



## The Study of Credit to Minority in Bihar

**Ankit Kumar**

Asst. Professor, M.D.College Naubatpur (Patna), Patliputra University, Patna,

Email ID: ankitrintu84@gmail.com

**Sima Kumari**

Asst. Professor, S.M.D. College, Punpun (Patna), Patliputra University, Patna,

Email ID: sima02kumari@gmail.com

DOI : <https://doi.org/10.5281/zenodo.17915046>

### ARTICLE DETAILS

#### Research Paper

**Accepted:** 17-11-2025

**Published:** 10-12-2025

#### Keywords:

*Minority Credit, PSL norms, financial literacy, NMDFC, Public Bank, Private Bank*

### ABSTRACT

Credit schemes and bank disbursements to minorities in Bihar form a critical part of the state's financial inclusion landscape. While significant progress has been made through Priority Sector Loan norms, Minority Welfare specific schemes, further strengthening is needed to ensure equitable access across districts. Banks in Bihar are not showing much interest to finance to Minority and it is not as per their population. The share of credit disbursement to Minority is declining by banks in Bihar and the Public banks are lagging behind to the Private Banks in credit disbursement share to minority in the state. Thus effective measures are needed in sensitize banks to enhance their credit to minorities. Effective implementation, financial literacy and system-level reforms can empower minority communities and help integrate them into the mainstream economy.

**Introduction:** The access of credit to all sections of society is very important not only for economic prosperity and development but also for the peace in the society. The credit is directly related to economic growth and for the inclusive development, credit plays an important role in every economy. India is a developing nation and here, the credit has been provided by both formal and informal sources. The banking system and Non-Banking Finance Companies (NBFCs) play a very important role in access of finance to all sections of society. The RBI regulation regarding priority sector advances and various



incentives to priority loans has played an important role to reach the finance to vulnerable section of society. Recent data has reflected that there are huge disparities in credit disbursements to male and female, among various social groups and on the basis of religion. In India, official notified minorities are Muslims, Sikhs, Christians, Buddhists and Jain. Bihar's Minority population is dominated with Muslim having 17.7% of the state's population, followed by significant small population of Buddhists and Christians. Government of India has established constitutional provisions to protect the right of minorities.

The minority population in the state is significant but the credit disbursement to the minorities is not as par with their population. There are various schemes has been started to uplift the finance to the Minorities but still the gap is very high. The Central Government, RBI and state government has taken various effective measures to uplift the Minority through various welfare schemes. While considering to economic and social development of the minorities, the credit to them is very important factors and efforts has been given to enhance credit to these segments. The foundation of minority credit policy in India is based on the recommendations of the Sachar Committee (2006) and the Prime Minister's 15-Point Programme (2006), which emphasised increasing bank credit to minorities through priority sector norms. The Reserve Bank of India (RBI) directs banks to ensure improved access for minority communities, especially in Minority Concentration Districts (MCDs). Under Priority Sector Lending (PSL), loans given to minority beneficiaries for micro-enterprises, agriculture-allied activities, housing or education are treated on par with other vulnerable categories. The RBI also mandates banks to report minority-wise disbursements, conduct credit camps, and maintain data on lending in districts with high minority populations. Bihar, with districts such as Kishanganj, Araria, Purnea, Katihar and Sitamarhi falling under MCDs, becomes a priority region for such interventions.

The present study is investigating the trends of the credit disbursements to Minorities in the state of last five years and also analysing the difference among banks for their credit disbursements to Minorities in the state. The state has divided the study in three sections. The first section will elaborate various credit schemes to minorities in the state, second sections elaborate trends of credit disbursements to minorities by banking system in Bihar and third sectos will elaborate the challenges of access of credit to minorities in Bihar. This is a descriptive research and graph and tables are used to analyse and interpret the results.

