

CUET · BUSINESS STUDIES · CLASS XI · CODE 305

Business Services

CUET unit: Business Services

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Snapshot

- Establishes services as intangible activities (the "five Is") that satisfy wants without transferring ownership of any physical product.
- Builds the goods-vs-services contrast that CUET tests directly through statement-match items.
- Surveys the five core business services — banking, insurance, communication, transportation, warehousing — that every commercial enterprise relies on.
- Develops three high-yield CUET zones: types and functions of commercial banks (plus e-banking modes — ATM, EFT, NEFT, RTGS), the seven principles of insurance, and the five types of warehouses with their six functions.
- Tabulates explicit comparisons (Life vs Fire vs Marine insurance; goods vs services) that NTA reuses verbatim as match-the-following stems.
- Closes with five telecom services (cellular, fixed-line, cable, VSAT, DTH) and the NHAI Golden Quadrilateral as the canonical transport example.

Detailed Notes

2.1 Core concepts

NCERT §4.1 (p. 80-81) opens by defining a **service** as a "separately identifiable, essentially intangible activity that provides satisfaction of wants and is not necessarily linked to the sale of a product"; **goods** are physical objects whose sale transfers ownership from seller to customer. The **five Is of services** (NCERT §4.2, pp. 81-82) are: **Intangibility** (cannot be touched, only experienced), **Inconsistency** (no standard offering — each delivery is performed afresh), **Inseparability** (production and consumption happen simultaneously), **Inventory-less** (services are perishable and cannot be stored for future use), and **Involvement** (customer participates in the service delivery process). NCERT then makes the master distinction: services are characterised by **non-transferability of ownership** and the **simultaneous presence of provider and consumer**; goods are **produced**, services are **performed**.

§4.3 (pp. 82-83) classifies services into three broad categories: **Business services** (banking, insurance, transportation, warehousing, communication — the focus of this chapter), **Social services** (provided voluntarily for social goals, e.g., NGO health/education work) and **Personal services** (experienced differently by different customers, e.g., tourism, restaurants).



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Banking (NCERT §4.4, pp. 83-88) is the largest section. A banking company in India "accepts, for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise" (NCERT definition from the Banking Regulation Act 1949). Banks are classified into four types — **Commercial banks, Cooperative banks, Specialised banks and the Central Bank**. Commercial banks are governed by the Indian Banking Regulation Act 1949 and are of two types: public sector (SBI, PNB, IOB) and private sector (HDFC, ICICI, Kotak Mahindra, J&K Bank). Cooperative banks are governed by the State Cooperative Societies Act and supply cheap credit to members — chiefly for agricultural finance. Specialised banks (foreign exchange/industrial/development/EXIM banks) finance heavy turnkey projects and foreign trade. The Central Bank (RBI in India) supervises commercial banks and acts as banker to the government.

The **primary functions of commercial banks** are two: (i) acceptance of deposits through current, savings and fixed-deposit accounts, and (ii) lending of funds via overdrafts, cash credits, discounting of trade bills, term loans and consumer credits (NCERT §4.4.2, p. 85). Other functions include the cheque facility (bearer vs crossed cheques), remittance of funds (bank drafts, pay orders, mail transfers) and allied services like bill payment, locker facility, underwriting, buying/selling of shares and debentures, payment of insurance premium and collection of dividends. **e-Banking** (NCERT §4.4.3, p. 86) is electronic banking via the internet/mobile/PDA; the range of services includes **ATM, PoS, EDI, credit cards, electronic/digital cash and EFT**, where EFT is done in two ways — **NEFT (National Electronic Fund Transfer) and RTGS (Real Time Gross Settlement)**. Benefits to customers: 24x365 service, anywhere-anytime access, financial discipline, security through avoiding cash travel; benefits to banks: competitive advantage, unlimited network, reduced branch load.

Insurance (NCERT §4.5, pp. 88-98) is "a device by which loss likely to be caused by an uncertain event is spread over a number of persons exposed to it". It is a contract where the **insurer** agrees, for a **premium**, to pay an agreed sum to the **insured** on the happening of an uncertain event in which the insured has a pecuniary interest; the written contract is the **policy**. Four functions: providing certainty of payment, protection from probable loss, risk sharing through premiums, and capital formation through investment of accumulated premiums.

