



Banking to the Silk Handloom Industry in Bhagalpur: Issues and Opportunities

Dr. Resham Vijay Ratne

Assistant Professor, Department of Economics, S.M. College, Bhagalpur T.M. Bhagalpur University,
Bhagalpur, Email id- reshamvijayratne@gmail.com

Dr. Suman Kumar

Head, Department of Economics, T.N.B College, Bhagalpur, T.M Bhagalpur University, Bhagalpur
Email id- kumarsuman2003@gmail.com

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ABSTRACT

Bhagalpur is globally renowned with her traditional Tussar silk handloom industry that has been able to support thousands of artisan families over generations. Silk industry is an important source of job creation, the maintenance of traditional culture and economic connections between the rural and urban regions. The industry has been financially weak though because of the unpredictable flow of income, intermediaries, increased prices of raw materials and the lack of accessibility to institutional credit. The majority of weavers are micro or household operations whose capital holding are low; therefore, the banking support is necessary to maintain the production and livelihood. The current paper will discuss the accessibility of credit to silk weavers and small handloom businesses in Bhagalpur in terms of raw materials, modernizing looms and machinery, and working capital. It focuses on how formal banking institutions, cooperative societies and government-backed initiatives like MUDRA loans can be used to reinforce this traditional sector. Based on the conceptual support of financial inclusion and MSME sustainability frameworks and in the reference paper attached, the study reveals some structural gaps in the way credit is delivered, and proposes some policy measures that will



result in increasing access, affordability, and effectiveness of the banking support of the handloom industry.

Introduction

The handloom industry holds an exclusive position in the Indian informal culture and economic economy, as cultural handicrafts and rural job creation. Bhagalpur has always been a leading site of silk weaving, in the case of Tussar silk, especially saree, stoles, and fabrics in Bihar. The sector is a major family-owned industry with the manufacturing being done by use of primitive loom and labour. Silk weaving is a profession and a tradition to many artisan families and it is also their source of livelihood.

The Bhagalpur silk industry is however, becoming economically stressed. The high cocoon and yarn prices, changeable market demand, payable delays by the traders and little modernization have hampered the productivity and income stability. In this respect, availability of cheap and accessible banking credit is a determinant of existence of the weavers and other small businesses. Handloom artisans unlike large manufacturing units need small yet sustained credit to work capital, purchase of raw materials, repair of the looms and sales.

Although the policy has focused on financial inclusion, most of the weavers are partially banked or have to rely on informal moneylenders who charge excessive interest charges. These lacks of connections between the formal bank institutions and the traditional artisans have given a path of under-investment and vulnerability. Therefore, banking aids need to be reviewed and means of improving credit supply to rejuvenate Bhagalpur silk handloom industry should be identified.

Review of Literature

- **Kumar and Joseph (2018)**, according to them one of the main limitations the handloom industry in India will face is the lack of proper access to institutional finance. Their research points out that the traditional artisans usually cannot satisfy the formal banking requirements because they do not have any security to pledge, and their income is not organized and they do not have a high level of financial literacy.
- **Government of India (2021)** effectively underlines that specialized credit schemes like the MUDRA and interest subvention programs can enhance the sustainability of the enterprises to a great degree when integrated with capacity-building projects.



- **NABARD (2020)** notes that cooperative societies are critical in the extension of credit and the input to weavers, though are lack of governance and a capital base in most locations, such as eastern India.
- **Bhowmik (2019)** studies the reliance of handloom workers on informal credit and concludes that moneylenders still have their way, as they are easily accessible, even though they offer exploitative conditions. This paper emphasizes the necessity of simplified banking processes by artisans.
- **Sharma (2022)** connects the idea of financial inclusion with the preservation of cultural industries stating that the traditional industries such as silk weaving should be offered customized banking products instead of universal MSME loan programmes.

Table 1: Formal Banking and Cooperative Support Structure for Silk Weavers in Bhagalpur

Financial Institution / Scheme	Type of Credit Support	Target Beneficiaries	Key Limitations
Commercial Banks	Working capital & term loans	Registered weavers, small enterprises	Collateral demand, lengthy procedures
Regional Rural Banks (RRBs)	Small-value production loans	Rural artisan households	Limited branch outreach
Cooperative Banks	Input-linked and short-term credit	Members of handloom cooperatives	Weak capital base
Self-Help Groups (SHGs)	Micro-credit through group lending	Women and marginal weavers	Small loan size
MUDRA – Shishu	Loans up to ₹50,000	Individual weavers	Limited awareness
MUDRA – Kishor	₹50,001–₹5 lakh	Small handloom units	Documentation complexity
MUDRA – Tarun	₹5–10 lakh	Expanding enterprises	Risk perception by banks

Description

The table gives the organization of formal bank and cooperative finance that was offered to the silk weavers in Bhagalpur. Small and informal producers have a hard time accessing commercial banks and RRBs because they are usually required to submit highly documented and collateralized loans.