### **I. Major Channels and Schemes Providing Credits to Minorities:**

There are many dedicated channels which are providing finance to minorities in India and Bihar. Some of them are as below:



**National Minorities Development & Finance Corporation (NMDFC):** It was incorporated on 30<sup>th</sup> September 1994 as a company not for profit and it is a National Level Apex Body for benefit of Minorities as defined under the National Commission for Minorities Act 1992. The prime mandate of NMDFC is to provide concessional finance to the Minorities for self employment or income generation activities. Under NMDFC programme, preference is given to Artisans and Women. The total credit disbursed by NMDFC in FY 2024-25 is Rs 860.44 Crores to 200279 beneficiaries. The cumulative credit given by the agency is given below. The top three states availing its benefits are West Bengal, Kerala and Tamilnadu. Bihar has availed a very small fractions of total credit disbursements by the agency.

**Table1 : Cumulative Credit Disbursed by NMDFC as on 02.07.2025 in Crores**

	State	Credit Amount	Beneficiaries
Top Three States	West Bengal	3559.38	1152005
	Kerala	2654.22	625303
	Tamilnadu	595.32	238342
	Bihar	52.17	19220
	All India	8899.03	2415163

(Source : NMDFC, [www.nmdfc.org](http://www.nmdfc.org))

**State channel / state schemes (Bihar)** — Bihar’s Minority Welfare Department and bodies like the Bihar State Minorities Financial Corporation (BSMFC) implement state programs and channel credit/subsidies for skill, education and self-employment. (BSMFC is the state concessionary finance agency). State loan specific scheme like — *Mukhyamantri Alpsankhyak Rojgar Rinn Yojana* (state-level minority employment loan scheme) — provides low-interest loans for minority youth .

Commercial banks meet Priority Sector Lending (PSL) targets and have specific reporting and lead-bank arrangements for loans to minorities (including loans in “minority-concentrated districts”, SHG/JLG financing, microcredit, education loans, and on-lending). RBI issues Master Directions and circulars that govern how banks classify and report loans to specified minority communities. Commercial Banks and Non-Banking Financial Companies (NBFCs) are now playing an important role in financing minorities under various credit schemes. Mudra Loans and CGTMSE schemes are collateral free schemes and many beneficiaries of weaker social groups and minorities are getting finance under these popular schemes. The bank wise target has also been decided by bank management to finance to minorities, particularly in minorities concentrated districts. The high penetration of Micro finance Institutions and other NBFCs are



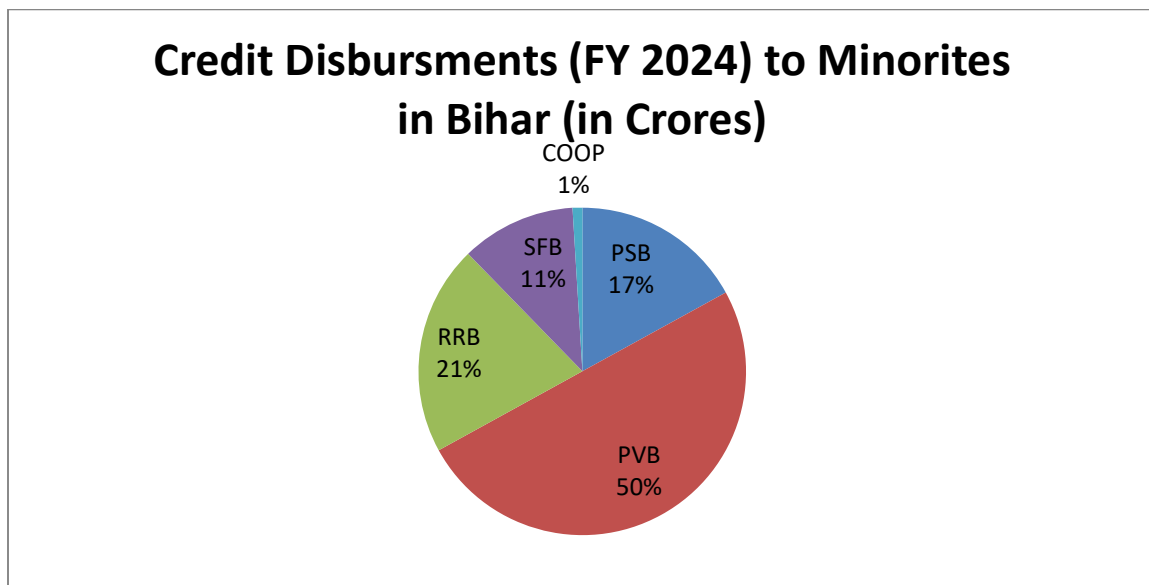
providing finance easily to all sections of society and minorities are also getting benefit of finance by them.

