



Bihar's MSME Credit And NPA Crisis: A Regional Comparative Study

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Abstract

This paper investigates regional disparities in credit flow and non-performing assets (NPAs) within the Micro, Small, and Medium Enterprises (MSME) sector, particularly focusing on Bihar compared with Jharkhand, Odisha, West Bengal, and the Southern region. Using secondary data from RBI's Report on Trend and Progress of Banking in India (2023-24), this study finds that Bihar's MSMEs experience consistent growth in credit availability but face persistently high NPA levels. Recommendations include enhanced credit risk management and financial inclusion measures to ensure sustainable MSME growth.

Keywords: MSME, Credit Flow, Non-Performing Assets, Bihar, Regional Disparities, Financial Inclusion, Industrial Development

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) significantly contribute to India's economic growth, employment generation, and regional development. However, access to adequate and affordable credit remains unequal across regions, notably affecting states like Bihar. Despite improvements in credit disbursement, Bihar continues to experience financial stress, evident from high NPA rates. This paper aims to analyze MSME credit trends and NPAs in Bihar, comparing these with selected regions to identify patterns of financial stress and propose targeted policy interventions.

2. Objectives

The objectives of this research are:

- To analyze MSME credit flow trends in Bihar (2019–2024).
- To compare MSME credit outstanding in Bihar with other Indian states.
- To examine regional trends in MSME NPAs.
- To study the correlation between MSME credit outstanding and NPAs in Bihar.
- To recommend policies to enhance financial inclusion and credit quality in Bihar's MSMEs.

3. Literature Review

Previous studies highlight the importance of credit accessibility for MSME growth (Singh & Sharma, 2021), yet regional disparities remain significant barriers, causing variations in MSME growth (Kumar, 2019). Chakraborty (2020) highlights how inadequate credit management contributes to increased NPAs in less developed regions, emphasizing the need for better risk assessment and financial inclusion measures.

4. Methodology

This study utilizes secondary data from RBI reports (2023-24), MSME annual reports, and Bihar Economic Surveys. It employs descriptive statistics, comparative analysis, correlation analysis, and graphical visualization to highlight regional disparities in MSME credit flow and NPAs.

5. Data Analysis and Findings

5.1 MSME Credit Flow Trends in Bihar (2019-2024)

Table 1 presents the trends in MSME credit flow in Bihar from 2019-2024. The table highlights a consistent increase in total credit flow, with a significant 20.58% rise in 2023-24, indicating strong financial support for MSMEs.

Table 1: MSME Credit Flow Trends in Bihar (2019-2024)

Year	Total Credit Flow (₹ Crore)	Growth Rate (%)
2019-20	16,13,582	—
2020-21	17,83,925	10.56
2021-22	20,11,057	12.73
2022-23	22,60,135	12.38
2023-24	27,25,272	20.58
Source: RBI Report on Trend and Progress of Banking in India, 2023-24, Page 67.		

