Class 11 Business Studies Chapter 4: Business Services - Notes, Important Questions and MCQs (2026-27)

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Class 11 Business Studies Chapter 4, Business Services, explains the services that support trade and industry – banking, insurance, communication, transportation and warehousing.

These notes cover the nature of services, types of business services, banks and their functions, e-banking, insurance principles and types, communication services, transport and warehousing.

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Chapter Overview

Services are intangible economic activities that provide benefits without transfer of ownership. Business services help firms carry on production and trade efficiently.

Banking provides finance, insurance covers risk, communication and transport remove barriers of distance, and warehousing removes the hindrance of time.

Important Topics and Concepts

Nature of Services

- Intangibility – cannot be touched or seen; experience-based.
- Inconsistency – different customers have different demands, so services vary.

- Inseparability – production and consumption happen simultaneously.
- Inventory (less) – services cannot be stored.
- Involvement – customers participate in delivery.

Types of Services

- Business services – used by firms, e.g. banking, insurance, transport, warehousing, communication.
- Social services – provided voluntarily to achieve social goals, e.g. health and education by NGOs.
- Personal services – experienced differently by each customer, e.g. tourism, restaurants.

Banking: Types of Banks

- A bank is an institution that accepts deposits and lends money.
- Commercial banks – public sector (e.g. SBI) and private sector banks.
- Cooperative banks – governed by cooperative laws, serving rural and small borrowers.
- Specialised banks – such as EXIM Bank, SIDBI and NABARD.
- Central bank – the Reserve Bank of India controls monetary policy and supervises banks.

Functions of Commercial Banks

- Acceptance of deposits – current, savings and fixed deposit accounts.
- Lending of funds – loans, cash credit, overdraft and discounting of bills.
- Cheque facility – bearer and crossed cheques for payment.
- Remittance of funds – bank drafts, pay orders and electronic transfer.
- Allied services – bill payments, lockers, underwriting, standing instructions.

E-Banking

- Electronic banking lets customers use banking services through the internet and mobile devices.
- Facilities: NEFT, RTGS and IMPS for fund transfer; UPI for instant mobile payments; ATMs, debit and credit cards; net and mobile banking.
- Benefits for customers: 24×7 service, transactions from anywhere, record of transactions, sense of financial discipline.
- Benefits for banks: lower load on branches, wider reach, competitive advantage.

Insurance: Concept and Functions

- Insurance is a contract in which the insurer agrees to compensate the insured for a loss in return for a premium. The document is the policy.
- Functions: providing certainty, protection against loss, risk sharing among many, and assisting in capital formation as premiums are invested.

Principles of Insurance

- Utmost good faith – both parties must disclose all material facts.
- Insurable interest – the insured must have a financial interest in the subject matter.
- Indemnity – the insured is compensated only for actual loss, not to make profit (not applicable to life insurance).
- Proximate cause – the nearest cause of loss must be an insured risk.
- Subrogation – after compensation, the insurer gets the insured’s rights over the damaged property.

- Contribution – if insured with several insurers, each pays in proportion.
- Mitigation – the insured must take reasonable steps to reduce loss.

Types of Insurance

- Life insurance: whole life, endowment, joint life, annuity and children's endowment policies.
- Fire insurance: covers loss by fire; there must be actual fire and the fire must be accidental.
- Marine insurance: hull insurance (ship), cargo insurance (goods), freight insurance (loss of freight).
- Other types include health, motor, crop, theft and liability insurance.

Communication and Transport

- Postal services: financial facilities (savings schemes, money orders), mail services (parcel, registration, speed post), and courier services.
- Telecom services: mobile, internet broadband, fixed line, VSAT and DTH – essential for modern business.
- Transportation moves goods and people by road, rail, water and air, removing the hindrance of place.

Warehousing

- Warehousing means storing goods and protecting them till they are needed.
- Types: private (owned by firms), public (open to all for rent), bonded (for imported goods awaiting customs duty), government (e.g. Central Warehousing Corporation) and cooperative warehouses.
- Functions: consolidation, break-the-bulk, stock piling, value-added services, price stabilisation and financing (warehouse receipts can be used as collateral).

