienic conditions in slum areas. These services are generally provided voluntarily and free of charge or for nominal charges to cover the cost of services.

3. Personal services

Services which are experienced by different customers in a different way are known as personal services. These services cannot be consistent in nature. They will differ depending upon the service provider. They will also depend upon customer's preferences and demands. For example providing services such as restaurant, recreation, resorts, etc.

Nature of services

There are five basic features of services. These features distinguish them from goods and are known as five 'I's of services. They are:

1. Intangibility

Services are intangible, i.e., they cannot be touched. Services cannot be touched but can be felt and experienced. Treatment of a doctor, auditing of accounts by Chartered Accountants etc. are examples of services.

2. Inseparability

Services are produced and consumed simultaneously. These are inseparable. In case of goods production takes place at one time but consumption at another time. But in case of services, for instance, a doctor while examining a patient, service is produced by him and the same is consumed by the patient at one time.

3. Inventory

Since there are no tangible components in services, they cannot be stored for future use. Services are perishable, and if not utilized they will be lost. Suppose one booked a train ticket for a particular day, the production and consumption of journey take place simultaneously. It cannot postpone for another day without cancelling the old ticket or we cannot preserve that service for another day.

4. Involvement

The involvement of the customers in the process of delivering service is a must. For example a doctor attending a patient.

5. Inconsistency

Services are performed exclusively for different customers in a different way according to the demand and expectations of customers. For example mobile service providers offer various services to customers.

Difference between goods and services

Point of difference	Goods	Services
Meaning	A physical object.Eg.video CD of a movie	An activity or process.Eg.Showing a movie in a theatre
Tangibility	Tangible. Eg.Medicine	Intangible. Eg.Treatment of a doctor
Inseparability	Separation of production and consumption.	Production and consumption take place simultaneously.
Inventory	Can be kept in stock. Eg.Medicine	Cannot be kept in stock.Eg.Treatment of a doctor
Involvement	The involvement of both the producer and consumer is not necessary	Participation of both the service provider and consumer is necessary

Goods are produced and services are performed. Goods are physical products which are delivered to a buyer and also involve transfer of ownership from the seller to the buyer. Services are invisible and intangible. Services are neither be seen nor touched but felt.

Business services

Business services are those services which are required for the smooth, safe and efficient operation of a business. Banking, insurance, warehousing, transportation, communication etc are the important business services.

Banking

According to the Banking Regulation Act 1947 “banking is the business of accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque, draft, order or otherwise”.

Bank may be defined as an institution which is engaged in accepting deposits, lending money and providing other services to its industrial customers and the general public. Banking refers to the business of accepting deposits by paying interest and lending loans and credits by charging interest. It mobilizes savings of the people and makes funds available to business financing. Thus banks play an important role in the development and growth of both business and agriculture. Besides it provides services like bills discounting, remittance of money from one place to another, cheque collection, payment of telephone bill etc on behalf of customers, providing locker facilities etc.

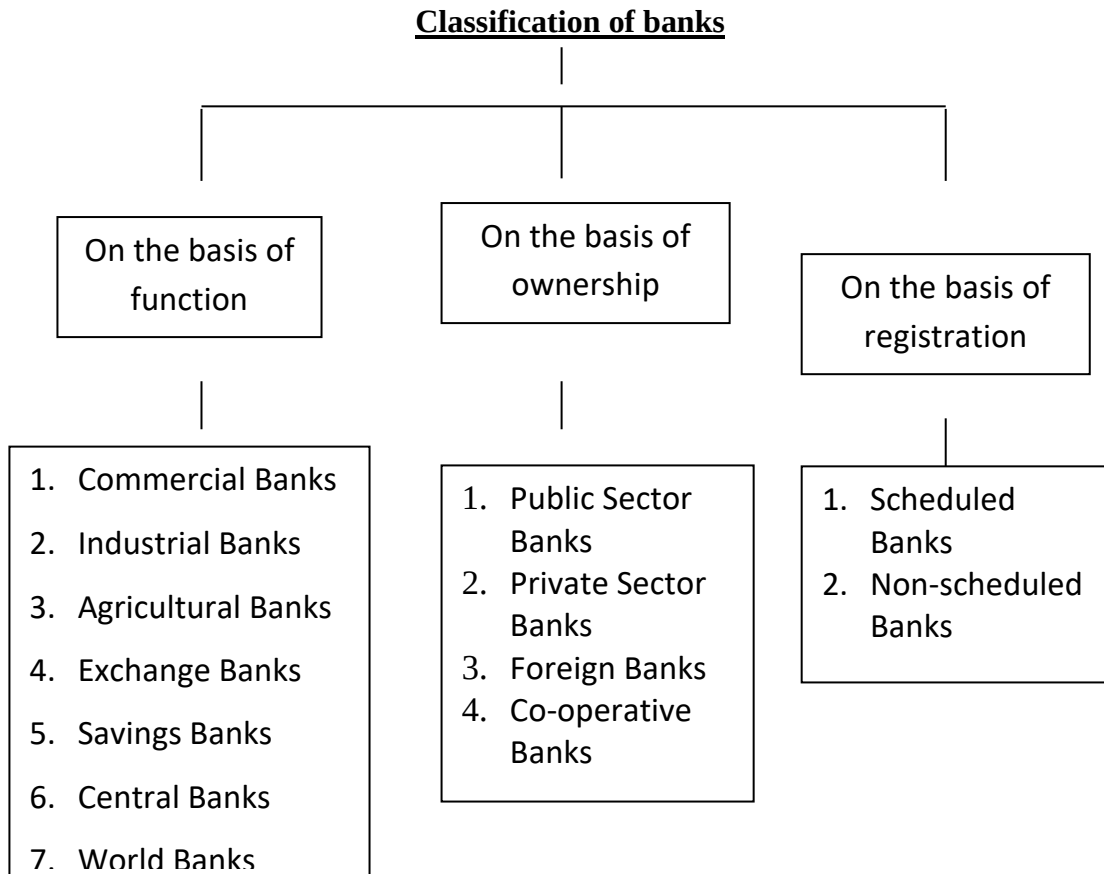


The Concept of Banking In India Was Born In Early 18th century. The first bank that was established in the country was The General Bank of India founded in 1786. After that came the State Bank of India in Kolkata in 1806 which was then known as The Bank of Bengal. Reserve Bank Of India is The Governing Body of Banking in India. All The Indian Banks and Their Operations are controlled by Reserve Bank of India (RBI). This governing

body took over the responsibility of formally regulating the Indian banks in 1935.

Classification of Banks

Banks can be classified on the basis of their functions, ownership domicile and registration.



Classification on the basis of function

Depending upon the nature of functions performed by banks they are classification as:

1. Commercial Bank

Commercial Banks perform all kinds of banking business. They accept deposits from the public and repay on demand and grant short term credit mainly to trade, commerce and industry. In current account overdraft facilities are also granted. In additions to the primary functions of accepting deposits and lending money commercial banks render various agency and other utility services. There are total 93 commercial banks in India. SBI is the largest commercial bank in India.

Since the deposit of commercial bank is repayable on demand or after a short period these banks are mainly concerned with the supply of short term requirements of trade and industry. In India there are three types of commercial banks. (a) Public Sector Commercial banks such as SBI, UBI,

Bank of India etc (b) Private Sector Commercial Banks such as ICICI Banks, South Indian Bank, Federal Bank, AXIS Bank etc. (c) Foreign Commercial Banks such as City bank.

