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Access to Agricultural Finance: Structural Gaps, Institutional Responses, and Emerging Models

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Access to agricultural finance remains one of the most stubborn structural challenges in development economics. Agriculture is the primary livelihood for the majority of the world's poor, yet it consistently receives a disproportionately small share of formal credit. The paradox is stark: smallholder farmers and agricultural small and medium enterprises represent the backbone of food production in low- and middle-income countries, but they are routinely classified by lenders as too risky, too costly to serve, or too collateral-poor to qualify for formal loans. The global financing gap for agricultural SMEs has been estimated at USD 5.7 trillion, a figure that illustrates both the scale of the deficit and the structural nature of the problem. This section examines the dimensions of this gap, the institutional mechanisms that have emerged to address it, and the innovations reshaping the frontier of agricultural finance, with particular attention to India's experience as the world's largest laboratory for state-led agricultural credit expansion.

The Structural Deficit: Who Is Excluded and Why

The barriers to agricultural finance are not merely technical but deeply structural. Smallholder farmers, particularly in South Asia and sub-Saharan Africa, face a compounding set of obstacles. In India, the collateral problem is especially acute. Because land titles serve as the primary collateral accepted by formal lenders, farmers without clear title—including tenant farmers, sharecroppers, and women—are systematically excluded from institutional credit. The exclusion operates along a middle ground that has come to be known as the "missing middle." Agricultural SMEs are frequently "too big for microfinance and too small for banks." Bank credit to agriculture accounts for less than 4% of total credit in Africa, and foreign direct investment in food and agriculture remains highly concentrated and far below potential. The consequence is a financing vacuum that neither microfinance institutions nor commercial banks are structurally positioned to fill. Even where credit schemes exist, penetration among the smallest farmers remains uneven. Formal credit instruments tend to benefit those who already possess some assets, education, or proximity to banking infrastructure, leaving the most vulnerable outside the system.

India's Kisan Credit Card: Scale, Architecture, and Limits

India's Kisan Credit Card (KCC) scheme represents one of the world's largest attempts to formalize agricultural credit. Since its introduction in 1998 and expansion to allied activities such as animal husbandry and fisheries in 2019, the KCC has become the primary channel for short-term agricultural credit. As of March 2026, 77.2 million KCCs are active, with outstanding credit amounting to ₹10.2 lakh crore. The scheme offers a concessional interest

rate of 7%, with an additional 3% subvention for prompt repayment, effectively reducing the cost of credit to 4% for disciplined borrowers. The collateral-free limit for short-term agricultural loans was raised from ₹1.60 lakh to ₹2.00 lakh in January 2025, a measure intended to bring more small and marginal farmers into the formal system. The crop loan limit under the Modified Interest Subvention Scheme was also raised from ₹3 lakh to ₹5 lakh, and the credit limit for fisheries and allied activities increased from ₹2 lakh to ₹5 lakh. The RBI's draft revised KCC guidelines issued in February 2026 propose further changes, including extending KCC tenure to six years to align with crop seasons and allowing expenses for technological interventions such as soil testing and organic certification within the credit limit. The delivery architecture is notably diversified. A total of 457 banks have been onboarded, including 37 commercial banks, 46 regional rural banks, and 374 cooperative banks. Across these institutions, nearly 200 million KCC applications have been processed, with cooperative banks accounting for the largest share at approximately 103 million applications. This reflects the central role of cooperative banks in extending agricultural credit at the grassroots level.



Yet the aggregate numbers mask persistent structural limitations. Agricultural credit disbursement for FY 2025-26 reached ₹30.03 lakh crore against a target of ₹32.50 lakh crore, an achievement rate of 92.39%. However, the breakdown reveals a stark institutional disparity: scheduled commercial banks achieved 97.75% of their target, while rural cooperative banks reached only 75.25% and regional rural banks 77.90%. The institutions closest to small farmers are the least equipped to meet their credit targets. The KCC model also faces a structural limitation in its scope: it is fundamentally a short-term crop loan instrument. The government has noted a shift toward longer-term investment credit, which is essential for capital formation and productivity growth, but this transition remains gradual.

Digital Infrastructure and the Kisan Rin Portal

The most significant institutional innovation in India's agricultural credit architecture has been the digitalization of the KCC ecosystem. The Kisan Rin Portal (KRP), launched in September 2023, integrates farmer profiles, loan disbursement data, interest subvention claims, and scheme performance metrics into a unified platform. For banks, the portal automates the submission and processing of Interest Subvention and Prompt Repayment Incentive claims, reducing delays and enhancing transparency in claim verification and settlement. For farmers, digital access has been expanded through multiple channels. The Jan Samarth portal serves as a one-stop platform for government-sponsored loan schemes, including KCC, providing digital evaluation of applicant data for faster approvals. NABARD has introduced an e-KCC portal for regional rural banks and rural cooperative banks, enabling end-to-end digitization of loan applications. Farmers can submit applications through nearby Common Service Centres without visiting bank branches, with loan sanction achievable in approximately two days. A one-page KCC application form with basic details pre-filled from PM-KISAN records further simplifies the process.

