When Credit Lines Open Fault Lines: Economic and Political Effects of Bank Lending

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Abstract

This paper examines how welfare policies, in states with fractured societies, result in political and social changes, using a policy intervention in India. The policy directed commercial banks to increase lending to marginalized religious minorities, such as Muslims, in "minority concentration" districts. Using a regression discontinuity design, we identify improvements in access to credit and economic well-being of Muslims households. The policy also shifted political outcomes: state elections were more likely to have Muslim candidates who also received higher vote shares and exhibited increased likelihood of winning. These changes were likely driven by Muslims overcoming collective action problems: policy districts saw a rise in exclusively Muslim Self-Help-Groups, a strengthening of Muslim identity, and greater belief in the power of collective action to protect minority rights. However, the improved economic and political standing of Muslims triggered a blow-back effect, evidenced by a rise in communal riots, primarily in post-election periods.

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1 Introduction

States, especially those characterized by diverse and fractured societies, face a fundamental policy dilemma. On the one hand, there are strong normative and economic imperatives to design policies that uplift marginalized groups and foster inclusive growth (Marshall, 1950; Benabou, 1996). On the other hand, the impact of such welfare policies can extend beyond the immediate economic outcomes, altering political and social equilibrium (Alesina et al., 2001; Acemoglu, 2010), leading to unintended consequences that further social schisms. This makes it necessary to study not just the direct economic impacts of policies but also their broader political implications: particularly whether economic success translates into the political empowerment of the marginalized (Acemoglu and Robinson, 2006), and whether such disruptions to the status quo provoke a backlash (Mitra and Ray, 2014).

We examine this tension, where targeted economic development disrupts political equilibrium, through the lens of a large-scale welfare policy in the world's most populous democracy, India. This policy was designed to improve the socioeconomic status of religious minorities by expanding their access to bank credit.[1] By analyzing the consequences of this policy for India's minority Muslim citizens, our paper is uniquely positioned to shed light on how targeted economic interventions can foster the political empowerment of marginalized groups, and how this newfound agency can consequently trigger a backlash in a context marked by deep social fissures.

India presents an ideal setting to study the economic and political implications of credit policies designed to promote the welfare of marginalized groups within a fractured society. The country's formal banking system is extensive, but prone to discriminatory practices (Fisman et al., 2020). India's 200 million Muslim population forms the largest religious minority in the world, but remains economically disadvantaged (Sachar, 2006; Maizland, 2020), politically

[1] Access to credit, by enabling households to smooth consumption, invest in human capital, pursue entrepreneurial activities, and improve labor market outcomes is a well-established lever for poverty alleviation and development (Kaboski and Townsend, 2012; Augsburb et al., 2015; Buera et al., 2020; Cramer, 2021; Breza and Kinnan, 2021; Aydin, 2022). Yet, credit access remains deeply unequal, with significant disparities along the lines of religion, caste, and gender (Blanchflower et al., 2003; Fisman et al., 2020; Brock and de Haas, 2023).

under-represented (Bhalotra et al., 2014; Allie, 2024), and vulnerable to religious violence (Iyer, 2018).

To address widening socio-economic disparities along religious lines, the federal government in 2006 unveiled the Prime Minister's 15 Point Programme for Minorities – a set of policy initiatives designed to enhance the socio-economic conditions for religious minorities: namely, Muslim, Christian, Sikh, Buddhist and Parsi groups. One aspect of this program underscored "equitable" access to bank credit for minorities. Subsequently, the Reserve Bank of India (RBI)[2] in 2007 directed commercial banks to expand credit access for religious minorities in "minority concentration" districts.[3]

For causal identification, we leverage the administrative criteria used by the RBI to classify districts as "minority-concentration": namely, districts where the population share of religious minorities exceeded 25%, as per the 2001 Population Census (RBI, 2007). The use of an arbitrary threshold generates plausibly exogenous variation in policy exposure in the spirit of a regression discontinuity (RD) design, allowing us to compare outcomes across districts barely above the threshold (treatment), vis-a-vis those just below (control) (Lee and Lemieux, 2010). As treatment assignment was undertaken using data predating the policy by six years, it is unlikely that districts could have manipulated their minority shares to influence inclusion. Formally, the McCrary density test (McCrary, 2008) fails to reject the null of no sorting around the discontinuity threshold. Based on the first list of minority concentration districts issued in 2007, we confirm that all districts satisfying the treatment assignment condition were assigned to treatment. However, within 3 months, an additional 18 districts with minority shares less than 0.25 were added to this list. We address this non-compliance in treatment assignment using a fuzzy regression discontinuity design as our main specification. We use the fuzzy RD design to confirm balance on key pre-treatment banking, economic, political and crime outcomes, suggesting that districts around the cut off were observationally equivalent prior to the policy announcement.

[2] The Reserve Bank of India is India's central bank, which also serves as both the regulator, and supervisor for India's commercial banks. This allows it to frame nationwide credit policies for commercial banks.

[3] Districts form the third tier of administration in India, after the federal and state.

We begin by establishing the first-order impacts of the directed credit credit policy and compare minority households' access to bank credit across treatment and control districts within a narrow neighborhood around the discontinuity threshold. We use nationally representative data from the All India Debt and Investment Survey (AIDIS) conducted in 2019, allowing us to estimate the long-run effects of the directed credit policy on household bank borrowings. Our preferred sample is a fixed set of 95 districts within a 0.072 bandwidth around the policy threshold, selected using the MSERD optimal bandwidth procedure recommended by Calonico et al. (2020). A single bandwidth is preferred to ensure a consistent sample of districts are used as we explore the impacts of the policy across a diverse array of economic, political and conflict outcomes.

Comparing Muslim households in minority concentration districts to observationally equivalent Muslim households in non-minority concentration areas within our preferred bandwidth, the fuzzy RD design identifies a statistically significant 8 percentage point (ppt.) increase in bank credit access.[4] This translates to an additional 3,000 Muslim households per district receiving a bank loan following this policy. Along the intensive margin, we identify an unconditional INR 6,000 increase in per capita bank borrowings, equivalent to 20 percent of Muslim households' annual per capita consumption. The aggregate expansion in bank credit to religious minorities equals 1.2 percent of overall personal loans issued by banks in our sample districts. Greater access to bank credit translated into broader improvements in household well-being: Muslim households in treated districts reported 27 (32) percent higher per capita monthly consumption (household assets) compared to their control counterparts.

We consider three potential mechanisms driving the observed increase in minorities' access to bank credit. First, we offer evidence of banks leveraging existing institutional arrangements to expand credit in environments where information frictions are prevalent. Over the past two decades, India has witnessed a steady rise in loans issued through bank-linked self-help groups (SHGs), whereby banks lend directly to registered SHGs, which subsequently decide on the internal allocation of credit. While loans obtained directly from commercial banks too increased,

[4] We verify robustness to alternate bandwidths between 0.04 to 0.10, and also confirm the results to not be driven by any single state. Overall findings are unchanged when the sample is extended to non-Muslim religious minorities.

we identify that 60 (9) percent of the extensive (intensive) margin increase in bank loans can be attributed to lending through bank-linked SHGs. Second, as minorities possessed fewer pledgeable assets, we investigate whether banks responded by easing collateral requirements. We however find no change in minority borrowers' likelihood of having an unsecured bank loan in treated districts. Third, we test whether banks adjusted interest rates to facilitate credit flow to minorities. We find no evidence of a lowering of interest rates for minority borrowers, suggesting that the expansion in credit access was not driven by pricing changes.

Having established that the credit policy increased Muslims' access to bank credit and improved economic well-being, we explore whether economic empowerment translated to political empowerment and greater security from religious persecution. This is a critical question when considering diverse societies where economic gains for a specific group in equilibrium may not translate to political gains (Acemoglu, 2010; Acemoglu and Robinson, 2013), especially when the beneficiaries are as disadvantaged as Indian Muslims (Sachar, 2006; Mitra and Ray, 2014). Resultantly, we study whether the minority credit policy affected the political and social lives of Muslim minorities through the lens of Muslim participation in state electoral politics and the incidence of Hindu-Muslim conflicts.

Using data compiled by the Trivedi Center for Political Data (TCPD) and extending the fuzzy RD framework to Indian state elections conducted between 2008 and 2019, we identify sizable increases in both the participation, and electoral support for Muslim contestants. The likelihood of a Muslim candidate to contest elections increased by 24 ppt. in minority concentration areas, along with a 3.4 ppt. unconditional (2.8 ppt conditional) increase in the share of votes accruing to these candidates. The likelihood of Muslim candidates contesting on behalf of select non-right-wing, non-majoritarian parties was also significantly higher; indeed, the rise in vote shares for Muslim contestants emanated from candidates contesting on behalf of these select non-majoritarian parties.[5] Rising citizen support translated to a 9 ppt. increase in

[5] We consider 5 major parties which have been vocally opposed to recent majoritarian tendencies in India as non-majoritarian parties, these include: the Indian National Congress (INC), the Samajwadi Party (SP), the Rashtriya Janata Dal (RJD), the All India Trinamool Congress (AITC), and the Nationalist Congress Party (NCP). For the year 2015, the Janata Dal (United) (JD(U)) is also considered in this grouping as it was part of an electoral alliance with the RJD and the INC.

Muslim candidates' likelihood of winning elections, deepening minority representation in state legislatures. These results assuage concerns that economic empowerment might have increased political participation from minority citizens who contested elections solely to enhance their personal visibility. Overall, our findings point to minority political empowerment in districts eligible for the directed credit policy: an uptick in the supply of candidates who received greater electoral support, and had higher winnability.

We consider two pathways through which improved access to formal credit could have facilitated minority political empowerment. First, as the extensive margin expansion in minority bank credit access was facilitated through bank-linked SHG loans, greater interactions through SHG groups could have promoted collective action among Muslim voters, an overall strengthening of minority identity and improved coordination while voting for preferred candidates. We provide two pieces of evidence consistent with this explanation. First, using data from the National Rural Livelihood Mission (NRLM) on membership in bank-registered SHGs, we identify an additional 2,000 Muslim members across SHGs in the average policy district in any given year. Critically, the increase in Muslim SHG membership is driven by SHGs with exclusively Muslim members.

If coordination costs were higher for religious minorities, increased social interactions through bank-registered SHGs (Desai and Joshi, 2014) could have strengthened the salience of Muslim identity (Atkin et al., 2021) and citizens' belief in the efficacy of collective action and political organization (Sen and Sharan, 2024). The second piece of evidence documents the presence of such beliefs amongst Muslim citizens. Using data from *Samaj* Surveys (2017 & 2019) conducted by the Centre for Monitoring the Indian Economy (CMIE), we find Muslim respondents in policy districts were significantly more likely to state religion as a critical part of their identity. Moreover, Muslim respondents were also more likely to believe that collective action along religious lines would evoke favorable policy responses from the government towards their community. Finally, Muslim citizens also expressed greater willingness to engage in protests to advocate for their rights. We complement the survey responses with suggestive evidence of Muslim citizens acting on their beliefs. While there is no disaggregation of voter turnout by religious denomination,

we identify a significant increase in overall turnout in minority concentration districts. Higher turnout was also driven by constituencies with a relatively high share of Muslim voters, consistent with improved citizen coordination during elections.

