1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 01 (Class XI, Part- 1)
Module Name/Title	Business Services – Part 2
Module Id	kebs_10402
Pre-requisites	Basic knowledge of functioning of Business Services
Objectives	After going through this lesson, the learners will be able to understand the following: • Define Banking • Enlist the types of Bank • List the Functions of Commercial Banks • Explain E Banking • List the Benefits of E Banking • Different Methods of E Banking
Keywords	Banking, Commercial Bank, E Banking, Private Bank, Public Bank, NEFT, IMPS, RTGS, Cooperative Bank, Specialized Bank, Central Bank

2. Development Team

Role	Name	Affiliation
National MOOC Coordinator	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Rejaul Karim Barbhuiya	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Course Co-Coordinator / Co-PI	Dr. Nidhi Gusain	CIET, NCERT, New Delhi
Subject Matter Expert (SME)	Ms. Deepti Madhura	Amity Institute of Education, New Delhi
Review Team	Dr. Munipalle Usha Ms. Preeti Sharma	UPGC, Osmania University, Hyderabad, Kenriya Vidyalaya, Sector 24 Noida
Technical Team	Mr. Shobit Saxena Ms. Khushboo Sharma	CIET, NCERT, New Delhi CIET, NCERT, New Delhi

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1. Introduction

Economic activities that are intangible in nature and provide satisfaction of wants and are also an interaction between the service provider and the consumer are called services. It is consumed at the point of sale. Services of the Doctors, Lawyers, Use of transportation, Banking, Telecom services and other such services that support the purchase and sale of goods come under services.

Thus, no transfer of possession or ownership takes place when services are sold. It is a transaction in which no physical goods are transferred from seller to buyer. The nature of services consists of five I's - Intangibility, Inconsistency, Inseparability, Inventory, Involvement.

Services are classified into three types - Personal Services, Social Services and Business Services.

Business service is classified into various types of services, namely, Banking, Transportation, Communication and Insurance.

2. Meaning of Banking:

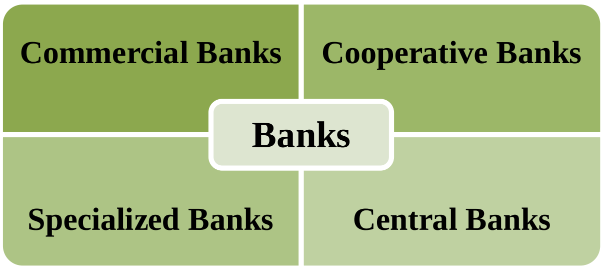
Businessmen receive money and also pay in large amounts. It is risky to carry large amounts of cash from one place to another. Here comes banking as a solution. A bank is a financial institution that provides financial services to both business and consumers. It transacts the business of banking by accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheques, draft, order or otherwise.

In simple terms, a bank accepts money on deposits, repayable on demand and also earns a margin of profit by lending money. A bank stimulates economic activity in the market by dealing in money. Banking solves the problem of finance by facilitating exchange of money between buyer and seller. It mobilizes the saving of the people.

Cash deposit, overdraft, loans etc are some of the instruments of finance that are provided by a bank as its services.

3. Types of Bank

Banks can be classified into the following:



3.1 Commercial Banks

Financial institutions that provide services such as acceptance of deposits, providing loans and offers basic investment services are known as commercial banks. They are governed by Indian Banking Regulation Act 1949.

4. Functions of a Commercial Bank

- **Acceptance of Deposits**

  Commercial banks accept various types of deposits from the public especially from its clients. It includes saving account deposits, recurring account deposits, fixed deposits, etc. These deposits are payable after a certain time with interest. To encourage the habit of saving among the people, banks pay interest on these deposits. as decided by RBI on these deposits. Withdrawal from these accounts has some restrictions in relation to the amount as well as number of times in each period. Fixed accounts are time deposits with higher rates of interest as compared to savings accounts.

- **Lending of Funds**

  The commercial bank provides loans and advances of various forms. It includes an overdraft facility, cash credit, bill discounting, etc. These funds lent out by banks help in trading, setting up of new businesses and other such activities that help in the growth of the economy. These loans and advances are provided out of the money received through deposits.

- **Cheque Facility**

  A document that orders a bank to pay a specific amount of money from a person's account to the person in whose name it has been issued is called cheque. It is a credit instrument for the withdrawal of deposits. It is the most convenient and an inexpensive medium of exchange.

