

# A STUDY ON THE ROLE OF MONEY LENDERS IN GUNTUR DISTRICT, A.P.

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**Abstract** Moneylenders have always been known for their explorative practices and prices in lending poor. They have strengthened since liberalization; their share in the decade following it has risen substantially. This study examines the role of informal credit in Guntur district. Specific objectives were to find out strength and weakness of money lenders/indigenous bankers. To evaluate the performance of money lenders and to study the impact of demographic factors on turnover of the business, customer base and its growth. The study conveniently sampled 249 respondents and questionnaires were used to collect the data. By using some statistical tools, we found that there is a significant relation between the demographic factors and turnover of their business. The strengths of moneylenders and indigenous bankers whether they are capable of increasing their turnover and weakness whether they are unable to recover few loans i.e. they are having few bad debts. The performance of the moneylenders and indigenous bankers showed an uprising trend.

**Keywords:** Moneylenders/Indigenous Bankers, Banking System, Demographic Factors, Turnover, Performance Evaluation

## INTRODUCTION

Indigenous bankers are private firms or individuals whose functions are similar to banks of accepting deposits and lending money. They are also financial intermediaries like banks. They should be differentiated from moneylenders whose primary business is money lending not banking. A moneylender lends only his own funds where as an indigenous banker raises a part of his funds from the public in deposits or other forms. The transactions of moneylenders are in cash, while a large part of the transactions of an indigenous banker is based on dealings in short-term credit instruments<sup>1</sup> like hundis and commercial bills.

## IMPORTANCE OF INDIGENOUS BANKERS

In the Indian money market, indigenous bankers occupy an important place and they play a vital role in financing of the internal trade. They are very much popular in areas, which lack joint stock banks or where banks are not serving properly. The activities of the indigenous bankers have declined with the growth of joint stock banking in the country but still these bankers have control over a great deal of financial business.

The reasons for the popularity of indigenous bankers:

- (a) They provide prompt and flexible credit,
- (b) They lend loans to small production units, who are not fully catered by the commercial banks,
- (c) Cordial relationship<sup>2</sup> exists with the customers,
- (d) They maintain good contact with their customers and remain fully acquainted with their problems and financial requirements;
- (e) They are not just bankers to their customers, but are also their friends and advisers.

The following are the main functions of the indigenous bankers

(i) *Accepting Deposits*

They accept deposits from the public. These deposits are of two types:

- (a) The deposits which are repayable on demand and
- (b) The deposits, which are repayable after a fixed period. Indigenous bankers pay higher rate of interest as compared to the commercial banks.

(ii) *Advancing Loans*

The indigenous bankers advance loans against all types of securities such as land, crops, gold and silver,

1 A document (as check, letter of credit or bond) other than paper money that evidences a debt.

2 Relation between two or more people is a friendly relationship with warm feelings, but slightly formal.

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etc for their customers. Credit can be given even against personal security. They provide loans to small industrialists who are unable to fulfil the necessary loan conditions of commercial banks.

(iii) *Business in Hundis*

The indigenous bankers mainly deal with hundies<sup>3</sup>. They write, buy, and sell hundies. To meet the financial needs of the internal traders they also discount hundies, through discounting of hundis they also transfer funds from one place to another place.

(iv) *Non-Banking Functions*

Most of the indigenous bankers carry on their non-banking business and banking activities simultaneously

- (a) Generally, they have their retail trading business,
- (b) Sometimes, they earn income in the form of commission, by acting as agents for large commercial firms
- (c) They also participate in speculative activities<sup>4</sup>.

The system of indigenous banking in India dates back to ancient times. The bulk of the Indian financial system was constituted of the indigenous financial agencies until the middle of the nineteenth century. The credit was provided by them not only to traders and producers but also to the governments of the day. The advent of the British had an adverse impact on their business. The European bankers began to enjoy state patronage and pride. The foreign (exchange) banks took over the financing of external trade. The setting up of modern commercial banks took away most the business of indigenous financial agencies that were gradually pushed to financing internal trade in metropolitan areas and important commercial centres.

