

Government Strengthens Institutional Credit Framework for Agriculture and Allied Sectors

Ground Level Credit (GLC) targets, Priority Sector Lending norms and expanded Kisan Credit Card coverage enhance access to timely and affordable credit

Higher collateral-free loan limits, interest subvention benefits and NABARD refinance initiatives boost credit flow to small and marginal farmers

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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.

Some of 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) Cooperative 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.

NABARD has taken various steps to increase the credit flow to Agriculture sector which inter-alia include:-

- As part of RBI's Lead Bank Scheme, NABARD 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.
- To enhance Ground-Level Credit in Agriculture, NABARD extends refinance to banks to supplement their resources for Short-Term (ST) and Long-Term (LT) lending for agriculture and allied activities.
- Under Short Term refinance, NABARD extends refinance assistance to State Cooperative Banks (StCBs), Regional Rural Banks (RRBs), and Small Finance Banks (SFBs) against crop loans and other loans disbursed for agriculture and allied activities.
- Under Long Term refinance, NABARD extends long term refinance support to Rural Financial Institutions, Scheduled Commercial Banks, Small Finance Banks, Non-Banking Financial Companies (NBFCs) to meet their credit need.
- Apart from the above, NABARD through various refinance schemes, also provides concessional refinance to specific sectors such as micro food processing, animal husbandry infrastructure development, solar rooftop, aspirational and low PSL districts, financing under Agriculture Infrastructure Fund (AIF), Primary Agricultural Credit Society as a Multi-Service Centre (PACs as MSC) & World's Largest Grain Storage Plan (WLGSP), and National Rural Livelihoods Mission (NRLM).

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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