



A STUDY OF AGRICULTURE CREDIT SYSTEM IN TELANGANA



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Original Article

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Abstract

This article delves into the intricate landscape of agricultural credit in Telangana, emphasizing its pivotal role in driving rural prosperity and sustainable development. Through a comprehensive analysis, it examines the eligibility criteria, components, and significance of crop loans, alongside the implementation and impact of the Crop Loan Waiver Scheme. Furthermore, it elucidates the crucial role played by the State Level Bankers Committee (SLBC) in coordinating credit allocation and fostering collaboration among stakeholders. Despite the advantages offered by agricultural credit schemes, challenges persist, including implementation effectiveness and disparities in credit access among vulnerable groups. Drawing on findings, the article proposes actionable suggestions to enhance the efficiency, inclusivity, and sustainability of agricultural credit initiatives in Telangana, emphasizing the importance of targeted interventions and farmer-centric policies for fostering holistic agricultural development and uplifting rural communities.

Keywords: *Agricultural Credit; Crop Loan Waiver Scheme; Implementation Challenges; State Level Bankers Committee; Sustainable Development*

Introduction

Access to timely and affordable institutional credit is a critical catalyst for any state's agricultural growth performance. The rural credit system in India has faced several challenges, such as limited reach, uneven availability of credit across regions and farming sectors, poor loan recovery, escalating non-performing assets, and financially struggling institutions. The inability of rural financial institutions to meet the increasing demand for agricultural credit, particularly in light of the increased need for input purchases, hinders farmers.

Farmers in Telangana receive loans to cover the cultivation expenses of any legally permissible marketable crop. Instruments such as the Kisan credit card or agricultural cash credit facilitate these loans. Repayment is expected in one consolidated sum upon the crop's harvesting and subsequent market sale. The repayment schedule is synchronized with the crop's harvesting and marketing timelines, and interest accrual is contingent upon the agreed-upon repayment date [1].

Agriculture serves as the backbone of Telangana's economy, providing livelihoods to a vast population. To ensure the prosperity of farmers and promote sustainable agricultural practices, the state has implemented a robust crop loan system [2]. This article explores the eligibility criteria, components of crop loans, loan limits, and the importance of field visits in verifying the viability of agricultural endeavours.

Need for the Study

Telangana's journey towards agricultural prosperity hinges on strategic credit initiatives that empower farmers, enhance productivity, and foster sustainable development. Prioritizing credit accessibility not only strengthens its agricultural sector but also uplifts the socio-economic fabric of rural communities, ensuring a prosperous future for generations to come.

Statement of Problem

The agricultural sector in Telangana faces challenges related to the accessibility, utilization, and impact of credit, despite the implementation of government initiatives such as Rythu Bandhu and Rythu Bima. Understanding the dynamics of agricultural credit and its influence on agricultural development is essential for informing policy decisions and empowering farmers. Moreover, factors such as water scarcity and limited market access further complicate the agricultural landscape, necessitating research to identify strategies for enhancing resilience and promoting sustainable practices. Therefore, there is a pressing need for a research study to comprehensively analyze the agricultural credit dynamics in Telangana and assess their implications for farmer welfare and agricultural development.

Objectives of the Study

- To study the agricultural credit dynamics in Telangana
- To examine role of State Level Bankers Committee (SLBC)
- To study the Crop Loan Waiver Scheme in the state

Research Methodology

In conducting a comprehensive analysis of agricultural credit and loan waiver schemes in Telangana, a multifaceted methodology blending analytical, descriptive, and exploratory approaches is essential. This methodology draws upon secondary information sourced from Telangana government reports, existing literature, and academic research to provide a nuanced understanding of the subject matter.

Data Collection

Primary data is sourced from official reports published by the Telangana government, including annual agricultural reports, budgetary allocations, and policy documents related to agricultural credit and loan waiver schemes. Secondary data is gathered from peer-reviewed academic journals, books, and research papers focusing on agricultural economics, rural development, and financial inclusion in Telangana.