E-Banking Modes at a Glance

Know what each stands for:

Mode	Use
NEFT	National Electronic Funds Transfer – batch-wise transfer
RTGS	Real Time Gross Settlement – large-value instant transfer
IMPS	Immediate Payment Service – instant 24×7 transfer
UPI	Unified Payments Interface – mobile payments via VPA/QR
ATM / cards	Cash withdrawal and point-of-sale payments

Insurance Principles with Examples

Principle	Example
Utmost good faith	Hiding a heart condition while taking life insurance makes the policy void
Insurable interest	A person can insure his own house but not a neighbour's
Indemnity	Goods worth ₹50,000 insured for ₹80,000 – claim only ₹50,000
Proximate cause	Ship sinks due to fire (insured) caused by lightning – claim allowed

Principle	Example
Subrogation	Insurer takes salvage of a damaged car after paying claim
Contribution	House insured with two insurers – loss shared
Mitigation	Owner must try to put out a fire rather than let goods burn

Important Definitions and Terms

Term	Meaning
Service	Intangible activity providing benefit without transfer of ownership.
Bank	Institution that accepts deposits and lends money.
Overdraft	Facility to withdraw more than the balance in a current account.
Cash credit	Loan facility against security up to a limit.
Premium	Amount paid by the insured to the insurer.
Policy	Document containing the insurance contract.
Indemnity	Compensation equal to actual loss.
Subrogation	Insurer acquiring rights of the insured after paying compensation.
Bonded warehouse	Warehouse for imported goods awaiting payment of customs duty.
Hull insurance	Marine insurance covering the ship.

Short Answer Questions

Q1. What is meant by intangibility of services?

Services cannot be seen or touched; their quality is judged through experience.

Q2. State two functions of commercial banks.

Accepting deposits and lending funds through loans, cash credit and overdrafts.

Q3. What is UPI?

Unified Payments Interface – a system that enables instant bank transfers through mobile phones using a virtual payment address or QR code.

Q4. Explain the principle of utmost good faith.

Both insurer and insured must disclose all material facts; concealment makes the contract void.

Q5. Why does the principle of indemnity not apply to life insurance?

Loss of life cannot be measured in money, so the insurer pays the assured sum rather than compensation for actual loss.

Q6. Name three types of marine insurance.

Hull insurance, cargo insurance and freight insurance.

Q7. What is a bonded warehouse?

A warehouse licensed to store imported goods until customs duty is paid.

Consolidation of goods and price stabilisation by storing during gluts and releasing during shortages.

Long Answer Questions

Q1. Explain the principles of insurance.

Utmost good faith requires full disclosure; insurable interest requires a financial stake in the subject matter.

Indemnity limits compensation to actual loss; proximate cause links the loss to an insured peril.

Subrogation transfers the insured’s rights to the insurer after payment; contribution shares loss among insurers; mitigation requires the insured to minimise loss.

Q2. Describe the functions of commercial banks.

Banks accept deposits through current, savings and fixed deposit accounts.

They lend funds through loans, cash credit, overdraft and bill discounting, and provide cheque facilities.

They remit funds through drafts and electronic transfers and offer allied services like lockers, bill payment and underwriting.

Q3. What are the different types of warehouses?

Private warehouses are owned by manufacturers or traders for their own goods; public warehouses are open to the public on payment of rent.

Bonded warehouses hold imported goods until customs duty is paid; government warehouses are run by bodies like the Central Warehousing Corporation.

Cooperative warehouses are run by cooperative societies for their members at economical rates.

