

## **AN EMPIRICAL ANALYSIS ON CREDIT UTILIZATION OF THE FARMERS IN TELANGANA STATE**

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### **ABSTRACT**

*The paper has made an attempt to study the utilization of credit by farmers in Telangana state. In this view, Economic reforms have deepened the crisis in agriculture since 1991. Public investment in agriculture has been declining. Farmers in the dry regions incur debts by investing in ground water resources to seek irrigation facility. Pressure on land in command areas has increased tenancy system. Liberalization of agricultural trade by 2000 has been encouraging cheap imports. Prices of commercial crops and some plantation crops are fluctuating and the farmers are financially ruined. High yield crops without estimating their suitability to domestic conditions have resulted in instability of output leading to loss of livelihoods. Therefore, Rural credit is the money that is extended to the farmers, share croppers, tenants, small, marginal and sub marginal cultivators as well as rural and tribal families engaged in a wide variety of farming related occupations.*

**KEYWORDS:** *Indian Agriculture, Credit Utilization of Farmers, Findings*

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### **INTRODUCTION**

Indian agriculture is at cross roads as most of the small and marginal farmers have become landless and seek livelihoods by migrating to urban centres. There are suicides, depressions and crop holidays in the agriculturally superior states like Punjab, Maharastra, Andhra Pradesh, Telangana and Tamilnadu. Indian agriculture at this point of time suffers from so many weaknesses. It is still a gamble in the monsoons. New agricultural strategy necessitate heavy investment in seeds, fertilizers, pesticides, water and labour charges have also increased. As the cost of living under the pressure of inflation has been increasing migration of labour to small towns and urban centers in search of work has created problems of labour shortage and small and medium farmers cannot afford the cost of cultivation at present. 6 per cent of the total farmers are big farmers accounting for 40 per cent of all cultivated land in India. Indian agriculture is becoming capitalistic in the hands of the big farmers in many states including Punjab. Retired civil servants, urban based business men and ex-service men accounting for 3 per cent of total farmers and are in control of 7 per cent of cultivated land in Punjab alone. Indian agriculture has increased inter state and intra state disparities. Institutional reforms are side tracked and owner cultivators are decreasing. Conditions of the small and marginal farmers are deteriorated. The former U.N. Secretary General, U.Thant stated that relative equality in land ownership through land reforms was imperative in developing countries like India. But this caution is being ignored.

Since 2002-03 Indian agriculture has been passing through crisis. Food grains surplus is no more and large import of wheat are being planned. Dependence on imports for basic items like food grains, edible oils is not healthy for a nation like India. Food security strengthens national security. The Prime Minister has repeatedly accepted the Tenth Five Year Plan goal “Agricultural development is central to economic development of the country”.

Economic reforms have deepened the crisis in agriculture since 1991. Public investment in agriculture has been declining. Farmers in the dry regions incur debts by investing in ground water resources to seek irrigation facility. Pressure on land in command areas has increased tenancy system. Liberalization of agricultural trade by 2000 has been encouraging cheap imports. Prices of commercial crops and some plantation crops are fluctuating and the farmers are financially ruined. High yield crops without estimating their suitability to domestic conditions have resulted in instability of output leading to loss of livelihoods.

Rural credit is the money that is extended to the farmers, share croppers, tenants, small, marginal and sub marginal cultivators as well as rural and tribal families engaged in a wide variety of farming related occupations.

## **METHODOLOGY**

This research study on “Credit Utilization of the Farmers in Telangana State” has taken two adjoining districts of the Telangana State. Three mandals each from Warangal and Khammam districts and two villages from each mandals are selected for the study. 25 respondents from each village comprising 300 respondents are selected as sample for this study. Weaker sections are identified by taking the BC, SC and ST respondents as a criteria.

## **OBJECTIVES**

The study has the following objectives:

- To assess the share of institutional and non-institutional sources in the flow of credit to the respondent households.
- To quantify the overall debt burden of the respondent households.
- To analyze the utilization of debt by the respondents.

## **Data Collection**

Both primary and secondary data are collected for this study. Primary data has been collected by administering a structured questionnaire (Schedule) and the responses were recorded. Secondary data sources include books, journals and reports of the special committees and commissions

Even then, this research study seeks to find out certain issues, identify the basic problems and highlight the important areas of concern which will be of immense use to the policy makers, researchers and agencies concerned with Agricultural Development and Rural Welfare.

