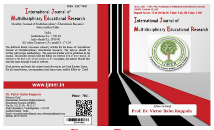
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LOAN UTILIZATION PATTERNS AND LIVELIHOOD OUTCOMES: EVIDENCE FROM PRIVATE FINANCIAL INSTITUTION BORROWERS IN TELANGANA'S JAGTIAL AND KARIMNAGAR DISTRICTS

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Abstract

Private financial institutions — including non-banking financial companies (NBFCs), private commercial banks, and microfinance institutions (MFIs) — have expanded rapidly in Telangana's semi-urban and rural credit markets over the past decade, positioning themselves as a significant supplement to cooperative and public-sector banking channels. This study examines loan utilization patterns and their consequent livelihood outcomes among 320 borrowers of private financial institutions drawn from Jagtial and Karimnagar districts of Telangana. Using a structured interview schedule administered through stratified random sampling, the study captures socio-demographic characteristics, stated versus actual purposes of borrowing, extent of loan diversion, and changes in household income, asset accumulation, and livelihood security following loan disbursement. Findings indicate that while agriculture and allied activities remain the dominant stated purpose of borrowing (41.2 percent), a substantial proportion of loans (28.7 percent) are diverted toward consumption smoothing, debt repayment, and social obligations such as marriages and health emergencies rather than productive investment. Chi-square analysis reveals a statistically significant association between loan diversion and perceived livelihood improvement ($p < 0.05$), with non-diverted, productively utilized loans correlating with stronger income and asset gains. The study concludes that loan utilization monitoring, borrower financial literacy, and product design tailored to non-agricultural contingencies are essential to strengthening the developmental impact of private financial institution lending in the study districts.

Keywords: Private Financial Institutions; Loan Utilization; Livelihood Outcomes; Loan Diversion; Jagtial; Karimnagar; Financial Inclusion

1. Introduction

Access to formal credit has long been recognized as a central determinant of rural livelihood diversification, agricultural productivity, and household resilience in developing economies (Rangarajan, 2008). In India, the architecture of rural credit has historically rested on a tripod of commercial banks, regional rural banks, and cooperative institutions, supplemented since the 1990s by an expanding tier of private financial institutions comprising non-banking financial companies (NBFCs), private sector commercial banks, and microfinance institutions (MFIs). Telangana, carved out as a separate state in 2014, inherited a credit landscape marked by uneven cooperative penetration, historically high dependence on informal moneylenders in its northern districts, and a rapidly commercializing agrarian economy centered on cotton, maize, and turmeric cultivation (Reddy & Mishra, 2019).

Jagtial and Karimnagar districts, located in the erstwhile undivided Karimnagar region of north Telangana, present a particularly instructive setting for examining private financial institution lending. Both districts combine a dense agrarian base with growing small-trade and allied-activity sectors, and both have witnessed a marked proliferation of NBFC and private bank branches over the past decade, driven partly by regulatory liberalization and partly by the priority-sector lending push following the Reserve Bank of India's (2020) revised guidelines on financial inclusion. This proliferation has expanded the volume of formal credit available to rural households, but it has also raised recurring questions in the district-level literature about whether the credit disbursed is actually utilized for the purposes stated at the time of sanction, or whether it is subsequently diverted toward consumption, debt repayment, or social expenditure — a phenomenon widely documented in the broader Indian microfinance literature (Chakrabarti & Sanyal, 2016; Kumar & Golait, 2009).

The distinction between stated loan purpose and actual loan utilization is not a mere accounting technicality. It bears directly on whether formal credit expansion translates into genuine livelihood improvement — higher and more stable household income, asset accumulation, enterprise growth — or whether it merely substitutes for informal debt without altering the underlying productive base of the household (Mohan, 2006). Existing studies on this question in Telangana and undivided Andhra Pradesh have tended to focus either on cooperative and self-help group (SHG) credit, which is subject to comparatively close group-level monitoring, or on public-sector agricultural credit, which is governed by scale-of-finance norms. Comparatively little district-level evidence exists specifically on borrowers of private financial institutions, whose lending is typically less closely monitored for end-use and whose loan products — gold loans, personal loans, and unsecured micro-loans in particular — are structurally more prone to diversion than purpose-tied agricultural term loans (Basu & Srivastava, 2005).