An alternate channel through which the credit policy could have affected electoral politics would be changes to candidate supply. Access to bank credit can generate a wealth effect that alters the supply of Muslim candidates in minority concentration areas by allowing them to overcome entry costs. Wealthier candidates can also run a more effective campaign, leading to electoral gains. Using data on candidate affidavits, we find some suggestive evidence that the supply of candidates, particularly those running on non-majoritarian party platforms, was altered. However, the results are not strong enough to provide definite evidence for this explanation.

Noting India's long history of Hindu-Muslim (majority-minority) violence (Varshney, 2003), we conclude our empirical analysis by determining whether the changes in economic and political realms affected social harmony. Inter-group conflict can be shaped by both economic and political empowerment: economic prosperity can increase the opportunity cost of violence, while political empowerment can improve communities' influence over law enforcement authorities, deterring violent actors in opposing groups. Alternately, Mitra and Ray (2014) predict the strategic use of violence by majority groups to reassert dominance when faced with growing minority prosperity.

We focus on Hindu-Muslim riots as a measure of communal conflict. We complement administrative data from the National Crime Records Bureau (NCRB) with newspaper reports of violence, compiled by the Armed Conflict Location and Event Data (ACLED) (Raleigh et al., 2010). Both datasets identify a significant increase in religious conflicts in policy-affected districts. Other crime heads such as non-religious riots or murders remained comparable across treated and control areas, negating a secular rise in criminal activity in minority concentration areas as a plausible alternate explanation.

We conclude by examining the prime driver of religious violence in minority concentration areas. We disentangle whether riots stemmed from minority political empowerment or in response to improvements in minorities' economic status. We contend that if animosity towards minorities

emerged in response to their economic empowerment, the increase in violence would be unrelated to the timing of elections. However, if the increase in violence is observed only prior to the elections, it is likely to be driven by an effort to suppress minority turnout in anticipation of electoral gains. Alternately, if violence occurs only after the elections, it indicates an electoral backlash to the political empowerment of minorities. Disaggregating the ACLED data into post (12 months after) and pre-electoral periods (12 months before), we identify a significant increase in religious riots only after the elections. This suggests that the violence was strategically timed as a mechanism to punish minorities for their opposition to majoritarian politics.

Our paper contributes to two broad strands of literature. First, we show how a welfare policy designed to improve access to formal credit for marginalized groups can improve economic well-being and enhance political empowerment through stronger within-group coordination. While prior research has separately established credit access to improve household welfare (Breza and Kinnan, 2021) and institutional mechanisms – such as electoral quotas – to bolster political representation (Pande, 2003; Chattopadhyay and Duflo, 2004; Besley et al., 2017; Gulzar et al., 2021), this paper, to the best of our knowledge, is the first to demonstrate that economic empowerment can translate into political agency for minority groups in a fractured society. Consequently, our paper links interventions for economic development to changes in political equilibrium (Acemoglu, 2010).

Furthermore, we document that group-specific economic and political gains may provoke backlash through rising religious violence targeting the beneficiary group. In the process, we contribute to a nascent literature on the political and social costs of redistributive policies aimed at marginalized communities (Chyn et al., 2024; Avenancio-León et al., 2024; Choi et al., 2024). While previous work on inter-group conflicts has linked violence to efforts undertaken by the majority to preserve economic hierarchies (Mitra and Ray, 2014), or to suppress minority political participation (Wilkinson, 2006; Condra et al., 2018; Iyer and Shrivastava, 2018), we offer an additional mechanism: that political backlash may emerge as a form of punishment following a weakening of majoritarian political dominance. These findings speak to a central dilemma in state capacity: how efforts to correct market failures and promote inclusive development

can generate countervailing political risks in polarized and fragmented societies (Acemoglu and Robinson, 2013).

Second, this paper provides evidence of the effectiveness of an at-scale implementation of affirmative action in formal credit markets. While affirmative action has widely been studied in labor (Leonard, 1990; Holzer and Neumark, 2000; Miller, 2017), housing (Chetty et al., 2016), and political markets (Pande, 2003; Chattopadhyay and Duflo, 2004; Jensenius, 2015; Bhavnani, 2017; Gulzar et al., 2021), little is known about its implementation within the banking industry. We examine a nationwide directive issued by the Indian government to expand credit access for religious minorities through the banking system – a context in which discrimination against religious minorities is well-documented (Fisman et al., 2020; Blanchflower et al., 2003; Brock and de Haas, 2023).

We also engage with critiques of affirmative action that focus on unintended consequences, such as misaligned targeting (Barrow et al., 2020) or the crowding out of non-minority beneficiaries (Arcidiacono et al., 2022). Our findings indicate that credit to religious minorities was unaccompanied by a worsening in loan performance; neither do we find strong evidence of a crowd out of non-minority borrowers. Instead, banks partnered with self-help groups (SHGs) to mitigate information asymmetries and improved outreach to creditworthy minority borrowers. Our findings underscore the potential for institutional intermediation to enhance the effectiveness and precision of financial inclusion policies.

The remainder of our paper is organized as follows: Section 2 describes the policy intervention of interest; Section 3 discusses the data used for the empirical analysis and presents some descriptive trends; Section 4 presents the empirical strategy for causal identification; Section 5 presents our key findings on access to credit; and Section 6 presents out results on political outcomes.

2 Background and Conceptual Framework

This section offers details about the Prime Minister's 15 Point Programme for Welfare of Minorities.

2.1 Prime Minister's 15 Point Programme for Welfare of Minorities

The Prime Minister's (PM) 15 Point Programme for the Welfare of Minority Communities was a set of policies outlined by India's federal government, aimed at improving the socio-economic conditions of India's religious minorities – namely Muslims, Christians, Sikhs, Buddhists and Parsis.[6] Collectively, citizens from these denominations accounted for 19 percent of India's population in 2001. Muslims comprised the largest group, accounting for 13 percent or 138 million individuals, making it the largest religious minority in the world. The policies covered the realms of education, employment, infant health, housing, sanitation, access to credit, and protection from religious violence. The overarching policies were framed by the federal government and implemented through various public agencies.

Access to credit under the PM's minority welfare programme aimed at ensuring the "smooth flow of bank credit to minority communities" from commercial banks (RBI, 2007). The central bank – the Reserve Bank of India (RBI) – was tasked with framing the regulations for minority credit allocation, and also responsible for overall monitoring. The RBI in 2007 issued a set of guidelines, notifying that the federal government had classified 103 districts (out of 593 districts) as "minority concentration" (RBI, 2007).[7] These districts were deemed such as the share of religious minorities (as per the 2001 population census) exceeded 25% of the district's population.[8] Commercial banks were instructed to monitor credit flow to minority borrowers in these districts. A few months after the initial notification, the federal government added

[6] Later, Jains too were included under this policy as religious minorities.

[7] Districts from 5 states and 1 union territory – namely Jammu and Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep were excluded from this policy as religious minorities in these areas formed a numerical majority.

[8] To the best of our understanding, no other policy within the 15-point minority welfare programme used the 25% minority population share threshold.

18 districts to this list, bringing the number of minority concentration districts to 121. No subsequent additions or deletions have been made to this set.

2.2 Incentive for the Banks

The primary incentive for banks to comply with the directed credit policy is that lending to minority borrowers allows banks to meet key regulatory targets. Banks are mandated to direct 12 percent of their loan portfolio towards "weaker sections" – namely small and marginal farmers, village and cottage industries, and loans issued to borrowers hailing from historically marginalized *Dalit* (Scheduled Castes or SCs) and *Adivasi* (Scheduled Tribes or STs) communities. With the advent of targeted lending to religious minorities, the RBI expanded the definition of "weaker section" to include borrowers from religious minorities. While no explicit targets were assigned, the RBI directed banks to ensure that minority borrowers were "adequately represented" within weaker sections RBI (2007, 2021).

2.3 Minority Credit Access and Minority Political Empowerment

At the outset, we outline three potential channels through which access to bank credit for religious minorities through the 15-point programme could have impacted minority political participation. We use this discussion to structure our test of mechanisms.

First, access to bank credit and greater economic well-being could have boosted political engagement through a "wealth effect". If minorities faced higher entry costs, a rise in minority households' wealth owing to directed lending could have relaxed some of these costs and permitted minority citizens to enter the political arena. Relatedly, an increase in candidates' personal wealth could have enabled them to run a more effective campaign, generating electoral gains. Third, a positive wealth effect for minority citizens could have allowed them to contribute financially towards minority-friendly parties, which in turn could have affected the likelihood of such parties to nominate minority candidates and improve their winnability in elections.

Second, politics is built around the collective action of voters, but collective action is costly in

the absence of co-ordination mechanisms such as organizations (Battaglini and Palfrey, 2023). Through annual guidelines on lending to religious minorities, the central bank urged banks to reach out to minority borrowers through bank-linked self-help groups (SHGs). The formation of SHGs to access bank credit can provide minority individuals an alternate platform for citizen interactions. Heightened citizen interactions can ease the costs of collective action and promote citizen awareness, which can ultimately lead to co-ordinated group actions in the sphere of politics.

Regular interactions with co-religionists could also have increased the overall salience of religious identity for minority citizens. An increased salience of religious identity could have led minorities to lobby parties to nominate minority candidates, and increase support for such candidates during elections.

We explore these above channels in Section 6.2. Specifically, we test for the wealth effect by comparing assets and liabilities of minority candidates from public affidavits. We also examine minority candidates' access to bank credit. To examine the role of collective action, we first study whether the directed credit policy led to higher minority participation in bank-registered SHGs. Subsequently, we use survey data to test minorities' participation in political and religious group, as well as minority households' attitudes towards collective action. The data on citizen attitudes is also used to examine whether there was a rise in the salience of religious identity amongst minorities.

3 Data

We describe here the data on household balance-sheets, electoral outcomes, and religious conflicts. Additional datasets are described as discussed in the empirical analysis.

3.1 All India Debt-Investment Survey

The nationally representative All-India Debt and Investment Survey (AIDIS) is conducted decennially by the National Sample Survey Organisation (NSS) as repeated cross-sections.[9] Sampling over 100,000 households, it offers extensive information on household borrowings, savings and ownership of select assets. Location identifiers in the form of districts are also provided, in addition to the household's religion. For each outstanding loan at the time of survey, the AIDIS details the initial amount borrowed, amount outstanding, loan securitization, the source of credit, and interest rate. Repayment information over the past 6 months is also provided. We use the 2019 AIDIS survey to estimate long-term treatment effects of the directed credit policy on household borrowing. The 2003 AIDIS survey is used to verify balance for key pre-treatment variables. Appendix Tables D1.A-D1.D present select summary statistics from the 2019 AIDIS. In all, 42 (23) percent of households had some outstanding (bank) loan at the time of the survey. While 17 percent of households borrowed directly from commercial banks, 7 percent received loans from a bank-linked SHG.

3.1.1 Barriers to Credit Access for Muslims: Pre-Treatment Descriptives

Using the 2003 AIDIS, Appendix B presents descriptive evidence that among religious minorities, Muslim households faced substantial barriers to access bank credit. While overall credit take-up was comparable to other households, Muslim households had a much lower likelihood of having a bank loan; conditional on having a bank loan, loan amounts for Muslim households were also markedly lower. Bank interest rates, however, were comparable across communities, indicating no higher credit risk for Muslims.