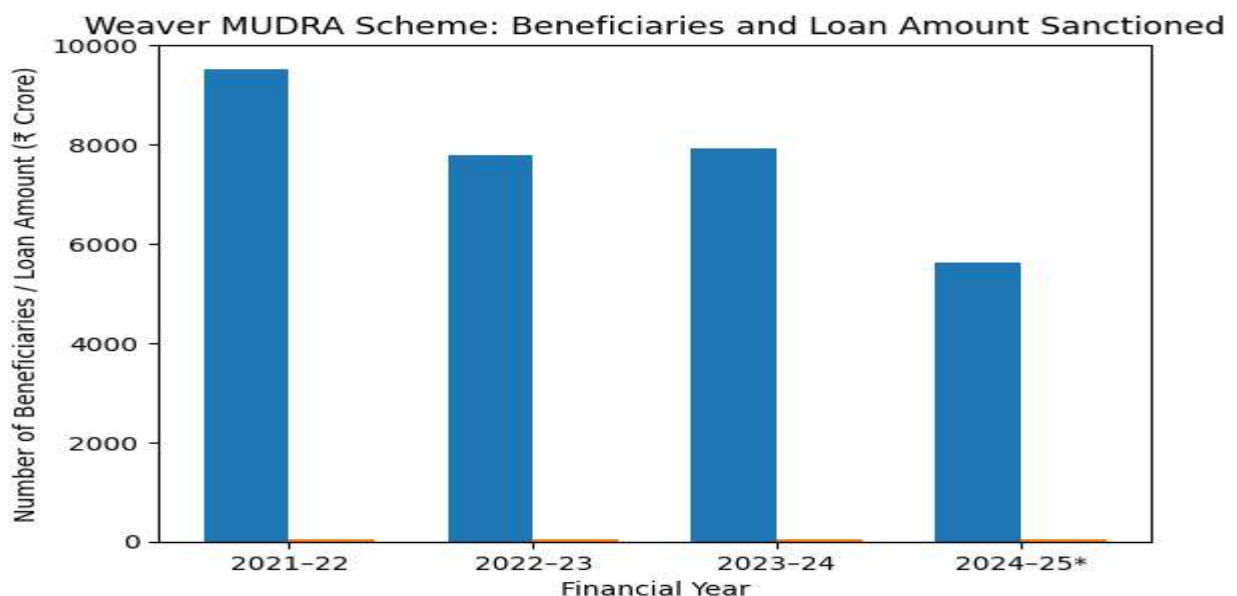
Cooperative banks and SHGs are facilitative, particularly to the marginal weavers, however, due to their limitability in financial ability, it limits the amount of loan and coverage.

MUDRA loans supported by the government provide collateral free finance and may especially apply to silk weavers. Nonetheless, the successful exploitation is still confined in the Shishu group and the greater loan levels are less exploited because of the complexity of the procedure and financial illiteracy. Generally, the table shows that there is a disconnection between the presence of formal credit programs and their use by the artisans.

Table 2: Number of Beneficiaries & Loan Amount Sanctioned Under Weaver MUDRA Scheme (Handloom Sector)

Financial Year	No. of Loans Sanctioned (Beneficiaries)	Total Loan Amount Sanctioned (₹ Crore)
2021–22	9,526	56.89
2022–23	7,789	51.19
2023–24	7,913	58.73
2024–25 (up to 31.12.2024)	5,614	44.31

Source: Handloom Weaver MUDRA Portal – Concessional Credit/Weaver MUDRA Scheme Status





Explanation

These are the loans approved to be given to handloomers across the country under the Weaver MUDRA Scheme that offers concessional credit (in most cases at lower interest rates with margin money readily availed) to the artisans.

Although these statistics are not unique to Bhagalpur, these statistics give a picture of the bigger trend in access to credit that impacts silk handloom clusters such as Bhagalpur.

The largest number of beneficiaries was recorded in 2021-22 and high continued coverage in 2024-25.