Agricultural Dynamics in Telangana

Telangana, a state steeped in cultural heritage and agricultural tradition, stands as a testament to India's agrarian strength. Spanning vast expanses of 276.96 lakh acres and home to a populace of 350.04 lakhs, its agricultural landscape is the backbone of its economy, supporting millions of livelihoods. Bordered by Maharashtra, Karnataka, and Andhra Pradesh, Telangana's geographical diversity contributes significantly to its agricultural productivity [3]. Within its administrative framework of 33 districts and 593 mandals, initiatives are underway to bolster agricultural development and empower farmers at every level. Agriculture is Telangana's lifeline, with a staggering 60% of its rural populace dependent on it. Recognizing this, the government has implemented a slew of initiatives aimed at fostering agricultural growth and ensuring farmer welfare [4]. Among these, the Kaleshwaram Project, Mission Kakatiya, Rythu Bandhu, and Rythu Bima stand out as pillars of support for farmers across the state [5].

However, the efficacy of these initiatives hinges greatly on access to credit, which serves as the lifeblood of agricultural development. Recognizing this crucial aspect, Telangana has embarked on strategic endeavours to enhance agricultural credit accessibility and utilization. Three agro-climatic zones divide Telangana: the northern, central, and southern. Each zone, comprising specific districts, has unique agricultural characteristics [6]. Research from regional agricultural research stations within each zone supports agricultural planning, ensuring tailored strategies for efficient and sustainable farming practices. One of the primary challenges facing Telangana's agriculture is water scarcity, exacerbated by erratic weather patterns. In response, the government has collaborated with financial institutions to provide affordable credit for water conservation measures such as drip irrigation, rainwater harvesting, and watershed management. These initiatives not only mitigate water scarcity but also improve agricultural productivity and resilience to climate change. Telangana has tailored its agriculture credit policies to specifically address the needs of its farmers [7]. Through schemes like Rythu Bandhu, farmers receive financial assistance directly in the form of investment support, enabling them to procure high-quality inputs, modernize farming practices, and increase yields. Similarly, Rythu Bima provides insurance coverage to farmers, safeguarding them against crop failures and natural disasters. In addition to production-orientated credit, Telangana has also prioritized credit access for allied agricultural activities such as livestock rearing, poultry farming, and horticulture [8]. By diversifying credit avenues, the state not only fosters holistic agricultural development, but also enhances rural employment opportunities and income generation. Moreover, Telangana has used technology and digitization to streamline credit delivery mechanisms, making them more accessible and transparent for farmers. Digital platforms enable online application processes, quick loan disbursement, and real-time credit utilization monitoring, ensuring efficiency and accountability in the credit ecosystem.

Despite these concerted efforts, challenges persist, including land degradation and limited market access. To address these issues, Telangana continues to collaborate with financial institutions, agricultural experts, and stakeholders to devise innovative credit solutions tailored to the state's unique agricultural landscape.

Agricultural Credit in Telangana

Agricultural credit is the backbone of Telangana's farming community, providing vital support to millions of farmers striving to sustain their crops and livelihoods. Within this system, various mechanisms, including crop loan waiver schemes, play a crucial role in ensuring accessibility to credit, managing debt, and promoting sustainable agricultural practices. In this article, the authors explore the significance of agricultural credit and delve into the impact of crop loan waiver schemes on Telangana's agricultural landscape.

At the heart of Telangana's agricultural development efforts lies agricultural credit, comprising both crop and term loans. These financial tools serve as lifelines for farmers, offering essential resources during critical stages of crop cultivation. The Kharif and Rabi seasons, spanning from April to September and October to March, respectively, witness the disbursement of crop loans, providing farmers with the necessary support to nurture their crops effectively [9].

To streamline the process and ensure seamless access to credit, the issuance of Kisan Credit Cards, guided by Reserve Bank of India directives, has become standard practice among financial institutions. This initiative not only simplifies loan processing but also empowers farmers by granting them straightforward access to credit facilities.