Appendix B.2 undertakes an Oaxaca-Blinder decomposition and offers suggestive evidence of discrimination, particularly along the extensive margin. The top panel of Appendix Figure B4 indicates that 40 percent of the extensive margin difference in bank credit for Muslim households – relative to Hindu households – could be explained by household observables.

[9] The AIDIS was conducted in the years 1992, 2003, 2013 and 2019.

Taking cognizance of the descriptive evidence documenting the limited participation of Muslims in formal credit markets and the fact that they account for 80 percent of India's religious minorities, we restrict ourselves to studying how the credit policy affected Muslim households. For the remainder of the paper, unless explicitly stated, the term "minorities" is used interchangeably with Muslims.

3.2 Election Data

Electoral data on elections to India's state legislative assemblies is obtained from the Trivedi Center for Political Data (TCPD). This includes candidate names, party affiliation, votes received, and voter turnout. Our primary sample comprises of elections conducted between 2008 and 2019. We append to this information from candidate affidavits pertaining to their incomes and assets. We also use the share of Muslim voters in each electoral constituency, estimated by Gulzar et al. (2024).

To identify whether the directed credit policy affected the political empowerment of religious minorities, we compare the participation of Muslim politicians in state legislative assembly elections, and the vote share received by them. Since the administrative data doesn't identify candidate religion, we use a machine learning algorithm developed in Chaturvedi and Chaturvedi (2024), and validated by Allie (2024), to ascertain politicians' religious identity.[10]

Between 2008 and 2019, Appendix Table E1 shows that over half of the elections in our sample had no Muslim contestant. Out of 12 candidates in the average election to the state legislative assembly, only 1 was a Muslim. In 13 percent of electoral contests, there was a Muslim candidate representing a non-majoritarian party – one of 5 parties which in the past decade has regularly highlighted majoritarian injustices perpetrated against India's religious minorities.[11] Minority candidates received 7 percent of the votes cast and emerged victorious in 6 percent of elections.

[10] This algorithm has been specifically developed and validated for India.

[11] These are the Indian National Congress, Samajwadi Party, Rashtriya Janata Dal, Nationalist Congress Party and the All India Trinamool Congress. As the Janata Dal (United) contested the 2015 Bihar legislative assembly elections in an alliance with the Rashtriya Janata Dal and the Indian National Congress, we also classify this party as non-majoritarian for this specific state-electoral cycle.

Akin to Farooqui (2020), these descriptive figures highlight the extensive under-representation of Muslims across India's legislative bodies. Over this period, the right-wing Hindu nationalist Bharatiya Janata Party (BJP) was the most successful political formation, winning a third of the electoral contests and capturing a fourth of the popular vote.

3.3 Conflict Data

To evaluate how the directed credit policy affected social harmony and religious conflict, we rely on administrative data from the National Crime Records Bureau (NCRB), as well as the Armed Conflict Location and Event Dataset (ACLED) (Raleigh et al., 2010). The NCRB offers information on district-level crimes in each year, based on first information reports (FIR) filed at police stations.[12] Alongside traditional offenses such as murder, property crimes, rapes and abductions, the NCRB also captures riots, and since 2014, separately reports religious riots.

A variety of factors can make the administrative NCRB data prone to reporting and recording biases. Relevant to our study, majoritarian tendencies have sharply increased in India since 2014 (Jaffrelot, 2021), which might lead to an under-reporting of religious violence, especially if the victims are religious minorities and the police are susceptible to political pressures. Resultantly, we supplant the administrative NCRB data with the ACLED database, which covers major conflict events in India from 2016 on the basis of newspaper reports. We map events to districts using the conflict location information in the ACLED, and also classify events as riots involving majority (Hindu) and minority (Muslim) groups, based on the event description and actors involved.

Appendix Table E2 shows that between 2014 and 2019, the administrative NCRB recorded 2 incidences of religious violence in the average district. Religious riots formed a small fraction of overall rioting: during this period, the average district witnessed 128 incidences of rioting. The incidence of Hindu-Muslim (majority-minority) riots reported in the ACLED (Appendix Table E2) is much lower than the NCRB data. There are two plausible explanations for this: first,

[12] Filing a FIR forms the basis for beginning any preliminary criminal investigation.

the NCRB data is based on first information reports filed at police stations while the ACLED relies on newspaper coverage by major English media outlets. As a result, the ACLED might omit incidents of religious conflicts in smaller urban or rural locations, or low-intensity conflicts which are unreported in the English media. Second, we focus exclusively on Hindu-Muslim riots in the ACLED, while the NCRB considers all religious conflicts, which can also include inter-minority conflicts. Similar to the administrative data, religious riots in the ACLED forms a small proportion of overall rioting.

4 Empirical Strategy

The use of an arbitrary threshold – fraction of religious minorities exceeding 25% of the district's population – for treatment assignment lends itself to causal estimation using a regression discontinuity design (Lee and Lemieux, 2010). The running variable is defined as:

$$Runvar_{ds} = ShMinority_{ds} - 0.25 \tag{1}$$

$ShMinority_{ds}$ is the population share of religious minorities in district d, located in state s. Appendix Figure D1 shows the distribution of $ShMinority_{ds}$, with the broken vertical line representing the 0.25 threshold. Using $Runvar_{ds}$ from equation (1), the district-level treatment indicator – $Treat_{ds}$ – equals 1 if $Runvar_{ds} > 0$ and 0 otherwise.

Districts were assigned to treatment in 2007, using data from the 2001 population Census. This makes it implausible for districts or states to anticipate the policy and strategically manipulate their minority population shares to lie on either side of the treatment threshold. Formally, Figure D2 presents the McCrary test (McCrary, 2008), and we are unable to reject the null of a discontinuity in the running variable at the threshold of 0.25. This allays concerns of any strategic sorting of districts around the discontinuity threshold. Based on the first list of minority concentration districts issued in 2007, we confirm that all districts which satisfied the treatment assignment condition were assigned to treatment. However, as mentioned in Section 2, an additional 18 districts with minority shares less than 0.25 were later included as minority

concentration districts. This non-compliance in treatment assignment is addressed using a fuzzy regression discontinuity design, where the running variable serves as an instrument for treatment assignment. The fuzzy RD is estimated using the following two equations:

$$Treat_{hds} = \alpha_s + \tau \mathbb{1}(Runvar_{ds} > 0) + \gamma f(Runvar_{ds}) + \phi \mathbf{X}_{hds} + \mu_{hds} \tag{2}$$

$$Y_{hds} = \alpha_s + \beta \widehat{Treat_{ds}} + \theta f(Runvar_{ds}) + \delta \mathbf{X}_{hds} + \epsilon_{hds} \tag{3}$$

The unit of observation in the above equations is the household h, located in district d of state s. *Treat* is a dummy equaling 1 if the district is classified as a minority concentration district. Actual treatment assignment is instrumented with treatment assignment defined according to the policy rule ($Runvar_{ds} > 0$). As recommended by Lee and Lemieux (2010) and Calonico et al. (2020), we include a linear polynomial – $f(.)$ – in the running variable and its interaction with the treatment indicator. The coefficient of interest is β, comparing household outcomes across treated (minority concentration) and control districts (non-minority concentration).

All specifications include state-region fixed effects (α), and binary indicators for rural location and marginalized caste groups.[13] This restricts our comparison of household outcomes to households located in geographically homegeneous regions within a state, with the cross-sectional variation arising from a household's location in a minority concentration district. We use a triangular kernel, assigning greater weight to observations located near the discontinuity threshold, as well as survey weights provided in the AIDIS data.[14] For electoral outcomes, the fuzzy RD estimates are weighted by the number of registered voters in a constituency to account for variations in constituency size. Standard errors are clustered by district – the level at which the treatment varies.

Conditional on districts being unable to strategically manipulate assignment to treatment, non-minority concentration districts serve as a valid counterfactual to minority concentration

[13] A state-region is a NSS-defined classification of geographically contiguous districts located within the same state (Gadenne et al., 2024).

[14] These weights make the AIDIS data nationally representative.

districts within a narrow window of the discontinuity threshold. Our main results uses a fixed sample of 95 districts located within a bandwidth of .072 around the discontinuity threshold.[15] The choice of bandwidth is obtained from data-driven optimal bandwidth selection procedures recommended by Calonico et al. (2020) and applied to the two main outcomes for bank credit access.

4.1 Pre-Treatment Balance

A causal interpretation of the RD coefficients is subject to the assumption that pre-treatment covariates are continuous in the running variable at the discontinuity threshold. Appendix C verifies this using pre-treatment data. Out of a total of 92 pre-treatment observables, we detect a statistically significant difference for 10 variables at the 10 percent level or lower.[16] Importantly, Appendix Table C2 shows statistically indistinguishable levels of pre-treatment bank credit access along both the intensive and extensive margins for Muslim households across treated and control districts. Appendix Tables C6 and C9 show balance for pre-treatment electoral outcomes and various crime outcomes. The absence of selective sorting of districts into treatment, combined with the comparabality of key pre-treatment outcomes of interest allow us to assign a causal interpretation to the fuzzy RD coefficients estimated using equation (3).

4.2 Non-Contamination of Treatment Effects from Other Policy Interventions

Section 2 noted that the Prime Minister's 15 Point Programme listed a number of policy measures for minority welfare, covering health, education, housing, sanitation and employment. Upon a close read of the accompanying policy documents, we find none of the other schemes systematically used the 25% minority population share threshold for implementation. This is empirically

[15] Out of these, 45 are minority concentration (treated), and the rest non-minority concentration (control).

[16] The 2003 AIDIS is used to compare pre-treatment household assets and liabilities. District-level data from the administrative BSR between 2001 and 2007 is used for banking outcomes, while household survey data from the 2007-08 employment-unemployment survey is used to verify balance across labor market outcomes.

ascertained in Appendix D, where we extend the fuzzy RD design to show *post-treatment* balance along key post-treatment outcomes such as minority school enrollment, minority employment as well as health, access to drinking water, subsidized housing, vocational training and employment support were comparable across minority and non-minority concentration areas. This assuages concerns that our empirical strategy is identifying the impact of a bundled treatment, as opposed to solely identifying the impact of improved access to bank credit for religious minorities.

5 Results: Minority Credit Access and Economic Empowerment

This section presents our key findings. We start by examining the treatment's impact on bank credit access for Muslim households, along with other measures of economic well-being. Next, we identify how the directed credit policy affected the political empowerment of minority citizens, and discuss plausible mechanisms driving these effects.

5.1 Economic Impacts of the Directed Credit Policy

We begin by assessing how the directed credit policy affected bank credit access for religious minorities, along with two key measures of household well-being: consumption and assets. The unit of observation is the household and monetary values are normalized by household size. We use a fixed set of districts within a bandwidth of 0.072 and compare households on either side of the discontinuity threshold. Section 5.1.1 details the rationale behind the choice of bandwidth. Specifications are estimated using a fuzzy RD design, where actual treatment assignment is instrumented using the discontinuous jump in treatment assignment at the arbitrary threshold of 0.25 (minority population share). Specifications are weighted using sampling weights and a triangular kernel.