  The person writing the cheque is known as the drawer, has a transaction banking account where their money is held. The drawer writes the various details including the monetary amount, date, and a payee on the cheque, and signs it, ordering their bank, known as the drawee, to pay that person or company the amount of money stated.

  There are two types of cheques:

  i. Bearer Cheques – Cashable immediately at bank counters.
  ii. Crossed Cheques – To be deposited only in the payees account.

- **Remittance of Funds**

  Remittance is transfer of money or funds from one place to another. It happens only when the banks are interconnected. The instruments of transfer of these funds can be- pay orders, bank drafts, National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS) and Immediate Payment System (IMPS) etc. These instruments are used by the customers on nominal charges.

  (National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS) and Immediate Payment System (IMPS) are the modes for internet banking and are explained in detail ahead.)

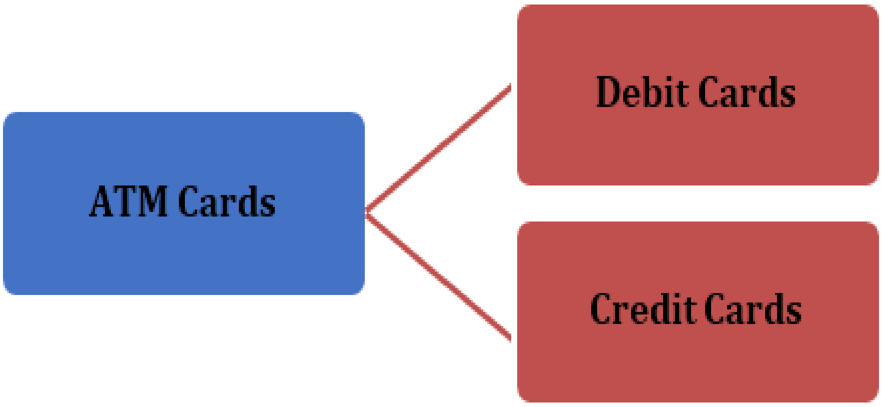
  The process of remittance of funds is –

  The bank issues the amount using any of the above-mentioned instruments and the payee can get it processed at the bank for which it has been issued.

- **Allied Services**

  The bank also provides some miscellaneous services such as Locker Facility, Bill payments, underwriting services, payment of premiums, buying and selling of shares & debentures, on instructions and collection of dividend etc.

  Various cards such as credit cards, debit cards, Smart cards, etc. are also issued by banks for easy transactions and to help its customers.



Credit Card

A credit card is linked to a credit limit created by the issuer of the credit card for the cardholder on which the cardholder can draw (i.e. borrow), either for payment to a merchant for a purchase or as a cash advance to the cardholder. Most credit cards are issued by or through local banks. The cardholder can either repay the full outstanding balance or a lesser amount by the due date of payment. The amount paid cannot be less than the “minimum payment,”. Interest is charged on the balance not paid off by the due date.

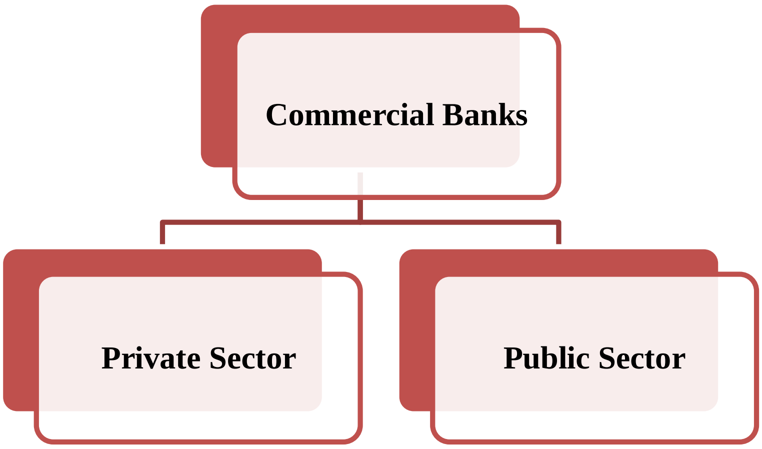
The rate of interest and method of calculating the charge vary between credit cards, even for different types of card issued by the same company. Many credit cards also allow you to withdraw cash from ATMs.