Crop Loan Waiver Scheme

Recognizing the financial challenges faced by farmers burdened with short-term production loans and crop loans against gold, the Telangana government introduced the Crop Loan Waiver Scheme in 2018. This scheme serves as a beacon of hope for farmers in distress, offering relief through the waiver of eligible loans. Under the scheme, eligible farmers, including family units, can benefit from waivers of up to Rs. 1.00 lakh, providing much-needed respite from mounting debt pressures. The eligibility criteria for loan waivers include crop loans sanctioned or renewed after April 1, 2014, and outstanding as of December 11, 2018. However, the scheme excludes gold loans obtained from urban and metropolitan banks or branches [10].

In the initial phase of implementation, priority is given to loans up to Rs. 25,000, ensuring that the benefits reach those most in need. The scheme's meticulous execution includes data processing, Aadhar seeding, and information

dissemination to farmers. This not only enhances transparency and accountability but also ensures that the benefits reach the intended recipients in a timely manner.

Government Commitment and Financial Allocation

The financial year 2021-22 witnessed a significant allocation of funds amounting to Rs. 522,500.00 lakhs towards the Crop Loan Waiver Scheme, underscoring the government's steadfast commitment to supporting farmers. The government's recognition of the crucial role agricultural credit plays in empowering farmers and promoting sustainable agricultural growth in Telangana is evident in this substantial investment.

Advantages and Challenges of Agricultural Credit and Loan Waiver Schemes

Agricultural credit and loan waiver schemes in Telangana offer several advantages to farmers, but they also present certain challenges that must be addressed for effective implementation.

Advantages

- Agricultural credit schemes provide essential financial support to farmers, enabling them to invest in seeds, fertilisers, machinery, and other inputs necessary for crop cultivation. This support is particularly crucial for small and marginal farmers who may not have access to alternative sources of financing.
- Crop loan waiver schemes help mitigate the risk of default and debt distress among farmers by providing relief from outstanding loan burdens. This reduces the financial stress on farmers, allowing them to focus on improving productivity and yields.
- By prioritising loans for small and marginal farmers, agricultural credit schemes contribute to inclusive growth by ensuring that those most in need have access to financial resources. This helps reduce income disparities and foster equitable development across rural communities.
- The authors design agricultural credit schemes to incentivize the adoption of sustainable agricultural practices like organic farming, water conservation, and soil health management. Financial support for these initiatives encourages farmers to adopt practices that foster long-term environmental sustainability and resilience.
- The allocation of significant funds towards agricultural credit and loan waiver schemes demonstrates the government's commitment to supporting the agricultural sector and farmer welfare. This commitment helps build trust among farmers and fosters a conducive environment for agricultural development.

Challenges

- One of the primary challenges with agricultural credit and loan waiver schemes is their effective implementation at the grassroots level. Ensuring that benefits reach the intended beneficiaries in a timely and transparent manner requires robust administrative mechanisms and infrastructure, which may be lacking in some areas.
- Identifying eligible beneficiaries for loan waivers can be challenging due to issues such as land ownership, tenancy arrangements, and documentation. In many cases, small and marginal farmers may lack formal land titles or adequate documentation, making it difficult to ascertain their eligibility for scheme benefits.
- The long-term financial sustainability of agricultural credit and loan waiver schemes depends on the availability of funds and budgetary allocations. Relying solely on government subsidies or grants may not be sustainable in the long run, necessitating innovative financing mechanisms and partnerships with financial institutions and other stakeholders.
- There is a risk of moral hazard associated with loan waiver schemes, whereby farmers may become disincentivised to repay loans in the expectation of future waivers. This can undermine lending institutions' credit discipline and financial viability, ultimately limiting the availability of credit to farmers.

- Despite efforts to prioritise loans for small and marginal farmers, certain vulnerable groups, such as women farmers, landless agricultural labourers, and tribal communities, may still face challenges in accessing credit and loan waiver benefits. Addressing these disparities requires targeted interventions and inclusive policy measures.