Compared to observationally equivalent Muslim households in non-minority concentration areas, column (1) of Table 1 identifies a statistically significant 8 ppt. increase in Muslim households'

likelihood of receiving a bank loan in treated districts. The point estimate is large in magnitude: as 10 percent of Muslim households in control districts had an outstanding bank loan, the directed credit policy led to a near doubling in bank credit access for religious minorities. As the average control district in the pre-treatment period had 39,000 Muslim households, the policy intervention increased bank credit access for an additional 3,000 Muslim households.

Together with extensive margin changes in bank credit access, column (2) shows a statistically significant INR 6,200 unconditional increase in per capita bank loan amounts in treated districts.[17] The point estimate reflects a near doubling in unconditional bank loan sizes relative to non-minority districts. The additional volume of bank lending equates to 20 percent of households' annual per capita consumption.

Turning to our two measures of household well-being, we find the policy to have yielded tangible improvements in Muslims' economic well-being. Column (3) identifies a 27 percent increase in Muslim households' per capita monthly consumption. In monetary values, the INR 700 increase in per capita monthly consumption in treated districts is slightly larger than the INR 660 per capita Hindu-Muslim consumption gap in control districts. Our second measure of economic well-being is aggregate household assets.[18] Column (4) identifies a 32 percent increase in per capita household assets, which is monetarily equivalent to 50 percent of the Hindu-Muslim household asset gap in control districts. In terms of magnitude, the rise in household consumption following increased access to bank credit is comparable to Kaboski and Townsend (2012). Studying households in Thai villages, Kaboski and Townsend (2012) report an increase in household consumption of the same order of magnitude as the volume of credit received.

Importantly, directed lending to religious minorities was unaccompanied by a worsening in credit quality. Appendix Table D6 finds no evidence of a deterioration in bank loan performance in minority concentration areas, either in terms of delinquencies, or write-offs. If anything, the evidence points to a decline in the value of bank loan write-offs in treated districts. Appendix

[17] Loan amounts are based on initial loan sizes and thereby unaffected by repayments and capitalized interest.

[18] Household assets include cash, savings in short and long-term financial instruments, livestock, land and real estate.

Table D6 makes it unlikely that banks' overall reluctance to lend to minority borrowers was related to concerns about borrowers' creditworthiness.

5.1.1 Robustness of Economic Impacts

Appendix Table D2 shows our results to be robust to the omission of covariates and to data-driven MSERD optimal bandwidths prescribed by Calonico et al. (2020). Based on the outcome of interest and the inclusion of additional household covariates, MSERD optimal bandwidths range between .055 and .072. We select the latter to maximize sample size and use a fixed set of 95 districts that fall within the bandwidth of .072 for all specifications. Columns (3) and (6) show that the omission of covariates has little impact on either the magnitude or the precision of the fuzzy RD estimates. The top panel of Appendix Figure D3 shows our results to be robust to a range of bandwidths between 0.04 and 0.10. The bottom panel shows robustness to the omission of individual states, ruling out that our findings might be a manifestation of other state-specific policies which might have been implemented using the 0.25 minority share threshold.

Appendix Tables D3 and D4, show the baseline results to be stable to alternate specification and sample choices. Our results are unchanged if we opt to use a uniform kernel as opposed to a triangular kernel; a quadratic polynomial in the running variable as opposed to a linear polynomial; clustering at the more conservative level of state-region as opposed to district; or the omission of household multiplier weights. Columns (2) and (4) of Appendix Table D4 show the results to be very comparable when using a sharp RD specification and interpreting the RD coefficients as intent-to-treat estimates. Columns (3) and (6) of Appendix Table D4 show comparable estimates when we omit the 18 districts for which the policy rule was violated, leading to non-compliance in treatment assignment. Finally, columns (1) and (4) of Appendix Table D4 show robustness to expanding the sample to all religious minorities, as opposed to only Muslims. While the results are directionally similar, the point estimates decline in magnitude and are now significant only at the 10% level. This suggests that the directed credit policy

primarily affected credit access for Muslim households.[19]

Columns (1) and (2) of Appendix Table **??** shows the results if we opt to use a differences-in-difference (DiD) specification, as opposed to a fuzzy RD specification.[20] Using data from the 2003 AIDIS for the pre-treatment period, and the 2013 and 2019 AIDIS rounds for the post-treatment period, the DiD specification identifies a 2 ppt. increase in Muslim households' likelihood of having an outstanding bank loan, and a INR 1,300 increase in per capita bank loan values. The DiD strategy uses the full set of 121 minority concentration districts as "treated", with the remaining districts in India comprising the control group. The DiD coefficients are comparable in magnitude to the fuzzy RD coefficients: relative to the 2003 control group mean, the directed credit policy increased credit access along the extensive (intensive) margin by 59% (120%).

5.1.2 Mechanisms of Bank Credit Expansion

We examine two primary mechanisms through which banks could have expanded lending to religious minorities: bank-linked self-help groups to reach new minority borrowers, and credit reallocation from non-minorities to minorities. Appendix E.1 rules out two other mechanisms: reduction in bank lending rates and a relaxation of collateral requirements for minority borrowers.

5.1.2.1 Self-Help Groups

The central bank's annual guidelines continually recommended lenders to collaborate with local self-help groups (SHGs) to reach eligible minority borrowers. The specific scheme is the bank-SHG linkage, whereby banks lend directly to SHGs registered with the bank. The SHG subsequently decides on the within-group allocation of credit. If minority borrowers had limited credit histories and lenders were unwilling to extend credit to such borrowers owing to high screening and monitoring costs, it is possible that such costs could have been ameliorated by

[19] Descriptively, there is little evidence of non-Muslim religious minorities facing barriers to accessing formal credit markets. It is thereby not entirely unsurprising that the primary beneficiaries of the directed credit policy was Muslim households.

[20] The DiD specification includes district and state-survey round fixed effects. Standard errors are clustered by district. Household covariates are identical to the fuzzy RD specification.

lending through SHGs (Banerjee and Duflo, 2010).

Separating bank loans into those obtained directly from commercial banks and those obtained through bank-linked SHGs, columns (1)–(4) of Table 2 report an increase in minority households' access to bank credit from both sources. Comparing the point estimates in column (1) of Table 2 and column (1) of Table 1, lending through bank-linked SHGs could have explained up to 60 percent of the extensive margin expansion in minority bank credit access. Expectedly, the size of loans issued directly by commercial banks is an order of magnitude larger than those obtained through bank-linked SHGs. Importantly, columns (1) and (3) of Appendix Table D9 show no corresponding increase in credit access through bank-linked SHGs for non-minority borrowers. The point estimates are substantially smaller and statistically non-significant. This rules out the possibility that higher lending to minorities through bank-linked SHGs emanated from an overall expansion in bank-SHG lending in treated districts.

5.1.2.2 Crowding Out of Non-Minorities

An alternate explanation for higher credit access for religious minorities is banks reallocating credit from non-minority households in response to the directed credit policy. In particular, as credit to religious minorities qualified as credit to "weaker sections", banks could have responded to minorities being classified under this category by reallocating credit within this group. Appendix Table D8 explores this channel and offers mixed results. First, column (1) shows a significant rise in extensive margin bank credit access in minority concentration areas for Hindu borrowers. Columns (2) and (3) shows this to be driven by Hindu borrowers who would not fall under the weaker section. Column (5) shows a statistically significant decline in the amount of bank loans issued to Hindu borrowers. Columns (6) and (7) shows this to be driven by Hindu borrowers not classified under the weaker section category. Pooling together all borrowers in column (8), we identify an overall decline in bank credit in minority concentration areas. This points to a secular contraction of bank credit in these districts, as opposed to banks reallocating credit from non-minority to minority borrowers. If so, we would have expected a null effect on average loan amounts for the pooled sample, with banks matching the increase in

minority lending, with an equivalent contraction in lending to non-minorities. There is also no evidence of bankers reallocating credit within the weaker section quota from SC/ST borrowers to religious minorities.

6 Economic Well-being to Political Empowerment: Electoral Implications of Minority Credit Access

This section examines whether economic empowerment due to an improvement in minorities' access to bank credit impacted the political empowerment of minority citizens.

6.1 Political Empowerment of Muslims

We begin by evaluating whether public policy designed for the economic betterment of vulnerable populations can also aid their political empowerment. Section 3.2 noted the relevance of this question in light of the low political representation of minority Muslim citizens in India's legislative bodies (Farooqui, 2020). We consider political representation by studying whether Muslim citizens are more likely to contest and garner support in elections to state legislative bodies. Akin to Section 5.1, we use the fuzzy RD framework to identify the electoral impacts of the directed credit policy. The unit of observation now is the electoral constituency. As we have multiple years of electoral data, we augment specification (3) with electoral year fixed effects in addition to state-region fixed effects.[21] To account for variation in the number of registered voters across constituencies, all regressions are weighted by the number of registered voters. Standard errors remain clustered by district.

Column (1) of Table 3 identifies a 24 ppt. increase in the likelihood of a Muslim politician contesting an election to the state legislative assembly. Conditional on participation, column (2) shows the average Muslim candidate to have received an additional 2.8 ppt. of popular support in minority concentration areas (p-value .011). Aggregating the popular support received by

[21] No other controls are included in these specifications.

Muslim candidates in each constituency, column (3) reports an imprecisely estimated 3.3 ppt. increase in popular support (p-value .111), amounting to an additional 4,800 votes.[22] The magnitude is comparable to the additional number of Muslim households which received credit in treated districts – 3,000 households.

A plausible explanation for higher participation by Muslims in electoral politics would be that a positive wealth effect spawned a desire for greater social visibility. If so, we would expect Muslim citizens to not be considered viable candidates by major parties but contest instead as independents. Column (4) however shows that the rise in Muslim electoral participation was driven by minority-friendly parties such as the Indian National Congress or the Samajwadi Party, who in minority concentration areas had a 11.6 ppt. higher likelihood of fielding a Muslim candidate—a large increase relative to the control group mean of 18.7 percent. Column (5) shows Muslim candidates from minority-friendly parties to be electorally successful, registering 6.4 ppt. higher vote shares (p-val $< .01$), or 8,000 additional votes.

Column (6) identifies a significant decrease in the overall number of Muslim contestants. Relative to a mean of 1.87 Muslim candidates in control districts, elections in treated districts saw 0.41 fewer Muslim contestants. This suggests increased participation of higher-quality Muslim candidates in electoral politics, accompanied by a reduction in the number of frivolous candidates, consistent with greater within-group coordination. Finally, column (7) of Table 3 shows that the increase in popular support translated to a higher win likelihood for Muslim contestants. Column (8) shows this effect emanated from Muslim candidates contesting on behalf of non-majoritarian parties. With the average district witnessing 8 electoral contests, a 10 ppt. increase in the likelihood of a Muslim winner from non-majoritarian parties is equivalent to an additional Muslim legislator being elected to the state legislative assembly from a minority concentration district.[23]

[22] The average constituency in these districts had 217,885 voters. Turnout in minority concentration areas equaled 67 percent during this period. The increase in the number of votes is computed as $0.033 \times 0.67 \times 217885.2$. Constituencies without any Muslim candidate are assigned a value of 0 in these regressions.

