

## Let's work these out

1. What are the differences between formal and informal sources of credit.

Ans \* Formal sources

\* It follows the sources of credit that are registered by the govt.

\* It has to follow its rules and regulations.

\* RBI dominates its functions.

\* It usually charges low rates of interest.

\* Its main motive is to make profits.

\*

Informal sources

\* It includes those small and scattered units which are largely outside the control of govt.

\* There is no organisation that dominates the credit activities.

\* It ~~also~~ charges much higher rates of interest.

\* Mo: Profit Making

\* En: Friends, Relatives etc.

2. Why should credit at reasonable rates be available for all?

Ans Credit at reasonable rates should be available for all, so that the poor people can benefit from the cheaper loans.

Ans

3. Yes, there should be a supervisor for checking the loan activities of informal lenders. However, its task is quite difficult because informal sector constitutes many people who have different kind of businesses of their own, besides lending. They are not registered with the government.

4. The share of the formal sector credit is higher for the richer house holds are in a better position to provide collateral and other necessary documents which are required by the banks and co-operatives. Richer house holds have means to exert pressure on banks and co-operatives to sanction loans. Richer households have means to