2. Industrial Bank

Industry needs long term funds, so their needs cannot be effectively met by commercial banks. It is, therefore, necessary that industrial banks should be set up to meet financial requirements of industrial enterprises. Industrial Banks provides long term and medium term finance to Industries. They assist in the promotion of new Industrial units and in the modernization and expansion of existing units. They not only provide finance but also give technical and managerial advice. Industrial banks also known as Development Banks.

eg. Industrial Development Bank of India (IDBI) Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI)

3. Agricultural Bank

Agriculture needs both short term and long term loans. Short term loans are required for purchasing seeds, fertilizers and other agricultural inputs. These short term needs are met by co-operative banks. Long term financial needs are regarding purchase of land, tractor, and other equipments and for installation of tube wells. Long term financial needs are met by land mortgage banks, also known as agricultural banks or land development banks.

4. Exchange Bank



Foreign exchange banks are established mainly to finance foreign trade of a country. They deal in foreign exchange business, buying and selling of foreign currencies, discounting, and collecting foreign bill of exchange. They also do ordinary banking business such as accepting deposit and advancing of loans, but in a limited way.

eg. City Banks, Bank of Tokiyo, Grindlays Banks, Chartered Banks.

5. Savings Bank

The main purpose of savings banks is to promote saving habits among the general public and mobilize their small savings. In India, Post Office Savings bank is the best example for this category. Anyone can deposit money in a post office savings bank and can withdraw the same after a fixed period. Their capitals remain safe and yield a fair return. India Post, which has a network of more than 1.5 lakh post offices across the country, provides several banking and remittance services, such as the Post Office

Savings Account. All four savings accounts earn interest at the rate of 4 per cent on deposits compounded on a quarterly basis, according to India Post.

6. Central Bank

Central bank is the apex institution which supervises and controls the entire banking system of a country. Every country has a central bank. The Reserve Bank of India (RBI) is the central bank of our country. It was incorporated on 1935. A central bank does not deal directly with the public and its aim is not to earn profits. The main function of a central bank are as follows:-

- 1) It has the monopoly of note issue
- 2) It act as a banker, agent and financial advisor to the government
- 3) It acts as banker's bank. It is the custodian of member banks reserves.
- 4) It is the lender of last resort. Commercial banks can borrow money from it whenever they need.
- 5) It is the controller of credit in the country.
- 6) It is the custodian of foreign currency reserves of the country.
- 7) It carries out the monetary and credit policies of the country.
- 8) Managing bills of different banks.



RBI can't perform the following functions.

- 1) It can't grant loans directly to general people.
- 2) It can't allow interest on deposits.
- 3) It can't subscribe shares of any company.
- 4) It can't work in the field of industry and trade.

Classification on the basis of ownership

1. Public Sector Banks

On the basis of ownership banks have been classified as public sector banks private sector banks, foreign banks and co-operative banks. There are currently **22 Public sector banks in India** out of which **19 are Nationalised banks** and 3 other banks namely SBI (SBI's six subsidiaries merged with SBI) ,IDBI Bank and Bharatiya Mahila Bank. Public sector banks are those banks which are owned and managed by the government.

Nationalised Banks In India(List 2018)

Sr. No.	Nationalised Banks In India	Headquarter Of Bank
1	<u>Allahabad Bank</u>	Kolkata
2	<u>Andhra Bank</u>	Hyderabad
3	<u>Bank of Baroda</u>	Vadodara
4	<u>Bank of India</u>	Mumbai
5	<u>Bank of Maharashtra</u>	Pune
6	<u>Canara Bank</u>	Bangalore
7	<u>Central Bank of India</u>	Mumbai
8	<u>Corporation Bank</u>	Mangalore
9	<u>Dena Bank</u>	Mumbai
10	<u>Indian Bank</u>	Chennai
11	<u>Indian Overseas Bank</u>	Chennai
12	<u>Oriental Bank of Commerce</u>	New Delhi
13	<u>Punjab National Bank</u>	New Delhi
14	<u>Syndicate Bank</u>	Manipal
15	<u>Union Bank of India</u>	Mumbai
16	<u>United Bank of India</u>	Kolkata
17	<u>Punjab & Sind Bank</u>	New Delhi
18	<u>UCO Bank</u>	Kolkata
19	<u>Vijaya Bank</u>	Bangalore

Other Public sector banks:

20.SBI

21.IDBI Bank

22. Bharatiya Mahila Bank

D. Foreign Bank

1. ABN Amro Bank
2. BNP Paribas
3. City Bank
4. HSBC (Hongkong and Shanghai Banking Corporation)
5. JP Morgan Chase Bank
6. Bank of America
7. Standard Chartered Bank
8. American Express Bank.

2. Private Sector Banks

In India all Banks which are not nationalised come under Private Banks List. There are many central and state level private sector banks. These banks are owned by the private individuals or corporations. Even though they are governed by RBI, they are free to evolve their own policy decisions regarding the banking operations.

List Of Major 20 Private Banks In India		
S.No	Name of Private Banks In India	Private Banks Headquarters
1	<u>AXIS Bank</u>	Mumbai
2	<u>Citi Union Bank</u>	Tamilnadu
3	<u>Catholic Syrian Bank</u>	Thrissur
4	<u>Dhanlaxmi Bank</u>	Thrissur, Kerela
5	<u>DCB Bank</u>	Mumbai
6	<u>Federal Bank</u>	Kerala

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7	<u>HDFC Bank</u>	Mumbai
8	<u>ICICI Bank</u>	Mumbai
9	<u>IDFC Bank</u>	Mumbai
10	<u>IndusInd Bank</u>	Mumbai
11	<u>Jammu and Kashmir Bank</u>	Srinagar
12	<u>Karnataka Bank</u>	Mangalore
13	<u>Kotak Mahindra Bank</u>	Mumbai
14	<u>Karur Vysya Bank</u>	Tamilnadu
15	<u>Lakshmi Vilas Bank</u>	Tamilnadu
16	<u>Nainital Bank</u>	Nainital
17	<u>RBL Bank</u>	Maharashtra
18	<u>South Indian Bank</u>	Kerala
19	<u>Tamilnad Mercantile Bank Limited</u>	Tamil Nadu
20	<u>Yes Bank</u>	Mumbai
21	<u>Equitas Small Finance Bank</u>	Chennai

eg. ICICI Bank is the largest private sector bank in India.

3. Foreign Bank

Banks having a place of business in India but with a foreign origin are called foreign banks. They are owned and managed by foreign promoters.

eg. City Bank, American express bank, Bank of America, HSBC Bank, Standard Chartered Bank etc.

4. Co-operative Banks

Co-operative banks are organized and managed on the principals of co-operation, self help and mutual help. Even though these banks perform some major functions of commercial banks, they concentrate

on agricultural and rural credit. Co-operative banks are organized on a three tier basis, namely State co-operative banks at state level, central co-operative banks at district level and primary co-operative banks at the Village level.

Commercial Bank

Commercial Banks perform all kinds of banking business. They accept deposits from the public and repay on demand and grant short term credit mainly to trade, commerce and industry. In current account overdraft facilities are also granted. In additions to the primary functions of accepting deposits and lending money commercial banks render various agency and other utility services. SBI is the largest commercial bank in India.

FUNCTIONS OF COMMERCIAL BANKS

Functions of commercial banks can be broadly classified in to two.

A. Primary Functions

B. Secondary Functions

Primary functions of commercial banks can be classified into two:

1. Accepting Deposits

2. Lending money

1. Accepting Deposits

This is one of the primary functions of commercial banks. The main purpose of banks is to promote savings and accept deposits from the customers. Banks offer different deposit schemes to satisfy the needs, tastes, and preferences of its customers. The common types of deposits accepted by banks are : Saving account deposits (b) Current account deposits (c) recurring deposits (d) Fixed deposits account.

a) Fixed Deposit Account

It is an account, where in money is deposited for a fixed period. It is also known as TERM DEPOSIT .Such deposits are not supposed to be withdrawn before the expiry of the period. The bank can utilizes this money for the period it has been deposited without bothering about its repay. So fixed deposit account holders gets higher interest rate. Fixed deposit period varies from 7 days to 10 years. People with surplus funds and they do not require immediately prefer fixed deposit. Longer is the period of deposit; higher is the rate of interest.