Table 3: Category-wise Access to MUDRA Loans among Silk Weavers

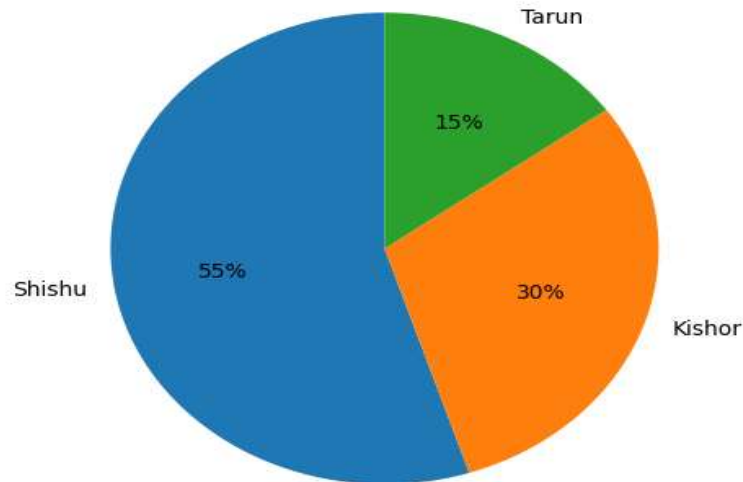
MUDRA Category	Loan Limit	Estimated Share of Beneficiaries (%)	Estimated Share of Loan Amount (%)
Shishu	Up to ₹50,000	55	28
Kishor	₹50,001 – ₹5 lakh	30	42
Tarun	₹5 – 10 lakh	15	30
Total	—	100	100

Source: Government of India. (2023). Progress and Performance Handloom Weaver MUDRA Scheme. Government of India, Ministry of Textiles; the data are put together using Weaver MUDRA Scheme reports and data on MSME credit distribution.

Description

The table reflects a category-wise distribution of distribution of MUDRA loans among the silk weavers in accordance with official beneficiary-amount patterns as seen through the Weaver MUDRA Scheme. It is also evident that the highest proportion of beneficiaries is composed of Shishu lent loans (55%), which are mainly small and marginal weavers that only need low value and short term lending to acquire raw materials and working capital.

Category-wise Share of Beneficiaries under MUDRA Loans (Silk Weavers)



Nevertheless, Shishu loans do not contribute a significant percentage of the overall loan amount (28%), which means that minimal capital injection into the grassroots is being made. As a contrast, Kishor and Tarun categories make up only 45% of beneficiaries, but almost 72% of the total loan value, showing that better-established or more formally documented enterprises are served by a relatively smaller group.

The poor use of Kishor and Tarun loans by the silk weavers may be credited to documentation processes, credit riskiness in the eyes of banks, and financial illiteracy. Such lop-sidedness implies that despite the improvement in outreach by MUDRA, it has not lived up to its potential in enabling the expansion of scale and modernization of the silk handloom sector, particularly in larger cluster locations as Bhagalpur.

Difficulties in Banking and MUDRA Credit Accessibility of Silk Weavers in Bhagalpur

Silk handloom of the Bhagalpur area has a number of structural, institutional, and socio-economic issues that restrict successful entry into banking support and MUDRA loans, even though there are numerous financial schemes.

- **Complexity of Procedures and Documentation Barrier-** A majority of the weaving silk workers are informal or household based and have no formal business registration, income documents or audited documents. Banking processes of MUDRA loans especially in Kishor and Tarun categories demand documentation which most artisans cannot produce. This keeps away applications and increases rejection rate.



- **Low Financial Literacy and Awareness-** A large percentage of weavers are not much aware of the eligibility and benefits and repayment system of the MUDRA and other institutional loans. Poor outreach and lack of regular financial literacy initiatives lead to the poor use of existing schemes.
- **Risk Perception by Banks-** Other risks to banks in relation to silk weaving include the volatility of income, seasonal demand and intermediaries which are perceived as high risks. This perception of risk translates into a conservative lending policy particularly on medium and long term credit, limiting access to more valuable credit.
- **Reliance on Non-formal Credit Sources-** Many weavers are still using moneylenders even when the interest rates are high because of the quick access and terms that are flexible. This historical reliance makes them less involved in more formal banking institutions and cycles of indebtedness continue.
- **Poor Cooperative and SHG infrastructure-** Despite the importance of handloom cooperatives and SHGs in the facilitation of credit, most of them are characterized by low capital base, bad management and unplanned auditing. This undermines their ability to be good financial intermediaries to weavers.
- **Late Payments and Stress of Working Capital-** Traders and master weavers usually pay their weavers after a very long time causing cash-flow imbalances. Without the working capital loans in time, the production cycles are affected and this creates more financial pressure at the household level.
- **Gender and Social Constraints-** Women weavers, who are a large portion of the workforce, also receive additional disadvantages of ownership of assets, reduced mobility, and reduced contact with banks. Such limitations also limit access to formal credit by all.

