



A study on the preference of rural people towards the sources of rural credit with special reference to Alagappanagar Panchayath, Thrissur

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Abstract

There are many sources which provide credit to the rural people at the time of necessary. Credit decisions depend upon many factors which are differing from person to person. But commercial banks and Co-operative societies are leading the race by providing improved services. And also, an economic survey conducted by the government of India, 2012-13, reveals that commercial and Co-operative banks share in rural credit increased from 5.7 in 1951 to 52.83 in 2010. Share of money lenders decreased from 68.6 in 1951 to 18.2 in 2010. So we decided to conduct a study to identify the preference and attitude of rural people towards credit schemes while making a credit decision.

Keywords: Rural credit, rural people and credit schemes

Introduction

Rural credit may be for different purposes depending on the requirement of the people living there. There are many organizations, rural banks, co-operatives and profit bodies, which help the rural population. The people living in the rural areas avail of loans or credit extended by these institutions. Generally, these economies are constrained with low basis socio economic infrastructure facilities like transport, communications, energy, water etc. as well as organized financial facilities like commercial banks, co-operative banks etc. The problem of Rural credit is therefore a problem of providing credit to the small farmers who have no credit worthiness in the conventional sense. As there is no institutional credit available to the rural population, they have to depend upon village money lenders for credit. Institutional credit agencies advance loans only to big farmers because there is not much risk involved in it. Therefore, the money lender is the only hope for small farmers. There are banks and co-operatives that specialize in extending this type of credit to farmers and others engaged in the agriculture task. Depending on the nature of organization, credit plans may focus on providing mortgage assistance, securing new equipment, or even funds to support research into various aspects of land development within rural or urban areas.

Objectives of the Study

- To find out different types of rural credit schemes preferred by the rural people.

- To identify the factors influencing the credit decision of rural people
- To find out the reasons of rural people that leads to depend upon credit.

Data and methodology

Methods of data collection

In this project we used both primary and secondary data for data collection

Primary data

A structured questionnaire was used to collect primary data.

Secondary data

Secondary data has been collected from previous project reports, surveys, reference books, business magazines, websites and other documented materials.

Sampling technique

Simple random sampling technique is used for sampling.

Sample size

The Sample size is 80. The sample respondents consist of the residents of the Alagappa Nagar Panchayath, Thrissur consisting of more than 800 families.

Analysis

1. Preferred Sources of Credit

Sources of Credit	No. of Respondents	Percentage(%)
Bank Loan	42	28
Post Office	1	0.067
Chits Company	29	20
Cooperative Society	36	24
Nidhi	5	3
Provident Fund	1	0.67

Friends\relative	26	18
Insurance	1	0.66
Money Lender	6	4
NBFC	2	1
Total	149	100

2. Purpose Behind Credit

SL.NO	Reason for taking Credit	No. of Respondents	Percentage(%)
1	Marriage	14	14
2	Education	8	8
3	Housing Needs	21	21
4	Property	24	25
5	Necessity	28	29
6	Others	3	3
Total		98	100

3. Sources of Credit

Rank	Sources of Credit	1	2	3	4	5	6	7	8	9	10	Weight
1	Bank Loan	37	15	6	4	5	2	6	2	1	0	11.9
2	Co-operative Society	9	28	16	7	3	8	4	2	1	0	10.93
3	Friends\relative	25	6	12	15	7	4	5	3	1	0	10.87
4	Chits Company	5	18	22	10	10	6	7	0	0	0	10.47
5	Post Office	0	5	7	13	21	12	13	5	0	2	8.13
6	Provident Fund	0	1	6	10	10	17	22	10	2	0	7.16
7	Nidhi	1	2	3	11	15	18	11	9	5	3	7.15
8	Insurance	0	1	0	5	3	6	7	40	5	11	4.75
9	NBFCs	0	1	1	2	3	3	3	2	43	20	3.42
10	Money Lenders	1	1	5	1	1	2	0	5	19	43	3.24

Result and discussion

Findings

- Most of the people depend upon credit for the purpose of meeting their necessary needs which arise in their daily life.
- The study reveals that the majority of people come to know about the credit schemes through friends & relatives.
- Privately employed people were more interested to borrow money than that of others.
- 98% of the rural people depend upon different types of credit sources to meet their problems.
- The people whose income level below Rs. 50,000 are the main borrowers of credit.
- Bank loan is the most preferred credit source due to low level of interest rate and easy access.
- Majority of the people choose monthly repayment scheme to repay the credit money
- Majority of respondents currently own at least 2 credit schemes.
- The study reveals that most of the people are forced to pledge security for getting credit money.
- Most of the rural people borrow money for a period of 2 to 5 years.
- All of them believe that credit institutions are necessary for today’s life.
- Majority of the rural people have an opinion that credit lenders are not exploitative. So that they are like to suggest their credit sources to others.

Conclusion

Rural people are mainly the low-income people. So, a large number of rural people can’t manage the needed finance without resorting to borrowings. The circumstances in

which people prefer to borrow credit differ from person to person. Preference and their area of interest play an integral part in the successful functioning and growth of the rural credit economy. The above findings and results reflected the preference and attitude of rural people towards rural credit in Alagappa Nagar Panchayat. The study would help the credit suppliers in understanding the factors that influence the credit decisions of Rural people. This survey reveals that the preference of Rural people on credit depends upon the following factors such as low interest rate, easy access, low amount of repayment, low risk factor etc. Among all the available credit sources, credit from commercial banks has been recognized as one of the suitable agencies for tackling the financial problem. Rural people here are requiring more information regarding credit schemes through convenient means.

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