[23] The political economy literature has discussed how politicians can improve economic well-being for constituents. In a context like India where state-owned lenders are prevalent, legislators can also influence the allocation of bank credit. The electoral success of minority Muslim candidates nominated by major non-right-wing parties thereby raises the question as to whether the directed credit policy increased bank credit access and

Appendix Table E3 compares overall support for majoritarian and non-majoritarian parties across the discontinuity threshold. Column (1) shows no change in electoral support for non-majoritarian parties, while column (2) identifies a higher win likelihood for non-majoritarian parties. The absence of an overall increase in electoral support for these parties in treated districts underlines the role of legislator identity as opposed to party identity: vote shares for minority-friendly parties increased only upon nominating a Muslim candidate, and not due to a secular swelling of support for these parties in minority concentration areas. Columns (3) and (4) document a sharp reduction in electoral support for the right-wing Bharatiya Janata Party, which has been consistently inimical to minority interests.

In summary, areas eligible for preferential access to bank credit for religious minorities witnessed increased participation of Muslim contestants in electoral politics. Minority-friendly parties exhibited a greater likelihood of nominating Muslim candidates, who in turn were successful in garnering electoral support. Higher electoral support translated into higher win likelihoods for these candidates. There was also a corresponding decline in electoral support for right-wing politics in minority concentration areas, resulting in a lower win likelihood for the majoritarian BJP.

Did the rise in electoral support for minority Muslim politicians emanate from both non-minority and Muslim voters voting for Muslim candidates, or from Muslims exclusively voting for Muslim candidates? As the administrative data does not offer a religious breakdown of the electorate, we use data from Gulzar et al. (2024) to classify constituencies as high and low Muslim share based on the sample median. Columns (1)–(6) of Appendix Table A1 re-estimate the RD specifications after applying this sample split: while both types of constituencies saw a rise in electoral participation and popular support for Muslim candidates, the point estimates are substantially larger in magnitude in constituencies with a relatively high share (above median)

household well-being, or whether the 15-point programme led to political empowerment, which in turn generated economic empowerment. We assess this in Appendix Table D7 by controlling for the share of Muslim legislators from non-right wing parties in a district in the fuzzy RD specifications. Our results remain comparable in both magnitude and precision to the inclusion of this additional covariate. This allays concerns that the directed credit policy had little impact on minority bank credit access and all our findings on economic outcomes are a manifestation of enhanced minority political representation.

of registered Muslim voters.[24] This would be consistent with Muslim citizens coordinating to vote in favor of Muslim candidates.

6.2 Mechanisms: Credit and Politics

We use Section 2.3 to guide the study of mechanisms explaining the relationship between preferential credit access for religious minorities and the electoral success of Muslim politicians. We first provide evidence for a wealth effect for minority candidates. Next, we provide evidence consistent with greater social cohesion and social interactions amongst minority citizens. In line with enhanced social cohesion, we identify higher turnout in minority concentration districts.

6.2.1 Wealth Effect for Minority Politicians

Section 5.1 documented large increases in bank credit access and household assets for minority households in minority concentration areas. A positive wealth effect arising from improved access to bank credit could have eased entry costs for aspiring politicians, allowing them to use their personal wealth to cover campaign costs or ease financing constraints. Access to cheaper bank credit could also have relaxed credit constraints. Since 2002, electoral candidates in India are mandated to disclose their assets and liabilities through sworn affidavits prior to elections. This data is hosted by the Association of Democratic Reforms (ADR), on the *myneta.info* website. We use this publicly available data from candidate affidavits, cleaned and compiled by the Development Data Lab (SHRUGS) to compare assets and liabilities of Muslim candidates. As the data compiled by SHRUGS only reports aggregate liabilities and does not separately report bank loans, we scrape the *myneta* website and extract information for every single bank loan for candidates contesting state legislative assembly elections between 2008 and 2019.

Restricting the sample to Muslim candidates, columns (1) and (2) of Table A2 identify a substantial increase in overall assets and liabilities for Muslim candidates. Muslim candidates in minority concentration areas reported INR 11 million higher assets, and INR 3 million higher

[24] In percentage terms, though, the treatment effects are larger in constituencies with a low share of registered Muslim voters, as the outcome variable means in non-minority concentration districts are very small.

liabilities. Relative to the control mean, this reflected a 50 percent rise in candidate assets, and a near doubling of liabilities. Column (3) also identifies a significant increase in net assets (p-val .064).[25] While there is a dearth of reliable estimates about the cost of contesting elections in India, qualitative interviews by Chauchard (2018) places the cost of contesting elections to be between INR 10 and 160 million for the urban metropolis of Mumbai in 2014. If the demographics of Mumbai make this estimate an upper bound, the INR 12 million rise in assets can be substantial in terms of minority politicians financing an entire electoral campaign using the differential rise in their personal wealth.

Columns (4) and (5) focuses specifically on minority candidates' bank loans. Consistent with the rise in minorities' access to bank credit, column (4) reports that Muslim candidates in minority concentration areas had a 22 ppt. higher likelihood of having an outstanding bank loan. Column (5) shows that higher liabilities for minority candidates can be fully explained by the quantum of bank borrowings – outstanding bank loans for Muslim candidates in minority concentration areas increased by INR 3 million, or a third of the lower bound estimated by Chauchard (2018) to seriously participate in an electoral contest during this period in India's financial centre.

Columns (6)-(9) explores other aspects of candidate quality. Column (7) identifies a significant increase in the likelihood of minority candidates having completed secondary education. However, these candidates are also more likely to have been convicted in a criminal case. Overall, the evidence of candidate affidavits point to the presence of a wealth effect explaining our results. Akin to Muslim households, Muslim candidates in minority concentration areas too had significantly higher access to bank credit along both the extensive and the intensive margins. These candidates were also substantially richer in terms of their net assets. Access to bank loans, and the corresponding increase in wealth could have allowed these candidates to overcome entry costs and contest elections. Contesting minority candidates could also have used their personal wealth for campaign finance, leading to a more visible and effective campaign, yielding higher electoral dividends.

[25] Net assets are defined as assets, less liabilities.

6.2.2 Voter Cohesion and Mobilization Through Social Interactions

The second channel explored is whether the directed credit policy facilitated voter cohesion in minority concentration areas, which led to a strengthening collective action, voter mobilization and co-ordinated voting for select minority candidates. We are motivated to explore this channel based on Section 5.1.2.1, which showed that up to 60 percent of the extensive margin increase in minority bank credit can be explained by borrowings through bank-linked SHGs. To borrow through such SHGs, the SHG would first have to be formed and registered with the bank. The process of SHG formation can foster social interactions amongst minority citizens. Greater social interactions can increase awareness and improve co-ordination between minority voters and also lead to an overall strengthening of minority identity.

Ideally, we would have liked to compare participation of minority citizens in bank-registered SHGs across treated and control areas, and subsequently, observe the frequency of participation of minority members in SHG meetings, and whether minority members in SHGs also exhibited greater political participation and awareness. However, we are unaware of any database which would allow us to explore this full causal chain. Consequently, we first test whether the directed credit policy led to increased participation of Muslims in bank-registered SHGs. Next, we use two separate household surveys to provide evidence consistent with (i) higher political participation amongst minorities; (ii) increased willingness amongst minorities to engage in collective action; and (iii) heightened salience of religious identity amongst minority households. We conclude by documenting a surge in voter turnout in minority concentration districts.

6.2.2.1 Formation of Self-Help Groups

We scrape data from the National Rural Livelihood Mission, which maintains a list of all bank-registered SHGs, along with their year of registration, and demographic details about individual members. We aggregate this information to the district and examine whether minority concentration areas witnessed increased participation of Muslims in bank-registered SHGs. The unit of observation is the district. As we have multiple years of data, the fuzzy RD specification conditions on both state-region and year fixed effects.

Columns (1) and (2) of Appendix Table A3 show that overall SHG formation and total members in bank-registered SHGs remained comparable across treated and control areas. Consistent with higher credit access for Muslims through bank-linked SHGs, column (3) of Appendix Table A3 identifies 2,000 additional Muslim members in bank-registered SHGs in minority concentration areas (p-value .055). Using the religious denomination of each member, columns (4) and (5) show higher Muslim participation to be driven by SHGs comprised exclusively of Muslim members. Higher participation of Muslims in exclusively Muslim SHGs would be consistent with increased social interactions, information sharing and within-group co-ordination amongst minority citizens. The subsequent sections offer empirical evidence in line with the above contentions.

6.2.2.2 Political Participation of Minority Households

We use data from the nationally representative Indian Human Development Survey (IHDS), conducted in 2011-12, to explore whether preferential access to bank credit for religious minorities led to an increase in citizens' political participation. The household questionnaire of the IHDS enquires whether any member of the household participates in a SHG; whether any member belongs to a religious group; whether any member is part of a political party; and whether any member attended a public meeting called by the local village or ward council. It is worth noting though that the IHDS only covered a sub-sample of districts in India, resulting in the omission of almost half the districts within our preferred bandwidth of .072. Moreover, there are no IHDS surveys after 2011-12, we can only evaluate citizens' political participation over the short-run. In light of these shortfalls, the findings should be interpreted as suggestive.

Restricting our sample to Muslim households and applying the cross-sectional fuzzy RD design, column (1) of Appendix Table A4 identifies a weakly significant rise in minority households' participation in SHGs (p-val .061). Columns (2)-(4) reports statistically significant increases in Muslim households' participation in religious groups, political parties and public meetings. The treatment effects are large when compared to the control mean. While we can't ascertain the specific parties in which minority citizens enroll, minorities' engagement with political parties

could have led to increased canvassing for minority candidates. The participation of Muslims in religious groups and attendance in village/ward council meetings could have facilitated social interactions, sharing of information, and improved cohesion with other minority citizens. This in turn can boost minority turnout and co-ordinated voting for preferred candidates. Thus, while these results should be interpreted as suggestive in light of data limitations, they are consistent with the directed credit policy promoting social interactions and political activity amongst minority citizens.

6.2.2.3 Perceptions about Collective Action and a Strengthening of Religious Identity

To ascertain citizens' perception regarding collective action and religiousity, we rely on survey data from the Centre for Monitoring the Indian Economy (CMIE). Alongside nationwide surveys capturing households' income and consumption, investment, savings and employment in every trimester, the CMIE also conducted ten *Samaj* Surveys to capture citizen attitudes along a diverse array of topics. The surveys were conducted between 2014 and 2019 using the same sampling frame as the CMIE surveys. Two such surveys in 2017 and 2019 inquire households about the primacy of religion in their identity, whether they felt organized protests along religious lines could bring forth changes in government policies towards their community, and whether they would support protests undertaken to redress injustices perpetrated against their religious group. Responses were recorded on a 5-point Likert scale. We opt to be conservative and define a binary variable equaling 1 if households responded as "strongly agreed" to the question of interest.[26]

Applying our fuzzy RD design, column (5) of Appendix Table A4 shows a significantly greater likelihood among Muslim respondents in minority concentration areas to repose faith in the

[26] Collective action was measured by asking, "*If people from my religious group are united we can pressurize the government to improve our lives.*" Willingness to protest religious injustices was measured by asking, "*I would be willing to participate in protests and demonstrations to support the rights of my religious group.*" Importance of religious identity was measured by asking, "*My religion plays an important role in how I see myself.*" Responsiveness of institutions to concerns about violence was measured by asking, " *In your opinion, if your safety and security were under threat, who would be the most responsive to your needs?*" The latter included "Police" and "MPA/MLA" as separate response categories.

potency of collective action. We identify more than a doubling in Muslim respondents' likelihood of stating that collective action along religious lines could elicit a favorable response from the government. Faith in collective action would be consistent with co-coordinating with other Muslim citizens to vote for Muslim candidates, or forming pressure groups and nudging minority-friendly parties to nominate Muslim candidates. Relatedly, column (6) shows that Muslims in treated districts reported significantly higher willingness to support protests against injustices perpetrated against their community. In line with higher inter-group interactions fostering greater group identification, column (7) shows Muslim respondents in minority concentration areas were significantly more likely to report religion playing a pivotal role in shaping their identity. This is consistent with greater participation of Muslim households in religious groups, seen from the IHDS data. Finally, greater coordination and cooperation could foster a belief in the power of the vote. This is reflected in last two columns that show Muslims were more likely to believe elected representatives in treated districts would be more responsive if they were under a threat of violence (column 8), and were less likely to believe the police would be responsive to their security needs (column 9).