The problem is compounded by the specific credit-product mix that private financial institutions have come to specialize in within Telangana's north-eastern districts. Unlike public-sector and cooperative institutions, whose agricultural lending is typically governed by crop-wise scale-of-finance norms and disbursed partly against input vouchers, private banks and NBFCs in the study area predominantly disburse cash loans against gold collateral, income proof, or group guarantee, with comparatively limited institutional capacity to verify subsequent end-use. This structural feature makes the private lending channel a particularly important and under-examined site for investigating the gap between credit access and credit impact. Understanding this gap is also of direct practical relevance to the institutions themselves: loans diverted away from their productive stated purpose are more likely to experience repayment stress, since the borrower's capacity to service the loan from incremental income generated by the loan itself is correspondingly reduced (Mohan, 2006).

This study addresses that gap by examining, at the household level, how borrowers of private financial institutions in Jagtial and Karimnagar districts actually utilize their loans, the extent and direction of any divergence from the stated purpose, and the consequent effects on household income, assets, and self-reported livelihood security. The findings are intended to inform both financial institutions seeking to design more effective end-use monitoring and disbursement mechanisms and policymakers concerned with ensuring that the rapid expansion of private credit in Telangana's agrarian districts translates into durable livelihood gains rather than a further layer of unproductive household debt.

The study makes three specific contributions to the existing literature. First, it provides district-level micro-evidence on loan utilization that is specific to the private/NBFC/MFI lending channel, disaggregated by institution type, in a state and sub-region for which such evidence is presently thin. Second, by pairing utilization data with both livelihood outcome measures and repayment performance, it connects the developmental question of household welfare impact with the institutional question of portfolio risk, which are frequently examined separately in the literature but are, as the findings in Section 6 suggest, closely related in practice. Third, it offers empirically grounded, institution-actionable recommendations — rather than purely policy-level ones — that private lenders operating in comparable agrarian district settings elsewhere in Telangana and Andhra Pradesh may find directly applicable to their own loan product design and monitoring practices.

2. Review of Literature

The literature on rural credit utilization in India can be organized around three broad strands: studies on the determinants of loan diversion, studies on the livelihood impact of formal credit, and studies specific to the private/NBFC lending channel.

On loan diversion, Kumar and Golait (2009) find that a significant share of institutional agricultural credit in India is redirected toward non-farm consumption, particularly among smallholder and marginal borrowers whose farm income is insufficient to meet both production and subsistence needs simultaneously. Chakrabarti and Sanyal (2016), studying microfinance borrowers in eastern India, similarly report that loan diversion rises with household vulnerability — that is, borrowers facing health shocks, marriage expenditure, or prior debt obligations are systematically more likely to divert productive loans toward these ends, regardless of the loan's stated purpose at sanction. This vulnerability-driven diversion

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pattern is echoed in Basu and Srivastava's (2005) review of the Indian microfinance sector, which argues that rigid, purpose-tied loan products poorly match the fungible, multi-purpose nature of poor households' financial needs.

On livelihood impact, Pitt and Khandker (1998) established in their now-classic study of Bangladeshi microcredit that credit access has heterogeneous effects depending on how the loan is deployed, with productive investment yielding measurably stronger household consumption and asset gains than consumption-oriented use. In the Indian context, Swain and Varghese (2009) find that SHG-linked credit in Andhra Pradesh produced positive but modest asset effects, concentrated among households that used the bulk of their loan for livestock or micro-enterprise investment. Reddy and Mishra (2019), examining agricultural credit in Telangana specifically, note that the state's cotton- and maize-dominated cropping pattern creates high working-capital requirements that make farm households especially susceptible to using formal credit for input costs that, in poor rainfall years, do not translate into commensurate yield or income gains — a structural risk factor distinct from deliberate diversion.

On the private/NBFC lending channel specifically, the Reserve Bank of India's (2020) Report on Trend and Progress of Banking in India documents the rapid growth of NBFC credit to the household and micro-enterprise segment over the preceding decade, alongside a corresponding rise in regulatory attention to end-use monitoring. NABARD's (2021) All India Rural Financial Inclusion Survey similarly notes that private and NBFC credit sources, while improving overall formal credit access, exhibit weaker end-use documentation than public-sector agricultural credit, and are more frequently associated with borrower-reported consumption use. Mohan (2006), writing on the broader evolution of Indian rural credit policy, cautions that credit-access metrics alone are an inadequate proxy for developmental impact, and argues that utilization-tracking must be treated as a distinct analytical category from disbursement volume.