## **Statistical Tools Used**

Data collected from field investigation has been coded and processed in simple frequency and Cross Tabulation, Simple Averages and Percentages are worked out for intra and inter data comparisons of the analysis. Quotients, indicators and ratios are also used to sum up/ simplify the analysis. Diagrams to show the relative weightage are also used as per the necessity.

### Limitations

- This research study is carried out in two adjoining districts of the Telangana State. The observations may/may not be generalized in view of the limited coverage.
- This study taken only the weaker sections viz., BC, SC and ST respondents. As such the conclusion may not give a complete picture of the overall debt scenario.
- Most of the respondents, in this study, are farmers and so other sections of the rural society remain out side the ambit. Hence the conclusions may not be generalized for the total rural set up.
- Even then, this research study seeks to find out certain issues, identify the basic problems and highlight the important areas of concern which will be of immense use to the policy makers, researchers and agencies concerned with Agricultural Development and Rural Welfare.

### Data Analysis

Credit, if used effectively, can generate additional incomes with which the outstanding loans can be cleared. But the socio-economic conditions of the weaker sections in the rural area are fraught with uncertainty. They have so many unexpected commitments for which they have to divert the borrowed amounts. Most of these commitments are unproductive. Indebtedness goes on increasing. The weaker sections are driven in to the vicious circle of poverty and indebtedness from which escape becomes a mirage. They suffer and groan under the burden of indebtedness. Their overall life is effected due to indebtedness. Institutional agencies demand documents and acceptable securities. Most of the respondents are illiterate. They have to spend on middle men and they cannot directly speak to the authorities. So they face problems in taking loans from the institutional agencies. The basic problems in taking loans from institutional agencies are elaborated in the following table.

**Table 1: Problems in taking Loans from the Institutional Agencies**

Caste	Delay in Sanctioning	Middle Men	Unfavourable Terms of Repayment	Difficulty in Documentation	Total
BC	33 (32.6)	6 (20.0)	29 (37.6)	33 (35.8)	101 (33.7)
SC	39 (38.6)	14 (46.6)	27 (35.0)	33 (35.8)	112 (37.3)
ST	29 (28.7)	10 (33.3)	21 (27.2)	27 (29.3)	87 (29.0)
<b>Total</b>	<b>101 (33.7)</b>	<b>30 (10.0)</b>	<b>77 (25.6)</b>	<b>92 (30.6)</b>	<b>300 (100.0)</b>

Source: Field Study

As per the table delay in sanctioning loan is the most important problem in taking loans from institutional agencies in the opinion of 101 (33.7) respondents. Farmers need timely delivery of credit to carry on agricultural operations. Credit delivery from the institutional agencies is not prompt and adequate. The second major problem is difficulty in documentation. Institutional agencies ask for a number of papers. Rural people, mostly weaker sections cannot submit them. Some from households possess assigned lands. They have difficulty in establishing ownership. 92 (30.6) respondents hold this opinion. 77 (25.6) respondents state that "Unfavorable terms of repayment" is a problem. Institutions demand timely repayment. They do not mind the problems of the borrowers. Dependency on the middle men is another problem. Rural people cannot negotiate directly with the institutional agencies. They have to depend on middle men. This problem is given by 30 (10.0) respondents. Respondents from all castes are of the same opinion. However, difficulty in documentation is given by more respondents in Khammam district in contrast to delay in sanctioning loans given by the respondents from Warangal district.

Some farm households in the rural areas take grain loans. The condition is that the borrowers should sell the crop to the lenders at the prevailing market price during harvest. Interest on such loans is very high. Repayment is on the spot when the crop is ready. 163 respondents in the study area have taken such loans. The following table shows the reason for grain loans.

**Table 2: Reasons for Grain Loans by the Respondents**

Caste	Purpose		
	Agricultural Inputs	Domestic Purpose	Others
BC	25 (23.3)	6 (14.6)	0(0.0)
SC	31 (28.1)	15 (36.5)	6 (40.0)
ST	51 (47.6)	20 (48.7)	9 (60.0)
<b>Total</b>	<b>107 (65.6)</b>	<b>41 (25.1)</b>	<b>15 (9.2)</b>

Source: Field Study

107 (65.6) respondents have taken grain loans to purchase agricultural inputs. Farmers need credit on the spot to purchase seeds, fertilizers and pesticides. They cannot wait for loans as agricultural operations are timely. 41 (25.1) respondents have taken grain loans for domestic purposes. Ill health, child education, child birth, death of the family members and the like force the rural people to borrow on the spot. Other reasons are given by 15 (9.2) respondents which are of contingent in nature. BC and ST respondents are small in number to take such loans when compared to SC respondents. Around 92 per cent of the SC respondents have taken grain loans accepting the terms of the lenders. These loans are small amounts carrying high rate of interest. Respondents in Khammam district are more (108) in taking such loans than the respondents in Warangal district.

