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**SUB: FINANCIAL SERVICES**

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**UNIT: 1 FINANCIAL SERVICES**

**Meaning of Financial Services**

In economic sense, a service is a transaction in which no physical goods can be transferred from the seller to the buyer. Here, the seller may be termed as service provider and the buyer as service user. Financial services refer to economic services that are non-physical, intangible (which cannot be touched or handled), and heterogeneous parts of an economy.

Services are not manufactured, transported or stored. One cannot store services for future use. It is consumed at the place of its production. Therefore, it is produced and consumed simultaneously.

**Characteristics/ Feature/ Nature of Financial Services**

1. **Intangibility**

Financial services cannot be touched, tasted, smelt or seen by the service user. It cannot be manufactured, transported and stored. Financial services are assessed on the basis of their benefits, satisfaction, effectiveness, attractiveness and quality rendered by the service provider.

1. **Direct Sale/ Inseparability**

Direct sale is the single possible channel of service distribution. There is no middleman in between the service provider and user as it is produced and consumed simultaneously.

Example: A doctor providing medical services (injection) to his patient. In this example, the doctor is the service provider and the patient is the service user. There is no middleman between the doctor and patient when the doctor is injecting the drug to his patient.

1. **Perishable/ Cannot be stored for future use**

Services cannot be stored; it is to be provided at the right time and at the right place.

Example: A haircut given by a hairdresser is a service. The haircut exists only when the hairdresser is cutting the client’s hair.

1. **Inconsistency/ Invariability**

Each delivery of a particular service is never exactly the same as previous one or that to be received in future.

Example: (i) Mr. B had a haircut two months ago at Salon ‘M’. He had another haircut recently at the same salon. But, it is not exactly the same as before. It is not 100% same.

(ii) A receptionist at 9 A.M. do not behave in the same manner at evening 5 P.M. due to tiredness, cumbersome work or any other reason.

1. **Geographical Dispersion**

Services are different at different levels of operation.

Example: The services provided by a hotel staff at rural area may not be the same in urban area.

1. **Information Based**

Financial service industry is an information based industry as it involves creation, dissemination and use of information. Information is an essential component in the production of financial services.

1. **Require quality Labour**

Financial service industry requires high quality labour to deal with information and communication. The types of labour range from workers performing simple works to those undertaking complex analysis and negotiations require years of training and experience.

1. **Labour Intensive**

The financial service industry requires massive number of labourers as this sector is highly labour intensive.

1. Technology based

Employing a large number of labourers increases the cost of production and consequently affects the price of financial products. Due to such high personnel costs, technology is also used in this sector in order to enhance customer’s benefit.

1. **Protection of customer’s/clients interests**

Protection of customer’s interest is given utmost importance in the financial service sector particularly in Mutual Funds, Insurance, Banking, Portfolio Management, etc.