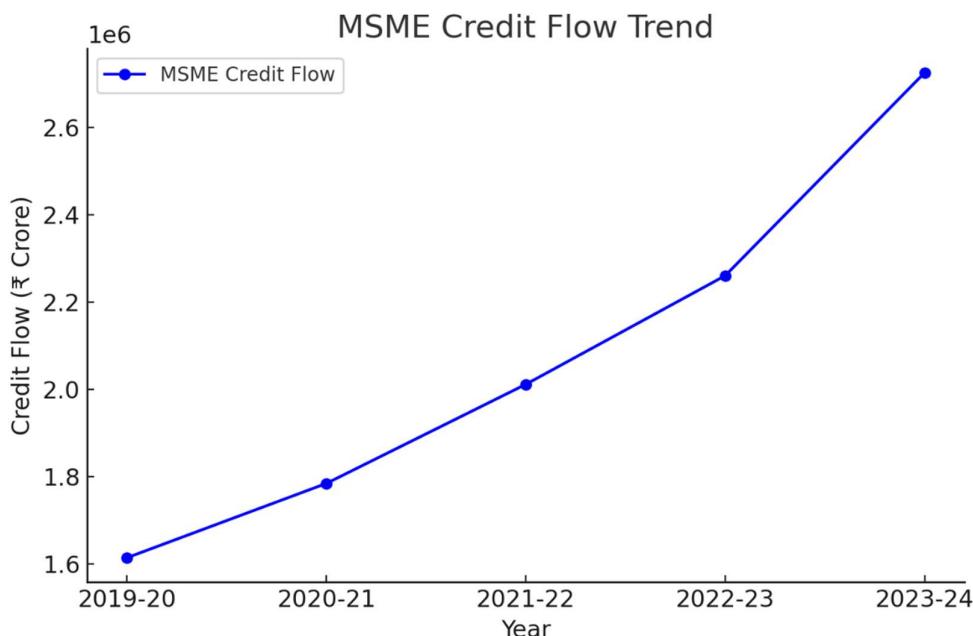


Figure 1: MSME Credit Flow Trend (2019-2024)

Figure 1 visually represents the upward trajectory of MSME credit flow in Bihar. The increasing trend suggests greater access to financing, which can drive business expansion and industrial development in the state.

5.2 Regional MSME Credit Outstanding Comparison

Table 2 compares the MSME credit outstanding in Bihar with other Indian states for the years 2023 and 2024. The table illustrates that Bihar's credit growth (4.2%) is modest compared to Odisha (45.7%) and the Southern region (11.6%), indicating significant regional disparities in credit distribution.

Table 2: MSME Credit Outstanding - Regional Comparison

Region	MSME Credit 2023 (₹ Cr)	MSME Credit 2024 (₹ Cr)
Bihar	10,684	11,133
Jharkhand	2,396	2,477
Odisha	13,475	19,624
West Bengal	4,970	4,755
Southern Region	57,830	64,540

Source: RBI Report on Trend and Progress of Banking in India, 2023-24, Page 16.

