

## **AGRICULTURE CREDIT: ISSUES IN TELANGANA STATE**

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### **Abstract**

*Agriculture plays a pivotal role in the economic development of any region, and credit is a crucial component in supporting the agricultural sector. This abstract focuses on the issues related to agriculture credit in the state of Telangana, India. Telangana, a predominantly agrarian state, faces several challenges in ensuring adequate and timely credit to farmers, hindering the overall growth of the agricultural sector. One of the primary issues is the accessibility of credit, especially to small and marginal farmers who constitute a significant portion of the agricultural community. Limited access to formal financial institutions, coupled with complex loan application processes, poses a significant barrier for these farmers. Furthermore, the volatility in agricultural income due to factors such as unpredictable weather conditions and market fluctuations adds to the challenges faced by farmers in repaying their loans. The absence of robust risk mitigation mechanisms exacerbates the financial vulnerability of farmers, leading to a higher likelihood of loan defaults. The study also addresses the issue of inadequate investment in agriculture-related infrastructure and support services. Insufficient irrigation facilities, lack of storage and processing units, and outdated farming practices contribute to the overall inefficiency of the sector, affecting the repayment capacity of farmers.*

**Keywords:** Agriculture Credit, Telangana State, Rural Finance, Farm Credit Issues, Financial Inclusion

### **Introduction**

Agriculture, being the backbone of the economy in Telangana, plays a pivotal role in sustaining livelihoods and contributing to the overall economic development of the state. The success of the agricultural sector is intricately tied to the availability and accessibility of credit, as it empowers farmers to invest in seeds, fertilizers, technology, and other essential resources. However, the state faces a myriad of challenges in the realm of agriculture credit, impeding the sector's growth and the well-being of its farming community. Telangana, formed as a separate state in 2014, inherited a predominantly agrarian economy with a substantial percentage of its population engaged in farming activities. Despite the state government's efforts to promote sustainable agricultural practices and implement various welfare schemes, issues related to agriculture credit persist and demand careful consideration. One of the primary challenges is the unequal distribution of credit, with small and marginal farmers facing difficulties in accessing formal financial institutions. The intricate bureaucracy and complex procedures involved in securing loans often deter these farmers, leaving them dependent on informal credit sources with exorbitant interest rates. Consequently, this creates a cycle of indebtedness, limiting the farmers' ability to adopt modern technologies and best agricultural practices. Furthermore, the volatility in agricultural income due to factors such as erratic weather patterns and market uncertainties adds an additional layer of complexity to the credit scenario. The inability of farmers to predict their income accurately makes it challenging to plan for loan repayments, leading to a higher incidence of defaults and financial distress.

Agricultural credit is one of the most crucial inputs in all agricultural development programmes. For a long time, the major source of agricultural credit was private money lenders.

But this source of credit was inadequate, highly expensive and exploitative. To curtail this, a multi-agency approach consisting of cooperatives, Commercial banks and regional rural banks credit has been adopted to provide cheaper, timely and adequate credit to farmers.

The financial requirements of the Indian farmers are for,

1. Buying agricultural inputs like seeds, fertilizers, plant protection chemicals, feed and fodder for cattle etc.
2. Supporting their families in those years when the crops have not been good.
3. Buying additional land, to make improvements on the existing land, to clear old debt and purchase costly agricultural machinery.
4. Increasing the farm efficiency as against limiting resources i.e. hiring of irrigation water lifting devices, labour and machinery.

- Nearly 52% agricultural households indebted, shows NSSO survey the levels of debt are as high as 93% in Andhra Pradesh and 89 % in telangana wage and salary employment not agriculture was the principal source of income for 56 % of the marginal land owning families, according to survey.
- Nearly 52% agricultural households in india are indebted and levels of debt are as high as 93% in Andhra Pradesh and 89 % in telangana, shows key indicators from an NSSO (National Sample survey).
- The report, situation Assessment Survey of Agricultural Households in India, is based on a countrywide survey of nearly 35,000 households by NSSO (70<sup>th</sup> round) for which data was collected on the agricultural year spanning July 2012 to June 2013.
- The survey shows that rural India had an estimated 90.2 million agricultural households about 57.8% of the total estimated rural households in the country. About 45% of farm households belonged to OBC (other backward classes) while 13% belonged to scheduled tribes.