A related strand of literature examines the interaction between formal credit expansion and informal moneylending. Rangarajan (2008), in the report of the Committee on Financial Inclusion, observes that even where formal credit access improves, informal sources continue to account for a substantial share of rural household borrowing precisely because they offer flexibility of purpose and speed of disbursement that formal institutions, constrained by purpose-tying and documentation requirements, cannot easily match. This creates an incentive structure in which formal loans, once sanctioned for a specified productive purpose, may be used to substitute for or repay higher-cost informal debt, effectively converting formal credit into an indirect channel for informal-debt servicing rather than new productive investment — a pattern this study's data on debt-repayment diversion (Section 5.3) speaks to directly.

Taken together, this literature establishes both the theoretical expectation that loan diversion should reduce the livelihood impact of credit and the empirical observation that private/NBFC credit channels are structurally more prone to diversion than tightly monitored public and cooperative channels. However, district-level micro-evidence for Telangana's private lending segment — as distinct from SHG or public agricultural credit — remains limited, which is the gap this study addresses.

Finally, the regulatory literature offers relevant context on why the private/NBFC channel has expanded so rapidly in districts such as Jagtial and Karimnagar in particular. The Reserve Bank of India's (2020) revised priority-sector lending guidelines extended eligibility for on-lending partnerships between banks and NBFCs, enabling a substantial expansion of NBFC credit supply into semi-urban and rural markets that were previously served primarily by cooperative and public-sector branches. NABARD's (2021) NAFIS survey similarly documents a marked increase in the share of rural households reporting NBFC or private-bank credit as a source of borrowing between successive survey rounds, particularly in northern Telangana districts with comparatively dense private-institution branch networks. This regulatory and infrastructural expansion provides the immediate backdrop against which the present study's utilization findings should be interpreted: the private lending channel examined here is not a marginal or residual credit source in the study districts, but an increasingly central one, which makes the utilization and impact questions addressed by this study correspondingly consequential for district-level development outcomes.

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3. Objectives of the Study

The study is guided by the following specific objectives:

1. To examine the socio-demographic profile of private financial institution borrowers in Jagtial and Karimnagar districts.
2. To analyze the stated versus actual purposes for which loans are utilized among sample borrowers.
3. To assess the extent, direction, and correlates of loan diversion among sample households.
4. To evaluate the effect of loan utilization patterns on household income, asset accumulation, and self-reported livelihood security.
5. To suggest policy and institutional measures for strengthening the developmental impact of private financial institution lending in the study districts.

4. Research Methodology

4.1 Study Area

The study was conducted in Jagtial and Karimnagar districts of Telangana, both located in the state's northern Godavari basin and characterized by predominantly agrarian economies with cotton, maize, paddy, and turmeric as principal crops, alongside a growing base of small trade, transport, and allied-activity enterprises in mandal headquarters and market towns.

4.2 Sampling Design

A stratified random sampling method was adopted. Four mandals were purposively selected in each district on the basis of private financial institution branch density, and from each mandal, borrower lists obtained (with institutional permission) from two private banks, two NBFCs, and one MFI operating in the area were used as the sampling frame. From this frame, 40 borrowers were selected at random from each district-mandal combination, yielding a total sample of 320 respondents (160 from Jagtial and 160 from Karimnagar), stratified proportionately across gender, landholding category, and lending institution type.

4.3 Data Collection

Primary data were collected through a structured interview schedule administered face-to-face between January and April 2025. The schedule captured household socio-demographic characteristics, loan amount and stated purpose at the time of sanction, actual end-use of loan proceeds (self-reported and cross-checked against household expenditure recall), repayment status, and pre- and post-loan household income, asset holdings, and a five-point self-rated livelihood security scale. Secondary data on district-wise credit disbursement by institution type were drawn from the State Level Bankers' Committee (SLBC) Telangana Annual Credit Plan reports and NABARD district credit plans.

4.4 Analytical Tools

Data were analyzed using descriptive statistics (frequencies, percentages, means), and the association between loan diversion status and self-reported livelihood improvement was tested using the chi-square test of independence, with statistical significance evaluated at the 5 percent level ($p < 0.05$). Loans were classified as "diverted" where less than 60 percent of the sanctioned amount, by the respondent's own account, was applied to the stated purpose at sanction — a threshold consistent with the classification approach used by Chakrabarti and Sanyal (2016). Repayment status was recorded independently as regular, irregular, or defaulted at the time of survey, based on the borrower's most recent institutional repayment record where available, or self-report where institutional confirmation could not be obtained.

