

**A Study on Banking Services and Habits  
With Special Reference to Rural and Urban areas  
of Andhra Pradesh**



**Project Report  
Submitted in the partial fulfillment for B.Com Degree  
(Batch 2020 - 2023)**



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**B.Com IV Semester  
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# Dr.V.S.KRISHNA GOVT. DEGREE COLLEGE

(An Autonomous Institution Affiliated to Andhra University)

Reaccredited by NAAC with 'A' Grade(3rd Cycle)

District Resource Centre & Center for Research Studies  
Maddilapalem, VISAKHAPATNAM 530 013, Andhra Pradesh



## CERTIFICATE

Certified that this project report titled "A Study on Banking Services and Habits With Special Reference to Rural and Urban areas of Andhra Pradesh" is the bonafide work of M.shanmuka raju (**Register No. E20331226**) who carried out the project work under **Dr.P. Umamaheswara rao** Lecturer in Sanskrit department supervision. It is to further Certify that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

**PROJECT GUIDE**

**HEAD OF THE DEPARTMENT**

## **DECLARATION**

I hereby declare that the Project report titled "A Study on Banking Services and Habits With Special Reference to Rural and Urban areas of Andhra Pradesh" is my original work and has not been published or submitted for any degree, diploma or other similar titles elsewhere. This has been undertaken for the purpose of partial fulfilment of B.com Degree of Dr.V.S.Krishna Government Degree & PG College (A) Visakhapatnam.

M.shanmuka raju

BCom II Year IV Semester

Regd.No: E20331226

## **ACKNOWLEDGMENT**

It is really a matter of pleasure for me to get an opportunity to thank all the persons who contributed directly or indirectly for the successful completion of the project report, "A Study on Banking Services and Habits With Special Reference to Rural and Urban areas of Andhra Pradesh"

I wish to express my gratitude to all there spondents of the survey for giving the proper responses patiently, which has been instrumental in completion of this project. I am thankful to **Dr. I.VIJAYA BABU, Principal,** Dr.V.S.Krishna Government Degree & PG College (A) Visakhapatnam for his support and encouragement throughout the tenure of the project. Also I am thankful to my mentor and guide **Dr.P. Umamaheswara rao** Lecturer in Sanskrit department , and the other faculty members of the Commerce Department Dr. G.Rajukumar, Sri.M.Srinivasu, Sri. Dr.D.Muralidhar, Sri.G.Arun Kumar, for being a source of support during this project period.

M.shanmuka raju

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# 1. INTRODUCTION

## 1.1 Banking

The banks have become an integral part of our life. In olden days only the well to do and rich persons could enjoy the banking services, But now people of all strata could enjoy the services of banking. Banks are catering to the needs of agriculturists, Industrialists, traders and to all sections of the society. The word Bank is said to have been derived from the French word 'Banco' which means a bench. In fact, the early Jews in Lombardy transacted their banking business by sitting on benches. According to Crowther, modern banking has three ancestors such as The merchant, The Goldsmith and The Moneylender.

### **Definition**

Definition Banking "Banking is the business of accepting for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise and withdraw-able by cheque, draft, and order or otherwise." Indian Banking Regulation Act, 1949.

### **Structure**

Structure of Banking: Reserve Bank of India is the Central Bank of our country. It was established on 1st April 1935 accordance with the provisions of the Reserve Bank of India Act, 1934. It holds the apex position in the banking structure. RBI performs various developmental and promotional functions. It has given wide powers to supervise and control the banking structure. It occupies the pivotal position in the monetary and banking structure of the country.

All commercial banks (Indian and foreign), regional rural banks, and state cooperative banks are scheduled banks. Non- scheduled banks are those which are not included in the second schedule of the RBI Act, 1934. At present these are only three such banks in the country.

Commercial bank: Commercial bank is an institution that accepts deposit, makes business loans and offer related services to various like accepting deposits and lending loans and advances to general customers and business man.

These institutions run to make profit. They cater to the financial requirements of industries and various sectors like agriculture, rural development, etc. it is a profit making institution owned by government or private or both. Public sector banks: Public sector banks are those where majority of the stake in the bank is held by government. Where as in private sector bank, majority is held by shareholders of the bank.

Private Sector Banks: The "private-sector banks" are banks where greater parts of stake or equity are held by the private shareholders and not by government. Foreign Banks: A foreign bank with the obligation of following the regulations of both its home and its host countries. Loan limits for these banks are based on the capital of the parent bank, thus allowing foreign banks to provide more loans than other subsidiary banks.