Utilization of loan for the purpose is examined in the following table.

**Table 3: Number of Respondents not using the Loans for the Purpose**

Caste	Used for the Purpose	Diverted for other Purposes	Total
BC	47 (39.1)	54 (30.0)	101 (33.7)
SC	40 (33.3)	72 (40.0)	112 (37.3)
ST	33 (27.5)	54 (30.0)	87 (29.0)
<b>Total</b>	<b>120 (40.0)</b>	<b>180 (60.0)</b>	<b>300 (100.0)</b>

Source: Field Study

Farmers take loans keeping a purpose in their mind but when it comes to utilization there is the problem of diversion. Uncontrollable situations force the farmers to divert the borrowed amounts. 180 (60.0) respondents have diverted the loans for other purposes. It implies that only 120 (40.0) respondents spend the loan for the purpose. Normally, loans are taken for productive activities. But utilization may be for unproductive activities. Diversation disturbs the household plans for higher incomes. Along with interest they go on increasing. Some rural families are helpless in checking the problem of diversations. Diversations are more among the SC and ST respondents. They are more among the respondents of Khammam district than in Warangal district.

Reasons for the increase in the overall debt of the respondents year to year are analyzed in the following table.

**Table 4: Reasons for Increase in the Overall Debt Year to Year of the Respondents**

Caste	Reasons							Total
	Crop Failure	Limited Employment Opportunities	Increasing Cost of Child Education	Mounting Medical Cost	Growing Cost of Living	Increasing Cost of Cultivation	Two or more	
BC	2(18.1)	9 (29.0)	21 (43.7)	7(18.9)	17(42.5)	11 (27.5)	34 (36.5)	101 (33.7)
SC	4(36.3)	11 (35.4)	15 (31.2)	13(35.1)	13(32.5)	16 (56.0)	40 (43.0)	112 (37.3)
ST	5(45.4)	11 (35.4)	12 (25.0)	17(45.9)	10(25.0)	13 (32.5)	19 (20.4)	87 (29.0)
<b>Total</b>	<b>11(3.6)</b>	<b>31 (10.3)</b>	<b>48 (16.0)</b>	<b>37(12.3)</b>	<b>40(13.3)</b>	<b>40 (13.3)</b>	<b>93 (31.0)</b>	<b>300 (100.0)</b>

Source: Field Study

To sum up increasing cost of child education, increasing cost of living and cultivation and expenditure on health care are the major reasons for the growing indebtedness in rural India. Increasing cost of cultivation is given by more respondents from Khammam district where as increasing cost of child education is given by more respondents from Warangal district as the reason.

73 respondents in the study area have sold land. Reasons for the sale of land by the respondents are examined as follows.

**Table 5: Reasons for the Sale of Land by the Respondents**

Caste	Reasons							Total
	Marriage	Festivals & Functions	To Clear old Debts	Children Education	Health Problem	More than One	House Construction & Household Assets	
BC	4(40.0)	3(50.0)	8(30.7)	2(16.6)	3(42.8)	2(28.5)	1(20.0)	23(31.5)
SC	3(30.0)	2(33.3)	11(42.3)	4(33.3)	2(28.5)	4(57.1)	4(80.0)	30(41.0)
ST	3(30.0)	1(16.7)	7(26.9)	6(50.0)	2(28.5)	1(14.2)	0(0.0)	20(27.3)
<b>Total</b>	<b>10(13.6)</b>	<b>6(8.2)</b>	<b>26(35.6)</b>	<b>12(16.4)</b>	<b>7(9.5)</b>	<b>7(9.5)</b>	<b>5(6.8)</b>	<b>73(100.0)</b>

Source: Field Study

SCs are more in number to sell land followed by BCs and STs. Even ST respondents with in their tradition and culture have sold land for marriage performance. Sale of land for house construction is given has reason by 04 SC respondents and just 01 and 0 by BC and ST respondents. Respondents in Warangal district (42) are more in selling out land when compared to 31 respondents in Khammam district.