Role of SLBC in Telangana's Agricultural Credit

The SLBC, in collaboration with the National Bank for Agriculture and Rural Development (NABARD), coordinates the allocation of credit targets to districts, guiding the disbursement of crop and term loans. Banks, including commercial banks, cooperatives, regional rural banks, and private sector banks, serve as the primary sources of credit, extending financial assistance to farmers based on the prescribed scale of finance for each agricultural year. In the intricate agriculture credit scenario of Telangana, SLBC emerges as a vital thread, weaving together the aspirations of the banking sector with the socio-economic development goals of the state. In Telangana, SLBC serves as a cornerstone institution, orchestrating a symphony of collaboration, innovation, and inclusivity to propel the state towards prosperity.

Following are the few important roles played by SLBC in Telangana:

A Beacon of Coordination and Collaboration

At its essence, SLBC embodies the spirit of coordination and collaboration among diverse stakeholders within the banking ecosystem. In quarterly meetings, SLBC convenes top-level functionaries from member institutions, including banks, government departments, and regulatory bodies, in accordance with the Reserve Bank of India's Lead Bank Scheme. These gatherings serve as a platform for dialogue, deliberation, and decision-making, fostering synergy and coherence in the pursuit of common objectives.

Navigating Challenges, Seizing Opportunities

In the dynamic landscape of banking and finance, SLBC stands as a bulwark against challenges and a catalyst for seizing opportunities. Through periodic review and assessment of financial inclusion initiatives, credit disbursement mechanisms, and policy interventions, SLBC navigates the intricacies of the banking sector with foresight and resilience. Whether it be addressing the needs of marginalized communities, promoting digital financial services, or facilitating credit flow to priority sectors, SLBC remains steadfast in its commitment to driving inclusive growth and sustainable development.

Empowering Communities, Fostering Financial Inclusion

Central to SLBC's mandate is the promotion of financial inclusion, ensuring that every individual, irrespective of their socio-economic background, has access to formal financial services. By spearheading initiatives such as opening banking outlets in unbanked rural centres, deploying business correspondents in remote areas, and enhancing digital payment infrastructure, SLBC endeavours to empower communities and bridge the last-mile gap in financial access. Moreover, through targeted interventions like the Targeted Financial Inclusion Intervention Programme (TFIIP) for Aspirational Districts, SLBC catalyses transformative change, unlocking the potential of underserved regions and marginalised populations.

Driving Economic Growth, Nurturing Entrepreneurship

Beyond fostering financial inclusion, SLBC plays a pivotal role in driving economic growth and nurturing entrepreneurship across Telangana. By facilitating credit disbursement to key sectors such as agriculture, MSMEs, and government-sponsored schemes, SLBC fuels the engines of economic progress, laying the foundation for sustainable development and job creation. Moreover, by providing a conducive ecosystem for innovation, investment, and enterprise development, SLBC catalyzes a virtuous cycle of economic prosperity, propelling Telangana towards becoming a hub of innovation and opportunity.

Charting the Course Ahead

As Telangana charts its course towards a future defined by progress and prosperity, SLBC remains steadfast in its commitment to steering the state towards its socio-economic goals. Through collaboration, innovation, and inclusivity, SLBC continues to serve as a beacon of hope, resilience, and transformation, ensuring that the dividends of development

reach every corner of the state. In the journey ahead, as Telangana navigates the currents of change and embraces the winds of opportunity, SLBC stands as a trusted ally and partner, guiding the state towards a brighter and more inclusive future.

Results & Discussion

- Agricultural credit plays a vital role in supporting Telangana's farming community, particularly during critical crop cultivation stages.
- The Crop Loan Waiver Scheme in Telangana, initiated in 2018, offers significant relief to farmers burdened by short-term loans, with a substantial allocation of funds evidencing government commitment.
- Agricultural credit schemes in Telangana provide essential support, but they face challenges such as implementation effectiveness and addressing disparities in credit access among vulnerable groups.
- SLBC serves as a crucial coordinator, facilitating collaboration and innovation in Telangana's agricultural credit landscape.
- Tailored strategies across Telangana's diverse agricultural zones along with initiatives like the Kaleshwaram Project aim to enhance productivity and welfare.
- Leveraging technology has streamlined credit delivery, making it more accessible and transparent, thereby promoting financial inclusion and agricultural development.
- Prioritizing credit access for various agricultural activities beyond crop cultivation fosters holistic development and income generation among farming communities.
- Exploring innovative financing mechanisms and inclusive policy measures is crucial for the long-term sustainability and equitable distribution of agricultural credit and loan waiver benefits.

