



## RBI Enhances Collateral-Free Loan for Farmers

[Source: BS](#)

The [Reserve Bank of India \(RBI\)](#) has increased the **collateral-free loan** limit for farmers **from Rs 1.6 lakh to Rs 2 lakh** to support [small and marginal farmers](#) amidst rising input costs.

### Key Highlights:

- **Beneficiaries:** Over **86%** of farmers, primarily small and marginal landholders, are expected to benefit.
- **Extended Coverage:** Includes loans for **allied agricultural activities**, enabling income diversification.
  - Banks have been directed to ensure prompt implementation and raise awareness about the provision.
- **Complementary Schemes:** The measure will ease access to [Kisan Credit Card \(KCC\)](#) loans and align with the [Modified Interest Subvention Scheme](#), offering loans up to **Rs 3 lakh** at an effective **interest rate of 4%**.
  - This initiative enhances **financial inclusion** in agriculture, enabling farmers to **manage input costs effectively, invest in operations, and improve livelihoods.**

Read More: [Kisan Credit Card](#)

PDF Reference URL: <https://www.drishtiias.com/printpdf/rbi-enhances-collateral-free-loan-for-farmers>