Purchase of land and sale of land are a regular feature in the Indian villages. Purchase implies sales and vice versa. Some respondents have both sold and purchased land. The following table gives the sources of finance for purchasing land.

**Table 6: Source of Finance for Purchase of Land**

Caste	Agricultural Income Saved	Institutional Loans	Non-Institutional Loans	Sale of Assets	Two or more Sources	Total
BC	14(43.7)	6(60.0)	6(28.5)	5(62.5)	8(50.0)	39(44.8)
SC	11(34.3)	3(30.0)	7(33.3)	1(12.5)	3(18.7)	25(28.7)
ST	7(21.8)	1(10.0)	8(38.0)	2(25.0)	5(31.2)	23(26.4)
<b>Total</b>	<b>32(36.7)</b>	<b>10(11.4)</b>	<b>21(24.1)</b>	<b>8(9.1)</b>	<b>16(18.3)</b>	<b>87(100.0)</b>

Source: Field Study

87 respondents have purchased land in the study area. 32 (36.7) respondents have save from agricultural incomes and purchased the land. 21 (24.1) respondents have taken loans from non-institutional sources to buy land. 8 (9.1) respondents have sold out assets while 10 (11.4) respondents have borrowed from institutional sources. 16 (18.3) respondents have availed two or more sources. BC respondents are more in saving agricultural incomes and also in raising institutional loans. They are at top (39) respondents followed by SC (25) and ST (23) respondents. Non-institutional loans are more for purchasing land by the ST respondents. BC respondents are more in utilizing two or more sources followed by ST and SC respondents. Respondents (47) in Warangal are more in purchasing land than the respondents (40) in Khammam district. Agricultural income as a source to purchase land is also more in Warangal district.

Allotment of land to the respondents under land reforms is given in the following table.

**Table 7: Allotment of Land to the Respondents under Land Reforms**

Caste	Allotted	Extent of Land (in Acres)	Not Allotted	Total
BC	7 (10.1)	11.0	94 (40.6)	101 (33.7)
SC	21 (30.4)	37.0	91 (39.3)	112 (37.3)
ST	41 (59.4)	91.0	46(19.9)	87 (29.0)
<b>Total</b>	<b>69(100.0)</b>	<b>139.0</b>	<b>231(100.0)</b>	<b>300 (100.0)</b>

Source: Field Study

69 respondents, as given in the above table are the beneficiaries under land reforms. 37 are from Warangal and 32 are from Khammam districts. ST respondents are (41) the minimum beneficiaries. 21 SC respondents and only 07 BC respondents are also benefited. 139 acres of land is allotted to 69 respondents in the study area. Here also STs are the maximum beneficiaries with 91 acres of land. SC respondents have received 37 acres and BC respondents only 11acres. Land reforms, in the study area, have benefited ST and SC respondents. In terms of respondents Warangal district is benefited more where as in terms of area Khammam respondents are benefited to the maximum. The data in the above table indicates that 23 percent of the respondents are the beneficiaries from land reforms.

State government have conceived different programs like Rythu Bandhu and Rythu Bheema which is introduced by Telangana State a very recently to help the farmers in the rural society, more so the weaker sections of the farming community. Beneficiaries of the government programs are shown in the following table.

**Table 8: Beneficiaries of the Government Programs**

Caste	Loan Moratorium	Incentives	Subsidized Rate of Interest	No Benefit	Total
BC	42 (32.5)	17(48.5)	12 (16.2)	12 (24.0)	101 (33.7)
SC	47 (36.4)	11 (31.4)	30 (40.5)	21 (42.0)	112 (37.3)
ST	40 (31.0)	7 (20.0)	21 (28.3)	17 (34.0)	87 (29.0)
<b>Total</b>	<b>129(43.0)</b>	<b>35 (11.6)</b>	<b>74 (24.6)</b>	<b>50 (16.6)</b>	<b>300 (100.0)</b>

Source: Field Study

SCs are more to benefit from land moratorium programmas also. Respondents from Warangal district are more in number to get the benefits from moratorium and incentives. Respondents from Khammam are more in number to available to benefit of subsidized rate of interest.

Indebtedness affects the overall existence of the individual. He loses self confidence and always in tension, inferiority complexes develop, especially, in rural society. Implications of rural indebtedness are analyzed from different angles and the following table examines the status of the respondents before the lenders in the society. Status is estimated by using scaling method.