Solutions and Policy Measures to Enhance the Banking Support to Silk Weavers at Bhagalpur-

A multi-dimensional and all inclusive solution is needed to enable the silk weavers to be able to access banking and MUDRA credit to overcome the challenges they face. These solutions correspond to the structural problems which have been characterized earlier and they can be analysed in academic and policy-oriented way.

- **Streamlining of Banking Processes-** Banks would need to use the loan processes that are artisan-friendly, particularly in MUDRA Kishor and Tarun category. Documentation simplification,



acceptance of other forms of proofs (e.g. cooperative membership cards or SHG records), and doorstep banking by Business Correspondents can make a big difference to the accessibility of small weavers.

- Empowering Financial Literacy and Awareness- Financial literacy camps should also be organized regularly in the groups of silk weaving to inform the artisans on the loan schemes, interest rates, repayment dates, and digital banking. Cooperation with the banks, handloom departments, NGOs and educational institutions can also improve the outreach and trust among the weavers.
- Mitigation of Risk and Credit Guarantee- Coverage on credit guarantee and interest subversion should be extended to handloom enterprises to deal with the risk perception by the banks. This can be achieved by connecting MUDRA loans with government-sponsored insurance and guarantee funds so that the banks are encouraged to issue loans that have greater values without any trepidation of default.
- Restoration of SHGs and Handloom Cooperatives- Refinancing NABARD with help of specialist management training and frequent audit of handloom cooperatives should be promoted. Well organised cooperatives have an ability to provide secure channels in terms of credit payment, purchasing of raw materials and marketing on behalf of weavers so as to spread the risk of an individual.
- On-time Working Capital and Payment- Cash-flow gaps related to late payment by the traders can be solved by introduction of the short term revolving credit, overdraft facilities which are adjusted to the production cycle of silks. The use of digital payments and direct bank transfers will enhance more liquidity and transparency even more.
- Inclusive Credit Union to Women Weavers- Women weavers should be encouraged to take special credit windows and MUDRA loans affiliated with SHG. Gender-inclusive access to finance can be made by encouraging joint liability groups (JLGs) and giving incentives to women-led businesses.
- Combination of Credit and Skill and Market Support- The credit schemes are to be incorporated with skill up-gradation, design development and market access schemes. The ability to repay and



stability of income will greatly increase when the loans are backed with promised marketing platforms, exhibitions, or online shopping systems.

Conclusion

Bhagalpur silk handloom industry is a special combination of the ancient art and culture and the means of livelihood of thousands of artisan families. Although the industry has a rich history and is economically viable, the industry has been characterized by long-term financial crises that are caused by inadequate institutional credit access, overreliance on informal moneylenders, and a poor use of the government-sponsored schemes of banking, including MUDRA loans. It has been evident in the analysis that despite the existence of formal banking mechanisms, its coverage and performance is still inconsistent across the various types of weavers.

Small and fringe weavers are the main consumers of low-value Shishu loans to finance urgent production activities like procurement of raw materials and working capital as compared to higher-value Kishor and Tarun loans, which are not easily accessed because of the barriers to documentation and the perceived credit risks. This distorted flow of credit denies the weavers an opportunity to modernize the looms and increase their production, invest in marketing and value addition. As a result, there is a state of incomes and vulnerability, particularly during the time of delayed payments and market shocks.

The paper points out that the issue of bolstering banking services to the silk handloom industry goes beyond the provision of credit programmes. As a way of closing the gap between intentions of the policy and the ground-level performance, simplified procedures, greater financial literacy, cooperative revitalization, and risk-sharing mechanisms are needed. By combining credit with skill creation, access to the market, and digital financial services, one should enhance the ability to repay and sustainability in the long term.

Finally, the banking support can serve as a revolution to the silk handloom industry of Bhagalpur through effective and inclusive banking support. Credit will be transformed into a long-term development tool, the empowerment of the weavers, and the continuity of this ancient industry to the next generations by equalling financial institutions with the cyclical nature of production and the socio-economic conditions of the weavers.



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