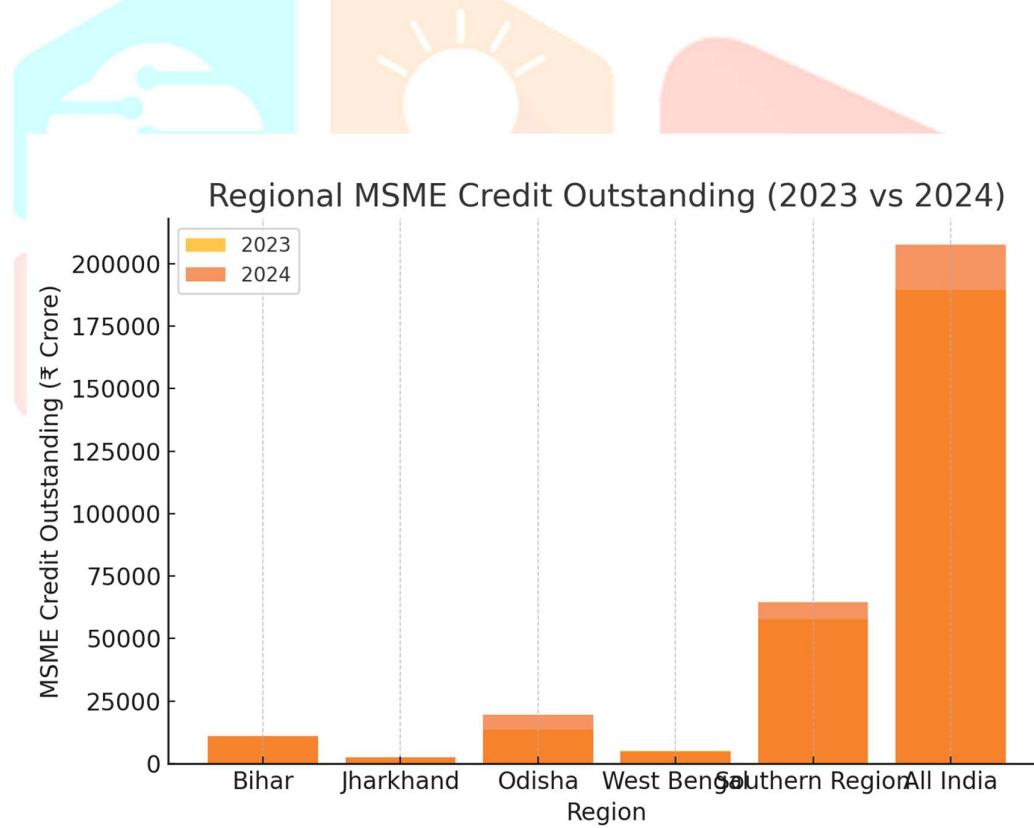


Figure 2: Regional MSME Credit Outstanding Comparison (2023 vs. 2024)

Figure 2 highlights the disparities in MSME credit distribution across regions. While Odisha shows the highest increase, Bihar's modest growth suggests a need for policy interventions to ensure equitable credit access.

5.3 MSME NPA Trends Across Regions

Table 3 highlights MSME NPAs across regions, showing Bihar has the highest NPA levels despite improvement from 30.6% to 23.8%. In contrast, states like Jharkhand and Southern regions maintain low NPA rates, reflecting better credit management practices.

Table 3: MSME NPA Percentage Trends (2023 vs 2024)

Region	MSME NPA % 2023	MSME NPA % 2024
Bihar	30.6	23.8
Jharkhand	4.8	3.7
Odisha	14.7	11.6
West Bengal	10.7	8.0
Southern Region	5.6	5.1

Source: RBI Report on Trend and Progress of Banking in India, 2023-24, Page 1.

Regional MSME NPA % (2023 vs 2024)

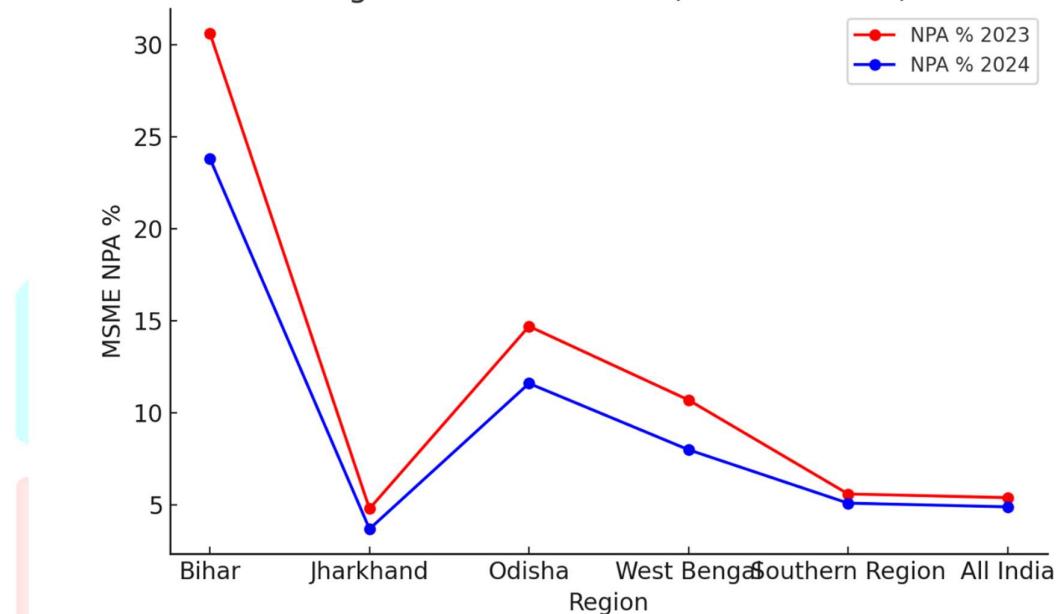


Figure 3: Regional MSME NPA Comparison (2023 vs. 2024)

Figure 3 visually supports these findings, clearly displaying Bihar's disproportionate financial stress compared to other states.