Foreign banks are those banks, which have their head offices abroad. CITI bank, HSBC, Standard Chartered etc. are the examples of foreign bank in India. Currently India has 36 foreign banks. Regional Rural Bank (RRB): The government of India set up Regional Rural Banks (RRBs) on October 2, 1975. The banks provide credit to the weaker sections of the rural areas, particularly the small and marginal farmers, agricultural labourers, and small entrepreneurs

Banking Regulation Act 1949: i. The Banking Regulation Act, 1949 is a legislation in India that regulates all banking firms in India. ii. The act was enacted to safeguard the interest of the depositors and to control the abuse of powers by controlling the banks by any means necessary and to the interest of Indian economy in general. This act applies to the following categories of banks o Nationalized banks o Non-nationalized banks o Co-operative banks in the manner and to the extent specified in the act

## **Need for Banking:**

In the modern era everything is being done online. There is no exception to the banking sector also. After demonetization, every receipt and payments is being done through banking sector only. Every one needs to have an account in the bank and all should make use of various services being rendered by the bank such as loans, locker facility, insurance facility etc.

## **1.2 Emergence of Banking System - World**

The **history of banking** began with the first prototype banks, that is, the merchants of the world, who gave grain loans to farmers and traders who carried goods between cities. This was around 2000 BCE in Assyria, India and Sumeria. Later, in ancient Greece and during the Roman Empire, lenders based in temples gave loans, while accepting deposits and performing the change of money. Archaeology from this period in ancient China and India also shows evidence of money lending.

Many scholars trace the historical roots of the modern banking system to medieval and Renaissance Italy, particularly the affluent cities of Florence, Venice and Genoa. The Bardi and Peruzzi Families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. The most famous Italian bank was the Medici Bank, established by Giovanni Medici in 1397. The oldest bank still in existence is Banca Monte dei Paschi di Siena, headquartered in Siena, Italy, which has been operating continuously since 1472. Until the end of 2019, the oldest bank still in operation was the Banco di Napoli headquartered in Naples, Italy, which had been operating since 1463.

### 1.3 Emergence of Banking System – India

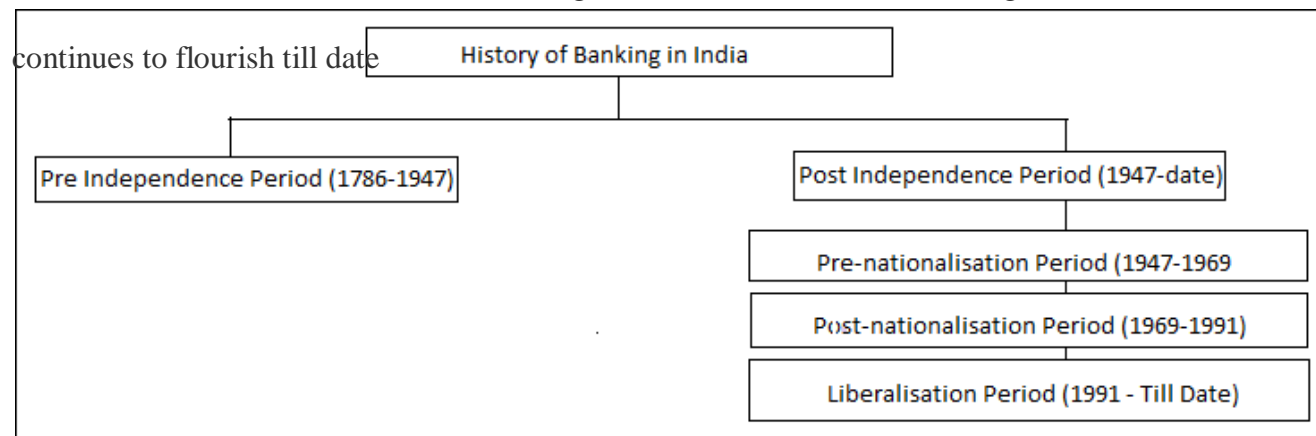
The History of Banking in India dates back to before India got independence in 1947 and is a key topic in terms of questions asked in various [Government exams](#). In this article, we shall discuss in detail the evolution of the banking sector in India

The banking sector development can be divided into three phases:

**Phase I:** The Early Phase which lasted from 1770 to 1969

**Phase II:** The Nationalisation Phase which lasted from 1969 to 1991

**Phase III:** The Liberalisation or the Banking Sector Reforms Phase which began in 1991 and



### 1.5 Banking Services and Habits

Banking habits among the lower income people are an indicator of financial inclusion. The various banking services include **credit, savings, insurance and payments and remittance facilities**. In India attempts have been made to bring the lower income groups within the ambit of formal financial institutions, such as commercial banks.

Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. Banking

habits among the lower income people are an indicator of financial inclusion. The various banking services include credit, savings, insurance and payments and remittance facilities. In India attempts have been made to bring the lower income groups within the ambit of formal financial institutions, such as commercial banks. However, generally the inclusion is limited to making them open a bank account and avail a small loan. It is often felt that the banks and other financial institutions cannot facilitate financial inclusion on their own, since their reach to the lower income groups is limited either due to structural or behavioral reasons

### **1.6 Need for Banking Services:**

Individuals and organizations need bank accounts and services that enable them to safely hold cash and make transactions. They need access to credit — in forms ranging from microcredit to massive corporate loans — to enable investment and economic advancement. Individuals, businesses, and institutions need to protect themselves against a range of risks that could not be borne at either an individual or an organizational level. Customers need savings and wealth creation vehicles in which to invest their money. And they need periodic advice on their financial situation and on appropriate products and services. Now a days almost all the transactions are being done through banks only. This has become more intensive after demonetization.

### **1.7 Significance of the Study:**

The current study is being conducted with the purpose of knowing the socio economic status of the study area. The composition of the study area like Gender, Income levels, social status etc will be studied. The awareness levels on the banking services and their banking habits will be studied in the study area. The factors that are leading to the banking habits and awareness levels on the various banking habits will be studied.

## **1.8 Objectives of the study:**

This study is being conducted with the following objectives.

- 1.To find out the demographic profile of the study area.
- 2.To find out the Economic status of the respondents
- 3.To find out the health details of the respondents
- 4.To find out he information on banking habits.
- 5.To find out the awareness levels of the respondents on various types of accounts, types of loans, types of Insurance policies and other services.

## **1.9 Methodology**

In this project we have used descriptive methodology. Various statistical tools like graphs, tables etc are used to explain the data gathered through questionnaire. The primary and secondary data is used. The primary data is collected through structured questionnaire. The secondary data is collected through various sources like newspapers, magazines, websites etc.

## **1.10 Limitations of the Study:**

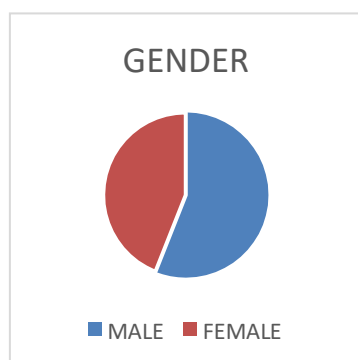
The study is limited to the study area which is either a village or ward only. Hence the findings of this study may or may not be applicable at large. This project is conducted on micro level only.

## 2. Analysis and Interpretation

The present study has been conducted in **Manchala village , Cheedikada Manadalam, Anakapalli district**. The geographic details of the study area **is located Anakapalli**. The socio - economic profile of the study area is as follows:

### Gender:

MALE	FEMALE
28	22

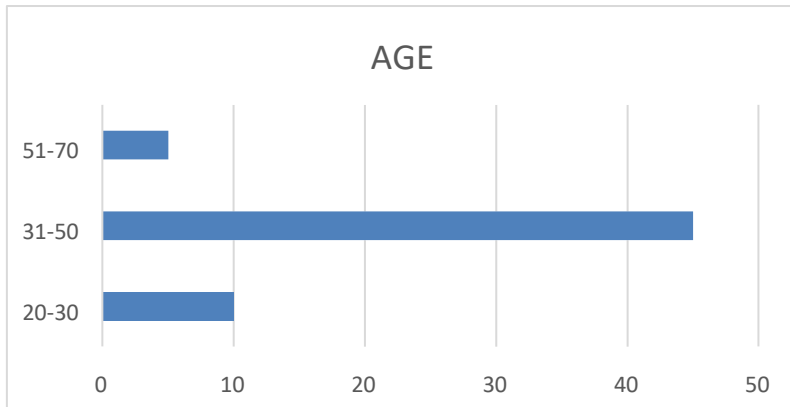


Out of the total 50 respondents 28 are male and 22 are female this shows that the female are more than the male in the study area.