The Narasimham Committee on rural credit (1975) recommended the establishment of Regional Rural Banks, as it was of the view that neither commercial banks nor co-operative institutions were able to meet agricultural credit needs. Another major step taken towards the development of rural credit was the establishment of NABARD in 1982 by a special act of Parliament on the recommendation of the Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development. Its mission is to “promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives” (NABARD).

### **Literature review**

1.Credit Management-Linking Commodity Derivatives with Farm Credit-A win proposition-  
*Sunil Kumar*

In his article he states that the Indian agriculture, dominated by the small operational landholdings has been facing a serious problem of insufficient credit availability. The traditional methods of financing like subsidised credit through cooperatives, Priority sector lending and other farm credit schemes have proved to be insufficient and unsustainable. ‘Lead banks-retrospect and prospects’

2. 'Agricultural overdues: issues and remedies' *Aryakumar* in his article sees poor recoveries as a basic threat to the viability of banking operations in the rural areas. He has suggested a strengthening of the supervisory structure to see that assets acquired through bank loans are not transferred or sold without the bankers' knowledge. The linking of credit and management is also one of his suggestions to avoid over dues.

3. "The Role of Banking in Rural Development" *R.N.Malhotra* in his article has outlined the importance of timely adequate finance, stressed the need to improve the bankers' capacity to plan their operations ahead of time so that supply of credit is not delayed. He has also hinted at the problems of co-ordination that arise in the wake of the multi-agency approach to rural credit.

4. 'Financing Institutions and IRDP' *Rajendra Singh* has undertaken a study and listed some of the operational causes of over dues under agricultural advances by commercial banks like short term maturity period and short-term grace period and failure to provide supplementary finance in the case of incomplete investments.

5. The Vyas Committee was appointed by NABARD in August, 2000 under the chairmanship of Prof.V.S.Vyas. The committee suggested measures to reduce the rate of interest on agriculture credit given by Commercial, Co-operative and Regional Rural Banks. The group studied the role of effectiveness of the Rural Infrastructure Development Fund Mechanism and suggested ways to improve the direct agriculture lending and it tries to identify the impediments in the flow of credit to the disadvantaged sections such as small and marginal farmers, tenant farmers, oral lessees and landless labourers and suggests measures to be taken by banks for providing financial assistance to them. These groups also studied the role of micro finance in poverty alleviation and adoption of the SHG approach in extending banks outreach to the disadvantaged sectors and examine the need to regulate micro finance institutions and to suggest appropriate regulatory model. It examined the norms relating NPA's in cases of crop failure when seasonality and uncertainty are not captured.

#### **Vaddi Leni Runalu Scheme on Crop Loans:**

22.11.2011 the Government has announced the Interest free crop loans to all the farmers up to Rs. 1.00 lakh and Pavala Vaddi for crop loans from Rs. 1.00 lakh to 3.00 lakhs if repaid in time beginning with Rabi season of 2011.

During 2015-16 amount of Rs. 15044.00 lakhs is allocated under Interest Free Loans for Farmers on crop loans up to Rs. 1.00 lakh.

#### **AGRICULTURE ACTION PLAN 2015 - 2016**

##### **Pavala Vaddi scheme on Crop loans:**

Pavala Vaddi scheme is being applicable to the farmers who have availed crop loans from Rs. 1.00 lakh to Rs. 3.00 lakhs and repaid within due date (Maximum up to 1 year. The farmer has to repay 3% interest amount on crop loans to the banks.

During 2015-16, an amount of Rs. 1805.28 lakhs is allocated under Pavala Vaddi scheme on crop loans from Rs. 1.00 lakh to Rs. 3.00 lakhs.

##### **Objectives**

- To study the difference between requirements and availability of agriculture credit.

- To analyse the differences between requirement and availability of agriculture credit among small and marginal farmers
- To examine the important sources of agricultural credit.