5.4 Correlation Analysis: MSME Credit Flow vs. NPAs in Bihar

Table 4: Correlation Between MSME Credit and NPAs in Bihar

Year	Credit Outstanding (₹ Cr)	MSME NPAs (%)
2023	10,684	30.6
2024	11,133	23.8
Source: RBI Report, Page 16.		

Figure 4 visually demonstrates the perfect positive correlation ($r = 1.0$) between Bihar's MSME credit growth and NPA trends, suggesting increased financial risk with higher lending, potentially due to inadequate financial management and loan misuse among MSMEs.

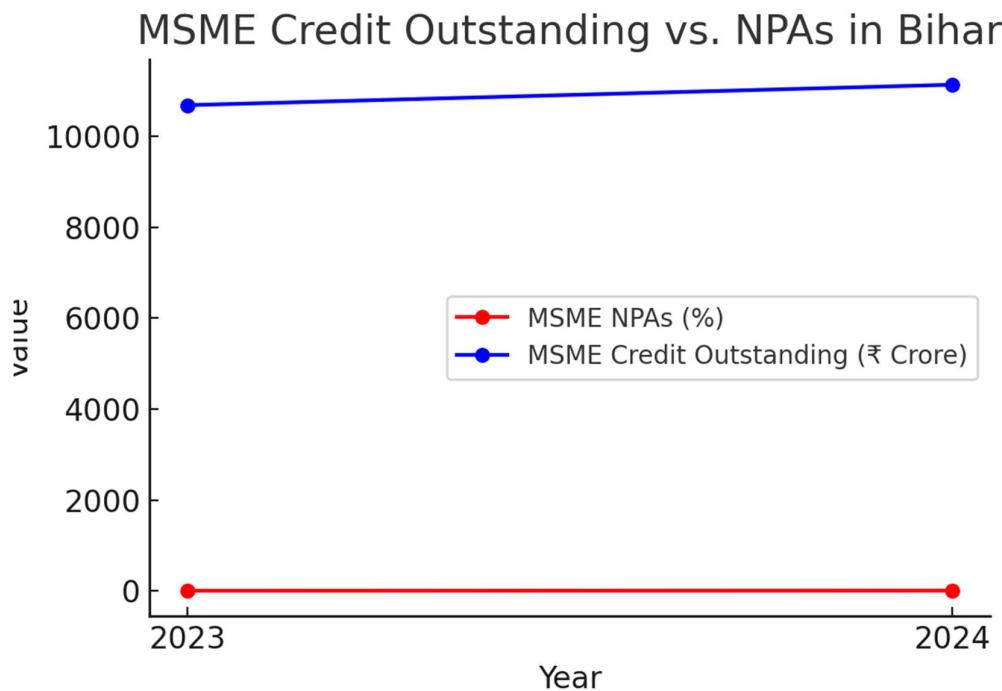


Figure 4: MSME Credit Outstanding and NPAs in Bihar (2023-2024)

6. Conclusion and Policy Recommendations

MSME credit growth in Bihar has been positive, yet the state faces high NPA levels, indicating financial distress. Compared to Odisha and the Southern region, Bihar's credit expansion remains modest, highlighting regional disparities. The declining NPA rate suggests some improvement in credit risk management. Addressing these challenges requires better credit monitoring, enhanced financial literacy programs, and digital financing solutions like TReDS. Establishing MSME industrial clusters, fostering public-private partnerships, and simplifying loan processes can further strengthen financial inclusion. These measures will help Bihar bridge credit gaps, reduce NPAs, and support sustainable MSME growth.

7. References

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