Especially since mid 1950s, the area of operations of these agencies has contracted further with the growth of commercial and co-operative banking geographically as well as functionally. There are thousands of family firms, many of whom still continue to operate as traditional-style bankers especially in the western and southern parts of India for several hundred years. Indigenous bankers are usually urban-based. Their business, besides being hereditary is confined to a few castes and communities. The size of the indigenous banking class and the volume of their credit operations are not known with certainty but estimation of Banking Commission (1972) was that they numbered in the range of 2,000 to 2,500. Timberg and Aiyar (1980)<sup>5</sup> have placed this

number at a minimum of 20, 000 leaving out Central India and Eastern India outside Calcutta. They further estimated that in late 1970s the total credit extended by these bankers was in the neighbourhood of Rs. 1,500 crores, which was equal to 10 per cent of the total commercial bank credit in the year 1977-8.

Indigenous bankers constitute heterogeneous categories. The Banking Commission (1972) had grouped them into four main sub-groups:

1. Gujarati shroffs,
2. Shikarpuri or Multani shroffs,
3. Chettiars of the South, and
4. Marwari Kayas of Assam.

Timberg and Aiyar (1980) did not cover Assam and so left out Marwari Kayas. However, they found that Rastogi bankers numbering about 500 were also an important sub-group serving artisans and traders in the Oudh area of U.P. and providing about Rs. 100 crores of credit

## CHETTIARS

The Chettiars<sup>6</sup> were a nineteenth century banking caste from the South Indian state of Tamil Nadu. They formed an entire banking system that spread alongside the expanding British Empire from South India to several countries in South-East Asia.

### Chettiars and their Banking System

This section lays out the historical details of the Chettiar banking system. It begins by providing a general historical setting and description of the system, before going over the particular regulatory mechanisms. Specifically, the Madras Provincial Banking Enquiry Committee Report, 1930 (MPBEC 1930 henceforth) and the Burma Banking Enquiry Committee Report, 1930 (BBEC 1930 henceforth) are used. The main secondary sources used are Rudner (1994), Weerasooria (1973), Krishnan (1959), Tun Wai (1953), Faith (1929), Menon (1985) and Mahadevan (1978a & 1978b) for historical and social science details. The Chettiars were a banking caste from the South Indian state of Madras in nineteenth century. They have fashioned associate banking industry that unfolded along with the increasing geographic area from the South Bharat to many countries in South-East Asia.

3 A 'hundi' is a bill of exchange.

4 Activities which involve buying goods or shares, or buildings and properties, in the hope of being able to sell them again at higher price and make a profit

5 Authors of Informal credit markets in India. This paper deals with the non-bank urban Informal credit market in India and, in specific, with how it contributes to finance in the Indian economy

6 Alternative names for the Chettiars are Nattukottai Chettiars, Nagarathars and Nakarattars. Rudner (1994) uses Nakarattar. While these other names sound technically more accurate, here 'Chettiar' is used for brevity

## REVIEW OF LITERATURE

Malavika Nair entitled in her article *Workings of a Nineteenth Century Indigenous Banking System: A Case in support of Free Banking* has reviewed the operating of banking industry in nineteenth century functioning without government regulation and the banking industry of Chettiar endemic bankers, self restrictive mechanisms like charge per unit setting clearing housing loans and informal deposit insurance. The findings of this text are to what extent the Chettiars unbroken aliquot reserves is a stimulating question that comes up since interest was paid on all deposits together with checkable ones. This paper presents the case of a self-regulated banking industry in operation in nineteenth century India. These crucial services allowed the graceful functioning of the banking industry and accessorial to its stability, however it couldn't offer proof of competitive note issue and this was the first reason their 'notes' never gained the standing of cash substitutes