The **seven principles of insurance** (NCERT §4.5.3, pp. 89-91) are: (i) **Utmost good faith** (uberrimae fidei — full, accurate disclosure of material facts by both sides); (ii) **Insurable interest** (pecuniary interest in the subject matter); (iii) **Indemnity** (insurer restores the insured to pre-loss position; **not applicable to life insurance**); (iv) **Proximate cause** (compensation only if the direct, dominant cause is a covered peril); (v) **Subrogation** (after settlement, ownership/recovery rights pass to the insurer); (vi) **Contribution** (in double insurance, insurers share the loss proportionately); and (vii) **Mitigation** (insured must take reasonable steps to minimise loss).

The three principal types of insurance are then differentiated (NCERT §4.5.4, pp. 91-98). **Life insurance** is a contract where the insurer, for a premium, agrees to pay

the assured sum on the happening of a specified event contingent on human life or on expiry of a certain period — it is both protection and investment; insurable interest must exist at the time of effecting the policy (not at the time of claim) and it is **not a contract of indemnity**. Types of life policies: Whole Life (paid only on death), Endowment (paid on attaining a certain age or earlier death), Joint Life (paid to survivor), Annuity (paid in instalments after a certain age) and Children's Endowment. **Fire insurance** is a contract of strict indemnity — a claim requires (a) actual loss and (b) fire that is accidental and non-intentional; insurable interest must exist both at the time of effecting the policy and at the time of loss. **Marine insurance** covers three things — **ship/hull, cargo and freight** — against perils of the sea; insurable interest must exist at the time of loss.

Communication services (NCERT §4.6, pp. 98-100) split into postal and telecom. Postal services include financial facilities (PPF, KVP, NSC, monthly income schemes, recurring deposits, money order), mail facilities (parcel, registration, insurance) and allied services (Greeting Post, Media Post, Direct Post, International Money Transfer with Western Union, Passport facilities, Speed Post — 1000 destinations, 97 countries — and e-bill Post). The five **telecom services** are **Cellular Mobile, Fixed Line, Cable, VSAT** (Very Small Aperture Terminal — satellite-based, used for tele-medicine, newspapers online, tele-education in remote areas) and **DTH** (Direct-to-Home satellite TV via dish antenna and set-top box).

Transportation (NCERT §4.7, pp. 101-104) comprises freight services plus auxiliary services across rail, road, air and sea — it removes the hindrance of place, making goods available from production point to consumption point. India's ports face congestion, and NHA's **Golden Quadrilateral and North-South-East-West corridor** projects are examples of post-1990s investment in transport infrastructure.

Warehousing (NCERT §4.8, pp. 103-106) has evolved from static storage to a logistical service. Modern warehouses use automated conveyors, computer-operated cranes, forklifts and logistics-automation software. The **five types of warehouses** are: **Private** (owned/leased by a company for its own goods), **Public** (licensed by government; used by traders/manufacturers on payment of storage charges; offer transport, value-added services, packaging, labelling), **Bonded** (licensed to accept imported goods before payment of customs duty — facilitates entrepôt trade and partial removal), **Government** (fully owned by government — FCI, State Trading Corporation, Central Warehousing Corporation) and **Cooperative** (owned by marketing/agricultural cooperative societies for their members). The **six functions of warehousing** are: **Consolidation** (combining materials from multiple plants for a single shipment), **Break-the-bulk** (dividing large incoming stock into smaller customer-sized lots), **Stock piling** (seasonal storage), **Value-added services** (in-transit mixing, packaging, labelling, grading), **Price stabilisation** (adjusting supply to smooth prices) and **Financing** (advancing money on the security of stored goods).

