

A Minor Research Project

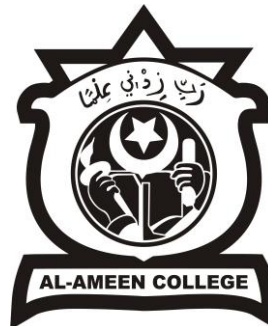
On

**“A STUDY ON ROLE OF UNREGISTERED FINANCIAL
INSTITUTION ON PERSONAL FINANCE
IN KERALA”**

Submitted by

Prof. M.B Sasidharan
Associate Professor in Commerce
Al-Ameen College, Edathala
Aluva – 683561, Ernakulam, Kerala

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Submitted to

The Deputy Secretary
University Grant Commission
South western Regional Office
Bangalore

DECLARATION

I Associate Prof. M B Sasidharan, hereby declare that this project titled “**A STUDY ON ROLE OF UNREGISTERED FINANCIAL INSTITUTION ON PERSONAL FINANCE IN KERALA**” is a record of bonafide work done by me. I also declare that this work has not previously formed the basis for the award of any academic qualifications, fellowship or other similar title of any other university or board.

Place : Edathala

Date : 21.01.2020

Prof. M B Sasidharan
Associate Professor
Department of Commerce
Al-Ameen College, Edathala

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Associate Prof. M B Sasidharan

SUMMARY

In Kerala, role of money lenders is not getting reduced as fast as was expected. There were few reports that the role of money lenders has come down of late due to restrictions imposed by the RBI, declining interest rate regime and aggressive entry of banks into new areas of finance. However, State Planning Board (2005) found that there was a rise in the number of money lenders in the recent period in Kerala. One of the niche areas of the money lenders is the gold loan business. Even after the formal financial institutions started giving gold loans in a bigger way, their business was not affected much.

In fact, some of the money lenders are taking gold loan from banks and utilising the money for their own lending against gold. Given the small size of majority of financiers, it is not possible for them to become a non-banking financial company (NBFC) and work like a formal institution with supervision and regulation by the RBI. On the other side, big business families doing money lending business through several outlets, may not be interested in being converting into NBFC or a bank, as it will invite strict regulation and supervision by the RBI. If the State Government strictly monitors the deposit taking activities of these firms, in accordance with Section 45 S of the RBI Act, their role may come down for want of funds.

In such a scenario, the co-operative credit societies/banks can meet a portion of the credit requirements. Given the profile of customers and their credit requirements, the best suited arrangement to reduce the role of moneylenders would be promotion of Self-Help Groups (SHGs) throughout the state. The State has made some progress in promoting SHGs ,especially through the Kudumbashree, a State supported initiative for the formation of SHGs for women.