Sean Turnell entitled his article *The Chettiars in Burma* where target was to judge the role of the Chettiars within the development of Burma's colonial economy. It is an important bridge between 'Western' finance and also the Burmese cultivator to indicate an image of Chettiar operations that escapes the stereotype lender as a gift to them instead of proto-financial establishments that created financial, and ultimately real, resources in Union of Burma. The paper finds that the success of the Chettiars in Union of Burma lay less within the high interest rates they charged, than it did to patterns of internal organisation that provided solutions to the inherent issues that too were faced by money intermediaries. It concludes that Chettiars were crucial players within the advancement of Burma's 'rice frontier'. The paper has conjointly tried to rebut, using standard theory, the notion that the Chettiars charged 'usurious' rates of interest with the target to land deed.

GC Sen in his article *useful notes on indigenous bankers* gives the history of indigenous bankers and origins of the them area of their functions, instruments they deal with, where they were located, their turnover their interest rates, how they have contributed additional to the society, what lead them to say no their business. The findings of this paper lead till the middle of the nineteenth century and how the autochthonous monetary agencies entrenched the majority of the Indian national economy. In metropolitan areas and necessary business centres where the putting up of recent business banks took away the additional business of autochthonous monetary agencies. It also concludes there area of their work and thousands of family corporations, particularly within the western and southern elements of Asian country, WHO still operates as traditional-style bankers. The Gujarati shroffs have developed

their own call-money market, analogous to the inter-bank call-money market, within which short surplus funds area unit Lententide and borrowed and they contributed the most important hand in informal credit.

Md. Bakhtiar Uddin in his article *money lenders in Trishal Upazila* where the target is to grasp cash disposal which shows the real image of money lenders compares the interest rate between money lenders and NGOs to review the economic result of cash lenders. Why people take loan at such high interest rate and achieved much data through analysis of primary information. Government ought to take findings of this paper to make effective policy to get rid of such illegal cash lenders and to incorporate the money lenders in tax schedule. If all of the moneylenders of our country provide their tax returns properly then govt. of our country will fulfil the deficit of budget from its own resources. The analysis of home borrowing from informal sources, we have a tendency to profit of panel information and implement a hard and fast result difference-indifference approach and mix it with different matching and propensity score reweighting estimators. He submitted that the informal credit market of our country is extremely advanced, therefore, Government should take effective steps to get rid of cash lenders and should directly give loan from formal establishment for small businesses and farmers .

Claudia Bergl of George Washington University and M. Shahe Emran IPD, Columbia University, Forhad Shilpi of World Bank entitled in their article *Microfinance and Moneylenders: Long-run Effects of MFIs on Informal Credit Market in Bangladesh* have searched out the unfolding of small finance and cash loaner charge per unit, MFI membership and home borrowing from informal sources, identification of problems and empirical strategy, loan size and market share of informal credit. The findings of area unit MFI competition reduces informal interest rates, proof additionally rejects the claim of the critics that MFIs cause raised reliance on informal loans among its borrowers dues, for instance, rigid compensation schedules and indivisibility of investment outcomes. It concludes that a household's propensity to borrow from informal sources declines considerably once it becomes member of associate degree MFI, which is the overall volume of credit from informal sources (and formal banks) and additionally decreases well in both absolute and relative terms. The proof is in step with a model wherever MFIs draw away higher borrowers from the loaner, and sticks to prices area unit vital in informal disposal.

## RESEARCH PROBLEM

Money lenders/indigenous bankers both play prominent role in the society but they are unable to utilize their full potential due to few reasons. They charge high interest rates

due to which most of the customers are going for loans and advances from banks. There is lack of proper structure in functioning of money lenders business. Moneylenders are unable to recover few loans; bad debts are rising every year and their business is declining due to various schemes introduced by commercial banks.

## RESEARCH GAP

Very few articles have been published about moneylenders/indigenous bankers till now there is no such study on moneylenders/indigenous bankers in GUNTUR city. Performance evaluation of moneylenders/indigenous bankers has not been studied until now. Moneylenders/indigenous bankers have lack of knowledge about their strengths and weaknesses, there is a need of SWOT analysis, which has not been studied until now.