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4.5 Scope and Ethical Considerations

The study is confined to borrowers with active or recently closed loans (within the preceding 24 months) from private banks, NBFCs, or MFIs operating in the eight sample mandals, and excludes borrowers whose sole credit relationship was with public-sector banks, cooperative banks, or SHGs, in order to isolate the private-institution lending channel that is the study's specific focus. Informed verbal consent was obtained from all respondents prior to interview, respondent identities were anonymized at the point of data entry, and no individually identifiable loan account information was retained beyond the coding required for the mandal- and institution-type-level analysis presented in Section 5.

5. Data Analysis and Results

5.1 Socio-Demographic Profile of Respondents

Table 1 presents the socio-demographic profile of the 320 sample respondents. The sample was predominantly male-headed (68.4 percent), with a majority in the 31–50 age bracket (52.8 percent) and engaged principally in agriculture and allied activities (58.1 percent) as their primary occupation. A little over half the sample (54.7 percent) held marginal or small landholdings (up to 2.5 acres), reflecting the generally fragmented landholding structure of the study districts.

Table 1: Socio-Demographic Profile of Sample Respondents (N = 320)

Characteristic	Category	Frequency	Percentage
Gender	Male	219	68.4
	Female	101	31.6
Age Group	Below 30 years	58	18.1
	31–50 years	169	52.8
	Above 50 years	93	29.1
Primary Occupation	Agriculture / allied activities	186	58.1
	Petty trade / small business	76	23.8
	Wage labour / service	58	18.1
Landholding	Landless	41	12.8
	Marginal / small (up to 2.5 acres)	175	54.7
	Medium and above (> 2.5 acres)	104	32.5
Educational Status	Illiterate	72	22.5
	Up to secondary level	168	52.5
	Above secondary level	80	25.0

Source: Field Survey

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5.2 District-Wise Credit Disbursement by Institution Type

Secondary data on institutional credit flow (Table 2) indicate that private banks and NBFCs together accounted for a substantial and growing share of total formal credit disbursed in both districts during 2024–25, with NBFCs in particular expanding their share of the personal and micro-enterprise loan segment relative to cooperative banks.

Table 2: District-Wise Credit Disbursement by Institution Type, 2024–25 (₹ crore)

Institution Type	Jagtial	Karimnagar	Total	% Share
Public Sector / RRB	412.6	538.2	950.8	38.4
Cooperative Banks	186.3	204.7	391.0	15.8
Private Banks	298.4	356.9	655.3	26.5
NBFCs / MFIs	241.7	236.9	478.6	19.3
Total	1,139.0	1,336.7	2,475.7	100.0

Source: SLBC Telangana Annual Credit Plan and District Credit Plan Reports, 2024–25.

5.3 Stated versus Actual Loan Utilization

Table 3 compares the loan purpose stated at the time of sanction with the actual, self-reported end-use of loan proceeds. While agriculture and allied activities remained the single largest stated purpose (41.2 percent), the actual utilization data reveal a marked shift: only 29.4 percent of loans were ultimately applied predominantly to agricultural or enterprise purposes, while consumption, debt repayment, and social/ceremonial expenditure together accounted for 39.4 percent of actual use, compared to just 14.1 percent stated at sanction.

Table 3: Stated Purpose versus Actual Utilization of Loans (N = 320)

Purpose	Stated at Sanction (%)	Actual Utilization (%)	Diversion Gap (pp)
Agriculture / allied activities	41.2	29.4	−11.8
Business / micro-enterprise	26.6	22.2	−4.4
Housing / asset purchase	18.1	9.1	−9.0
Consumption / household expenses	6.6	16.6	+10.0
Debt repayment (other loans)	4.4	13.4	+9.0
Social / ceremonial (marriage, health)	3.1	9.4	+6.3

Source: Field Survey. pp = percentage points.

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5.4 Extent and Correlates of Loan Diversion

Applying the 60-percent utilization threshold described in Section 4.4, 91 of the 320 sample loans (28.4 percent) were classified as diverted. Table 4 disaggregates diversion incidence by lending institution type, showing that diversion was highest among MFI and NBFC borrowers, whose loan products are typically smaller, unsecured, and disbursed with limited end-use documentation, and lowest among private bank borrowers, whose larger, asset-linked loans were subject to comparatively closer sanction-stage scrutiny.