Debit Card

A debit card is a transaction card given by the bank to the account holder for making cashless transactions. When a cardholder makes a purchase, funds are withdrawn directly either from the cardholder's bank account, or from the remaining balance on the card, instead of the holder repaying the money at a later date.

The use of debit cards has become widespread in many countries and has overtaken use of cheques, and in some instances cash transactions, by volume. Like credit cards, debit cards are used widely for internet purchases. Debit cards also allow instant withdrawal of cash, acting as the Automated Teller Machine (ATM) cards.

5. Types of Commercial banks



- **Private Sector Banks**

  Housing Development Finance Corporation (HDFC) Bank, Industrial Credit and Investment Corporation of India (ICICI) Bank, Yes Bank, Kotak Mahindra bank are some of the examples of private sector banks. These banks operate as per the market forces and are managed and controlled by private promoters.

- **Public Sector Banks**

  State Bank of India (SBI), Corporation Bank, Bank of Baroda, Dena Bank, and Punjab National Bank, Indian Bank, Allahabad Bank are some of the examples of public sector banks. These banks operate for the welfare of the people and not for profits. Government has more than 50% of stake in these banks.

5.1. Cooperative Banks

These banks are governed by the provisions of Cooperative Societies Act of 1904. They provide loans to its members at a cheaper interest rate and also have a lesser scope in offering a variety of banking services as compared to the Commercial Banks. They run on a small scale and are regarded as an important source of rural credit that they cater to the needs of the farmers and help in agricultural financing in India.

Examples of Cooperative Banks are: The Delhi State Co-operative Bank Ltd., The Andaman and Nicobar State Co-operative Bank Ltd etc.

5.2 Specialized Banks

These banks specialize in banking transactions related to a specific economic activity such as industrial activities, agricultural activities, real estate activities, export import activities etc.

They provide financial aid to industries, big projects and foreign trade. Since, they cater to specific needs of an industry they are referred to as specialized banks.

Examples of Specialized Banks are: Industrial Development Bank of India, Housing Finance Bank, EXIM Bank, Rural Credit Bank etc.

5.3 Central Banks

A central bank is an institution that manages a countries currency, money supply, and interest rates. Central bank also usually oversees the commercial banking system of their respective countries. It controls the credit policies of the country's economy and implements government policies. The **Reserve Bank of India** is the central bank of India.

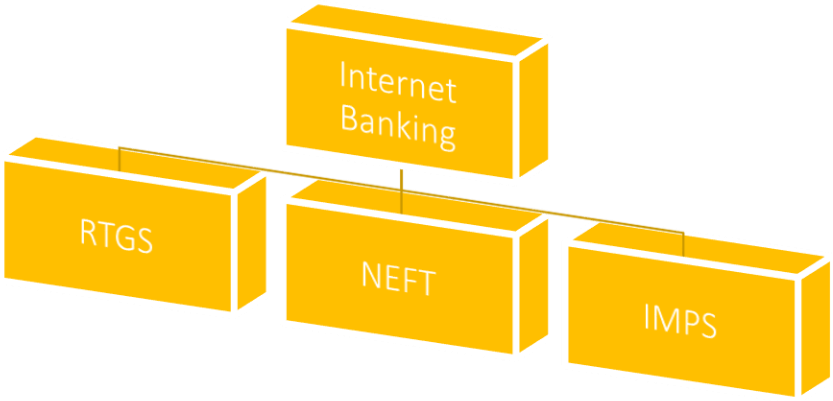
6. E-Banking

E-banking is **Electronic** Banking and commonly known as online banking. It is a product designed for the purposes of online banking that enables you to have easy and safe access to your bank account without going to the bank personally. Internet Banking and E-Banking are the same terms that are used interchangeably.

Process of E-banking

Nowadays, all the banks have their own respective web portals that can be accessed by the customers. All the services that the bank has permitted on the internet are displayed on the website of the bank. The customer can select the desired service and interact with the website. This interface between the customer and the website eradicates the need of interaction with the human being present in the bank.

Thus, E Banking is a service provided by the banks that allows the customer to avail services such as checking of account balance, making online payments, withdrawing cash with the use of Debit cards and credit cards, transfer of funds etc sitting at home or without going to the bank.



National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS) and Immediate Payment System (IMPS) are various techniques that help in transfer of funds from one account to another.

- **RTGS**

  The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds individually on an order by order basis. 'Real Time' means the processing of instructions at the time they are received rather than at some later time. It is generally used for large-value interbank funds transfers.