## METHODOLOGY

This research study adopted quantitative research design. Under the quantitative design, survey research method was employed. The population of the moneylenders/indigenous bankers is 700. The study sampled 249 respondents who were both individual and indigenous bankers in a convenient sampling technique. Convenient sampling is one of the main types of non-probability sampling methods. Convenience sample is made up of people who can be easily reached. Technique of Data Collection was adopted and a questionnaire was used in the collection of data. In the process of administering questionnaires the forms were distributed for a maximum of three (3) days. Respondents

were required to complete their form at the first instance while those who were busy were given grace period of one (1) day for completion. Those questionnaires were collected on the next day, for computation and analysis.

## OBJECTIVES

1. To examine the interest rates imposed by various money lenders and evaluate the performance of money lenders.
2. To find out strength and weakness of money lenders / indigenous bankers.
3. To study the impact of demographic factors on turnover of the business and its growth.
4. To give appropriate suggestions for improving and providing better services towards weaker sections of the society.

## HYPOTHESIS

1. H1: There is a significant relation between demographic factors and growth of the business.
2. H2: There is a significant relation between demographic factors and customer base.

## DATA ANALYSIS

### Frequency

The rate at which something occurs over a particular period of time or in a given sample.

### Frequency Table

Sl. No.	Characteristics	No. Respondents	%
Q.1.	<b>Gender</b>		
	a) Male	226	90.8
	b) Female	23	9.2
	<b>Total</b>	249	100.0
Q.2.	<b>Age of respondent</b>		
	a) 20-30years	39	15.7
	b) 30-40years	80	32.1
	c) 40-50years	95	38.2
	d) 50-60years	35	14.1
<b>Total</b>	249	100	
Q.3.	<b>What is your qualification?</b>		
	a) Primary education	25	10.0
	b) Secondary education	99	39.8
	c) Graduate	89	35.7
	d) Post graduate	36	14.5
<b>Total</b>	249	100.0	

Sl. No.	Characteristics	No. Respondents	%
Q.4.	<b>Which is your type of business?</b>		
	a) Individual	198	79.5
	b) Indigenous bankers	51	20.5
	<b>Total</b>	249	100.0
Q.5.	<b>Is your business registered?</b>		
	a) Yes	16	6.4
	b) No	233	93.6
	<b>Total</b>	249	100.0
Q.6.	<b>Is it your hereditary business?</b>		
	a) Yes	75	30.1
	b) No	174	69.9
	<b>Total</b>	249	100.0
Q.7.	<b>How long have you been in this business?</b>		
	a) Below 5 years	24	9.6
	b) 5-10 years	33	13.3
	c) 10-15 years	66	26.5
	d) above 15 years	126	50.6
	<b>Total</b>	249	100.0
Q.8.	<b>What is your annual turnover?</b>		
	a) Below 10 lakhs	15	6.0
	b) 10-20 lakhs	39	15.7
	c) 20-30 lakhs	75	30.1
	d) Above 30 lakhs	120	48.2
	<b>Total</b>	249	100.0
Q.9.	<b>What are the rates of interest charged by you?</b>		
	a) 12%(1 Rs)	5	2.0
	b) 24%(2 Rs)	42	16.9
	c) 36%(3 Rs)	93	37.3
	d) 48% and above	109	43.8
	<b>Total</b>	249	100.0
Q.10	<b>Do you take any collateral security to provide loan?</b>		
	a) Yes	213	85.5
	b) No	36	14.5
	<b>Total</b>	249	100
Q.11	<b>At what situation security is required?</b>		
	a) If borrower is unknown	74	29.7
	b) very huge amount	175	70.3
	<b>Total</b>	249	100.0
Q.12	<b>What kinds of things are taken as collateral security?</b>		
	a) Gold	40	16.1
	b) vehicles	39	15.7
	c) documents	59	23.7
	d) others	111	44.6
	<b>Total</b>	249	100.0

