

Government Boosts Credit Flow to Agriculture Sector through Targeted Policy Measures

Measures include raising limit of collateral-free agricultural loans to ₹2 lakh, expanding Kisan Credit Card coverage, providing 7% interest subvention, and PM- Dhan Dhaanya Krishi Yojana to strengthen credit access for small and marginal farmers among others

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The Government has taken several measures to increase institutional credit flow to the agriculture sector, including to the underserved agricultural segments. These measures inter-alia includes the following:

- i. The Government fixes Ground Level Credit (GLC) targets for agriculture and allied sector every year which banks are required to achieve during the financial year. These targets are set region wise, agency-wise (Scheduled Commercial Banks, Regional Rural Banks & Rural Cooperative banks) and loan category wise (crop and term loan). Beginning in 2021–22, dedicated targets for allied activities under GLC were introduced to provide focused credit support for sectors such as dairy, fisheries, and animal husbandry.
- ii. In terms of extant guidelines on Priority Sector Lending (PSL) issued by RBI, Commercial Banks including Regional Rural Banks, Small Finance Banks, Local Area Banks and Primary (Urban) Co-operative Banks (UCBs) other than Salary Earners' Banks are mandated to allocate at least 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher, to agriculture, out of which a sub-target of 10 percent is prescribed for Small and Marginal Farmers (SMFs).
- iii. Further, PSL guidelines also prescribe an incentive framework for districts with comparatively lower flow of credit and a dis-incentive framework for districts with comparatively higher flow of priority sector credit which also include credit to agriculture and Small & Marginal farmers.
- iv. Kisan Credit Card (KCC) provides farmers with timely and affordable credit for purchasing agricultural inputs such as seeds, fertilizers, and pesticides, as well as for meeting cash requirements related to crop production and allied activities. Since 2019, KCC scheme has been extended to cover working capital requirement of animal husbandry, dairying and fisheries.
- v. The Government of India's Modified Interest Subvention Scheme (MISS) offers short-term agricultural loans to farmers at a concessional interest rate of 7% through Kisan Credit Cards (KCC). Farmers who repay promptly receive an additional 3% incentive, effectively reducing their interest rate to just 4%.
- vi. The limit for collateral free short-term agricultural loans, including loans for allied activities, has been raised from Rs.1.60 lakh to Rs.2.00 lakh per borrower by RBI w.e.f. 01 January

2025. This move enhances credit accessibility, particularly for small and marginal farmers (over 86% of the sector), who benefit from reduced borrowing costs and the removal of collateral requirements.

- vii. The Government through NABARD provides allocation under Rural Infrastructure Development fund to support the rural infrastructure creation which creates credit absorption capacity in rural areas of the country.
- viii. As announced in Union Budget for 2025-2026, the Government has launched PM Dhan Dhaanya Krishi Yojana (PM-DDKY). One of the objectives of the scheme is to facilitate adequate availability of long-term and short-term credit in districts with low agricultural credit disbursement.
- ix. The Government has also taken various steps like technology upgradation etc. to strengthen Rural Financial Institutes (Rural Cooperative Banks and Regional Rural Banks) which are primarily operating in rural and backward areas of the country.

Apart from the above NABARD as part of RBI's Lead Bank Scheme, prepares the Potential Linked Credit Plan (PLP) of each district every year for estimation of credit potential under Priority Sector which are consolidated at the state level. Based on the state level aggregation of PLPs, past trends, government priorities etc., Government in consultation with NABARD set the Ground Level Credit Target to agriculture. Further, NABARD provides financial support to Financial Institutions viz. Regional Rural Banks, Cooperative banks, Commercial banks, NBFCs/mFIs to augment their resources and provide adequate liquidity so as to enable them to meet the credit needs of farmers during cropping and harvesting seasons.

This information was given by the Minister of State in the Ministry of Finance Shri Pankaj Chaudhary in Rajya Sabha today.

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