Table 4: Loan Diversion Incidence by Lending Institution Type (N = 320)

Institution Type	Sample Loans	Diverted Loans	Diversion Rate (%)
Private Banks	104	21	20.2
NBFCs	128	40	31.3
MFIs	88	30	34.1
Total	320	91	28.4

Source: Field Survey

5.5 Loan Utilization and Livelihood Outcomes

Household income and asset changes reported for the period preceding and following loan disbursement are summarized in Table 5, disaggregated by utilization status. Households whose loans were not diverted (utilized predominantly, i.e., 60 percent or more, for the stated purpose) reported substantially higher average income growth (17.6 percent) and asset value growth (13.2 percent) over the reference period than households whose loans were diverted (income growth of 4.1 percent and asset growth of 1.8 percent).

Table 5: Mean Household Income and Asset Change by Loan Utilization Status

Indicator	Non-Diverted Loans (n = 229)	Diverted Loans (n = 91)	Overall Mean
Mean annual income before loan (₹)	138,420	129,860	135,970
Mean annual income after loan (₹)	162,780	135,190	154,610
Mean income growth (%)	17.6	4.1	13.7
Mean asset value growth (%)	13.2	1.8	9.8
Mean self-rated livelihood security (1–5 scale)	3.8	2.6	3.5

Source: Field Survey

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A chi-square test of independence was conducted to examine the association between loan utilization status (diverted vs. non-diverted) and self-reported livelihood improvement (improved vs. not improved / worsened). The test yielded χ^2 (1, N = 320) = 24.63, $p < 0.001$, indicating a statistically significant association: borrowers whose loans were not diverted were considerably more likely to report livelihood improvement than those whose loans were diverted. This finding is consistent with the diversion–impact relationship reported by Chakrabarti and Sanyal (2016) and Pitt and Khandker (1998) in other regional contexts, and confirms that utilization pattern, rather than loan access per se, is the more proximate determinant of livelihood outcomes in the study districts.

5.6 Repayment Status by Loan Utilization

Table 6 examines whether the loan utilization pattern is also reflected in repayment performance. Diverted loans showed a markedly higher incidence of irregular repayment and default (38.5 percent combined) than non-diverted loans (14.0 percent combined), lending support to the expectation that diversion undermines a borrower's capacity to service debt from the incremental income the loan was intended to generate.

Table 6: Repayment Status by Loan Utilization Status (N = 320)

Repayment Status	Non-Diverted (n = 229)	Diverted (n = 91)	Overall (%)
Regular	197 (86.0%)	56 (61.5%)	79.1
Irregular	26 (11.4%)	24 (26.4%)	15.6
Default	6 (2.6%)	11 (12.1%)	5.3

Source: Field Survey, figures in parentheses are row-category percentages within utilization group.

6. Discussion

The findings of this study reinforce and extend the existing literature on rural credit diversion in three respects. First, the magnitude of diversion observed — 28.4 percent of sample loans — is broadly consistent with the range reported in prior Indian microfinance and NBFC studies (Chakrabarti & Sanyal, 2016; Kumar & Golait, 2009), suggesting that the phenomenon documented for public and cooperative agricultural credit extends, and is in fact somewhat more pronounced, in the private and NBFC lending segment in Telangana's northern districts.

Second, the institution-wise pattern of diversion (Table 4) points to a structural, rather than purely behavioral, explanation. MFI and NBFC loans in the sample were smaller in average size, unsecured, and disbursed with comparatively limited documentation of intended use relative to private bank loans, which were more frequently linked to identifiable assets such as vehicles or housing. This is consistent with Basu and Srivastava's (2005) observation that loan product design — specifically, the rigidity or flexibility of purpose-tying and the intensity of end-use verification — is itself a determinant of diversion risk, independent of borrower intent.

Third, the association between diversion and weaker livelihood outcomes (Table 5) should not be read as implying that diverted loans are wasted from the household's own perspective. Diversion toward health expenditure, marriage costs, or repayment of high-cost informal debt may represent a rational household response to acute financial vulnerability, consistent with the vulnerability-driven diversion pattern documented by Chakrabarti and Sanyal (2016). The lower measured income and asset growth among diverting households, in other words, likely reflects underlying vulnerability that precipitated the diversion, and not solely the diversion decision itself. Nonetheless, from an institutional and developmental-policy standpoint, the practical implication remains the same: loans structured and monitored as productive investment credit are less likely to serve this ends when disbursed to already-vulnerable households without complementary safety-net or emergency-credit provisions.

The comparatively modest asset growth reported even among non-diverting households (13.2 percent) also merits attention. Reddy and Mishra (2019) note that Telangana's cotton- and maize-dominated cropping pattern imposes high input costs relative to yield stability, meaning that even productively utilized agricultural credit may generate more modest income gains than credit deployed in trade or micro-enterprise, where returns can be realized over shorter cycles. This suggests that within "non-diverted" agricultural loans there is likely further heterogeneity in outcome that this study's binary utilization classification does not fully capture, and which merits closer examination in future work using crop-wise or enterprise-wise disaggregation.