**Methodology:**

In order to find out about the agriculture credit in Nalgonda and Mahbubnagar districts is selected purposefully A sample of 300 households in Nerallapalli, Gunta koduru, Ranai gudem, Teluvaregudam, 4 villages selected covering of villagers, and. Village's v.r.os and mandel revenue offices. A structured questionnaire was used to collect information from them. The number of lone issued and the number of institutional agricultural lone outstanding from farmers to banks the data obtained from secondary sources. The data is obtained from the publications of Directorate of Economics and Statistics Hyderabad. The percentage of institutional agricultural The number of lone issued and the number of lone outstanding for all the districts in telangana, has been calculated for a period of 14 years from 2001-02 to 2014-15,

**DATA SOURCES**

Statistics Abstract of A.P Directorate of Economics and Statistics, Hyderabad Various Issues. Data obtained from Center for Economics and Social Studies Hyderabad.

**PERIOD OF THE STUDY**

The period of 14 years from 2001-02 to 2014-15, will be considered for the purpose of the study with secondary data and 2014-2015 current year will be considered for the purpose of primary data.

**Results & Discussions****Table 1: Agricultural Credit Flow in India 2004-05 To 2013-14**

Year	Target	Achievement
2004-05	105000	125309
2005-06	141000	180486
2006-07	175000	229400
2007-08	225000	254658
2008-09	280000	287149
2009-10	325000	384514
2010-11	375000	468291
2011-12	475000	511029
2012-13	575000	607375
2013-14	700000	738615*

Source: Press Information Bureau, Government of India, Ministry of Agriculture

**Table 2: NPA as a proportion (%) of Outstanding Loan (StCBs, DCCBs, SCARDBs and PCARDBs)**

Year	StCB	DCCB	SCARDBS	PCARDBs
2005-06	16.84	19.65	32.69	35.64
2006-07	14.16	18.53	30.27	35.44
2007-08	12.33	18.48	34.99	43.47
2008-09	11.91	18.02	30.39	42.22
2009-10	9.08	13.00	33.34	42.78
2010-11	8.58	11.19	32.22	40.53
2011-12	6.98	10.25	33.20	36.71
2012-13	6.16	9.83	35.97	37.09

Source: Annual report, NABARD

**Table 3: Percentage of Recovery (StCBs, DCCBs, SCARDBs & PCARDBs)**

Year	StCB	DCCB	SCARDBS	PCARDBs
2005-06	86.57	69.16	46.38	47.63
2006-07	85.65	71.08	43.89	52.22
2007-08	84.59	55.61	49.94	42.15
2008-09	91.78	72.17	40.73	39.48
2009-10	92.00	76.00	41.00	37.00
2010-11	80.00	74.00	40.00	47.00
2011-12	95.62	80.78	40.17	47.33
2012-13	94.62	79.33	32.26	42.68

Source: Annual report NABARD

**Table 4: Percentage of Overdues to Total Demand (StCBs, DCCBs & PACS)**

Year	StCBs	DCCBs	PACS
2002-03	17.74	37.43	39.55

2003-04	16.82	36.9	34.04
2004-05	15.53	32.86	31.09
2005-06	13.76	31.69	31.53
2006-07	13.27	32.93	31.31
2007-08	8.61	37.15	36.75
2008-09	8.68	32.69	51.37
2009-10	8.20	26.73	55.98
2010-11	7.69	27.37	37.92
2011-12	3.86	21.88	28.58
2012-13	5.18	20.37	26.03

**Table 5: All-India Agency-wise Ground Level Credit Flow (Rs Crore) (2009–10 to 2013–14)**

Agency	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	CAGR%2009-10to2012-13	agencies growth 2013-14 (%change over 2013-14)
CO-OPS	63,497	78,007	87,963	1,11,203	1,18,422	20	6
RRB'S	35,217	44,293	54,450	63,681	83,307	22	31
CB'S	2,85,800	3,45,877	3,68,616	4,32,491	5,21,496	14	21
TOTAL	3,84,514	4,68,291	5,11,029	6,07,375	7,23,225	16	19
#provisional data for 2012-2013 and 2013-2014 including Rs 114 cores by other agencies							
Sources: NABARD Annual Report, 2010–11, 2011–12, website ( <a href="https://www.nabard.org/english/allpublication.aspx">https://www.nabard.org/english/allpublication.aspx</a> , accessed on 11 April 2014).							