Sl. No.	Characteristics	No. Respondents	%
Q.13	<b>Has your annual turnover increased compared to past?</b>		
	a) Yes	152	61.0
	b) No	97	39.0
	<b>Total</b>	249	100.0
Q.14	<b>Are you able to recover all your loans?</b>		
	a) Yes	74	29.7
	b) No	175	70.3
	<b>Total</b>	249	100.0
Q.15	<b>What amount of bad debts rise every year?</b>		
	a) Below 1 lakh	84	33.7
	b) 1-2 lakhs	100	40.2
	c) 2-3 lakhs	40	16.1
	d) 3 lakhs and above	25	10.0
	<b>Total</b>	249	100.0
Q.16	<b>Do you think bank schemes reduce your business?</b>		
	a) strongly agree	55	22.1
	b) Agree	175	70.3
	c) Neutral	5	2.0
	d) Disagree	14	5.6
	<b>Total</b>	249	100
Q.17a	To create opportunities for increasing their business		
	a) strongly agree	92	36.9
	b) Agree	142	57.0
	c) Neutral	15	6.0
	d) Disagree	0	0
	<b>Total</b>	249	100.0
Q.17b	<b>To uplift the economic empowerment through expansion of business</b>		
	a) strongly agree	107	43.0
	b) Agree	121	48.6
	c) Neutral	21	8.4
	d) Disagree	0	0
	<b>Total</b>	249	100.0
Q.17c	<b>To bridge the gap between the demand and supply of money in time at affordable cost</b>	51	20.5
	a) strongly agree	129	51.8
	b) Agree	69	27.7
	c) Neutral	0	0
	d) Disagree	249	100.0
	<b>Total</b>		
Q.17d	<b>Provide loans to rural people to meet their financial needs</b>		
	a) strongly agree	95	38.2
	b) Agree	115	46.2
	c) Neutral	39	15.7
	d) Disagree	0	0
	<b>Total</b>	249	100.0

Sl. No.	Characteristics	No. Respondents	%
Q.17e	<b>Overall economic development through services</b>		
	a) strongly agree	59	23.7
	b) Agree	77	30.9
	c) Neutral	113	45.4
	d) Disagree	0	0
	<b>Total</b>	249	100.0
Q.18	<b>How many customers do you have?</b>		
	a) 100-200	15	6.0
	b) 200-300	67	26.9
	c) 300-400	104	41.8
	d) 400 and above	63	25.3
	<b>Total</b>	249	100.0

**Response Rate:** Table gives the details of gender and age-wise classification of respondents during the study. Based on the survey of 249 respondents in Guntur District, 226 respondents are male and 23 are female, 39 respondents are between 20-30 years (15.7%), 80 (32.1%) respondents are between 30-40 years, 95 (38.2%) respondents are between 40-50 years and 35 (14.1%) respondents are between 50-60 years.

Qualification of the respondents is, primary education 25 (10%), secondary education 99 (39.8%) respondents, graduates are 89 (35.7%) and post graduates are 36 (14.5%) respondents. Type of business of respondents are, individual 198 (79.5%) and indigenous bankers 51 (20.5%). Registered business of respondents are 16 (6.4%) and 233 (93.6%) are unregistered.

Hereditary business of respondents is 75 (30.1%) and 174 (69.9%) respondents have started on their own. Business experience of respondents below 5 years is 24 (9.6%) between 5-10 years 33 (13.3%), between 10-15 years 66 (26.5%) and above 15 years 126 (50.6%).

Respondents having annual turnover below 10 lakhs are 15 (6%) between 10-20 lakhs are 39 (15.7%), between 20-30 lakhs are 75 (30.1%) and above 30 lakhs are 120 (48.2%) Respondents who charged 12% interest are 5 (2%) 24% are 42 (16.9%), 36% are 93 (37.3%), and above 48% are 109 (43.8%).