There are various modes of bank finance to minorities. It includes Direct lending by banks, On-lending / channelizing agencies and SHG- bank linkage and Joint Liability Groups (JLGs). Direct lending by banks refers bank branches (including rural branches) make micro, small enterprise and educational loans directly to minority borrowers under Priority Sector Lending (PSL) categories. Banks use priority sector classification where eligible. On-lending / channelizing agencies refers NMDFC, state corporations (Bihar State Minority Finance Corporation) and some NBFCs act as intermediaries; banks or financial institutions provide funds that are then lent to individual beneficiaries through these agencies. SHG–bank linkage & Joint Liability Groups (JLGs) refers NABARD-promoted SHG/Bank linkage and JLG models are important for women and poor minority households to access working-capital and micro-credit. NABARD and microfinance reports describe the SHG/JLG role in expanding access.

## II. Trends of Credit Disbursement by Banks to Minority in Bihar

The SLBC reports of Bihar for FY 2019 to FY2024 reflect that the credit disbursement to Minorities in the state is very low and it is majorly contributed by Private Banks of the state. The Public Sector banks which are quite dominant in the state have shown low interest to finance the minority in the state. It reflects that the specific schemes for Minorities Credit have not shown effective progress in the state.

**Figure1: Pie –Diagram of Credit to Minorities by Different Banks in Bihar in FY 2024.**



(Source : Author’s Calculation on SLBC Bihar data)



The credit disbursements of different banks for financial year 2023-24 reflects that the share of credit to minorities is 17%, 50%,21%,11% and 1% for Public Banks, Private Banks, Regional Rural Banks, Small Finance Banks and Cooperative Banks respectively.

The total amount of credit disbursements to minorities in the state and the trend of the percentage of credit disbursements to Minorities in total credit disbursements by banks in the state from FY 2019 to FY 2024 reflect that from FY 2019 to FY 2020, it is very positive and afterwards it shows negative. It is 4.05% in FY 2019 and 2.62% in FY 2024. The total credit disbursement in FY 2024 is Rs 6639 Crore, which is contributed by Public Banks and Private Banks are Rs 1128 and Rs 3328 Crore respectively. Thus, public banks are lagging behind to private banks in credit disbursements to minorities in Bihar.

While compare to share of minorities credit to total credit between Public Banks and Private Banks, we find that the share is always high to Private Banks compare with Public Banks from FY 2019 to FY 2024. The figure reflects this. The share of Minorities Credit is always declining in Public Banks since FY 2020. It is also declining in Private Banks from FY 2020 but it increased in FY 2023 and after wards declining in 2024. The Small Finance Bank has shown positive trends from FY 2022 and it is declining trend with RRB from FY 2021. Thus we are seeing that Private Banks and Small Finance Banks are performing better in Credit Disbursements to Minorities compare to Public Banks and RRBs in FY 2024 in Bihar. Thus there is a need to take effective policy measures to enhance credit disbursement to minorities by the public banks in the state.