SBI-Fixed Deposit(FD) Interest Rates-Sep 2018

Period	FD Rates	Senior Citizen FD Rates
7 days to 45 days	5.75%	6.25%
46 days to 179 days	6.25%	6.75%
180 days to 210 days	6.35%	6.85%
211 days to 364 days	6.40%	6.90%
1 year to 1 year 364 days	6.70%	7.20%
2 years to 2 years 364 days	6.75%	7.25%
3 years to 4 years 364 days	6.80%	7.30%
5 years to 10 years	6.85%	7.35%

b. Savings Bank Accounts (SB Account)

Savings accounts are usually operated by individuals. In case of savings bank account; customers can deposit any amount of money at any number of times. But the number and the amount of withdrawals are restricted. The rate of interest paid on the savings account is lower than that of fixed deposit. At present banks allow 3.5% interest to saving bank account holders.

c. Current accounts or Demand Deposits

The current accounts are usually opened by businessmen. Under this account, there is no restriction regarding the number and amount of deposit and withdrawals that can be made in a day. As the deposit is repayable on demand, current deposits are also known as DEMAND DEPOSIT. Withdrawal is always made by cheques. Overdraft facility is also available. No interest is payable on money deposited in the current account as the money is not available to the bank for profitable re-investments.

d. Recurring Deposits

Recurring Deposit is a special kind of Term Deposit offered by banks in India which help people with regular incomes to deposit a fixed amount every month into their Recurring Deposit account for a fixed period and earn interest at the rate applicable to Fixed Deposits. Minimum Period of RD is 6 months and maximum is 10 years. This type of deposits is designed to encourage regular savings among the public especially fixed income group.

Main features of Recurring account are:

- 1) A fixed amount of money is deposited on regular basis which is usually monthly for a fixed period of time, e.g. Rahul deposits Rs.500 every month in his recurring deposit account for a period of 60 months.
- 2) Account holder cannot withdraw money before the expiry of fixed period of time.
- 3) The rate of interest is higher than the rate of interest paid on savings account.
- 4) Account holders can take loan against recurring account deposits.

2. LENDING MONEY

With the help of money collected through various types of deposits, commercial banks lend finance to businessmen, farmers, artisans and others. The bank advances loans at higher rates of interest than what it allows on deposits. The difference between the two rates of interest is the profit of the bank.



A businessman has two options while taking a loan for his business. Either to opt for long term funding like LAP (Loan against property) or to go for flexible funding like Cash Credit (CC) or Overdraft (OD). Long term funding generally carries a lower rate of interest while flexible funding gives opportunity to save interest by depositing extra funds in the account and thus paying interest only for amount needed.

The bank advances loans through cash credit, bank overdraft, discounting bill of exchange, term loans etc.

Features of cash credit:

- 1) Bank sanctions the credit limit on the basis of financial records of the business.
- 2) The sanctioned amount is secured against the current assets like debtors and stock.
- 3) The sanctioned limit of cash credit is transferred to borrower's current account and the borrower pays interest on the amount used.

a. Overdraft (OD)

OD account stands for Overdraft account. It is a type of account in which you can withdraw amount even if there is no fund in your account. The bank sanctions a specific limit and your account can go in negative up to that limit. You have to pay interest only on the amount taken as loan. Since it is a current account, you can make as many transactions as you want. You have to pay interest on the amount which is due by the end of the day.

Eg:- If a customer has a current account deposit of Rs. 1,000 with a bank, the bank under an agreement, may allow the customer to draw cheque –up to, say, Rs. 50,000 in excess of the existing

deposits. In this case, the bank -said to grant an overdraft of Rs. 50,000 to the customer.

Note:- Overdraft is always granted on an existing current account and never in Savings Bank Account.

b. Cash Credit

In this method, the bank instead of making payment to the borrower in cash, deposits the money in the current account, opened in the name of the borrower. The borrower can withdraw the money by using cheques up to specified limits. Such loans are usually given against the security of current assets like debtors, stock investments etc. Interest is charged on the actual amount withdrawn or 50% of the loan sanctioned, whichever is more.



Differences between Cash Credit and Overdraft Account

Overdraft and Cash Credit account both are the type of loan accounts in which the account holder can withdraw the amount he requires. These generally are considered as similar type of loan by many, yet there are some differences between them.

Cash Credit Account	Overdraft Account
It is normally given on security of stock, debtors etc.	It is normally given on security of a fixed asset.
The maximum amount is calculated as a percentage of sale and stock along with financial statements. For eg A bank allowed cash credit upto 80% of stock plus 20% of sales.	The maximum amount allowed is calculated mainly on basis of financial statements and security.
It should be used for the purpose of business.	Can be used for any purpose
Balance Sheet, P & L account , VAT reports is required be submitted to bank generally annually or quarterly.	Financial statements are generally not required to be resubmitted after approval.
Insurance of stock is normally required.	Insurance of the property is generally required.
Many a time's new account has to be opened to take cash credit facility.	Overdraft is generally started by banks in existing current accounts.
Interest rate is normally lower than overdraft account.	Interest rate is normally higher than cash credit account.

C. Discounting of Bills of Exchange

Discounting bill of exchange is a form of lending by a banker under which the banker pays the amount of the bill after deducting a small amount (discount) as his commission, to its holder before the due date. When the bill of exchange matures, the bank gets its full amount from the person who accepted the bill (debtor).

d. Term Loan

A **term loan** is simply a loan that is given for a fixed duration of time and must be repaid in regular installments. These loans usually extended for a longer duration of time which may range from 1 year to 10 or 30 years. Rate of interest charged under these loans may be on a fixed or floating basis, which will vary with market fluctuations. Interest is charged on the whole amount sanctioned, irrespective of the amount actually utilized.

B. SECONDARY OR SUBSIDIARY FUNCTIONS

Secondary functions of commercial banks are classified into agency services and general utility services.

1. Agency Services

A commercial bank act as an agent for its customers and services rendered by it as an agent is known as agency services. They are:-

a) Collection of cheques, bills and drafts

The customer deposits his cheques received from other parties, bills accepted by other parties and bank drafts received from outside. Bank collects the amount of these documents and credits money into customers account

b) Payment of interest insurance premium, telephone bill etc.

The customer may instruct the bank to make the payment of his installment of loan , payment of his insurance premium etc. After making these payments the bank debits the amount to customer's account.

c) Collection of interest, dividends etc

The bank may be instructed to collect interest on investment and dividend on shares etc on behalf of customers and deposit in his account.

d) Purchase and sale of securities

Bank can also work as an agent of the customer and assist in purchasing or selling shares, debentures, bonds etc.

e) Transfer of funds –

Banks provide facilities to transfer funds from one place to another place at nominal charges.

2. General Utility Services.

Commercial banks render a number of services to the general public and these services are known as general utility services. They are-



- a) Issuing letters of credit, Drafts, Credit Cards, traveler's cheques etc.
- b) Providing foreign exchange to importers and travelers going abroad.
- c) Providing locker facilities for the safe custody of gold, and other valuables.
- d) Providing information to customers about the credit worthiness of other customers.
- e) Bank renders advisory services on economic matters to its customers.
- f) Banks underwrites shares and debentures at the time of issue.