- **NEFT**

  National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country.

- **IMPS**

  The IMPS (Immediate Payment Service) helps an individual to access a bank account and transfer funds instantly and securely anytime. One can send money using Net Banking/ internet Banking facility on an internet-powered laptop or Desktop or mobile phone. The beneficiary account is credited immediately when a fund transfer request is made from your side. This service is available 24x7, throughout the year including Sundays and any public holiday.

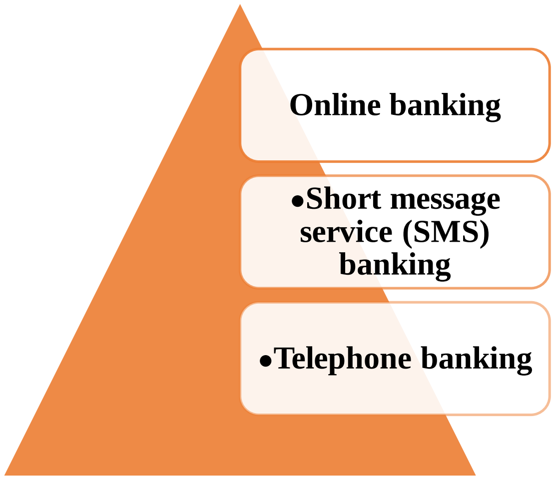
7. Benefits of E- Banking

There are various benefits of E Banking that are provided to the customers. They are:

- It provides services 365 days in a year and for 24 hrs. to its customers.

- Online banking can be faster and more convenient than visiting a bank branch in person or conducting business over the phone.
- Transactions are possible anytime anywhere because of E Banking.
- The work pressure on the banks also reduces as the customers use some of these services on their own without the help of the bank officials.
- It provides ways to International Banking.
- It provides convenience in terms of capital, labour, time and all the resources needed to make a transaction.

The different methods of E-banking are:



Of all the above procedures online banking plays an important role and maximum used by the account holders.

Online banking

Online banking also called internet banking, allows the customers to use all the banking services from a computer which has internet access. The customer can perform financial transactions on a secure website operated by the bank. Online banking offers features such as bank statements, loan applications, funds transfer, e-bill payments and account aggregation allows customers to monitor all their accounts in one place.

Telephone Banking

Telephone banking is a service provided by the banks which provides customers to perform transactions on phone. All the telephone banking systems uses automated answering system with keypad response or voice recognition capability. To prove their identity customers must provide a numeric or verbal password or answering the questions asked by the call center representative. In telephone banking customer cannot withdraw and deposit cash but can do all the other transactions.

Mostly there will be a customer care representative to which the customers speak. The customer care representatives are trained to do what are available at the branch like cheque book orders, address change, debit card replacements.

SMS Banking

SMS banking is a service permitting banks to do selected banking services from the users' mobile by the SMS messaging. SMS banking services have push and pull messages. Push messages are sent by the banks for alerting customer about new offers, marketing messages, alerts to events happening in customers account such as large amount of withdrawals from ATM or credit card etc.

Pull messages are those that are sent by the customer to the bank for having some information or to perform a transaction in their account. Examples include account balance enquiry, requesting for current exchange rates and for new offers that are launched.

The customer has a choice to select the list of services he needs to be informed. This can be done by integrating to internet banking or speaking to the customer care representative of the bank call Centre.

Summary

A service is an act that cannot be touched or viewed but can only be experienced. For E.g.: Service of Doctors, lawyers, Teachers, Telecom etc.

The Economic activities that provide satisfaction of wants and are not linked to sale or its purchase and does not result in the ownership of anything physical is called a Service. Business Services includes Banking as one of the most important needs for any business to evolve and sustain.

A bank is a financial institution that accepts money deposits from the public. There are four types of banks: Commercial Banks, Cooperative Bank, Specialized Banks and Central Banks. Private banks and public banks are a part of commercial banks. The functions of commercial banks are Acceptance of deposits, lending of funds, Remittance of funds, Cheque facility, allied services such as bill payments, Locker facilities, underwriting facilities etc.

E-banking is **Electronic** Banking and commonly known as online banking. It is a product designed for the purposes of online banking that enables you to have easy and safe access to your bank account without going to the bank personally. RTGS, IMPS and NEFT are the ways through which transfer of funds is possible through internet banking. Online banking, Short message service banking and Telephone banking are different methods of E Banking.