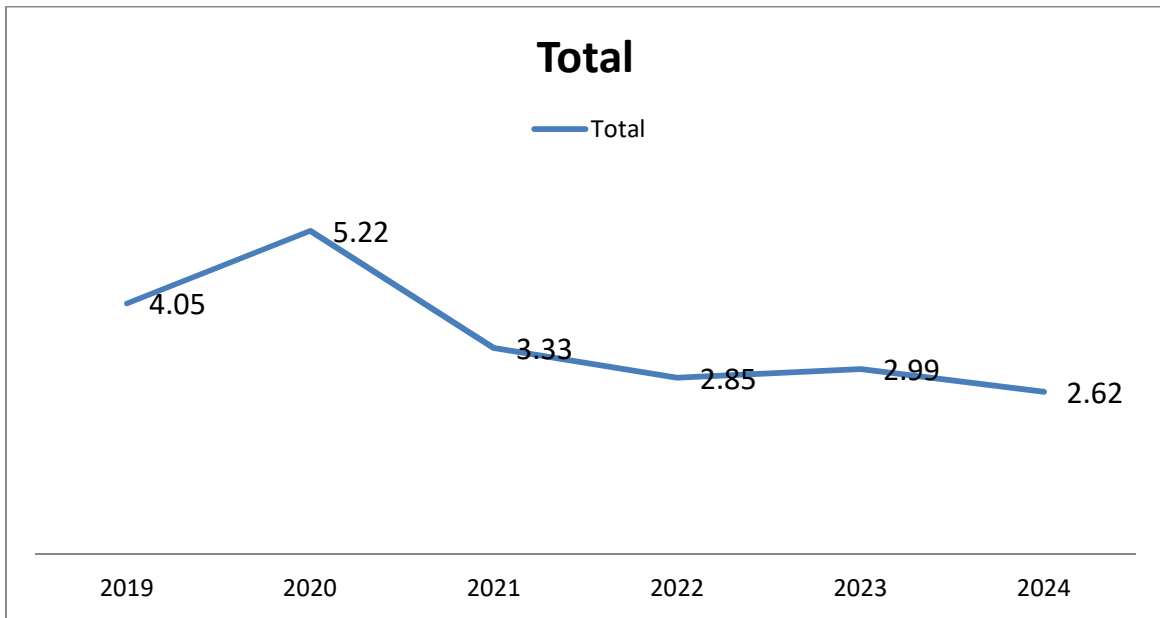
**Table 2: Credit Disbursement of Various Banks to Minorities in Bihar**

	TOTAL	PSB	PVB	RRB	SFB	COOP
2024	6638.89	1128.02	3321.18	1374.82	751.55	63.32
2023	6598.82	1114.49	3694.51	1432.78	357.04	0
2022	4586.54	665.92	1991.44	1722.4	206.78	0
2021	4268.11	737.15	1706.13	1681.01	143.82	0
2020	5507.72	1719.95	1995.64	1648.21	143.92	0
2019	4443.47	1274.53	1525.75	1607.82	35.37	0

(Source : SLBC Bihar data)

