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(1)

Formal sources of credit	Informal sources of credit
Richer people having assets which can be pledged as collateral	Poorer people not having assets which can be pledged
Rate of interest is low	Rate of interest in high
Banks and cooperative societies	Traders, money lenders, landowners, etc
Collateral can be confiscated and sold to recover the loan	Borrowers can be made as bounded labour and more to pay with borrowing by them

(2) Credit at reasonable rate should be available for all so that the poor people can be benefit from the cheaper loan.

(3) There should be supervision for checking the loan activities of informal lenders however it task is quite difficult because informal sector constitute many people who have different kind of business of their own beside lead & they are not registered with the government

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(4) The shane of the formal secton credit is higher for the nich housholds becous the nicher households are in a better position to provide collateral and other necession documents which are nequired by the banks and co-operative. Richer householders have mcon to exent pressure on banks and copperative to conclusion loan. Richer households have greater capacity to nepay the loans compared to the poor households

(5) In situations which high nisks credit might create further problem for the borrower. This is also known as debt trap. Terms credit include, and interest rate on the loan and if this is not paid back then the borrower is forced to give up his collateral or asset use as the guarantee to the lenders. Thus, in a situation with high nisk, if the nisk affects a borrower badly then he ends up losing more than he would have without the loan