While our data cannot determine the extent of social interactions within SHG groups, or whether SHG group members participated in political activities, the IHDS data shows an increased likelihood of minority citizens' engagement in SHGs, religious groups and political activism; the CMIE data shows Muslims in treated districts to have greater faith in collective action to address their grievances or lobby them for policy changes favourable to their communities. A higher salience of religion in the identity of Muslim citizens would also be consistent with Muslims' participation in religious groups. While we cannot directly map such changes in attitude and engagement in collective action to voting behaviour, they would be consistent with higher social interactions leading to greater within-group co-ordination, which can have electoral implications in the form of higher turnout, or strategic voting in favour of select candidates.

6.2.2.4 Voter Turnout

While we don't have information on minority citizens' candidate preferences or whether increased political activisim led minorities to vote for select Muslim candidates or parties, we can directly test the impact of the directed credit policy on voter turnout. In line with increased citizen participation in social groups and political activism, and citizens stating a greater willingness to engage in collective action to demand responsive governance, column (1) of Appendix Table **??** detects a 6 ppt. increase in voter turnout in minority concentration areas, amounting to an additional 8,000 votes being cast in such districts. The number of additional voters casting their ballot is very similar in magnitude to the rise in electoral support for Muslim candidates contesting on behalf of non-majoritarian parties. Column (2) shows the size of the electorate was statistically indistinguishable across treated and control areas. This provides evidence against increased migration of minority citizens to treated districts As the administrative data does not separately report turnout by religious groups, we use the estimated share of Muslim voters in each constituency from (Gulzar et al., 2024) and find in columns (3) and (4) that the rise in turnout was restricted to constituencies with a relatively high share of Muslim voters. This would be consistent with higher turnout emanating from Muslim voters, as opposed to non-minority voters.

7 Social Costs of Minority Welfare

We conclude our empirical analysis by studying whether the economic and political empowerment of religious minorities affected religious conflicts. A priori, economic prosperity can reduce conflicts by increasing the opportunity cost of violence. Economic advancement of religious minorities can also mitigate conflicts through improved access to law enforcement authorities or legal resources. Alternatively, Mitra and Ray (2014) and Bonomi et al. (2021) have shown that majority groups can resort to violence to assert their dominance when faced with minority economic empowerment.

We proceed by comparing the incidence of religious violence across minority and non-minority

concentration areas using administrative data from the National Crime Records Bureau. Using first information reports filed under specific sections of the erstwhile IPC for sectarian violence, Table 4 identifies a substantial increase in the incidence of per capita religious conflicts in minority concentration areas. Column (4) reports one additional religious conflict in minority concentration districts in any given year between 2014 and 2019 (per million population) – a near doubling in the incidence of religious violence.[27] Columns (2) and (3) show non-religious conflicts and homicides, if anything, were lower in minority concentration areas. This assuages concerns of a secular increase in criminal activity in treated districts.[28]

Results from the administrative NCRB data are confirmed in Appendix Table A6, which uses the ACLED database and also detects significantly higher religious strife in treated districts. As the ACLED relies on newspaper reports to geolocate incidents of conflict, captures major conflict incidents, and also separately classifies Hindu-Muslim conflicts, the positive coefficient in column (1) of Appendix Table A6 (p-value .059) confirms a rise in major incidents of Hindu-Muslim violence in minority concentration districts. This alleviates concerns that the rise in sectarian conflicts identified in the administrative data was a manifestation of reporting biases, changes in the manner in which police recorded cases of Hindu-Muslim conflicts, conflicts between two religious minorities, or conflicts between Hindus and a non-Muslim religious minority. Similar to the administrative data, column (2) does not find any aggregate increase in non-religious riots in treated districts.

Based on the description of events in ACLED, we hand code whether the violence was instigated by Hindus or Muslims. Using this classification of events, column (3) identifies a statistically significant rise in Hindu-Muslim conflicts instigated by Hindu groups. Comparing the point

[27] When considering the high likelihood of under-reporting and under-recording of such incidents, the increase in religious conflicts is almost certainly an under-estimate of the increase in overall religious animosity in minority concentration areas.

[28] The NCRB only began to disaggregate riots into various sub-categories following 2014. Resultantly, we cannot undertake a pre-treatment analysis to verify that religious conflicts were "balanced" across treated and control districts prior to 2008. However, as seen from column (1) Appendix Table C9, out of the 9 crime heads considered, only pre-treatment per capita riots (all riots) was imbalanced across minority and non-minority concentration districts. To account for this potential imbalance in a key pre-treatment outcome of interest, Appendix Table E4 replicates the results in Table 4 after controlling for average pre-treatment per capita riots in all specifications. Reassuringly, our results are unchanged in both magnitude and direction to the inclusion of this additional covariate.

estimate in column (3) to that in column (1), a fourth of the increase in religious conflicts can be attributed to those instigated by Hindu groups. Though substantial, we consider this analysis suggestive, as we were able to hand-code only a portion of the reported incidents due to a lack of information on the action that prompted the conflict.[29]

7.1 Mechanisms of Violence

Three potential channels might explain the rise in religious conflicts in minority concentration areas. First, is a backlash against minority prosperity. Mitra and Ray (2014) theorized Hindu-Muslim conflicts to escalate following a narrowing of the Hindu-Muslim consumption gap, as the majority group resorts to violence to preserve economic dominance. Second, majoritarian forces could have increased the production of violence prior to elections to suppress minority turnout. This is a view suggested by existing scholarship on Hindu-Muslim violence (Iyer and Shrivastava, 2018). Third, minority political assertion could have engendered a violent backlash against religious minorities.

Empirically, we distinguish between these channels using the ACLED data. Unlike the NCRB which only records total registered offenses during a year, the ACLED provides information on the event date, allowing us to map conflict events to elections. Our hypothesis is that if majoritarian violence is predominantly a backlash against the economic prosperity of minority households, violence should not be tied to the timing of elections. Alternately, if religious conflicts are initiated to suppress minority turnout, the increase in conflicts should occur primarily before the elections. Finally, if religious violence is a blow-back against the political empowerment of minorities, the violence should be concentrated in the aftermath of the elections.

Columns (4)-(6) of Appendix Table A6 shows that the rise in Hindu-Muslim conflicts in minority concentration areas was entirely driven by events occurring within 1 year of the elections. There is no corresponding increase in violence in the year prior to the elections; neither do we detect any significant increase in the interim period between elections. This supports the explanation

[29] In our data, only a minuscule fraction of religious conflicts are initiated by Muslims.

that majoritarian violence emanated in response to the electoral success of Muslim politicians in state elections. As the electoral gains to Muslim candidates was largest in absolute terms in constituencies with a relatively high share of Muslim voters, we would also expect the rise in religious violence to be concentrated in such areas if it was linked to electoral politics. As the ACLED offers precise geo-locations, we can map religious conflicts to electoral constituencies. In line with our expectations, columns (7) and (8) of Appendix Table A6 show that the rise in Hindu-Muslim violence primarily originated from constituencies with a higher share of Muslim voters. This bolsters the contention that the rise in religious conflicts emanated as a blow-back effect to increased political empowerment of religious minorities.

8 Conclusion

Many polarized countries have large minorities that are marginalized economically and politically. If governments want to improve the economic well-being of these minorities, increasing access to credit is one important policy lever available to them. This paper shows that such a policy can be successful at expanding credit and improving well-being without a big cost to the majority group in the credit markets. However, there are important considerations that are the key mechanisms for the success of the program. The policy has to be designed to work in the context of the institutional setup of the country. As the paper shows, Indian banks were asked to work with Self Help Groups of citizens which reduced the likely discrimination the minority citizens faced in the status quo when dealing with banks individually and also reduced the costs of screening that banks had to otherwise incur to extend credit to the minority borrowers. Further, banks have to be flexible in their requirement of collateral if they are to get more clients from the marginalized sections of society.

While such policies targeting the economic well-being of minorities are not explicitly designed to politically empower minorities, it is natural that with better economic conditions, minorities are more likely to claim a stake in politics. But this does come at the cost of violence. While it is possible that violence may be used as a tool to keep minorities out of politics, the paper sheds

light on a subtle use of violence: as a punishment after the election for minorities becoming more active politically.

Credit policies are commonly used as a means to help people out of poverty. This paper opens a new avenue for research by highlighting that political empowerment may be a consequence of economic empowerment. But since this comes at the cost of violence, it is not clear if, in the long run, the well-being effect may persist. Even though this paper uncovers the positive effects of directed credit policy on economic well-being and political empowerment ten years after the policy was enacted, it will still be important to uncover if the policy managed to reduce inequality in the long run.