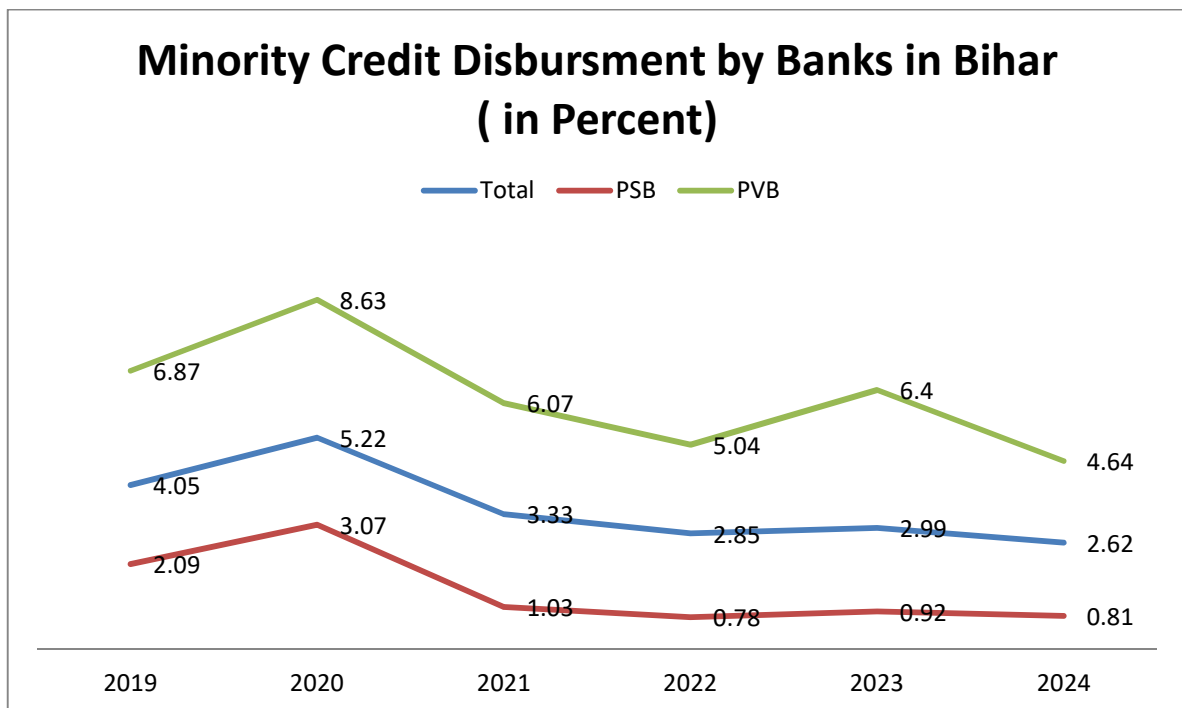


**Figure 2: The trend of share of Credit Disbursements to Minorities in Bihar**

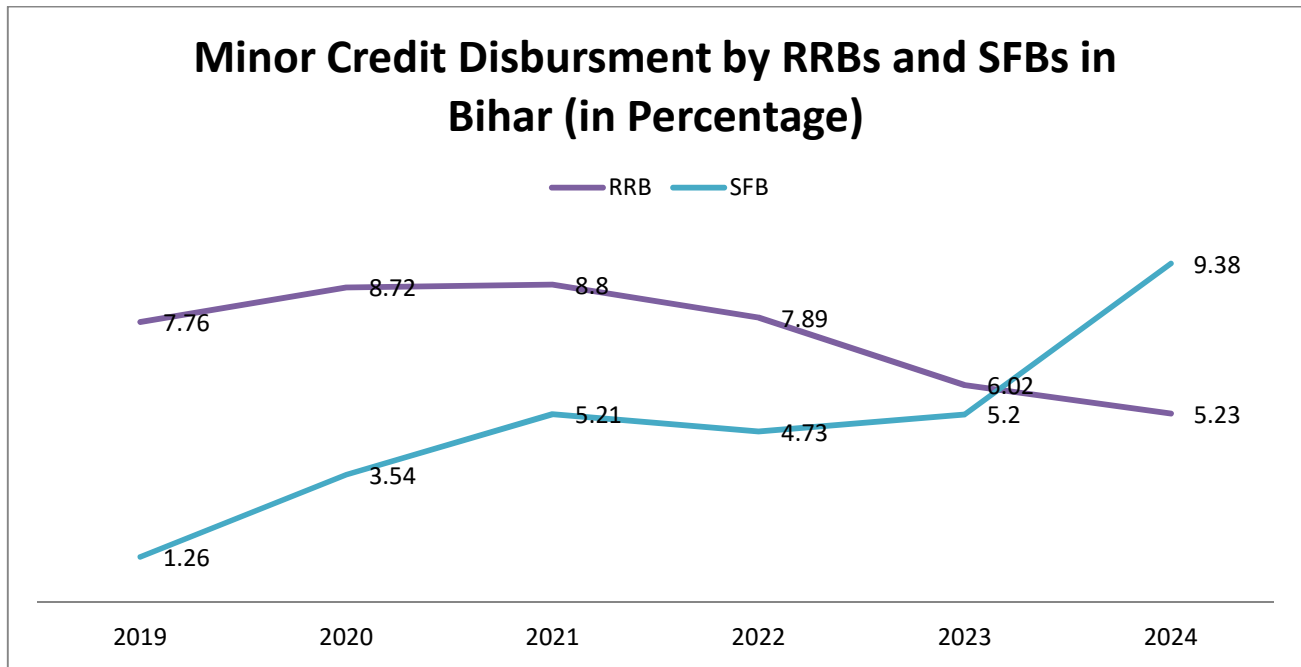


(Source : Author’s Calculation on SLBC Bihar data)