E-Banking

E- banking is electronic banking where banks provide services to its customers through internet. Internet banking means any user with PC and a browser can get connected to the banks website to perform any of the banking functions. There is no human operator to respond to the needs of the customer. The bank has a centralized data base that is web-enabled. All the services that the bank has permitted on the internet are displayed on a menu.

e-banking provides facilities to the customers for transferring funds from accounts, balance enquiry, applying for loans and cheque books, ATM facilities, paying bills over internet using personal computer or mobile etc. The services provided by banks through e-banking lowers transaction cost and provide more convenience to customers. E-banking save the valuable time of both customers and banks.

The range of services offered by e banking are:

Electronic Fund transfer (EFT), Automated Teller Machine (ATM), Point of Sales (POS), Electronic Data Interchange (EDI), Credit Cards, and Digital Cash.

Benefits or Advantages of E-Banking

E-Banking is beneficial to both the customer and the service provider bank

Benefits to the customer

1. Continuous service

E-banking provides 24 hours, 365 days a year services to the customer of the bank.

2. Everywhere service



Through e-banking permitted services of the bank can be availed of from office, home or even while travelling with the help of smart phone. Visiting bank for transaction is not required.

3. Greater customer satisfaction

The customer can avoid travelling with cash. It minimizes risk with greater security.

4. Evidence

E-banking services record every financial transaction and make the statement of customers account and make available to them periodically.

5. Save time and energy

Customers can perform most of their banking function from home itself.

Benefits to the service provider bank

1. Reduction of load on branches

Today customers can perform most of their banking functions through internet or ATM. This will reduce the work load of local banks.

2. Unlimited network to the bank

Any computer or smart phone with net connection can satisfy various banking functions of customers. E-banking provides unlimited Network to banks and is not limited to number of branches. For e.g. SBI has 16333 branches but its e-banking network may be above 10lakhs.

3. Less operating cost

E-banking helps the bank to reduce its number of employees. It will reduce their operating cost.

Recent trends in banking (New Services in the Banking Field)

1. ATM

An automated teller machine (**ATM**) is an electronic banking outlet, which allows customers to complete basic transactions without the aid of a banker. Anyone with a credit card or debit card can access most ATM. It works 24 hours a day 365 days in a year. Now a day's almost all commercial banks offer ATM facility to their account holders. They are supplied with plastic card and Personal Identification Number (PIN Number). To operate this account holder has to insert the card into the terminal and then enter the PIN. If it is correct, the machine will respond by giving cash, accepting deposits, giving mini statement, transfer funds between accounts in the same bank ordering cheque book etc. The main advantage of using an ATM is convenience, you can travel anywhere without cash.



2. Net Banking

In order to provide convenience to customers for banking any time and anywhere in the world, net banking is used. Customers are provided Log in id and password through which they can access their account and make transactions like fund transfer, balance enquiry, cheque book request etc. Business firms can transfer salaries direct to their employees accounts. This saves the tension of handling huge cash or paying through cheques.

3. RTGS – Real Time Gross Settlement

RTGS is a system of money transfer between two banks in real time basis. In RTGS the transaction is settled or fund transferred from one bank account to another at same time of its process. There is no delay. RTGS is the fastest possible money transfer between two banks in India through a secure channel. The minimum amount of money transfer in RTGS is 2 lakhs, RTGS charges up to 5 lakh is Rs. 25. Example for RTGS, let's say Ajay has a SBI Bank account and Vijay has an Axis Bank account, Ajay transfers Rs 5 lacs to Vijay's account through RTGS transfer, SBI bank instantly transfers Rs 5 lac to Axis Bank, now Axis bank has 2 more hours to deposit it in Vijay's account. Hence in worst case even with RTGS transfer there can be delay of 2 hours.

4. NEFT – National Electronic Fund Transfer

NEFT is a nationwide funds transfer system to facilitate transfer of funds from one bank to another, say transfer of funds from SBI to Federal Bank. Unlike RTGS in NEFT transfer from one account to another account is not settled or processed at that same moment, it's done in batches. There is no minimum amount of money transfer limit in NEFT. NEFT charges up to Rs. 10,000 is only Rs. 2.5. It is suitable for small amount money transfer.

Example for NEFT. Ajay has ICICI Bank account and Vijay has a bank account in HDFC bank. Now Ajay deposits Rs 10,000 in Vijay account through NEFT transfer at 10:30 am. The money will be then taken out from Ajay's ICICI Account and will be sent to Vijay's HDFC bank the same day, then HDFC bank will credit Vijay's bank account. It happens in the hourly batch Between Banks.

5. Debit Card

Debit card is a card issued by the bank to its account holders against their bank balances to facilitate and simplify the payment, fund transfer, withdrawal of money etc. There is no overdraft facility to debit card holders. In case of debit card, account holder puts money in his account first and then spends it with the help of his debit card. With the help of debit card, the account holder can withdraw money from ATM or make payment for purchase at the point-of-sales (POS) terminal located at traders checkout counter.



6. Credit Card

A credit card is an instrument issued by a bank to selected customers for providing credit up to a specified amount. Every time you use a credit card, you are actually borrowing money that is made available to you by a bank. The bank pays the debt to the vendor, and in turn, you pay the money back to the bank. Bank allows a grace period of 25-30 days for payment. If you don't pay it back in that time period, you'll have to pay interest. It is also used for withdrawing cash from ATM (As per terms and conditions of bank). Credit card is a type of loan, actually bank gives overdraft to card holders. The credit limit of a customer depends on his credit worthiness. ATM cards, credit card and debit cards are collectively called **plastic money**.

A debit card is not a credit card. When you use a debit card, the money is deducted from your checking account. With a credit card, you're borrowing money to be repaid later.

7) Mobile banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smart phone or tablet. Mobile banking allows you to review transactions, transfer funds, pay bills and check account balances via your mobile device. Mobile banking uses Short message service (SMS), mobile application or the web. In contrast, Internet Banking uses bank's website. While the number of functions performed by Mobile banking system is limited, internet banking offers an array of services to their customers.

Advantages to mobile banking include the ability to bank anywhere and at any time. Disadvantages include security concerns and a limited range of capabilities when compared to banking in person or on a computer.

INSURANCE

Risk is an inevitable part of any business. Uncertainties are the main cause of business risks. Insurance is a service which covers the risks and minimizes the losses caused by uncertainties.

Insurance may be defined as a contract in writing under which one party (insurer) agrees in return for a consideration (premium) to indemnify the other party (insured) against the loss or damage suffered on account of an uncertain future event or contingency, or to pay a specified sum on the happening of a specified event. Insurance is the equitable transfer of the risk of a potential loss from one entity to another, in exchange for a reasonable fee known as premium. The main aim of every insurance contract is to give financial security and protection to the insured from any future

uncertainties. Insurance helps business or individuals to recover their losses arising out of various kinds of risks. The idea of insurance is based on the principle of co-operation. In insurance the loss suffered by a small section is distributed among a large number of insured who contribute small amount of premium. The premium collected from the insured's are pooled together and the loss suffered by any insured is compensated by the insurer by making payment from the pool.

Eg:- 1. A business can insure his goods against the risk of fire.

2. A person can insure his life against the risk of death.

3. An owner of a vehicle can insure his vehicle against accident.



Advantages or Importance of Insurance

- 1) Insurance provides protection against risk of loss.
- 2) Through insurance, the burden of loss can be distributed among a large number of persons.
- 3) Insurance helps in improving the efficiency of business because an insured businessman feels more safe and active.
- 4) Insurance companies mobilise public savings and invest them in share market and government securities. Thus they provide finance for industrial development of the country.
- 5) Insurance gives a feeling of security to the community. It also generates employment opportunities.
- 6) It also generates employment opportunities.