### Age:

	AGE
20-30	10
31-50	45
51-70	5

In the study area 45 respondents belong to 31-50 years of age. It shows that the people in the study area belong to middle age group.



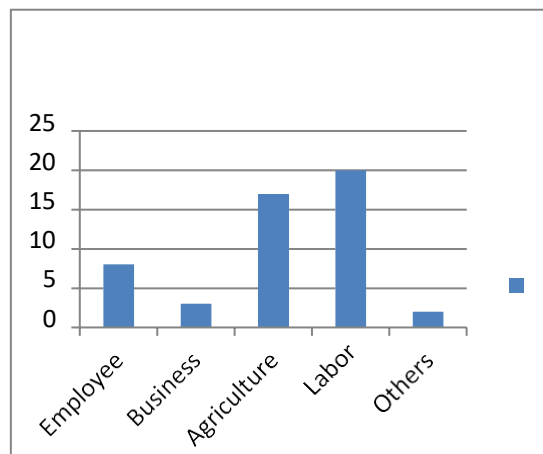
**Education:**

Out of the total 50 respondents, more than 20 respondents have the qualification of SSC and intermediate. Only 2 respondents completed PG and above.

**Profession:**

The profession of the respondents in the study area is given in the below table. 10 respondents are employees. 10 of them have agriculture as profession..

Profession	
Employee	8
Business	3
Agriculture	17
Labor	20
Others	2

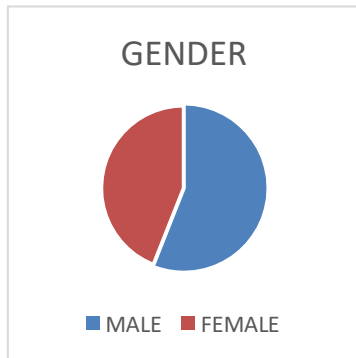


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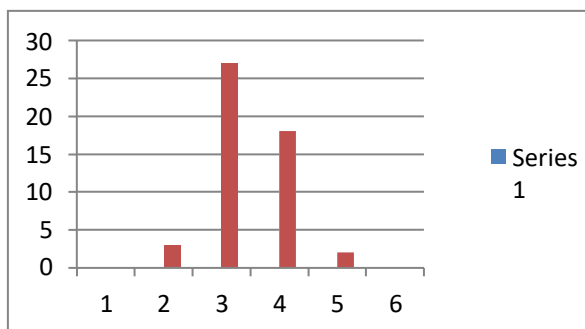
	AGE
20-30	10
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51-70	5

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### Social Status:

The social status of the respondents in the study area is given below. Most of the respondents belong to either BC or SC. Only 7 of the respondents belong to Schedule Tribes.

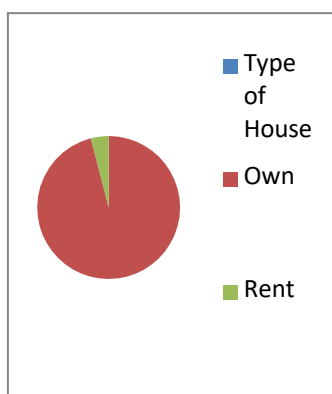
Social Status	
OC	3
BC	27
SC	18
ST	2



### Type of House:

In our socio economic survey we found out that 37 of the respondents are living in the rented house and only 15 of the respondents are living in the own houses.

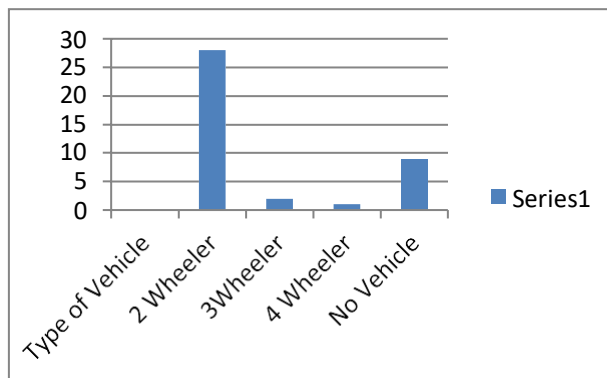
Type of House	
Own	15
Rent	37



### Type of Vehicle:

Most of the respondents have two wheelers and 6 of the don't have any vehicle. It shows that majority of them are having vehicles.