MCQs with Answers

1. Services cannot be stored. This feature is:(a) Intangibility (b) Inventory (c) Inconsistency (d) InvolvementAnswer: (b) Inventory

2. RBI is a:(a) Commercial bank (b) Cooperative bank (c) Central bank (d) Specialised bankAnswer: (c) Central bank

3. RTGS is used for:(a) Small transfers (b) Large-value real-time transfers (c) Cheque clearing (d) LoansAnswer: (b) Large-value real-time transfers

4. Principle of indemnity does not apply to:(a) Fire insurance (b) Marine insurance (c) Life insurance (d) Motor insuranceAnswer: (c) Life insurance

5. Hull insurance covers:(a) Goods (b) Ship (c) Freight (d) CrewAnswer: (b) Ship

6. Insurer’s right to salvage after claim is:(a) Contribution (b) Subrogation (c) Indemnity (d) MitigationAnswer: (b) Subrogation

7. Imported goods awaiting customs duty are kept in a:(a) Private warehouse (b) Bonded

8. Overdraft is allowed on:(a) Savings account (b) Current account (c) Fixed deposit (d) Recurring depositAnswer: (b) Current account

9. Warehousing removes the hindrance of:(a) Place (b) Time (c) Risk (d) FinanceAnswer: (b) Time

10. Nearest cause of loss is:(a) Proximate cause (b) Insurable interest (c) Contribution (d) SubrogationAnswer: (a) Proximate cause

Quick Revision Points

- Five Is of services: intangibility, inconsistency, inseparability, inventory, involvement.
- Business, social and personal services.
- Banks: commercial, cooperative, specialised, central (RBI).
- Bank functions: deposits, lending, cheques, remittance, allied services.
- E-banking: NEFT, RTGS, IMPS, UPI, ATMs, cards.
- Insurance principles: utmost good faith, insurable interest, indemnity, proximate cause, subrogation, contribution, mitigation.
- Life policies: whole life, endowment, joint life, annuity, children’s.
- Marine: hull, cargo, freight.
- Warehouses: private, public, bonded, government, cooperative.
- Warehousing functions: consolidation, break-the-bulk, stock piling, value-added, price stabilisation, financing.

Chapter Summary

Services are intangible and cannot be stored. Business services – banking, insurance, communication, transport and warehousing – make production and trade possible. Banks accept deposits, lend money and now offer extensive e-banking services such as NEFT, RTGS and UPI.

Insurance spreads risk through principles like utmost good faith, indemnity and subrogation and covers life, fire and marine risks. Communication and transport remove barriers of distance, while warehouses store goods and help stabilise prices.

Exam Tips and PYQ Pattern

- Case-based questions often test insurance principles – match the example to the principle.
- Learn the five Is of services with examples.
- Mention RBI as the central bank in banking answers.
- Write types of warehouses with one feature each.
- For e-banking, add benefits to customers and banks.
- Remember that indemnity does not apply to life insurance.

Frequently Asked Questions

Is this chapter in the 2026-27 CBSE syllabus?

Yes. It is part of the Class 11 Business Studies Part A of the NCERT Class 11 Business Studies textbook, prescribed in the CBSE 2026-27 syllabus.

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What are business services?

Services used by business firms, such as banking, insurance, transport, warehousing and communication.

How many principles of insurance are there?

Seven: utmost good faith, insurable interest, indemnity, proximate cause, subrogation, contribution and mitigation.

What is the difference between NEFT and RTGS?

NEFT settles transfers in batches, while RTGS settles large-value transfers instantly on a gross basis.

Conclusion

Business Services covers the support systems of business. Revise the insurance principles table and e-banking modes, practise case studies and download the free PDF for quick revision.

More Notes: Class 11 Business Studies Chapter 3: Private, Public and Global Enterprises notes | Class 11 Business Studies Chapter 5: Emerging Modes of Business notes | All Class 11 Business Studies notes

Author Bio: Written and reviewed by the Nextoper Editorial Team, a group of CBSE business studies educators who build chapter notes directly from the NCERT textbook and past board paper patterns.

Freshness Note: These notes follow the NCERT Class 11 Business Studies textbook, Business Studies (Class XI) (NCERT reprint 2026-27, rationalised syllabus), and the CBSE syllabus for the 2026-27 session. Last checked on 28 November 2026.