The repayment findings presented in Table 6 add a further, institution-facing dimension to these results. Diverted loans in the sample were more than three times as likely to be in default as non-diverted loans, and nearly two-and-a-half times as likely to be repaid irregularly. This has a direct bearing on the risk-management case, as distinct from the developmental case, for stronger end-use monitoring: even setting aside the livelihood impact on borrowing households, lending institutions themselves carry a measurable portfolio-quality cost when disbursed credit is not applied to income-generating use. This dual cost — to household welfare and to institutional asset quality — suggests that the business case and the developmental case for improved utilization monitoring are, in this setting, well aligned rather than in tension, which strengthens the practical feasibility of the recommendations that follow.

A further point of interest concerns the gender composition of the sample. Female borrowers, though a minority (31.6 percent) of the sample, were disproportionately concentrated among MFI clients, consistent with the group-lending, small-ticket-size design typical of the MFI model in India. Given that MFI loans in this study also exhibited the highest diversion rate among the three institution types (Table 4), the livelihood impact of diversion may fall disproportionately on female borrowers, echoing the gender-differentiated credit-impact findings reported by Swain and Varghese (2009) for SHG-linked credit in undivided Andhra Pradesh. This raises a distinct equity consideration alongside the aggregate efficiency concern documented in Sections 5.4 and 5.5, and suggests that utilization-monitoring and financial-literacy interventions recommended in Section 7 would have particular value if targeted toward female MFI borrowers specifically.

7. Conclusion and Policy Implications

This study set out to examine how borrowers of private financial institutions in Jagtial and Karimnagar districts of Telangana actually utilize their loans, and how utilization patterns relate to household livelihood outcomes. The evidence indicates that private financial institution credit in these districts, while contributing meaningfully to overall formal credit access, is subject to substantial loan diversion — affecting more than a quarter of sample loans — concentrated disproportionately among NBFC and MFI borrowers and driven primarily by consumption smoothing, debt repayment, and social/ceremonial expenditure needs. Diverted loans are associated with significantly weaker income growth, asset accumulation, and self-rated livelihood security than loans utilized for their stated purpose.

These findings carry three main policy and institutional implications. First, private financial institutions operating in agrarian districts such as Jagtial and Karimnagar would benefit from strengthening end-use documentation and post-disbursement monitoring, particularly for unsecured NBFC and MFI products, without unduly increasing transaction costs for genuinely productive borrowers. Second, given that a meaningful share of diversion is driven by health and social-obligation expenditure rather than discretionary consumption, there is a case for complementary, purpose-specific micro-credit or micro-insurance products — for medical contingencies and life-cycle events — that would reduce the pressure to divert productive loans toward these ends. Third, borrower-level financial literacy interventions, delivered at the point of loan sanction, could help households better plan cash flow across productive and contingency needs, thereby reducing involuntary diversion arising from poor financial planning rather than acute shocks.

A fourth implication follows from the repayment findings in Section 5.6. Because diverted loans in the sample carried substantially higher irregular-repayment and default risk, private lenders have a direct commercial incentive — independent of any regulatory or developmental mandate — to invest in utilization monitoring and borrower cash-flow counselling at the point of disbursement. This alignment between institutional risk management and household welfare outcomes suggests that regulatory encouragement of stronger end-use practices, for instance through refinement of NBFC fair-practice code guidance on post-disbursement monitoring, is likely to be commercially palatable to lenders rather than merely an added compliance burden, which improves the practical feasibility of implementation relative to purely welfare-motivated regulatory interventions.

The study is subject to certain limitations. Actual loan utilization was measured through respondent self-report and expenditure recall rather than independent verification, which may introduce some recall or social-desirability bias; and the cross-sectional design captures outcomes at a single post-loan point rather than tracking utilization and outcomes longitudinally. The sample, while stratified across mandals, institution type, and key socio-demographic categories, is confined to two districts within a single agro-climatic zone of Telangana, and the findings should accordingly be generalized to other districts or states with appropriate caution. Future research extending this analysis through panel data across multiple loan cycles, disaggregating agricultural loan outcomes by crop and season, and incorporating independent verification of end-use through institutional transaction records where lender cooperation permits, would further strengthen the evidence base for designing private financial institution lending policy in Telangana's agrarian districts.

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