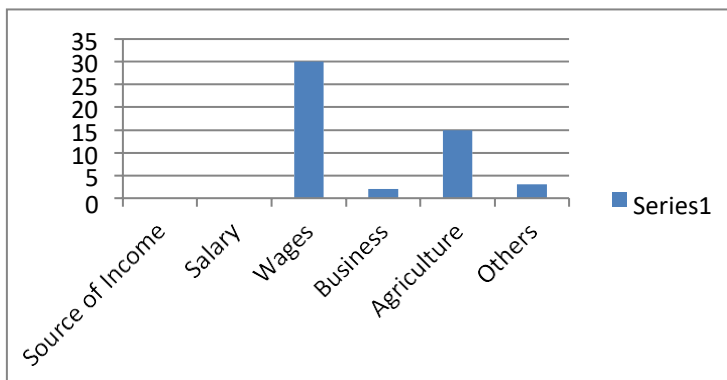
Type of Vehicle	
2 Wheeler	28
3 Wheeler	2
4 Wheeler	1
No Vehicle	9



### Source of Income:

In our survey we found that the respondents have different sources of Income. 2 respondents have salary as their source of income. 30 of the respondents have wages have their income sources.

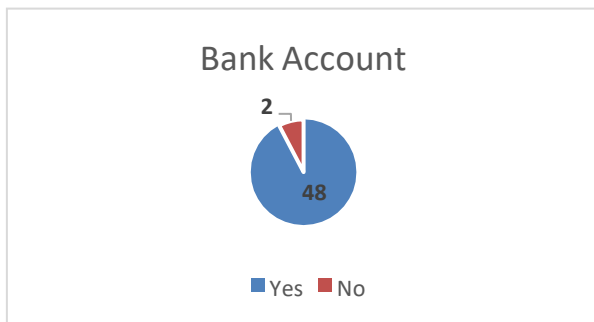
Source of Income	
Salary	0
Wages	30
Business	2
Agriculture	15
Others	3



### Bank Account:

In our survey it has been found out that 48 of the respondents have bank accounts and only 4 of them do not have bank accounts. This shows that they have good banking habits.

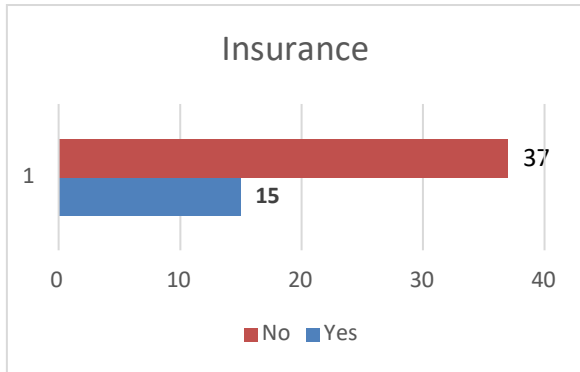
Bank Account	
Yes	48
No	2



### Insurance:

The number of respondents that have insurance policies are 15. Most of the don't have insurance policies. Awareness has to be created to inculcate the habit of insurance.

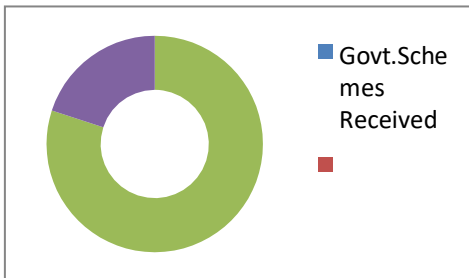
Insurance	
Yes	15
No	37



Government schemes received:

Our survey shows that majority of them are receiving the government schemes. Out of 52 respondents as many as 40 are receiving government schemes and 10 of them are not receiving any schemes.

Govt.Schemes Received	
Yes	40
No	10

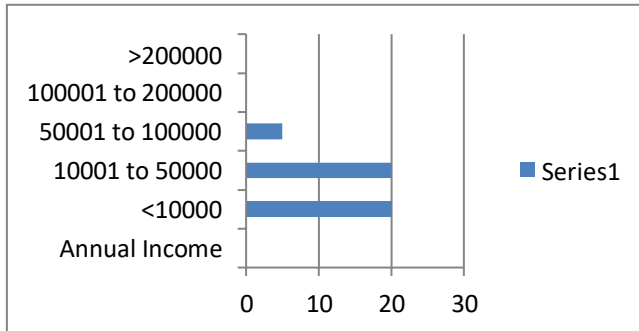


### Annual Income:

Out of the total respondents 20 of them are earning below 10000 per annum. Around 0 of them are earning more than 200000 per annum. It shows that most of them are earning meager income.

