

Synopsis

SUB.- Organisation of Commerce & Management

Ch. 2. Business Services HSC Weightage

22 marks.

2.2 Banking

2.2.2 Definition :-

According to Indian Banking Companies Regulation Act, 1949, "Banking company is one which transacts the business of banking which means accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise."

2.2.3 Types of Banks :-

- 1 Central Bank :- Main function of this bank is to maintain economic stability of the country.
- 2 Commercial Banks - These banks accept the deposits from the general public and provide short term loans.
 - a. Public Sector Banks
 - b. Private Sector Banks
 - c. Foreign Banks.
- 3 Development Banks
- 4 Co-operative Banks
 - a. Primary Credit Societies
 - b. District Central Co-operative Banks
 - c. State co-operative Banks
5. Specialised Banks
 - a. Export Import Bank of India (EXIM BANK)
 - b. Small Industries Development Bank of India (SIDBI)
 - c. National Bank for Agriculture & Rural Development (NABARD)

6. Regional Rural Banks
7. Exchange Banks
8. Indigenous Bankers
9. Saving Bank.

2.2.4 Functions of Commercial Banks

Primary Functions
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(A) Accepting Deposits

(B) Granting Loans & Advances

Secondary Functions
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(A) Agency Functions

(B) Utility Functions

Types of Deposits

1. Fixed Deposits :- Rate of interest is highest on this account.
2. Saving Account
3. Current Account
4. Recurring Deposit Account
5. Multiple Option Deposit Account

Types of Advances

- a. Cash Credit
- b. Overdraft
- c. Discounting of Bills.

Agency Functions:-

- 1 Collection of cheques, dividends and interests
- 2 Payment of rents, insurance premiums, etc.
- 3 Dealing in foreign exchange
- 4 Purchase and sale of securities
- 5 Act as trustee, executor of will, attorney, etc.
- 6 Act as correspondent
- 7 Preparation of Income Tax Returns.
- 8 Bank Drafts
- 9 Underwriting of shares
- 10 Demat Account

Utility Functions:-

- 1 Safe Deposit vault
- 2 Traveller's cheque
- 3 Letter of credit
- 4 Provides trade information
- 5 Gift cheques

2.3 Insurance

2.3.3 Definition:- According to Insurance Act of 1938, Insurance is defined as, "A provision which a prudent man makes against inevitable contingencies."

2.3.4 Principles of Insurance

1. Principle of Utmost Good Faith - The insurer and the insured must disclose all material facts, clearly, correctly & completely.
2. Principle of Insurable Interest

3 Principle of Indemnity - In case of life insurance, this principle does not apply because the value of human being cannot be assessed in monetary terms.

4 Principle of Contribution -

5 Principle of Subrogation -

6 Principle of Mitigation of loss -

7 Principle of Causa-Proxima (Nearest cause) -

2.3.5 Types of Insurance

LIFE INSURANCE	FIRE INSURANCE	MARINE INSURANCE
↓	↓	↓
1 Whole Life Policy	① Valued Policy	① Voyage Policy
2 Endowment Insurance Policy	② Average Policy	② Time Policy
3 Term Insurance Policy	③ Specific Policy	③ Mixed Policy
4 Money-Back Policy	④ Floating Policy	④ Valued Policy
5 Joint Life Policy	⑤ Comprehensive Policy	⑤ Floating Policy
6 Annuity Policy	⑥ Excess Policy	⑥ Blanket Policy
7 Pension Plan Policy	⑦ Reinstatement Policy	⑦ Port Risk Policy
8 ULIP (Unit Linked Insurance Plans)	⑧ Blanket Policy	⑧ Composite Policy

LIFE INSURANCE (DEFINITION) :-

"A contract where an insurance company undertakes in consideration of regular payment of premium to pay a certain sum of money to the assured on maturity of policy or death, whichever is earlier."

MARINE INSURANCE - (DEFINITION) -

According to Marine Insurance Act, 1963, "An agreement whereby the insurer undertakes to indemnify the assured, in the manner and to the extent thereby agreed, against losses incidental to marine adventure. It may cover loss or damage to vessels, cargo or freight."

FIRE INSURANCE (DEFINITION) -

According to Indian Fire Insurance Act, 1938, "In addition to other insurances, fire insurance is that insurance contract which takes place against fire and such other risks which are mentioned in the fire insurance contract."

Distinguish Between :-

- 1 Bonded Warehouse & Duty Paid Warehouse
(Tx. pg. no. 80)
- 2 Commercial Bank & Central Bank
(Text Book pg. no. 79)

- 3 Loans & Overdraft. (Tx. bk. pg. no. 78)
- 4 cheque & Bank Draft (Tx. bk. pg. no. 78)
- 5 Current Account & Saving Account
(pg. no. 76, 77)
- 6 Fixed Deposit Account & Recurring Deposit Account
(Pg. no. 76, 77)
- 7 Life Insurance & Fire Insurance
(pg. no. 73, 74, 75)
- 8 Fire Insurance & Marine Insurance
(Pg. no. 73, 74, 75)
- 9 Life Insurance & Marine Insurance
(Pg. no. 73, 74, 75)