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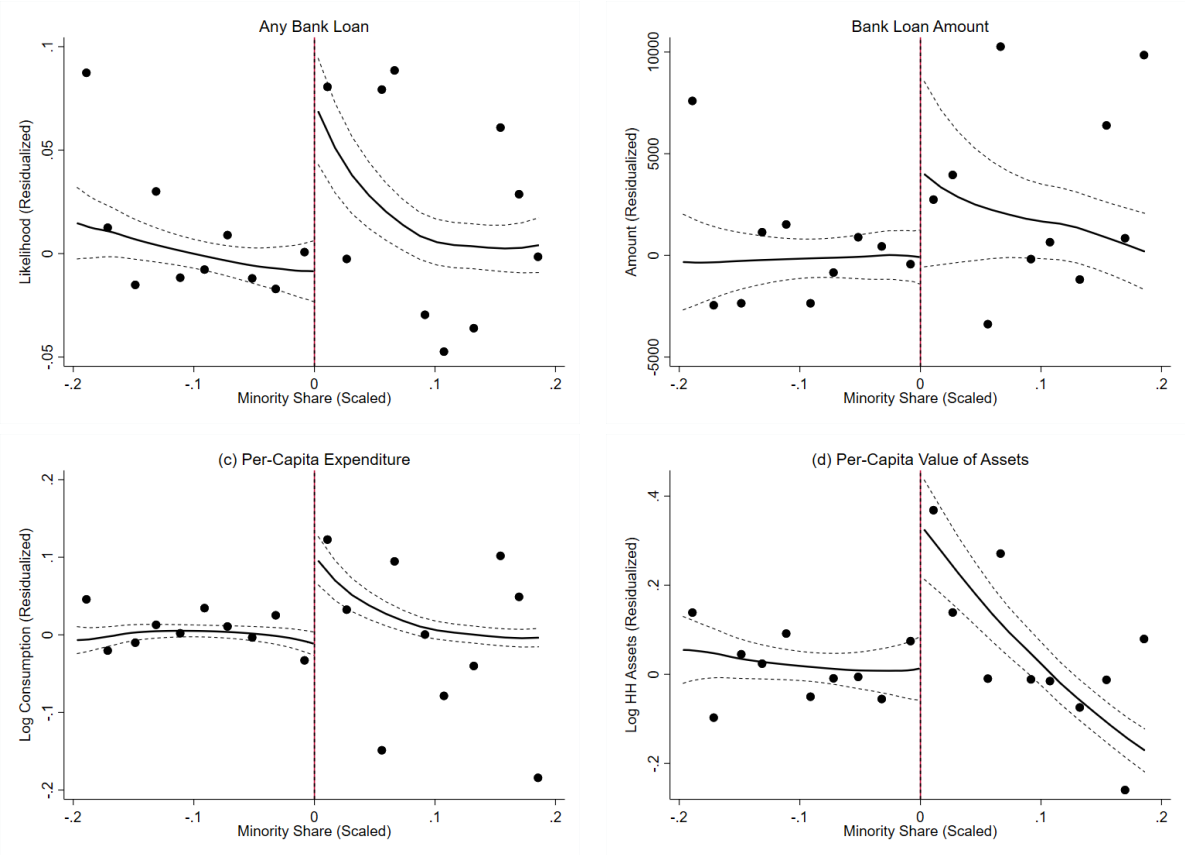
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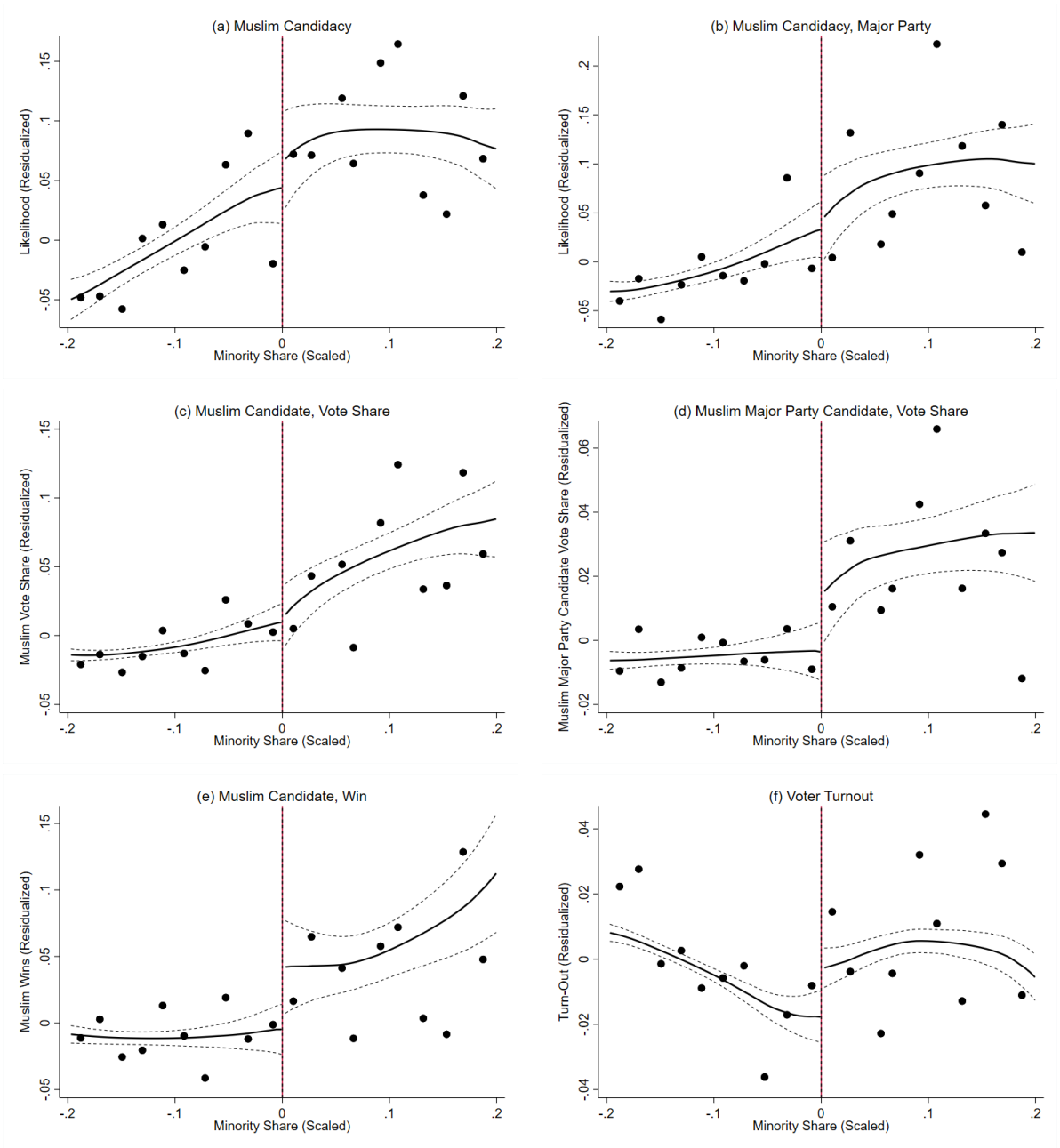
9 Figures & Tables

Figure 1: RD Plots of Economic Effects of the Credit Policy



*Notes:*The above figures show the treatment effects on economic outcomes of Muslim households. The unit of observation is the household. (a) Any Bank Loan reports the effect on the likelihood that the household has a loan from a bank. (b) Bank Loan Amount reports the unconditional effect on the size of the loan. (c) Per-Capita Expenditure reports the effect on monthly per-capital consumption. (d) Per-Capita Value of Assets reports the effect on the value of assets held by households. The outcome variable is residualized, conditional on state-region fixed effects and household covariates. The solid dots show residualized means of the outcome variables, corresponding to each bin of the running variable. The horizontal lines show the linear fit from a local linear regression, and the dashed lines show 90% confidence intervals. Estimates are weighted using a triangular kernel and household specific weights provided by the AIDIS.
Source: AIDIS 2019

Figure 2: RD Plots of Political Effects of the Credit Policy



Notes: The above figures show the treatment effects on political outcomes of Muslim candidates. The unit of observation is constituency-election. (a) Muslim Candidacy reports the effect on the likelihood of there being a Muslim candidate in the election. (b) Muslim Candidacy, Major Party reports the effect on there being Muslim Candidate running from a major party platform. (c) Muslim Candidate, Vote Share reports the effect on the vote share received by Muslim candidates. (d) Muslim Major Party Candidate, Vote Share reports the effect on the vote share received by Muslim candidates running on major party platforms. (e) Muslim Candidate, Win reports the effect on the likelihood of Muslim candidate winning. (f) Voter Turnout reports the effect of policy on turnout of voters. All outcome variables are residualized, conditional on year of election, state-region, and constituency-type fixed effects. The solid dots show residualized means of the outcome variables, corresponding to each bin of the running variable. The horizontal lines show the linear fit from a local linear regression, and the dashed lines show 90% confidence intervals. Estimates are weighted using a triangular kernel and number of electors in a constituency-election.

Table 1: Directed Credit Policy, Bank Credit Access and Economic Well-Being: Muslim Households

	(1)	(2)	(3)	(4)
	Bank Credit		Consumption and Assets	
	Any Bank Loan	Loan Amt. Bank	Consumption	Assets
Treat	.085***	6282.393***	.274***	.324**
	(.027)	(1462.718)	(.042)	(.147)
Observations	3660	3660	3660	3644
Control Mean	.099	5155.280	2593.000	269136.285

Notes: This table reports the impact of the directed credit policy on bank borrowings, consumption and household assets for Muslim households. The unit of observation is the household. The outcome of interest in column (1) is a binary equaling 1 if the household has a bank loan; in column (2), the value of bank loans; in column (3), log monthly household consumption; in column (4), log value of household assets. All monetary values are scaled by household size,. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification and are weighted by AIDIS assigned household multiplier weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS, 2019.

Table 2: Directed Credit Policy and Bank Credit Access for Muslim Households: Exploring Mechanisms

	(1)	(2)	(3)	(4)	(5)	(6)
	Source of Bank Credit				Bank Loan Characteristics	
	Any Loan Comm. Bank	Any Loan Bank-SHG	Loan Amt Comm. Bank	Loan Amt. Bank-SHG	Any Unsec. Bank Loan	Bank Interest Rates
Treat	.036*	.051***	5706.083***	576.310**	.021	-.004
	(.019)	(.014)	(1331.590)	(272.800)	(.038)	(.013)
Observations	3660	3660	3660	3660	3660	1008
Control Mean	.082	.022	5016.209	139.071	.039	.108

Notes: This table reports potential mechanisms explaining the increased credit access for Muslim households. The unit of observation is the household. The outcome of interest in column (1) is a binary equaling 1 if the household has a bank loan through a bank-linked SHG; in column (2), the value of bank loans from a bank-linked SHG; in column (3), a binary equaling 1 if the household has a loan from a commercial bank; in column (4), the value of bank loans from commercial banks; in column (5), a binary equaling 1 if the household has an unsecured bank loan; in column (6), bank interest rates. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 , and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification and are weighted by AIDIS assigned household multiplier weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS, 2019.

Table 3: Electoral Effects of the Directed Credit Policy

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Muslim Candidate			Muslim Candidate Major Parties		Total Candidates	Muslim Candidate Win	
	Any Candidate	Vote Share	Vote Share	Any Candidate	Vote Share	All Parties	Any Party	Major Party
Treat	.242***	.028***	.034	.116***	.064***	-.414**	.090***	.103***
	(.039)	(.008)	(.021)	(.042)	(.015)	(.197)	(.034)	(.027)
Observations	1400	2663	1400	1400	1400	1400	1400	1400
Dep Var Mean	.663	.050	.093	.187	.037	1.870	.061	.027

Notes: This table shows the treatment's impact on electoral outcomes. The unit of observation is the electoral constituency. The outcome of interest in column (1) is a binary equaling 1 if a minority Muslim candidate contested elections. Column (2) considers vote shares received by each Muslim candidate while column (3) aggregates votes received by all Muslim candidates contesting in a constituency. The outcome of interest in column (4) is a binary equaling 1 if a Muslim contestant from a non-majoritarian party contests the election; in column (5), the vote share received by Muslim contestants from a non-majoritarian party; in column (6), total Muslim contestants; in column (7), a binary equaling 1 if a Muslim candidate wins the election; in column (8), a binary equaling 1 if a Muslim candidate from a non-majoritarian party wins the election. All specifications include state-region and year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification and are weighted by the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Trivedi Centre for Political Data, 2008-2019.