Annual Income	
<10000	20
10001 to 50000	20
50001 to 100000	5
100001 to 200000	0

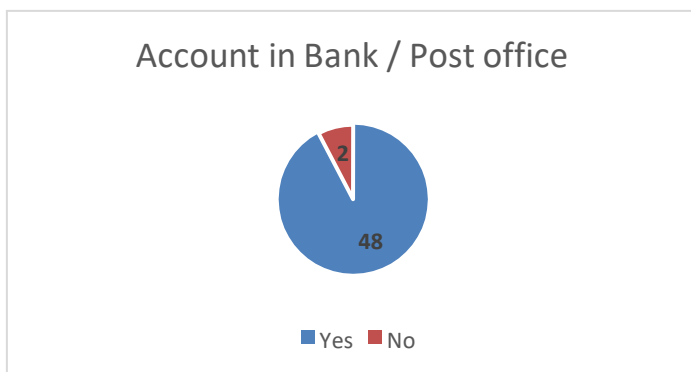
>200000	0
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### Account in Bank or Post office:

In our research we found out that most of the respondents have account in Bank or post office and very few of them are not having accounts.

Account in Bank or Post Office	
Yes	48
No	2

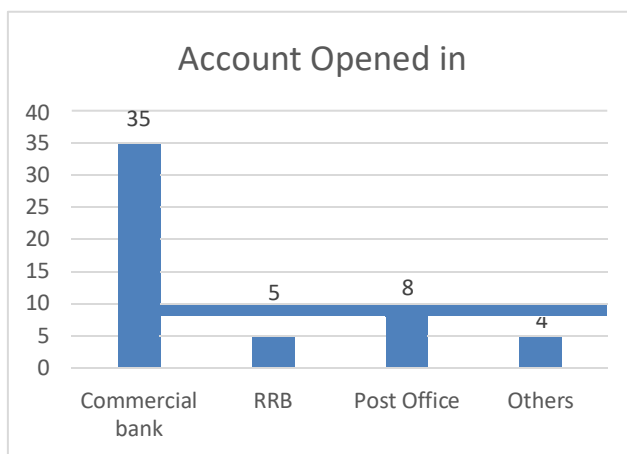


### Accounts Opened In:

Most of the respondents have opened account in the commercial banks. It may be because of the availability of more number of bank branches. Very few of them have accounts in RRBS and Post office

#### Account Opened in

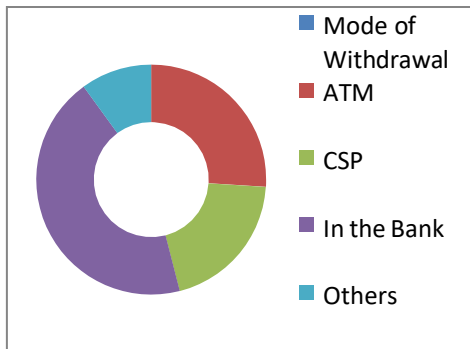
Commercial bank	35
RRB	5
Post Office	8
Others	4



#### Mode of Withdrawal:

In our survey we found that 22 of the respondents are going to Banks for withdrawal and 13 of them are going to ATM for withdrawing cash.

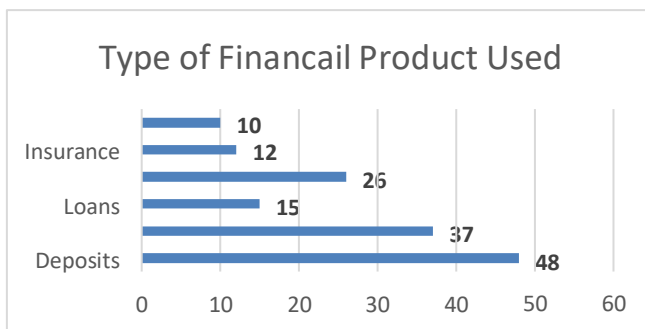
Mode of Withdrawal	
ATM	13
CSP	10
In the Bank	22
Others	5



### Type of Financial Product Used:

In our survey it is found out that 48 of the respondents are using banks for deposits, 37 of them are using banks for withdrawals, 15 of them are using for loans, 26 of them are using for remittances.

