



# TITLE: ANALYZING THE OPINION OF INFORMAL FINANCE INVESTORS ON FORMAL FINANCE AND COMPARE THE OPINION OF BPL & APL CATEGORY IN SURAT CITY

*Name of Author: Shaikh Rifatbanu Abdul Kadar*

*Designation: Research Scholar*

*Name of Department: Commerce*

*Name of organization: Veer Narmad South Gujarat University*

## Abstract

The objectives of study are to analyze the opinion of informal finance investors on the secured or formal finance options and to compare the opinion of BPL & APL category on the secured or formal finance options. To fulfill these objectives researcher choose chitthi group as informal finance group in Surat city. Researcher take eight variables to know the opinions. Researcher measure these eight variables on a five point likert scale. Researcher analyzes that majority members are satisfied with chitthi group services, because of small savings, time saving option and zero traveling cost. Furthermore BPL & APL category people's opinions are different. Both category people are satisfied with this group but, BPL category people are more satisfied as compared to APL category. BPL category's people do not understand the procedure of share market as compared to APL category's people.

**Keywords:** *formal finance, informal finance, APL – BPL category, chitthi group*

## Introduction

Every economy has its own financial structure. This structure can be divided into two parts, formal finance and informal finance. Formal finance includes banks, share market, money market etc. In India banks are working under the regulation of Reserve banks of India and share market is working under the regulation of Security Exchange Board of India. In short every formal finance institution is working under the apex body or regulator. On the other hand, informal finance deals without any apex body or regulator. Informal finance may include money lenders, informal savings groups and village savings associations. One of these informal groups is known as “Chitthi Group”. It is also known as “Bishi” or “Mandal” in some parts of India.

When at least twenty people are ready to put their small savings in group, chitthi group form or created. Every member of this group decided the fixed amount which they put on a regular interval. When collection of money is done from all the members, they make a chits of the name of all the members, and a lucky draw will be held. One chit will be selected by the group leader and the lucky person whose name on that chit will receive all the amount. This process will continue till all members receive an amount.

These informal finance groups or chitthi groups are very use-full and helpful for poor people, because they provide a small savings facility. If someone needs money, the group can change the rules. Group can give to the needy person first. In formal finance systems or secured finance systems this type of facility does not exist. So, it is required to know informal finance investors' opinions on the secured or formal finance options.

## Literature Review

(Deuskar, www.shodhganga.ac.in, 2020) In this study researcher studied on SHG of five districts of Gujarat name Navsari, Aravali, Kheda, Panchmahal and Rajkot. Each district divided in to five blocks.

In the study area 100% SHGS were registered and 47.6% of SHGs was 5-10 years old experienced. The members of SHGs are satisfied with the performance. Majority of SHGs meeting were held on monthly basis and more than 75% of member attend meeting regularly. Members save their money on monthly basis and loan amount are used for productive purpose. 52.5% members take more than 9000rs. loan from SHGs and repayment period is very flexible.

(Bayu, sutyatie, & Andhika, n.d.)It was found that, man obtaining higher level of employment and income compared to women. The years of schooling have a negative effect on poverty. Number of household members shows a positive effect on poverty. The home ownership has a negative effect on poverty. Vehicle ownership has a negative effect on poverty.

(Chaudhuri & Bibek Ray, 2006)Author said that, informal microfinance started in 1974 in Gujarat by SEWA association. Than in 1986 NABARD took step of SHG because of SHG-bank linkage program. It was found that this program effect savings and borrowing habits of women. Their savings were increased. Individual wellbeing like social, economic and political empowerment increased because of SHGs awareness program Study states that banks who provide fund or bank a/c to SHGs are facing problems such as lack of communication, lack of loan amount and inadequate awareness (Rachit, 2017)After being part of co-operative banks member savings and expenditure increase. The co-operative banks has an impact on development of rural people like economic, education and general empowerment

### Important of the study

1. Very less study has been done on informal finance
2. It is important to compare opinion of BPL & APL category
3. This chitthi group is very new area for study
4. This type of study has not been done in Surat city

### Objectives of the study

1. To know the opinion of informal finance investors on the secured or formal finance options.
2. To compare the opinion of BPL & APL category on the secured or formal finance options

### Hypothesis of the study

**H0: There is no difference between the opinion on other secured option in BPL and APL category**

**H1: There is difference between the opinion on other secured option in BPL and APL category**

### Research methodology

Table 1

Criteria of selection of respondents	Respondents must be a member of chitthi group (informal finance group)
Research tool	Questionnaire
Study area	Surat City
Sample size	50
Data analyses	SPSS
Statistical test	MANOVA

### Result and Discussion

Results of the MANOVA yielded there was a statistically significant difference between the two group, BPL and APL category, on the dependent variable, Wilk's Lambda=0.001, F=136.258; Significance: p=0.000<0.05)

The dependent variable for "Share market, bank, post-office and insurance is good option for saving, but I believe that chitthi is better option for me" (F=3005.932, sign=0.000), for "I put my majority savings in chitthi rather than other secured option" (F=1005.781, sign=0.000), for "I am satisfied with return which i received from chitthi" (F=4704.978, sign=0.000), for "Repayment of amount is very convenient or easy that is why I put my savings in chitthi rather than bank, insurance and share market" (F=1860.014, sign=0.000), for "Formal finance require more documents and procedure that is why I used less formal finance sector" (F=694.755, sign=0.000), for "I cannot understand the procedure of share market" (F=310.466, sign=0.000), for "Only small savings are possible for me, so I choose chitthi (example, 10rs, 20rs)" (F=4706.741, sign=0.000), for "Bank, post-office and insurance required traveling cost, but chitthi did not required any traveling cost so, it is better option" (F=3929.064, sign=0.000)