Respondents who took collateral security are 213 (85.5%) 25 (10%) did not take any security. Respondents who took security as gold are 40 (16.1%) as, vehicles 39 (15.7%), as documents 59 (23.7%) and others 111 (44.6%)

Annual increase of turnover of respondents. 152 (61%), no increase 97 (39%) Respondents who are able to recover all their loans 74 (29.7%) unable to recover all their loans 175 (70.3%). Bad debts of respondents below 1lakh are 84 (33.7%), between 1-2 lakhs are 100 (40.2%) and between 2-3 lakhs are 40 (16.1%) and 3 lakhs and above are 25 (10%) respondents. 55 (22.1%) respondents strongly agreed that

bank schemes reduce their business and 175 (70.3%) agreed, 5 (2%) were neutral and 14 (5.6%) respondents disagreed.

92 (36.9%) respondents strongly agreed that they provide financial services to create opportunities for increasing their business, 142 (57%) respondents agreed, 15 (6%) respondents were neutral. 107 (43%) respondents strongly agreed that they provide financial services to uplift the economic empowerment through expansion of business, 121 (48.6%) respondents agreed, 21 (8.4%) respondents were neutral.

51 (20.5%) respondents strongly agreed that they provide financial services to bridge the demand and supply of money in time at affordable cost, 129 (51.8%) respondents agreed, 69 (27.7%) respondents were neutral. 95 (38.2%) respondents strongly agreed that they provide financial services to provide loans to rural people to meet their financial needs, 115 (46.2%) respondents agreed, 39 (15.7%) respondents neutral.

59 (23.7%) respondents strongly agreed that they provide financial services for overall economic development through services, 77 (30.9%) respondents agreed, 113 (45.4%) respondents were neutral. Respondents who are having frequency of 100-200 customers are, 15(6%), having 200-300 customers are 67 (26.9%), 300-400 customers are 104 (41.8%) and 400 and above customers are 63 (25.3%).

**HYPOTHESIS 1:** There is a significant relation between demographic factors and growth of the business

## CROSS TABS

Respondents having secondary education are 55 and the highest turnover above 30 lakhs and 50 graduate members are having turnover above 30 lakhs.

Respondents with secondary education are 68 members having increased annual turnover compared to past which represents their growth in business.

Respondents of age group 40-50 years, are 60 members doing a turnover of above 30 lakhs.

Respondents of age group 40-50 years are 55 members who agreed that their turnover increased compared to past i.e. growth in their business.

**HYPOTHESIS: 2** There is a significant relation between experience of the respondent and customer base.

**Correlation**

		How long are you in the business	How many customers do you have
How long have you been in the business	Pearson Correlation	1	.449**
	Sig. (2-tailed)		.000
	N	249	249
How many customers do you have	Pearson Correlation	.449**	1
	Sig. (2-tailed)	.000	
	N	249	249

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Interpretation:** The correlation between experience of the respondent and customer base is positive (0.449)

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.444	1	37.444	62.528	.000 <sup>b</sup>
	Residual	147.913	247	.599		
	Total	185.357	248			

a. Dependent Variable: How many customers do you have  
 b. Predictors: (Constant), How long have you been in this business

**REGRESSION TEST**

Table 28:

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.449 <sup>a</sup>	.202	.199	.77385

a. Predictors: (Constant), How long have you been in this business

**Coefficients<sup>a</sup>**

Model B		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Std. Error	Beta			
1	(Constant)	1.625	.164		9.897	.000
	How long have you been in the business	.389	.049	.449	7.907	.000

a. Dependent Variable: How many customers do you have

**Regression between Demographic Factor, Experience of the Respondent and Customer Base**

The above table shows regression analysis between experience (independent variable) and customer base (dependent variable). R square value varies 0.202 times which suggests that 20.2% of variability of customer base could be explained by linear regression. With one unit

change in experience the value of customer base changes 0.389 times. The p value obtained is less than 0.05 and hence we can conclude that age and customer base has significant relation.