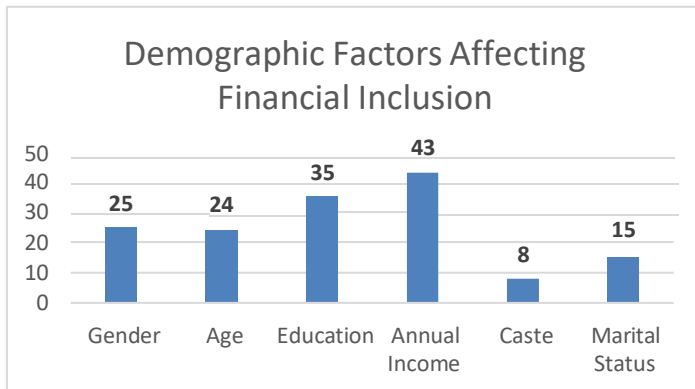
Type of Financial Product Used	
Deposits	48
Withdrawals	37
Loans	15
Remittances	26
Insurance	12
Other Facilities	10



### Demographic factors affecting Financial Inclusion:

As per the opinion of the respondents there are various factors that are affecting the financial inclusion. 43 of them have agreed that annual income is having more influence on financial inclusion. Only 8 of them have said that caste would also play a role in financial inclusion.

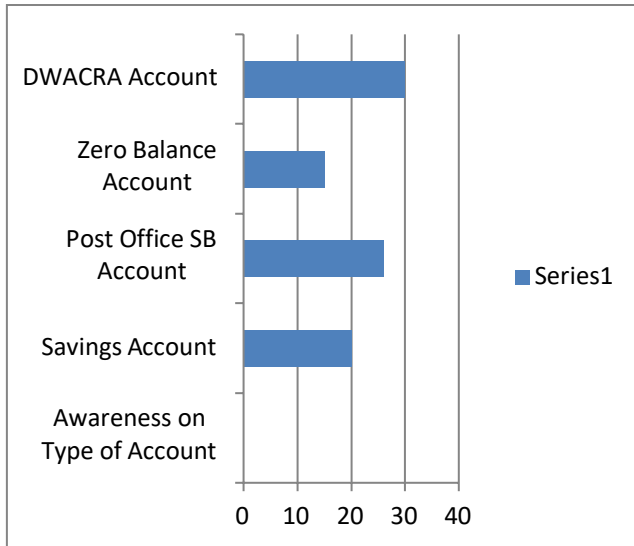
Demographic factors affecting Financial Inclusion	
Gender	25
Age	24
Education	35
Annual Income	43
Caste	8
Marital Status	15



#### **Awareness on Type of Account:**

When the respondents were asked about their awareness levels on various types of accounts, 42 of them said that they are aware of Savings account, 26 of them are aware of post office SB account, only 10 of them are aware of DWACRA account.

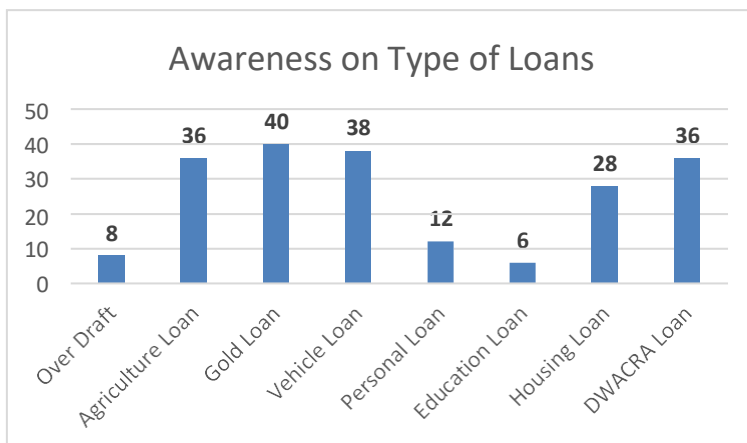
Awareness on Type of Account	
Savings Account	20
Post Office SB Account	26
Zero Balance Account	15
DWACRA Account	30



### Awareness on Types of Loans:

The respondents have expressed that 40 of them are aware of gold loans, 38 of them are aware of vehicle loans, 36 of them are aware of DWACRA loans, only 6 of them are aware of education loans and 8 of them are aware of overdraft.

Awareness on Types of Loans	
Over Draft	8
Agriculture Loan	36
Gold Loan	40
Vehicle Loan	38
Personal Loan	12
Education Loan	6
Housing Loan	28
DWACRA Loan	36



### **Awareness on various Insurance Policies:**

In the survey it is found out that 38 of the respondents are aware of Life Insurance, 34 of them are aware of Health Insurance, Only 5 of them are aware of Deposit Insurance. It is also found out that even the highly educated persons are not aware of deposit insurance.