Terms used in Insurance

- 1) Insurer - Insurer is the person who agrees to compensate the other person (insured) against possible losses. Insurer is always an insurance company.
- 2) Insured - The person who will be indemnified on the happening of a specified event is called the insured.
- 3) Premium - The consideration paid by the insured to the insurer is known as premium.
- 4) Policy - The document contains the terms and conditions of a contract of insurance are known as insurance policy.
- 5) Subject matter- The person or property which is insured against a particular risk is called the subject matter of insurance.
- 6) Sum assured - The future liability of the insurer on the happening of a specified event is limited

to a certain amount and that amount is known as sum assured.

- 7) Risk - Risk is the uncertain event. The risk covered must be capable of being estimated.

Insurance and assurance

In insurance compensation is paid only on happening of an event, say, damage due to fire, theft etc. But in case of assurance the payment of a certain sum on the happening of an event which is certain. For eg. In case of life insurance amount is paid either on maturity of policy or death of an insured. The term assurance is more suitable for life insurance.

List of Insurance Companies in India.

A. Public Sector

List of Public Sector Insurance Companies in India	
1.LIC	
2.New India Insurance Company	
3.National Insurance company	
4.United India Insurance Company	
5.Oriental Insurance company	
6.General Insurance corporation of India	



B. Private Sector

List of Private Insurance Companies in India	
Royal Sundaram	
Tata AIG	
Reliance General Insurance	
IFFCO Tokio	
ICICI Lombard	
Bajaj Allianz	
HDFC Ergo	
Cholamandalam	
Future Generali	
Universal Sompo	
Bharti AXA	
SBI	
L&T	
Star Health & Allied Insurance	
Apollo Munich	

Functions of Insurance

1. Insurance providing certainty

The most important function of insurance is that it provides certainty of payment of compensation to the insured when, a loss happened to him. It will certainly reduce the risk of running a business.

2. Insurance shares risk

The loss of risk is spread over and shared by all the persons exposed to the same risk. The premiums paid by them are pooled out of which the amount is paid to the person exposed to the risk.

3. Creates a sense of security

As insurance covers risk, it creates a sense of security in the life of individuals as well as the business men. Insurance help in removing the fear of uncertainties by guarantying payment to the assured for the loss.



4. Insurance encourages savings

When a life policy is taken the insured is bound to pay the premium regularly. Therefore he is compelled to set aside a portion of his income and spend only the balance. This is a kind of compulsory savings.

5. Insurance creates funds for investment

The premium collected by insurance company is generally invested in government securities and shares of different companies. It will speed up industrialisation of our country.

PRINCIPLES OF INSURANCE

The principles of insurance are rules of action or conduct adopted by the stake holders involved in the insurance business. Important principles of insurance are:

1. Principle of Utmost Good Faith(Uberrimate fide)

Utmost Good Faith-You must tell truth when applying for insurance.

Insurance is a contract of utmost good faith. Both the parties to the contract should be absolutely honest to each other in regard to the contract. The insured is liable to disclose all material facts known to him. Similarly, the insurer is also liable to disclose honestly the scope of insurance which he is prepared to grant. If there is non-disclosure or misrepresentation of any material fact, the agreement will be invalid.

- A. **Examples of facts to be disclosed**-(1) In case of life insurance age, previous medical history etc.
(2) In case of motor insurance type of vehicle, driver's details etc.

Example-1, Mr.Mamohan is a heart patient .But he hides this fact to the LIC when he took a life policy.Suppose,if he died due to heart attack, LIC can refuse to pay compensation to his legal representative because he hide material fact to his insurer(LIC).

Example-2 If you apply for house insurance but fail to tell the insurance company that your hose is located besides the river that has a history of flooding. If you fail to tell the truth, no compensation will be paid.

2. Principle of Indemnity

Principle of Indemnity-The insurer pays no more than the actual loss.The insured should not a profit from a loss.

All contracts of insurance except life insurance are contract of indemnity. Indemnity means that in case of any loss, the insured shall be compensated, but the amount of compensation shall never be more than the actual loss. It denotes that the insured is not allowed to make any profit out of his loss. According to this principle, the insured is entitled to recover an amount of actual loss or insured sum, whichever is less. The policy behind this arrangement is that, nobody should treat insurance contract as the source of income.

Eg:Mr rajan insured his stock for value of Rs.20,00,000. A fire occurred and stock valuing Rs.12,00,000 was destroyed. Insurance company will pay the value of loss, which is 12,00,000 and not the value of policy. In case the loss exceeds Rs.20,00,000 then the compensation will be maximum of Rs. 20,00,000.

3. Principle of Insurable Interest

Principle of Insurable Interest-The insured must be in a position to loss financially if a covered loss occurs.Eg

According to this principal the insured person must have insurable interest in the life or property insured. Otherwise he cannot claim at the time of loss .Insurable interest means that the insured must have some financial interest in the object, property or life which he is insuring. No person can enter into a contract of insurance unless he has insurable interest in the subject matter of insurance. Eg.You can insure your own house but cannot insure neighbours house

A person has insurable interest in his wife, kids, assets and himself



Assets

Insurable Interest



Kids



Self



Wife

Eg:- A creditor has insurable interest in the life of his debtor to the extent of his debt. A person has insurable interest in his own house, a business man has insurable interest in his stock of goods, etc.

Eg.(1) A businessman may insure the rented warehouse building. Though he does not own it but will suffer loss if any damage happens to the building.(2) A father can take insurance policy for his son but not for his neighbor's son.

In case of life insurance the insurable interest must be present at the time of making the contract. It need not be in existence at the time of death. In case of fire insurance, insurable interest must be present both at the time of taking such policy as well as at the time of actual loss. In marine insurance, the insurable interest must be present at the time of actual loss only.

4. Principle of Causa Proxima

Principle of Causa Proxima-The insurance co will take the claim, only when the damage have resulted directly by the occurrence of an event which is covered under insurance

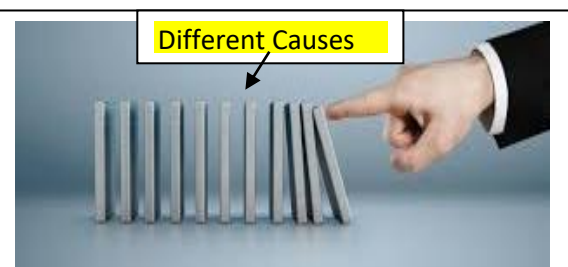
Proximate means the “nearest” . This principle is applicable when the loss is the result of two or more causes. The property may be insured against some causes and not against all causes. Insurer pays the claim money only if the nearest cause is insured

According to this principle, only the proximate (nearest) cause will be considered when there are several causes for the damage. As per this principle the insurance co will become liable to compensate the insured, if the reason for the loss is insured against and it must be a nearest one.

Eg. 1 The stock was insured against theft. There was a fire in the factory and lot of stock was stolen by employees working in the store. The insured is entitled for compensation as loss caused due to theft; it is the proximate (nearest) cause.

Eg.2 Goods in a ship is insured against loss due to collision between ships and the insured ship is collided with other ship. At the time of collision, the goods were in good condition. But repairs taken lot of time and the ship reached the destination point late and the goods were not in good condition. In this case insurance co surely rejects the claim because proximate cause was delay, not collision and delay was not insured against.

An insured sustained an injury in a motor accident and was admitted in a hospital. While taking treatment in the hospital, he contracted an infectious disease which caused his death. The court held that the proximate cause of death was the disease and the original accident was merely a remote cause. As such, the claim is not payable under personal accident insurance.