Hence the regression equation between experience and customer base is depicted as

$$\text{Customer base} = 0.389 (\text{experience}) + 1.625$$

p value is less than 0.05 and hence we reject null hypothesis and accept alternative hypothesis i.e. there is a significant relation between experience and customer base.

## FINDINGS

1. 226 respondents are male and 23 are female this shows that there are very few female moneylenders.
2. All age groups are present in the survey in but 30-40 years respondents are higher 95 (38.2%).
3. Respondents with secondary education are 99 (39.8%) and more than others in this business.
4. Types of respondents are both individual 198 (79.5%) and indigenous bankers 51 (20.5%). Most of them are unregistered 233 (93.6%) and registered businesses are only 16 (6.4%).
5. Only few are doing their hereditary business, 75 (30.1%) respondents are doing this hereditary business and 174 (69.9%) respondents have started on their own.
6. Respondents having business experience below 5 years are 24 (9.6%), between 5-10 years 33 (13.3%), between 10-15 years 66 (26.5%) and above 15 years are 126 (50.6%) respondents.
7. Most of the respondents have annual turnover above 30 lakhs and are 120 (48.2%).
8. The highest interest rates charged by them is above 48% and 109 (43.8%) respondents are charging this rate of interest.
9. Collateral security was taken by most of the respondents.
10. Gold, vehicles, documents and others items are taken as security and most of them 111 (44.6%) have taken other items as security.
11. Respondents 152 (61%) annual turnover increased and 97 (39%) respondents' annual turnover did not increase.
12. Respondents 74 (29.7%) are able to recover all their loans and 175 (70.3%) respondents are unable to recover their loans.
13. Most of them are having bad debts between 1-2 lakhs and are numbering 100 (40.2%) respondents.
14. Respondents 55 (22%) strongly agree that bank schemes reduce their business.
15. Respondents 92 (36.9%) strongly agree that they provide financial services to create opportunities for increasing their business.
16. Respondents 107 (43%) strongly agree that they provide financial services to uplift the economic empowerment through expansion of their business.
17. Respondents 51 (20.5%) strongly agree that they provide financial services to bridge the demand and supply of money in time at affordable cost.
18. Respondents 95 (38.2%) strongly agree that they provide financial services to provide loans to rural people to meet their financial needs.
19. Respondents 59 (23.7%) strongly agree that they provide financial services for overall economic development through services.
20. The interest rates charged by the money lenders are very high.
21. By using crosstabs, we found that respondents with secondary education are 55 having the highest turnover above 30 lakhs and graduates are 50 members with turnover above 30 lakhs.
22. Respondents with 10-15 years of experience in the business are 31 members having the highest turnover.
23. Respondents with secondary education are 68 members' annual turnover increased compared to past, this represents their growth in their business.
24. Respondents with experience above 15 years are 80 members who have increased their turnover i.e. growth in their business.
25. Respondents of age group 40-50 years are 60 members doing a turnover of above 30 lakhs.
26. Respondents of age group 40-50 year are 55 members and agree that their turnover increased compared to past i.e. growth in their business.
27. The correlation between demographic factor age and number of customers is positive (0.396)
28. The p value obtained is less than 0.05 and hence we can conclude that age and number of customers has significant relation.
29. Thus the regression equation between age and number of customers is depicted as  

$$\text{Number of customers} = 0.372(\text{age}) + 1.931$$
30. Value of p is less than 0.05 and hence we reject null hypothesis and accept alternative hypothesis i.e. there is a significant relation between age and number of customers.

## RECOMMENDATIONS

1. To impose low interest rates for weaker sections and interest rates must be revised based on type of the loan.
2. To overcome their weakness like raising bad debts, lender should verify the credit worthiness of the customer.
3. To overcome their threat from banks, moneylender should also provide various schemes for customers and restructure their functioning.
4. Provide loans to rural people to meet their financial needs.