However, the digital divide remains a constraint. The farmers who most need credit—smallholders, tenant farmers, and those in remote areas—are also those least likely to have digital literacy or reliable internet access. The cooperative banks that serve them are the least digitally integrated institutions in the system, as evidenced by their low achievement rates against credit targets.

Direct Benefit Transfers and the Reduction of Informal Credit Dependence

While the KCC addresses institutional credit supply, the PM-KISAN scheme operates through a different channel: direct income support. The scheme provides ₹6,000 annually to eligible farmer households, delivered through Direct Benefit Transfer. As of December 2025, more than ₹4.09 lakh crore has been released to farmers across 21 instalments, with over 25% of beneficiaries being women. Survey evidence cited in government reporting indicates that more than 92% of beneficiary farmers used the assistance to purchase essential agricultural inputs such as seeds, fertilizers, and pesticides. More significantly for the credit access question, nearly 85% of beneficiaries reported improvements in agricultural income and a reduced reliance on informal credit sources during periods of crop loss or household emergencies. This suggests that direct transfers, while modest in absolute terms, function as a form of self-insurance that reduces the necessity of borrowing from moneylenders at usurious rates. The scheme's digital governance architecture—Aadhaar-based authentication, integration with land records, and public display of beneficiary lists at the village level—has also strengthened transparency. As of December 2025, ₹416.75 crore had been recovered from ineligible beneficiaries nationwide, demonstrating active verification mechanisms.

Priority Sector Lending and the Limits of Mandate

The Reserve Bank of India's Priority Sector Lending (PSL) guidelines mandate that commercial banks, regional rural banks, and small finance banks allocate at least 18% of Adjusted Net Bank Credit to agriculture, with a sub-target of 10% for small and marginal farmers. An incentive framework rewards districts with lower credit flow, while a disincentive framework applies to districts with higher flow, intended to promote more equitable distribution. The PSL mandate has been effective in ensuring that agriculture receives a minimum share of bank credit. However, it has not resolved the qualitative problem of who within agriculture receives that credit. Banks can meet their targets by lending to larger farmers and agribusinesses, leaving smallholders and tenant farmers underserved. The government's launch of PM Dhan Dhaanya Krishi Yojana (PM-DDKY) in the 2025-26 budget explicitly targets this gap, aiming to facilitate adequate availability of long-term and short-term credit in districts with low agricultural credit disbursement.

Self-Help Groups and the Gender Dimension

The Self-Help Group–Bank Linkage Programme (SHG-BLP), initiated by NABARD, has emerged as a significant channel for reaching rural women who traditionally lacked access to formal credit. As of July 2026, over 10.05 crore rural women have been mobilized into more than 90.90 lakh SHGs, with loan disbursement of ₹13.28 lakh crore recorded since inception. The deployment of approximately 50,548 Bank Sakhis—local women trained to assist SHG members with account opening, loan applications, and repayment—has supported SHGs in accessing bank credit of over ₹12.18 lakh crore since 2013-14. This model addresses a critical dimension of the access problem: women's exclusion from credit is not only a function of collateral but also of mobility constraints, financial literacy gaps, and social norms that discourage women from interacting with formal institutions. The SHG-BLP creates a peer-based intermediation layer that mitigates these barriers. However, the scale of SHG lending remains small relative to the KCC system, and the loans are typically small and short-term, limiting their utility for productive investment.

Conclusion: From Patches to Architecture

The evidence from 2026 points toward a conclusion that is both encouraging and sobering. The instruments and technologies needed to expand agricultural finance exist. India's KCC scheme has achieved scale, reaching tens of millions of farmers and disbursing hundreds of billions of dollars annually. Digital platforms have streamlined application and monitoring. Direct benefit transfers have reduced reliance on informal lenders. SHG linkages have brought millions of women into the formal financial system for the first time. Yet the structural gaps persist. Cooperative banks and regional rural banks—the institutions closest to

small farmers—are consistently the weakest performers against credit targets. The collateral-free limit of ₹2 lakh, while welcome, remains insufficient for many investment needs. The KCC is still primarily a short-term instrument, and long-term investment credit for smallholders remains scarce. And the digital divide means that the farmers who most need simplified access are the least likely to benefit from digital platforms.

The lesson is that access to agricultural finance cannot be solved by a single instrument or institution. What is required is an architecture—a coordinated system in which public policy, institutional credit, technological innovation, and direct transfers reinforce one another. India has built more of this architecture than most countries, but the persistent achievement gap between commercial and cooperative banks, and between aggregate targets and smallholder reach, suggests that the final mile remains the hardest.

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