### Findings of the Study

- Rural people have unexpected commitments to which credit is diverted. Utilization is not effective since these commitments are unproductive. They remain in the vicious circles of poverty and indebtedness from year to year finding no other escape.
- Institutional credit is not timely as there are delays. Documentation, middle men approach and terms of repayment are not favourable and as such they approach the non-institutional agencies accepting to pay higher rates of interest. All these difficulties are given by the respondents in the study.
- 163 respondents in the study area have taken grain loans on the condition that they should sell produce to the lenders. 65.6 per cent of grain loan borrowers have used the amounts to purchase agricultural inputs. Respondents of Khammam are more in this type of borrowing. ST respondents in both districts of study borrow in more numbers grain loans. Only 120 respondents spend the loan amounts for the purpose they are taken. It implies that there is diversion by 180 (60.0) respondents to unproductive activities mostly.
- Areas of credit diversion are also analyzed and it is noted that health problems, child education, consumption needs and family functions are important areas of diversion. Diversion of credit is more by the respondents of Khammam district and it is mostly by the SC respondents.
- Reasons for the year on increase in the overall debt are analyzed and it is observed that majority of the respondents offer two or more reasons. Increasing cost of child education, increasing cost of living and mounting expenditure on health problems are the major reasons given. Crop failure is given as a reason by just 11 (3.6) respondents. Cost of child education is an important reason given by Warangal respondents whereas cost of cultivation is an important reason given by Khammam respondents. Sales and purchases of land by the respondents are analyzed and it is noted that 32 respondents have purchased land while 18 have sold land.
- Interestingly, 87 respondents have purchased land in the study area and such purchases are from agricultural income saved mostly. 21 respondents have borrowed from non-institutional sources to purchase land. Purchasers of land are also more in Warangal district.
- Non-institutional credit component is more in the study area and the non-institutional agencies have occupied the land of 32 respondents are measuring 71 acres. More SC respondents (15) followed by BC and ST respondents have lost land through occupation. Respondents as well as acres of land occupied are more in Khammam district.
- Land reforms have benefited 69 respondents with the allotment of 139 acres, and in other words, 231 respondents are not benefited. ST respondents are more (41) followed by SC respondents to benefit from the allotment. Loan moratorium is available to 43 per cent of the respondents. Interest subsidies are available to 24.6 per cent of the respondents. However, 50 respondents have no benefit from the government programmes. Warangal respondents are more in availing benefits from the Government.

### Suggestions

- Inadequacy of institutional credit be checked. Procedures and documents be simplified. Timely credit be provided by the institutional agencies to the farmers.
- Unproductive activities like child education, medical treatment, marriages, family functions eat away the loans taken and so alternative arrangements be made. Institutional agencies may be encouraged to provide credit for unproductive activities to some extent. Educational loans by banks be made more liberal and easy. In states like Punjab, group marriages to minimize expenditure are encouraged. Rural India needs such

arrangements to reduce expenditure on marriages.

- Corporate bodies have made child education and medical treatment very costly, especially in Telangana. Government schools should be developed to attract more children. Government hospitals be provided with doctors, medicines and paramedical staff to reduce the expenditure on health related problems by the rural people.
- Private agencies have occupied by force the land of some farmers as observed in the study area. Legislative measures be initiated to protect small and marginal farmers. A few states in India have already introduced legislative measures to protect the marginal and small farmers from losing land.
- Moratorium and interest subsidies be extended to more number of weaker sections. In 1975, the then Prime Minister Smt. Indira Gandhi took a bold decision to declare moratorium even on private loans in the old 20 point economic program. Strong political will is needed to initiate such measures.
- Counseling by village panchayath, SHG group leaders, NGOs and Panchayaths from time to time be provided to the indebted farmers. Their mental balance is to be restored. Their human dealings be improved through guidance and counseling.
- Medical checkups from time to time be arranged in the rural areas by the health department. Service organizations like lions, Rotarians should be involved in such camps. They suggest medicines and drive out the incidence of depression. Institutions like co-operative societies, SHGs, teacher associations better hold small meetings to prevent suicides. They should convenience the debtors that if not today tomorrow the loan can be repaid. Life is more important than loan repayment. Counseling helps to tackle their problems also.

## CONCLUSIONS

Until and unless the Indian farmers feel confident with all happiness, Indian economy cannot be on firm foundations. Rural Indebtedness is to be checked to in fuse such confidence in the farming community. A strong agriculture provides a strong base not only to rural India but also to the nation. Gandhiji dream of self sufficient, Grama Swaraj can be realized on that day. Till then, let us all wait and hope.

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