**Table: District-Wise Agriculture Credits of All Scheduled Commercial Banks Outstanding**

sl.no	District	2001	2002	2003	2004	2005	2006	2008	Rs. In lakhs	
									2009	2010
1	Mahboobnagar	24,684	23,336	31,133	34,485	47,715	39,364	88,979	1,29,950	1,64,747.44



2	Ranga reddy	18,069	22,748	28,733	34,720	44,897	37,363	63,565	1,01,938	1,52,391.86
3	Hyderabad	59,746	70,425	79,311	1,52,734	1,89,411	3,31,992	3,78,022	4,75,985	6,55,602.43
4	Medak	23,310	24,511	25,933	26,556	37,677	47,481	89,314	1,03,734	1,35,633.26
5	Nizamabad	22,310	23,741	26,933	30,874	40,724	47,724	74,286	99,262	1,36,821.64
6	Adilabad	10,864	13,890	14,862	15,791	21,742	26,562	43,909	61,102	77,931.85
7	Karimnagar	22,200	25,489	30,153	33,956	41,520	48,864	79,075	1,13,745	1,47,680.52
8	Warangal	24,593	22,756	30,208	35,913	54,842	49,498	89,677	1,59,508	2,19,713.77
9	Khammam	13,418	15,883	18,658	20,927	28,170	35,936	61,847	82,598	1,08,411.11
10	Nalgonda	21,879	22,883	27,920	34,264	41,442	47,433	84,882	1,20,619	1,55,726.82
	TELANGANA	2,41,073	2,65,662	3,13,844	4,20,220	5,48,140	7,12,217	10,53,556	14,48,441	19,54,660.70
Source: Basic Statistical Returns of Scheduled Commercial in india volumes Reserve Bank of India, Mumbai										

**Table: District-Wise Classification of Outstanding Credit Of Scheduled Commercial Banks**

Sl. No.	District	(As on March 2013) (Rs. In Lakhs)		
		Agriculture		
1	Mahbubnagar	1,64,747.44		
2	Ranga Reddy	1,52,390.86		
3	Hyderabad	6,55,602.43		
4	Medak	1,35,633.26		
5	Nizamabad	1,36,821.64		
6	Adilabad	77,931.85		
7	Karimnagar	1,47,680.52		
8	Warangal	2,19,713.77		
9	Khammam	1,08,411.11		
10	Nalgonda	1,55,726.82		
	total	19,54,659.70		
Source: Basic Statistical Returns of Scheduled Commercial Banks in India Volume-39, March 2010, Reserve Bank of India, Mumbai. Note: Totals may not exactly tally due to rounding up of figures.				

At present, commercial banks have the largest share in the flow of institutional credit for agriculture at approximately 73 per cent. There has been a sharp increase in their share from 46 per cent to 73 per cent between 2004-05 and 2012-13. After the adoption of the policy of doubling agriculture credit, an increasing proportion of the credit for agriculture has been disbursed by commercial banks.

### **Crop Loan Waiver Scheme 2014-15**

Farmers in the Telangana state have faced severe financial crisis due to frequent crop failures, lack of adequate support price, steep hike in input costs etc. To mitigate the plight of the farmers, the Telangana Government has decided to waive crop loans taken by the farmers up to Rs.1.00 Lakh per farmer. Agricultural loans on gold mortgage have also been included along with the interest. Government of Telangana released an amount of Rs. 4250.00 crores as first instalment under Loan waiver scheme and the amount was credited into the bank accounts of over 34 lakh farmers.

### **Conclusion**

Farmers in Telangana, like in many parts of India, often face challenges in accessing adequate and timely credit. Limited credit availability can hinder agricultural activities, leading to reduced productivity and income for farmers. Many farmers in Telangana still rely on traditional money lenders due to difficulties in obtaining formal credit. This can lead to exploitative lending practices and financial distress for the farmers. The effectiveness and implementation of crop insurance schemes may pose challenges. Delays in claim settlements and discrepancies in assessing crop losses can undermine the intended support to farmers during challenging times. Farmers who manage to secure formal credit sometimes face high-interest rates, impacting their ability to repay loans. This can create a cycle of debt, especially during periods of crop failure or low market prices. Despite efforts to promote financial inclusion, certain sections of farmers in Telangana may still be excluded from the formal banking sector. Lack of awareness, documentation challenges, and geographical barriers contribute to this issue. Embracing technology in agricultural credit processes, such as digital payment systems and online loan applications, can enhance efficiency and reduce the bureaucratic hurdles faced by farmers.

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