Awareness on Various Insurance Policies	
Life Insurance	38
Health Insurance	34
Crop Insurance	24
Vehicle Insurance	41
Deposit Insurance	5

### **Awareness on Other Services related to Banks:**

The respondents have expressed that they are highly aware of Some services like cheque book, ATM card, Credit Card, Locker facility. They are less aware of services like Bills discounting, Standing orders and bank guarantee.

Awareness on Other Services related to Banks	
Cheque Book	46
ATM Card	40
Credit Card	8
Locker Facility	13
Bills Discounting	2
Phone Banking	28
Internet Banking	2
Standing Orders	0
Bank Guarantee	4

## **2. Findings, Conclusions and Suggestions**

### **Findings:**

1. In the study area the number of female is more than number of male.
2. Most of the respondents belong to middle age group
3. All the respondents are educated. Some of them studies even above P.G. level some of the studies up to 10<sup>th</sup> class only
4. Most of the respondents are laborer's, agriculturists and some of them are employees.
5. As regards social status, most of them belong to Back ward class and Scheduled Tribes.
6. The majority of the respondents are living in rented house and few of them are living in their own house.
7. Most of the respondents are having some type of vehicle. Most of them are having two wheeler.
8. Regarding source of income the respondents are getting income from various sources like salary, Wages, Business. Agriculture etc.
9. Majority of them are having bank accounts and very few of them are not having bank accounts.
10. Only few of them are having insurance policy.
11. Most of them are receiving Government schemes.
12. The annual income of most of the respondents is below 1,00,000 rupees
13. It is also found out that a large number of respondents opened account in commercial banks and very few of them have opened accounts in post office.
14. The respondents have used ATM for withdrawing money than any other sources of withdrawal.
15. The respondents have used various financial products of bank like insurance, remittances,

Loans, withdrawals, deposits.

16. The respondents agreed that factors like gender, Age, education, annual income, Caste, Marital status etc will influence the financial inclusion.
17. The respondents are fully aware of savings account and post office SB account. They are less aware of Zero balance account and DWACRA account.
18. The awareness level of respondents is that they are fully aware of Agriculture loans, Gold loans and Vehicle loans. They are just aware of personal loan, Over draft and Education loan
19. Regarding insurance policies, they are full aware of Life insurance and Vehicle insurance. They are some what aware of Crop insurance and they are very less aware of Deposit insurance.
20. When they are asked to express their awareness levels on the other services related to banks, they said that they are fully aware of Cheque book facility, ATM card, Locker facility. They are aware of Phone banking and internet banking. They are very less aware of bank guarantee

## **Conclusions:**

1. It can be concluded that most of the respondents are female.
2. Most of the respondents are either semi educated or highly educated
3. Majority of the responders belong to weaker sections.
4. Most of them reside in rented houses.
5. All most all the respondents have some kind of vehicle
6. Most of the respondents have agriculture as their source of income besides employment
7. Majority of the respondents have bank accounts.
8. The respondents are not having insurance habits.
9. The respondents belong to lower middle class people or poor.
10. They have less annual income and are receiving some kind of government schemes.
11. The accounts of the respondents are more with commercial banks than in other places.

12. ATM is the main source for withdrawing money.
13. Various financial products like insurance, remittances. Loans, withdrawals, deposits are being used by the respondents
14. Age, Gender, Education, Annual Income, Caste, Marital status etc will have bearing in the achieving financial inclusion.
15. The awareness level of respondents is more in respect of Savings account than any other type of account.
16. Agriculture loan and Gold loan are the most known loans to the respondents and least known loans are personal loans and overdrafts
17. The life insurance and vehicle insurance is known to almost all the respondents.
18. As regards other services, the most known service is Cheque books and ATM cards. The least known service is bank guarantee.

### **Suggestions:**

It is suggested to create awareness on the benefits of insurance in the study area since most of them are not having any insurance at all. It is also suggested that the concerned bank authorities should create awareness programmes and special drives for inculcating the usage of on line banking. They should also open more ATMs in remote places. The banks should also encourage them to use bank loans to help them from the clutches of money lenders. The bankers should also encourage its customers to make use of other services like locker facility, insurance services, various loans etc. They should also create awareness about Zero balance accounts and try to encourage the people to open accounts.

### **Scope for further Study:**

The present study is restricted to a small village or ward. Hence there is scope for extending this research to wider areas. There is also scope for conducting this survey in other areas like insurance, self help groups, self employment etc.