5. Through expansion of the business overall economic development is possible.
6. Indigenous bankers who were leaders in informal lending should adapt their techniques from their fore fathers with the changes in current scenario so that they could reach their previous leading stage.
7. Moneylenders should also provide variety of schemes so that they can meet the competition.
8. Should take some measures to prevent overflow or underflow of money supply.
9. Moneylenders who are graduates and post graduates can improve their business through studying the market fluctuations.

## CONCLUSION

Based on the findings of the study, it can be concluded that the role of informal credit in Guntur district is vital; it has both individuals and indigenous bankers. They provide loans at very high interest rates. The reason for charging such high interest rate is that they are taking risk i.e. they provide loans with less or no security. Money lenders have their own strengths and weakness, they can charge high rate of interest for huge amounts or at emergency period, they are unable to recover few loans back i.e. they are having few bad debts. Their performance can be evaluated through their annual turnover, and growth of the business and number of customers, i.e. respondents with qualification of secondary education and experience of 10-15 years are performing better than others. This proves that demographic factors play key role in their performance, graduates can improve their business by combining theoretical knowledge and practical knowledge. They need to restructure their functioning to meet their competitors (commercial banks). Performance of the money lenders and indigenous bankers is on upward trend and by expanding their business, overall economic development can be possible.

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## APPENDIX

### MANAGEMENT RESEARCH PROJECT QUESTIONNAIRE ON A STUDY ON THE ROLE OF MONEY LENDERS IN GUNTUR DISTRICT: ANDHRA PRADESH

#### RESEARCH SCHOLAR

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[For Research purpose only]

Personal details:

Name of the respondent:

Address:

- 1) Gender    a) Male                    b) Female
- 2) Age of respondent  
a) 20-30years    b) 30-40years    c) 40-50years    d) 50-60years    e) Above 60years
- 3) What is your qualification?  
a) Primary education    b) Secondary education    c) Graduate    d) Post graduate
- 4) Which type of business is yours?  
a) Individual    b) Indigenous bankers
- 5) Is your business registered?                    a) Yes                    b) No
- 6) Is it your hereditary business?                    a) Yes                    b) No
- 7) How long have you been in this business?  
a) Below 5 years    b) 5-10 years    c) 10-15 years    d) above 15 years
- 8) What is your annual turnover?  
a) Below 10 lakhs    b) 10-20 lakhs    c) 20-30 lakhs    d) Above 30 lakhs

- 9) What are the interest rates charged by you?  
a) 12%(1 Rs)    b) 24%(2 Rs)    c) 36%(3 Rs)    d) 48% and above
- 10) Do you take any collateral security to provide loan? a) Yes    b) No
- 11) At what situation security is required?  
a) If borrower is unknown    b) very huge amount
- 12) What kind of things are taken as collateral security?  
a) Gold    b) vehicles    c) documents    d) other items
- 13) Has your annual turnover increased compared to past?  
a) Yes    b) No
- 14) Are you able to recover all your loans?  
a) Yes    b) No
- 15) What amount of bad debts rise every year?  
a) Below 1 lakh    b) 1-2 lakhs    c) 2-3 lakhs    d) 3 lakhs and above
- 16) Do you think bank schemes reduce your business?  
a) Strongly agree    b) Agree    c) Neutral    d) Disagree    e) Strongly disagree
- 17) Use the following Key to indicate your level of Agreement with the following statement  
1=Strongly Agree: 2=Agree: 3=Neutral: 4=Disagree: 5=Strongly Disagree  
What factors motivated you to provide financial services?

S.No	Statement	1	2	3	4	5
1	To create opportunities for increasing their business					
2	To uplift the economic empowerment through expansion of business					
3	To bridge the gap between the demand and supply of money in time at affordable cost					
4	Provide loans to rural people to meet their financial needs					
5	Overall economic development through services					

- 18) How many customers do you have?  
a) 100-200    b) 200-300    c) 300-400    d) 400 and above