5. Principle of Subrogation

Principle of Subrogation-One who has indemnified another's loss is entitled to recovery from reliable third parties who are responsible.

It is an extension of the principle of indemnity. As per this principle after the insured is compensated for the loss due to damage to property insured, then right of ownership of such property passes on to the insurer. If the damaged property has any value left, that cannot be given to the insured. This is because the insured should not be allowed to make any profit, by selling the damaged properties. This principle is to prevent the insured from collecting more than the actual amount of the loss.

Eg-1. If an insured motor car is completely destroyed by an accident, as per this principle, the insurance company can take possession of the damaged car after compensating the insured fully.



Eg-2. Some of its parts got damaged in a road accident. He gets the insurance claim and gets the damaged parts replaced with new ones. But the damaged parts will be taken by the insurance company. The insured has no rights over the damaged parts since he has already got compensation for the loss.

Eg-3. If you get injured in a road accident, due to irresponsible driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

6. Principle of Mitigation of Loss

Principle of Mitigation of Loss-In the event of some mishap to the insured property, the insured must take all necessary steps to mitigate or minimize the loss.

Insured can claim for loss or damage only if the loss arises due to reasons beyond the control of the insured. According to this principle the insured is expected to take reasonable care to protect the insured property from loss or damage and has taken effective measures to minimize the loss. The insured must not neglect or behave irresponsibly during such events just because the property is insured. In case insurer finds out the loss is due to carelessness of the insured, then the insured loses the right to be compensated for the loss.

Eg. Suppose, Mr. John's house is set on fire due to an electric short circuit. According to this principle,

in this situation John must try his level best to stop the fire by all possible means like, calling fire force, inform neighbours for their help etc. He must not remain inactive and watch his house burning hoping ‘Why should I worry? “I have insured my house”’.



Eg.2: Mr. John had kept stock in his warehouse. There was a flood alert from the government but he did not remove goods from the warehouse and the goods were damaged due to flood. Though his goods were insured against flood but insurance company may refuse to pay for the loss as he could have easily avoided the loss.

7. Principle of Contribution

Principle of Contribution-Under this principle, the insured has the liberty to claim only on the actual loss from any one insurer or all the other.

It is applicable to all contracts of indemnity. According to this principle, an insured can insure the same subject matter with two or more insurance companies but he can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays the full compensation then that insurer can claim proportionate compensation from other insurers

Eg:- If Mr. Mohan insures his house worth Rs.1,00,000 with two insurers “National Insurance Co” for Rs.90,000 and “United India Insurance Co” for Rs.60,000. Mohan’s actual property destroyed is worth Rs.60,000, then Mr. Mohan can claim the full loss of Rs.60,000 either from National Insurance Co or from United India Insurance Co., or he can claim Rs.36,000 ($60,000 \times \frac{9}{15}$) from National Insurance Co and Rs.24,000 ($60,000 \times \frac{6}{15}$) from United India Insurance Co. If National Insurance Co paid the full amount Rs.60,000 to Mohan, it can claim the proportionate amount Rs.24,000 from United India Insurance Co.

Types of Insurance

Insurance can be broadly classified into :-

1. Life Insurance
2. General Insurance

1. LIFE INSURANCE

Life insurance may be defined as a contract in which the insurer in consideration of a certain premium undertakes to pay a certain sum of money on the death of the insured or on the expiry of



a fixed period, whichever is earlier. The premium may be paid by the insured either in lump sum or in installment at regular intervals, say, monthly, and quarterly half yearly etc. Life insurance thus provides a surety to the insured of a specified amount payable either to the insured at the end of a specified period or to his nominee in the event of his death. The subject matter of life insurance is always human life.

“A contract of life insurance is not a contract of indemnity.” A contract of life insurance denotes payment of fixed amount to the insured if he survives till the maturity of policy or to his nominee if the death of the insured takes place.

Nominee-is the person who may receive the assurance amount in the event of death of the insured.

Any person can take a life policy on his own life or on the life of another person to whom he has an insurable interest. Life insurance is a long term contract and it may extend to 20 or 25 years. Life insurance corporations (LIC) is the main organization doing, life insurance business in our country. Recently government allowed private sector allowed to start life insurance business in India.

Different types of Life Insurance policies:

1. **Whole life policy:-** Under this life policy the sum assured is payable only on the death of the insured. The period of the policy is indefinite. Its payment is made to the dependent of the insured only.
2. **Endowment policy:** - This policy is taken for a specific period. The policy will mature on the expiry of a specific period or on the death of the insured, whichever is earlier.
3. **Joint life Policy:** - Under this policy two or more persons are insured jointly. The joint life policy become due either on maturity of the policy or on the death of any of the persons jointly insured. These persons may be partners of a firm, employees of an organization, members of a family etc.
4. **Money Back Policy:** - Under this policy the sum assured is returned in three or four installments during the period of the policy. The amount of premium is comparatively higher in case of these policies. However, the risk will be covered till the expiry of the policy for the full amount of sum assured.
5. **Double Accident Policy:** - This policy gives extra coverage of risk for death by accident. Under this policy, in case of death of the assured in an accident, his survivors will get double the amount of sum assured. Some extra premium is charged to cover accident risk.

II. GENERAL INSURANCE

An insurance contract other than life insurance is known as General Insurance Contracts. These contracts are Fire Insurance, Marine Insurance, Fidelity Insurance, Health Insurance, Motor Vehicle Insurance, Cattle Insurance etc.

A. Fire Insurance

Insurance that is used to cover damage to a property caused by fire. It is contract between the insurer and insured wherein insurance company after receiving specified premium assures the insured to compensate the loss or insured sum whichever is less, if the property of the insured destroyed due to fire. It is a contract of indemnity. The period of fire insurance is one year and it is to be renewed after one year. In fire insurance, the insurable interest must be present both at the time of affecting the policy and at the time of loss. Principles of utmost good faith and causa proxima are applicable to fire insurance also.

B. Marine Insurance

Marine insurance is a contract by which the insurer agrees to indemnify the insured for loss caused by perils of sea. Marine perils are collision of ship with rock, ship attacked by the enemies, fire, piracy etc. Marine insurance can be taken for the ship, cargo, freight etc. In marine insurance insurable interest must be present at the time of loss. A marine policy may be taken for a particular period (time policy) or for a particular voyage (voyage policy) or both (mixed policy). It is a contract of indemnity. There are three types of marine insurance policies. They are:

- a. **Cargo Insurance:** - It covers cargo or goods contained in the ship and personal belongings of the crew and passengers.
- b. **Hull Insurance:** - It covers the vessel and its equipments.
- c. **Freight Insurance.** - Provides protection against the loss of freight.

C. Fidelity Insurance

This type of policy is taken by an employer of a business to cover risks arising out of fraud and dishonesty of his employees. It is of considerable use to banks, financial institutions and business where employees handle cash and goods. In the event of loss, the employer can claim compensation up to the amount of insurance.

D. Motor vehicle insurance

Under this insurance vehicle on road such as cars, bus, trucks etc. are insured. If the insured vehicle is lost or damaged the insurance company compensates for the actual loss or the amount of the policy whichever is lower. The period of motor vehicle insurance is usually one year.

E. Cattle Insurance

It is an insurance contract, wherein the insurer is compensated for the loss of cattle i.e. bulls, cows, buffalo etc. due to its death. This insurance is introduced to safeguard the interest of farmers.

F. Health Insurance

A type of insurance coverage that pays for medical and surgical expenses that are incurred by the insured. Health insurance can either reimburse the insured for expenses incurred from illness or injury or pay the care provider directly. Health insurance provides the following types of coverage.