Because of its rich agricultural heritage, Telangana is an important part of India's agrarian environment. Agriculture, which employs over 60% of the state's rural population and occupies an area of nearly 276.96 lakh acres, is essential to the state's economy [11]. In an effort to improve livelihoods, the government has launched a number of initiatives, such as the Kaleshwaram Project, Mission Kakatiya, Rythu Bandhu, and Rythu Bima, to support farmers and promote agricultural development [12].

For these programs to succeed, loan availability is essential since it makes it possible to make the critical farming investments. Kisan Credit Cards primarily offer both term and crop loans in Telangana's diverse agricultural credit landscape. During critical agricultural seasons, this system guarantees timely financial support and streamlines loan availability [13]. The 2018 launch of the Crop Loan Waiver Scheme, which waives loans up to Rs. 1 lakh for qualified farmers, demonstrates the government's proactive approach to easing farmers' financial problems.

Suggestions

- Streamlining administrative processes and enhancing infrastructure at the grassroots level can improve the implementation of agricultural credit schemes. This includes investing in digital infrastructure for smoother application processes and disbursement of funds, as well as strengthening monitoring mechanisms to ensure transparency and accountability in fund utilization.
- Conducting targeted outreach programs to educate farmers, particularly in remote and marginalized areas, about the availability and benefits of agricultural credit schemes can increase participation and uptake. This may involve collaborating with local agricultural extension services, community-based organisations, and self-help groups to disseminate information effectively.
- Implementing targeted interventions to address disparities in credit access among vulnerable groups, such as women farmers, landless agricultural labourers, and tribal communities, is crucial. This could include designing

specific credit programs tailored to the needs of these groups, providing financial literacy training, and simplifying documentation requirements to improve access to credit facilities.

- Exploring innovative financing mechanisms beyond government subsidies or grants is essential for the long-term financial sustainability of agricultural credit schemes. This may include leveraging public-private partnerships, encouraging investment from financial institutions, and exploring alternative funding sources to support ongoing agricultural development initiatives effectively.
- Encouraging farmers to adopt climate-resilient agricultural practices, such as rainwater harvesting, drip irrigation, and agroforestry, can enhance their resilience to climate change and mitigate risks associated with water scarcity and erratic weather patterns. Providing financial incentives or subsidies for implementing these practices can encourage their adoption and promote sustainable agricultural development.
- Investing in capacity building and skill development programs for farmers can enhance their ability to effectively use agricultural credit and adopt modern farming techniques. This may involve organising training workshops, demonstrations, and farmer field schools on topics such as crop management, soil health, pest management, and financial planning.
- Establishing robust monitoring and evaluation mechanisms to assess the impact and effectiveness of agricultural credit schemes is essential for informed decision-making and continuous improvement. This may involve conducting regular surveys, impact assessments, and performance evaluations to gauge the outcomes of the schemes and identify areas for improvement.
- Designing farmer-centric policies that prioritise their needs and aspirations is crucial for the success of agricultural credit initiatives. This may include consulting with farmers and agricultural stakeholders to understand their challenges and preferences, as well as incorporating their feedback into policy formulation and implementation processes.

Conclusion

The agricultural credit and loan waiver schemes stand as vital pillars of support for Telangana's farming community, offering financial assistance, alleviating debt burdens, and nurturing a conducive environment for agricultural prosperity. The implementation of crop loan waivers in 2014 and 2018 underscores the government's commitment to supporting farmers during times of distress. As these initiatives continue to evolve and expand, they hold the promise of transforming the agricultural landscape of Telangana, empowering farmers, and ensuring a prosperous future for generations to come. As Telangana continues its journey towards agricultural prosperity, nurturing and strengthening these schemes will be key to unlocking the full potential of the state's agrarian landscape.

Conflict of Interests

The authors state that they do not have any personal conflicts of interest.

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