2.2 Definitions to memorise

Term	Definition	Page
Service	Separately identifiable, essentially intangible activity that provides satisfaction of wants and is not necessarily linked to the sale of a product.	80
Good	Physical product capable of being delivered to a purchaser; involves transfer of ownership.	80-81
Intangibility	Service feature — cannot be touched, only experienced.	81
Inseparability	Service feature — production and consumption happen simultaneously.	82
Banking	Accepting, for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.	83
Commercial bank	Bank governed by the Indian Banking Regulation Act 1949; accepts deposits and lends to public.	84
Cooperative bank	Bank governed by the State Cooperative Societies Act, providing cheap credit mostly for agriculture.	84
Central Bank (RBI)	Apex bank that supervises commercial banks and acts as banker to the government.	84-85
e-Banking	Electronic banking that allows a customer to conduct banking transactions over the internet using a PC, mobile telephone or PDA.	86
EFT	Electronic Fund Transfer — done in two ways: NEFT and RTGS.	86
RTGS	Real Time Gross Settlement — instantaneous one-to-one EFT mode.	86
Insurance	Device by which loss likely to be caused by an uncertain event is spread over a number of persons exposed to it; contract where the insurer pays an agreed sum to the insured for a premium.	88
Premium	Consideration paid by the insured to the insurer for the insurance contract.	88
Policy	Written contract between insurer and insured.	88
Utmost good faith	Insurance principle requiring full, accurate disclosure of material facts by both sides.	89
Insurable interest	Pecuniary interest in the subject matter of the insurance contract.	90
Indemnity	Principle by which the insurer puts the insured, on loss, in the same position he occupied immediately before the event.	90
Subrogation	Right of the insurer to stand in the place of the insured, after settlement of a claim, for recovery from an alternative source.	90
Contribution		91

Term	Definition	Page
	Right of an insurer who has paid a claim to call upon other liable insurers to share the loss proportionately in case of double insurance.	
Whole Life Policy	Life policy where the sum is paid only on the death of the assured.	94
Endowment Policy	Insurer pays a specified sum when the insured attains a particular age or on earlier death.	94
Fire insurance	Contract whereby the insurer, for a premium, makes good loss/damage caused by fire during a specified period up to the policy amount.	95
Marine insurance	Agreement to indemnify the insured against marine losses — covers ship/hull, cargo and freight.	96
VSAT	Very Small Aperture Terminal — satellite-based communications service for flexible/reliable connectivity.	100
Bonded warehouse	Warehouse licensed by government to accept imported goods before payment of customs duty; facilitates entrepôt trade.	104
Consolidation	Warehouse function of combining goods from multiple plants and dispatching them as a single shipment.	105
Break-the-bulk	Warehouse function of dividing bulk incoming stock into smaller customer-sized lots.	105

2.3 Diagrams / processes to remember

The **Five Is schematic** (NCERT §4.2, p. 81-82) has five labelled boxes for Intangibility, Inconsistency, Inseparability, Inventory-less, Involvement. The **Difference between Services and Goods** table on p. 82 follows the same five-row structure, adding "Nature" and "Type" rows on top. Together these are the canonical CUET stem for any service-vs-good question.

The **Banking and Social Objectives shift box** (NCERT §4.4, p. 84) is a four-arrow summary: Urban → Rural, Class → Mass, Traditional → Innovative, Short-term → Development. It captures how Indian banking's social objectives evolved over the planning era. The **Types of Digital Payments figure** on p. 87 lists the e-banking range — ATM, PoS, EDI, Credit Cards, Electronic/Digital cash, EFT (NEFT/RTGS) — and is the source of most CUET acronym questions.

The **Facts to be disclosed box** (p. 92) lists the specific disclosure items for fire, motor, personal accident and life insurance — directly tested in utmost-good-faith questions. The **Difference between Life, Fire and Marine Insurance** 9-row table on p. 97-98 is the single highest-yield visual: subject matter, element of protection vs investment, insurable interest timing, duration, indemnity applicability, loss measurement, surrender

value, policy amount, contingency of risk. Re-drawing this table from memory is one of the cheapest CUET points in this chapter.

The **Consolidation and Break-the-bulk diagrams** (p. 105) are paired visuals that map the warehouse functions. Consolidation = Plants A/B/C → Warehouse → Customer. Break-the-bulk = Plant A → Warehouse → Customers A/B/C. The arrows point in opposite directions and CUET often asks students to identify the function from a similar arrow diagram.