1. It covers the cost of hospitalization and fees paid to doctors.
2. It provides income to insured when he is not able to work due to physical or mental inability.
3. It also covers nursing home expenses for senior citizens.

G. Burglary Insurance

Under this insurance, loss due to theft or burglary is compensated by the insurance company.

H. Crop Insurance

Crop insurance provides financial support to farmers in the event of crop failure due to drought or flood.

Difference between Life Insurance, Fire Insurance and Marine Insurance

Point of Difference	Life Insurance	Fire Insurance	Marine insurance
What to insure	Human life	Physical property or assets	Ship, Cargo or freight
Type of contract	Contract of Assurance	Contract of indemnity	Contract of indemnity
Presence of insurable interest	At the time of effecting the policy	Must exist at the time of contract and at the time of loss	Must exist at the time of loss
Measurement of loss	Loss is not measurable	Loss is measurable	Loss is measurable
Period covered	Long period	Usually for a year	Usually for a year or a specific voyage
Surrender of policy	Possible	Not possible	Not Possible
Happening of the event leading to claim	Certain	Uncertain	Uncertain
Sum assured	There is no limit for the insurance policy amount	The amount policy can't exceed the value of subject matter	The amount restricted to the market value of ship or cargo
Element of savings	Exist	Does not exist	Does not exist

I. Employees Accident Insurance

If any accident happened to employees at the time of working in the factory, the owner is liable to compensate them. It involves a very high risk. Through employee's accident insurance, the owner can share the risk with an insurance company.

Double Insurance



In **double insurance**, the original insured insures the same subject matter with more than one insurance companies, only to ensure safety

When the same property is insured with two or more insurer against the same risk, it is called double insurance. But the insured can't recover more than the amount of his actual loss because an insurance contract is a contract of indemnity.

Eg:- Mr. A insures his house for Rs. 50,000 with X company and for Rs. 25,000 with Y company. The actual value of the house is Rs. 50,000. A suffers a loss of Rs. 25,000 due to fire. The total amount which he can recover from both the insurance companies can't exceed Rs. 25,000.

A contract of life insurance is not a contract of indemnity and therefore the above mentioned rule of double insurance **not applicable to life insurance**. A person can take any number of policies on his life and can recover the full amount under every policy.

Re-insurance



Re-insurance is a contract of insurance entered into by the insurer with another insurer with a view to spread a part or whole of the original risk. In this case, the original insurance company becomes the insured and his liability is reduced by the amount of reinsurance. It is the insurance to insurers.

Eg:- Suppose, Mr. Jose insured his property with National Insurance Company for Rs. 10 Lakhs. National Insurance Company re-insurance the same property with New India Insurance Company for Rs. 5 Lakhs and can reduce its liability.

Re-insurance may be resorted to any of the following way.

- a. Agreement to re insure a particular risk. This is known as facilitative re-insurance.
- b. Agreement to re-insure a certain proportion of all risks beyond a specified limit. This is known as treaty re-insurance.

Double Insurance	Re-insurance
1) The insured insures the same subject matter with more than one insurer.	1) The insurance company insures its risk in full or part with the re-insurer
2) The insured can claim compensation from all insurers but only up to the amount of actual loss.	2) The original insured can't claim compensation from the re-insurer.
3) Each insurer is liable to contribute in proportion to the sum insured by him.	3) The re-insurer is not liable to contribute directly to the loss suffered by the insured.
4) It is the insurance of the original insured.	4) It is the insurance of the insurer.

Forms of Insurance Contracts

Insurance contracts can be broadly classified into two.

(1) Contract of indemnity, (2) Contract of Assurance.

1) Contract of Indemnity

This type of contract seeks to indemnify the insured against a risk, which is uncertain. The risk may or may not happen. The object of this type of policy is to place the insured person as far as possible in the same financial position in which he was before the loss. This type of contract is based on the principal that the insurance contract should not be used as a source of profit. All contracts of insurance except life insurance are contract of indemnity.

2) Contract of Assurance

This type of contract assures payment of stipulated amount to the insured either on a fixed future date or on the happening of the event whichever is earlier. Payment is guaranteed in this type of insurance contract. Life insurance is a contract of assurance and not a contract of indemnity.

Insurable and Uninsurable risks

A risk is uninsurable when an insurance company cannot calculate the probability of the risk and therefore cannot work out a premium that the business must pay. For example, you cannot take out insurance against risk due change in fashion, competition etc

If the insurance company has enough statistics to work out the probability of the risk, this is called non insurable risk. For example fire insurance, fidelity insurance, risk against accidents etc

Insurable Risk	Non-insurable Risk
1. Loss due to fire 2. Loss due to flood 3. Loss due to storm 4. Loss due to theft 5. Fidelity insurance	1. Loss due to change in fashion 2. Loss due to invention of new technology 3. Loss due to change in government policy 4. Loss due to price fluctuations 5. Loss due to competition

Transportation

Transport means movement of men and materials from one place to another. Transportation removes the hindrance in the distribution system by making possible the physical movement of materials and goods from the place of production to the places where they are needed for consumption. It creates place and time utility to goods. The growth of domestic and foreign trade depends very much on transportation.

Functions of transport

1. It helps in the movement of men and materials from one place to another.
2. It helps to expand trade on a national and international level.
3. It helps to stabilize prices by equalizing the supply of goods in different places.
4. Transportation helps in large scale production, which leads to specialization and division of labour.
5. It helps growth of towns and trade centers.
6. Transport is among the few important factors which determine the location of the industry.
7. Transportation increases the mobility of labour. It generates employment opportunities.
8. It links all parts of the world. It helps in economic, social and cultural development of the country.

Types of transport

There are three main types of transport.

- I. Land transport
- II. Water transport
- III. Air transport

I. Land transport

Land transport consists of road transport, rail transport and pipeline transport.

1. Road Transport

This is the oldest and simplest form of transport. It is largely used for carrying goods as well as passengers over short distance. It is relatively flexible as the time and distance can be changed easily. It is ideal for commodities, which are transport in small quantity to remote corners of the state. It offers door to door delivery.

2. Rail Transport

Rail transport is a cheap and quick form of transportation for carrying goods and services over a long distance. It is highly suitable for heavy and bulky goods. Train journey is economical, safe and more comfortable. Railway plays a major role in development of industries in the country. It requires heavy capital investment. Goods sent by rail are protected from sun, wind, rain etc. Door to door service is not possible in rail transport. It is less attractive for short distance and this service is not available in every corner of the country.

3. Pipeline Transport

Pipeline transport is exclusively meant for transporting liquids and gases. Petroleum industry makes use of this system efficiently. We have pipeline transport for petroleum products from Cochin port to Cochin Refinery.

II. Water transport

Water transport is cheaper when compared to other modes of transportation. It is highly suitable for heavy and bulky goods especially in foreign trade. In water transport no construction and maintains cost for sea routes. It is broadly divided to two:-

- 1) Inland water transport
- 2) Ocean Transport

1. Inland water transport

Inland water transport refers to the transportation through canals, rivers, lakes, backwater etc. Motor boats, country boats, barges etc. are most common vessels used in inland water transport. It is very slow and it connects only those places where the rivers and canals are navigable.

2. Ocean transport

Ocean transport is the carriage of goods and passengers through ocean. It helps the growth of International trade. When compared to road and rail transport, ocean transport is economical and slow moving. It is suitable for transporting crude oil, heavy machinery, containers etc.

III. Air transport

This is the fastest mode transport. It is used for the movement of passengers and goods having less volume but high value. It is more suitable for carrying perishable light product of very high value over long distance. Air transport is costliest and risky means of transport and it is unsuitable to carry bulky and heavy goods.