Furthermore for the first variable mean score for BPL & APL categories are 4.947 & 4.484 respectively, for second variable mean score for BPL & APL categories are 4.579 & 4.839 respectively, for the third variable mean score for BPL & APL categories are 4.789 & 4.968 respectively, for the fourth variable mean score for BPL

& APL categories are 4.789 & 4.645 respectively, for the fifth variable mean score for BPL & APL categories are 4.684 & 4.226 respectively, for the sixth variable mean score for BPL & APL categories are 4.211 & 3.839 respectively, for the seventh variable mean score for BPL & APL categories are 4.684 & 4.935 respectively, for the eighth variable mean score for BPL & APL categories are 4.895 & 4.871 respectively.

Here researcher analyze that BPL category's people are not more in favor of secured options like Bank and Post-office as compared to APL category's people. That is because these informal finance groups are available near their residency, small savings, time saving and lack of understanding of the share market.

Thus, we can reject null hypothesis and accept alternative hypotheses, means there is difference between the opinion on other secured option in BPL and APL category

## MANOV

### A

### General

### Linear

### Model

Table 2

Between-Subjects Factors			
		Value Label	N
Category	1	BPL	19
	2	APL	31

Table 3

Multivariate Tests						
Effect		Value	F	Hypothesis df	Error df	Sig.
Q.9	Pillai's Trace	1.419	12.830	16.000	84.000	0.000
	Wilks' Lambda	0.001	136.258 <sup>b</sup>	16.000	82.000	0.000
	Hotelling's Trace	439.970	1099.925	16.000	80.000	0.000
	Roy's Largest Root	439.242	2306.018 <sup>c</sup>	8.000	42.000	0.000

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Table 4

**Tests of Between-Subjects Effects**

Opinion	Type III Sum of Squares	df	Mean Square	F	Sig.
Share market, bank, post-office and insurance is good option for saving, but I believe that chitthi is better option for me	1088.311 <sup>a</sup>	2	544.155	3005.932	.000
I put my majority savings in chitthi rather than other secured option	1124.175 <sup>b</sup>	2	562.087	1005.781	.000
I am satisfied with return which i received from chitthi	1200.874 <sup>c</sup>	2	600.437	4704.978	.000
Repayment of amount is very convenient or easy that is why I put my savings in chitthi rather than bank, insurance and share market	1104.745 <sup>d</sup>	2	552.373	1860.014	.000
Formal finance require more documents and procedure that is why I used less formal finance sector	970.475 <sup>e</sup>	2	485.238	694.755	.000
I cannot understand the procedure of share market	793.649 <sup>f</sup>	2	396.824	310.466	.000
Only small savings are possible for me, so I choose chitthi	1172.024 <sup>g</sup>	2	586.012	4706.741	.000

	(example, 10rs, 20rs)					
	Bank, post-office and insurance required traveling cost, but chitthi did not required any traveling cost so, it is better option	1190.727 <sup>h</sup>	2	595.363	3929.064	0.0000

## Estimated Marginal Means

Table 5

Category		Mean	Std. Error	95% Confidence Interval	
Opinion				Lower Bound	Upper Bound
Share market, bank, post-office and insurance is good option for saving, but I believe that chitthi is better option for me	BP L	4.9 47	0.09 8	4.751	5.144
	A PL	4.4 84	0.07 6	4.330	4.638
I put my majority savings in chitthi rather than other secured option	BP L	4.5 79	0.17 2	4.234	4.924
	A PL	4.8 39	0.13 4	4.569	5.109
I am satisfied with return which i received from chitthi	BP L	4.7 89	0.08 2	4.625	4.954
	A PL	4.9 68	0.06 4	4.839	5.097
Repayment of amount is very convenient or easy that is why I put my savings in chitthi rather than bank, insurance and share market	BP L	4.7 89	0.12 5	4.538	5.041
	A PL	4.6 45	0.09 8	4.448	4.842
Formal finance require more documents and procedure that is why I used less formal finance sector	BP L	4.6 84	0.19 2	4.299	5.070
	A PL	4.2 26	0.15 0	3.924	4.528
I cannot understand the procedure of share market	BP L	4.2 11	0.25 9	3.689	4.732

	A PL	3.8 39	0.20 3	3.430	4.247
Only small savings are possible for me, so I choose chitthi (example, 10rs, 20rs)	BP L	4.6 84	0.08 1	4.521	4.847
	A PL	4.9 35	0.06 3	4.808	5.063
Bank, post-office and insurance required traveling cost, but chitthi did not required any traveling cost so, it is better option	BP L	4.8 95	0.08 9	4.715	5.074
	A PL	4.8 71	0.07 0	4.730	5.012

## Conclusion

This study analyzes the opinion of informal finance investors on secured options and compares these opinions on the BPL & APL category. Researcher found that, majority of respondents are satisfied with informal finance groups. They were satisfied because of no traveling cost, no procedure, lack of documentation and easy repayment rules. Both categories are satisfied with this informal finance group. But the BPL category is more satisfied with this group. These groups are very popular among the low income category because it allows small savings or investment and no traveling cost is required for that.

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