2.4 Common confusions / NTA trap points

1. **Indemnity applicability** — Life insurance is NOT a contract of indemnity; fire is a contract of **strict** indemnity; marine insurance is a contract of indemnity but cargo policies provide **commercial** indemnity. NTA loves flipping these (NCERT p. 90, 95-96).
2. **Insurable interest timing** — life: only at the time of effecting the policy; fire: both at time of policy and at time of loss; marine: only at the time of loss. This three-way distinction is a classic match-the-following trap (NCERT p. 97).
3. **EFT vs NEFT vs RTGS** — EFT is the umbrella term; NEFT and RTGS are the two ways of doing EFT. Students often treat all three as parallel (NCERT p. 86).
4. **Bonded vs Public warehouse** — both are used by outsiders, but bonded warehouses are specifically for **imported goods awaiting customs-duty payment** and facilitate entrepôt trade — not just storage-for-fee like public warehouses (NCERT p. 103-104).
5. **Specialised banks vs Commercial banks** — EXIM/development/industrial banks are **specialised**, not commercial — students confuse them because both lend money (NCERT p. 84).
6. **Five Is wording trap** — the fourth "I" is "**Inventory-less**" (services cannot be stored), not "Inventory". Distractors often phrase it as "Inventory" alone (NCERT p. 82).
7. **Functions of marketing vs functions of warehousing** — distinct lists; CUET sometimes mixes them. The six warehouse functions are consolidation, break-bulk, stock-piling, value-added services, price stabilisation, financing — none of which are marketing functions.
8. **Marine insurance subject matter** — covers **three** things: ship/hull, cargo, freight — not just the ship. Students often miss "freight" as the third item (NCERT p. 96).
9. **Proximate cause vs Mitigation** — proximate cause asks "what was the dominant cause?"; mitigation asks "did the insured try to limit damage?". These are independent principles and CUET sometimes pairs them in match-the-pair.
10. **Whole Life vs Endowment** — Whole Life pays only on death; Endowment pays on the policyholder reaching a stated age (or earlier death). CUET item-writers flip these in case-based questions.

2.5 Case examples

- **State Bank of India (SBI) (NCERT § 4.4.1, p. 84)** — the prototypical public-sector commercial bank, governed by the Banking Regulation Act 1949. CUET stems on "accepts deposits and lends money" usually point to SBI.
- **HDFC, ICICI, Kotak Mahindra (NCERT § 4.4.1, p. 84)** — listed as private-sector commercial banks. They illustrate that commercial banking is **not** confined to government ownership.
- **LIC of India (NCERT § 4.5 implicit, life insurance)** — invoked through the life-insurance section as the dominant life insurer in India. LIC's "Jeevan Anand", "Jeevan Saral" and similar products are real-world examples of endowment and whole-life policies discussed in §4.5.4.
- **Food Corporation of India (FCI) (NCERT § Warehousing, p. 104)** — the named example of a government warehouse: fully owned by the government, used to procure and store food grains for the public distribution system. FCI is the canonical CUET answer for "type of warehouse owned by government".
- **NHAI Golden Quadrilateral (NCERT § 4.7, p. 103)** — invoked as the post-1990s flagship transport infrastructure project connecting Delhi, Mumbai, Chennai and Kolkata. It illustrates how transportation services remove the hindrance of place at national scale.

Practice MCQs

Q1. Which of the following is NOT one of the "five Is" used to distinguish services from goods?


- A. Intangibility
- B. Inseparability
- C. Insurability
- D. Involvement

Q2. EFT (Electronic Fund Transfer) under e-banking is carried out in two ways. Which pair correctly identifies them?

- A. ATM and PoS
- B. NEFT and RTGS
- C. EDI and Credit Card
- D. Speed Post and e-bill Post

Q3. Match the principle of insurance in Column I with its description in Column II: | Column I | Column II | |---|---| | (a) Subrogation | (i) Insured must take reasonable steps to minimise the loss | | (b) Contribution | (ii) After settlement, recovery rights pass to the insurer | | (c) Mitigation | (iii) Loss is shared proportionately by multiple insurers in double insurance | | (d) Indemnity | (iv) Insurer puts the insured in the same position as before the loss |

- A. a-ii, b-iii, c-i, d-iv
- B. a-iv, b-i, c-ii, d-iii
- C. a-iii, b-ii, c-iv, d-i
- D. a-i, b-iv, c-iii, d-ii

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PYQ Alignment

This chapter has been one of the highest-yielding units in CUET Business Studies, contributing roughly 5-7 MCQs per year (2023-25). NTA's favourite zones are the five Is of services (direct factual recall), the seven principles of insurance (assertion-reason and statement-based), the Life-vs-Fire-vs-Marine comparison table (match-the-following), e-banking acronyms — ATM/EFT/NEFT/RTGS (direct), and types/functions of warehouses (case-based stems built around a manufacturer/importer scenario). See the cross-subject PYQ pool at [/pyq/business-studies](https://unidrill.in/pyq/business-studies) .