**Figure 3: The trends of Credit Disbursements Share to Minorities of Public Banks and Private Banks of Bihar**



(Source : Author’s Calculation on SLBC Bihar data)

**Figure 4: The Trends of Credit Disbursements Share to Minorities of RRBs and SFBs of Bihar**

(Source : Author's Calculation on SLBC Bihar data)

### III. Challenges in Minority Access to Credit

There are various challenges in Access to Credit to Minority in the state. It includes low financial literacy, documentation barriers, risk perception among banks, geographical disparities and limited scale of state channelized schemes, which restricts the number of beneficiaries. Addressing these requires stronger outreach, simplification of loan procedures, digital financial literacy, and improved monitoring of disbursements.

Strengthening credit access for minorities in Bihar can significantly contribute to poverty reduction, entrepreneurship development, and inclusive growth. Key policy steps include: Enhancing digital loan application systems for minorities, expanding BSMFC's capital base and coverage, increasing bank presence in minority-dominated rural areas, linking minority beneficiaries with skill-training and market-support schemes and strengthening monitoring under the Prime Minister's 15-Point Programme.

**Conclusion:** Credit schemes and bank disbursements to minorities in Bihar form a critical part of the state's financial inclusion landscape. While significant progress has been made through PSL norms, NMDFC programs, and state-led initiatives, further strengthening is needed to ensure equitable access across districts. Banks in Bihar are not showing much interest to finance to Minority and it is not as per



their population. The share of credit disbursement to Minority is declining by banks in Bihar and the Public banks are lagging behind to the Private Banks in credit disbursement share to minority in the state. Thus effective measures are needed to sensitize public banks to enhance their credit to minorities. Effective implementation, financial literacy and system-level reforms can empower minority communities and help integrate them into the mainstream economy. The combined efforts of banks, state agencies and government policies have laid a strong foundation, but sustained efforts will be essential to achieve inclusive and sustainable growth in Bihar.

### References :

- Government of Bihar. (2023). *Minority Welfare Department: Annual Report*. Patna: Government of Bihar. <https://state.bihar.gov.in/minoritywelfare/CitizenHome.html>
- Ministry of Minority Affairs. (2022). *Annual Report 2021–22*. Government of India. <https://www.minorityaffairs.gov.in>
- National Minorities Development & Finance Corporation. (2023). *Schemes and Programme Guidelines*. NMDFC. [www.nmdfc.org](http://www.nmdfc.org)
- Reserve Bank of India. (2020). *Master Directions – Priority Sector Lending (PSL)*. RBI. [www.rbi.org.in](http://www.rbi.org.in)
- Reserve Bank of India. (2023). *Basic Statistical Return and Trend of Banking in India*. RBI. [www.rbi.org.in](http://www.rbi.org.in)
- Sachar Committee. (2006). *Social, Economic and Educational Status of the Muslim Community in India*. Government of India.
- SLBC Bihar (2024). *Agenda Book of the 88<sup>th</sup> and 89<sup>th</sup> Joint Meeting Book*. <https://www.slbcbihar.com/SIBCHeldMeeting.aspx>
- SLBC Bihar (2023). *Agenda Book of the 81st SLBC Meeting*. <https://www.slbcbihar.com/SIBCHeldMeeting.aspx>
- SLBC Bihar (2022). *Agenda Book of the 76th SLBC Meeting*. <https://www.slbcbihar.com/SIBCHeldMeeting.aspx>
- SLBC Bihar (2021). *Agenda Book of the 72nd SLBC Review Meeting*. <https://www.slbcbihar.com/SIBCHeldMeeting.aspx>
- SLBC Bihar (2020). *Agenda and Minutes of 68th SLBC Meeting*. <https://www.slbcbihar.com/SIBCHeldMeeting.aspx>



- SLBC Bihar (2019). *Agenda and Minutes of 64th SLBC Meeting*  
<https://www.slbcbihar.com/SIBCHeldMeeting.aspx>