Communication

The term communication refers to the flow of information, ideas, feelings and emotions from one person to another. In a business organization, there is the need of communication between persons in various departments as well as persons in the same department. This helps in the proper co-ordination of various activities in the organization so that their main objectives will be achieved.

In business, generally there are two types of communication i.e. internal communication and external communication

A. Internal communication

Company mail service, messenger service, internal telephone network, intercom connections, closed circuit televisions etc are important internal communication methods in a business organization.,

B. External Communication

Government postal service, telegrams, teletype network, public telephone system, e-mail etc are important external communication methods in a business organization.

Postal Communication

Postal Service is the most popular means of communication. Apart from providing communication facilities as a carrier of letters and telegrams, they also offer services like remittance of money by means of money orders, VPP (Value Payable Post), post office savings scheme, National Savings Certificate etc. In India 154939 post offices are working. They deal around 1575 crores mails every day. Various functions provided by post offices are:

A. Mail services

They carry letters from one place to another. They also offer parcel facilities and help to move articles from one place to another.

B. Financial services

Post offices offer financial facilities like recurring deposits, savings account, time deposits, money order facilities etc. They also offer financial schemes like public provident fund, National Savings Certificate, VPP facilities etc.

Postal departments also offers allied facilities of the following types:

1. Greeting post

Post offices transfer greeting card in every occasion.

2. Media post

Post offices helps Indian corporate to advertise their brand through post cards, envelopes, telegrams etc.

3. Registered Post

A registered post is a means of sending a mail with an assurance that it will be received by the receiver, whose name and address is written on the mail, otherwise it will come back to the sender. It is not only assures safe delivery but also to the right person. The mail can be registered by affixing additional postage as registration charges and the

4. Speed post

Speed post is a time bound and express delivery mode of delivering letters, documents, parcels etc. not only within the country but also across the world. The speed post charges are more than the charges for a parcel service. In case the goods are not delivered within the stipulated time, the post office offers to refund the speed post charges.

5. International money transfer

With the collaboration of Western Union Financial services post office facilitates remittance of money from 185 countries India.

6. Passport facilities

Post office also process passport applications.

7. Bill collection

Post office collect bill payment across the counter for BSNL, Airtel etc

Telecom services

World class telecommunications infrastructure is the key to rapid economic and social development of the country. It is in fact the backbone of every business activity. Telephone is the most widely used and most effective device for oral communication. The most important advantage of telephone is the convenience, speed and privacy

The various types of telecom services are:

1) Cellular mobile services

These are all types of mobile telecom services including voice and non voice messages, data services and PCO services.

2) Fixed line telecom services

Fixed-line telecommunication is over 125 years old and was defined as a telephone line that traveled through metal wire or optical fiber as part of a nationwide telephone network. Fixed-line telephone companies now also provide broadband services.

3) Radio paging services

A pager is a wireless telecommunication device that receives and displays numeric and text messages or receives and announces voice messages. One way pagers can only receives messages while response pagers can also acknowledge, reply to, and originate messages using an internal transmitter.

4) VSAT services

VSAT (Very Small Aperture Terminal) is a satellite based communications service. It offers business and government agencies a highly flexible and reliable communication solution in both urban and rural areas. It can be used to provide innovative applications such as tele-medicine, news papers online, market rates and tele education even in the most remote areas of our country.

5) DTH services

DTH (Direct to Home) is also a satellite based media services provided by various cellular companies. One can receive media services directly through a satellite with the help of a small dish antenna and a set up box.

WARE HOUSING

Warehousing means storing of goods, meant for sale in systematic and orderly manner. There is time gap for the production and the consumption of goods .It requires that goods should be preserved safe in its original capacity. It creates time utility by bridging the time gap between production and distribution of goods.

Functions of warehousing

1. Storage facility/ stock piling

The basic function of a ware house is to store the surplus goods. Surplus goods required in future can be stored in godown and taken back, whenever required.

2. Protection of goods

Warehouse protects goods against pilferage, theft and damage. Goods are preserved safely from rain, sun, moisture, pests, fire, etc. Perishable goods such as fruits, vegetables, eggs etc. can be preserved in cold storage, thus, ware house provide for the safe custody of goods.

3. Price stabilization

Warehousing stabilizes prices by equalizing supplies. In warehouses excess goods are stored in season and released required goods in off season.

4. Financing

Warehouses issue receipts to the persons who keep their goods in ware houses. Ware house receipt is a good collateral security against which money can be borrowed from banks.

5. Facilitate Large scale Production

They create time utility by bridging the time gap between production and demand. In the absence of warehouse, the scale of production will be restricted to the level of current demand.

6. Risk bearing

The risk of loss or damage to goods in storage is borne by the ware house; the trader can relieve himself of the responsibility of keeping the goods.

7. Breaking the bulk

Goods which are kept in the warehouse in bulk can be broken down in to marketable lots. Grading, branding and packaging can also be done in ware house itself. These smaller quantities are then transported according to the requirements of clients to their place of business.

8. Consolidation

In this function the warehouse receives and consolidates goods from different production plants and dispatches the same to a particular customer on a single transport.

Types of warehouses

1. Private warehouses

Private warehouse are generally owned by big business concerns or wholesalers who store their own goods. Because of the heavy cost of construction, private warehouses are few and far between.

2. Public warehouses (duty paid warehouses)

These warehouses are owned by private companies and government agencies. These warehouses are large sized and used by all persons such as traders, farmers, exporters, importers and government agencies. These godowns are located in the commercial centers of big cities. Their main objective is to make earnings by providing storing facilities. Once the goods are stored in godown, warehouse receipt is issued to the owner of goods. After making the payment of godown charges goods are returned. E.g.: Ware houses operated by port trusts, Central Ware Housing Corporations State Ware Housing Corporation, individuals etc.

Suitability or need of public houses

- 1) It provides storage facilities to small manufactures or traders who can't afford to construct their own warehouse.
- 2) It provides storage space for producers of seasonal commodities like sugar, rice, etc.
- 3) It facilitates large scale production in anticipation of future demand.
- 4) Where the owner of goods desire to raise finance on the security of warehouse receipts
- 5) Public warehouse are well constructed and they ensure full safety of goods against theft, fire, moisture, pests, rain etc.
- 6) With the help of public warehouses business man carries regional stocks. They can store goods in indifferent warehouse to provide quick delivery to costumers.
- 7) Public warehouses provide facilities for grading, packing, labeling, weighing etc of goods. Goods can there for be prepared for sale at the warehouse itself.

3) Governmental warehouses

These warehouses are constructed by central government, state government, and local bodies to store their goods.

4) Bonded ware houses



These warehouses are used to keep the imported goods before the payment of import duties. These ware houses may be owned by dock authorities or private individuals. Such warehouses work under the strict supervision and control of customs authorities. Bonded ware houses offer many advantages to importers. They are:-

- 1) The importers can release the goods in part by paying the proportionate amount of duty.
- 2) Bonded ware houses encourage entrepot. Importers can carry out blending, grading and re packing process to make the goods ready for re export.
- 3) The importer can take a buyer of goods to the ware house for inspecting the goods.
- 5) Importers need not flood the market with all the imported goods at once. Supply can be adjusted to the level of demand and better prices can be realized.

5) Co-operative ware houses

It is owned and managed by co operative undertakings. Some marketing cooperative societies or agricultural cooperative societies have set up their own warehouses for members.



Let me define a leader. He must have vision and passion and not be afraid of any problem. Instead, he should know how to defeat it. Most importantly, he must work with integrity.

- Dr APJ Abdul Kalam Sir

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