Table 4: Directed Credit Policy and Religious Conflicts

	(1)	(2)	(3)
		Crimes Per Capita	
	Religious Riots	Non Religious Riots	Murders
Treat	1.188**	1.081	-1.734
	(.503)	(5.123)	(3.142)
Observations	568	568	568
Dep Var Mean	.614	48.145	30.355

Notes: This table compares religious and non-religious conflicts across minority and non-minority concentration districts. The unit of observation is the district. The outcome of interest in columns is per capita crimes for the category mentioned. Per capita crimes scales annual incidences of crime by the district's population in 2001. All specifications include a linear polynomial in the running variable, state-region and year fixed effects. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted by the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: National Crime Records Bureau, 2015-2019.

A Appendix: Additional Tables

Table A1: Electoral Effects of the Directed Credit Policy: Heterogeneity by Share of Muslim Voters

	Panel A: High Muslim					
	(1)	(2)	(3)	(4)	(5)	(6)
	Pr(Muslim Candidate = 1)		Muslim Candidate Vote Shares		Muslim Candidate Win	
	Any Party	Major Party	Any Party	Major Party	Any Party	Major Party
Treat	.083*	.540***	.140***	.210***	.338***	.337***
	(.046)	(.097)	(.040)	(.030)	(.070)	(.049)
Observations	578	578	578	578	578	578
Dep Var Mean	.924	.425	.198	.079	.113	.053
	Panel B: Low Muslim					
	(1)	(2)	(3)	(4)	(5)	(6)
	Pr(Muslim Candidate = 1)		Muslim Candidate Vote Shares		Muslim Candidate Win	
	Any Party	Major Party	Any Party	Major Party	Any Party	Major Party
Treat	.371***	.052	.054***	.034**	.057**	.062***
	(.062)	(.048)	(.020)	(.013)	(.026)	(.024)
Observations	649	649	649	649	649	649
Dep Var Mean	.472	.047	.032	.008	.015	.000

Notes: This table compares electoral outcomes across minority and non-minority concentration areas, after splitting the sample by the share of Muslim voters in the constituency. Panel restricts the sample to *High Muslim* constituencies, which have a relatively high (above median) share of registered Muslim voters; Panel B restricts the sample to *Low Muslim* constituencies with a below median share of registered Muslim voters. The outcome of interest in columns (1) and (2) is a binary equaling 1 if any Muslim candidate contested the elections; in columns (3) and (4), the vote share received by Muslim candidates; in columns (5) and (6), a binary equal to 1 if a Muslim candidate won the election. The outcome of interest in columns (2), (4) and (6) consider Muslim candidates contesting on behalf of non-majoritarian parties. Columns (1), (3) and (5) consider all Muslim candidates. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Election Commission of India, 2008-2019.

Table A2: Directed Credit Policy and Candidate Quality

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Assets and Liabilities			Bank Loans		Other Characteristics			
	Assets	Liabilities	Net Assets	Any Bank Loan	Bank Loan Amount	Age	Secondary Educated	Criminal Cases	Convicted
Treat	11.604**	2.957***	8.647*	.220***	2.999***	.882	.092**	.089	.069**
	(5.189)	(.701)	(4.671)	(.037)	(.456)	(.728)	(.042)	(.178)	(.028)
Observations	1192	1192	1192	1494	1494	1192	1202	1192	1183
Dep Var Mean	21.422	1.631	19.790	.306	.662	44.545	.674	.720	.111

Notes: This table shows the treatment's impact on candidate quality, using public information from candidate affidavits. The unit of observation is the candidate. The outcome of interest in column (1) is candidate assets; in column (2), candidate liabilities; in column (3), candidate net assets, defined as assets less liabilities; in column (4), a binary equaling 1 if the candidate had a bank loan; in column (5), the amount of bank loan; in column (6), candidate age; in column (7), a binary equaling 1 if the candidate was secondary educated; in column (8), the number of criminal cases; in column (9), a binary equaling 1 if the candidate was convicted in a criminal case. The sample is restricted to Muslim candidates, contesting elections between 2008 and 2019. All specifications include state-region and year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Association for Democratic Reforms and Development Data Lab (SHRUGS), 2008-2019.

Table A3: Treatment Effect on Bank-Registered Self-Help Group Formation and Composition

	(1)	(2)	(3)	(4)	(5)	(6)
	Total SHG	SHG Members	Muslim Members	Any Muslim in SHG	Only Muslims in SHG	No Muslims in SHG
Treat	-36.819	899.688	2088.518*	127.170	152.258*	772.518
	(917.559)	(928.103)	(1088.767)	(130.263)	(82.933)	(976.679)
Observations	792	792	792	792	792	792
Dep Var Mean	3985.803	45451.225	3921.225	598.167	186.808	44853.058

Notes: The above table shows the treatment effect on the formation of bank-registered self-help groups (SHGs). The unit of observation is the district. The outcome of interest in column (1) is the number of bank registered SHGs in the district; in column (2), the total number of members across all bank-registered SHGs; in column (3), the total number of Muslim members across all bank-SHGs; in column (4), the number of SHGs with at least 1 Muslim member; in column (5), the number of SHGs with only Muslim members; in column (6), the number of SHGs with no Muslim member. All specifications include state-region fixed and year fixed effects, and a linear polynomial in the running variable. Columns (2)-(6) control for total number of SHGs registered. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: National Rural Livelihood Mission, 2008-19.

Table A4: Minority Participation in Politics, Collective Action, and Citizen Attitudes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Minority Participation in Politics and Collective Action Groups				Citizen Attitudes			Responsiveness to Violence	
	SHG Membership	Member Religious Group	Member Political Party	Attend Panchayat Meeting	Collective Action Govt. Response	Protest Against Religious Injustice	Religious Identity	Politician	Police
Treat	.035*	.189***	.035**	.204***	.564***	.314**	.208***	.039***	-.162**
	(.019)	(.026)	(.014)	(.041)	(.070)	(.129)	(.079)	(.013)	(.066)
Observations	982	982	982	982	4582	4600	4580	3011	3011
Dep Var Mean	.170	.135	.032	.123	.31	.33	.41	.01	.48

Notes: This table compares political participation, engagement in collective action groups, and citizen attitudes for minority citizens across minority and non-minority concentration areas. The unit of observation is the household. The outcome of interest in all columns are binary. The outcome of interest in column (1) equals 1 if the household has a member in a self-help group; in column (2), the binary outcome equals 1 if the household has a member in a religious group; in column (3), the outcome equals 1 if the household has a member in a political party; in column (4), the outcome equals 1 if a member of the household had attended a local village/ward council meeting; in column (5), the outcome equals 1 if the household strongly agrees that organizing along religious lines can pressurize the government to create favourable policies; in column (6), the outcome equals 1 if the household strongly agrees to engage in protests to secure the rights of their religious group; in column (7), the outcome equals 1 if the household strongly agrees that religion plays a key role in their identity. In column (8), the outcome equals 1 if the household believes members of federal or state legislatures would be most responsive to incidents of violence; in column (9), the outcome equals 1 if the household believes the police would be most responsive to incidents of violence. All specifications include state-region and year fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Columns (1)-(4): India Human Development Survey, 2011-12; Columns (5)-(9): Centre for Monitoring the Indian Economy, Samaj Surveys: 2017-2019.

Table A5: Directed Credit Policy and Voter Turnout

	(1)	(2)	(3)	(4)
	Turnout	Registered Voters	Turnout High Muslim	Turnout Low Muslim
Treat	.067***	-12167.522	.118***	.015
	(.013)	(11911.855)	(.011)	(.016)
Observations	16162	16162	16162	7106
Dep Var Mean	.607	242597.35	.610	.673

Notes: This table identifies the impact of the directed credit policy on electoral outcomes for political parties and other electoral characteristics. The unit of observation is the electoral constituency. The outcome of interest in columns (1) and (3) are vote shares; in columns (2) and (4), a binary equaling 1 if a candidate won the election; in column (5) voter turnout; in column (6), number of candidates contesting, and in column (7), total registered voters. Columns (1)-(2) pertain to non-majoritarian parties; columns (3)-(4) to the right-wing Bharatiya Janata Party (BJP). All specifications include state and electoral year fixed effects, in addition to a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Trivedi Centre for Political Data (TCPD), 2008-2019.

Table A6: Treatment Effect on Religious Violence: ACLED Database

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Riots Per Capita							
	Hindu Muslim	Other	Hindu Instigated	Post Election Year	Pre Election Year	Non-Election Years	High Muslim Concentration	Low Muslim Concentration
Treat	.059**	1.252	.014***	.061**	.005	.010	.941***	.282***
	(.031)	(1.466)	(.003)	(.024)	(.004)	(.017)	(.191)	(.065)
Observations	360	360	360	337	337	337	221	256
Dep Var Mean	.038	4.327	.021	.006	.005	.029	.078	.029

Notes: The above table shows the treatment effect on religious violence from the ACLED database. The unit of observation in the first six columns is the district and it is a constituency in the last two columns. Column (1) considers Hindu-Muslim religious riots; column (2) considers non-religious riots; column (3) considers Hindu-Muslim riots instigated by Hindus; column (4) considers Hindu-Muslim riots occuring within 12 months of an election to the state legislative assembly; column (5) considers Hindu-Muslim riots occuring 12 months before elections to the state legislative assembly; column (6) consider Hindu-Muslim riots in non-election years; column (7) splits the sample by constituencies with a relatively high (above median) share of registered Muslim voters; column (8) splits the sample by constituencies with a low share of registered Muslim voters. Riots are measured as the number of incidents, scaled by the district population in 2001 (in millions). All specifications include state-region and year fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: ACLED, 2016-19.

Online Appendix

B Pre-Treatment Minority Credit Access: Descriptive Evidence

B.1 Credit Access Across Communities

We present the descriptive analysis by disaggregating households into 5 mutually exclusive groups: Hindu forward castes, Hindu marginalized castes, Muslims, and other religious minorities.[1] We also disaggregate the source of credit into bank loans, loans from non-bank financial institutions (NBFIs) such as co-operative banks and non-banking financial corporations (NBFCs), and loans from informal sources. The latter is further disaggregated into loans from professional money lenders and input suppliers, and loans from community networks such as friends, relatives, employers and landlords.

Appendix Figure B1 shows the share of outstanding credit accounted for by each of the communities, disaggregated by the source of credit. The top-left panel shows that overall, Muslims accounted for 7 percent of outstanding credit across all sources, which shrunk to 6 percent when considering only bank credit (middle-panel, top row). For reference, Muslims accounted for 13 percent of India's population according to the 2001 Census. This under-representation is seen across all credit sources, with the exception of loans from community sources. In contrast, other non-Muslim religious minorities accounted for 7 percent of bank credit, while comprising 5 percent of the population. Unsurprisingly, Hindu forward castes accounted for 40 percent of bank credit, despite accounting for less than a quarter of India's population.

The top-left panel of Appendix Figure B2 shows that between 30 and 40 percent of households across all five groups had some outstanding loan in 2003, with informal loans being the primary source of credit. While less than 10 percent of households had any outstanding bank loan, this was particularly low for Muslim households (3 percent), relative to Hindu forward castes (5.6 percent) or other religious minorities (5.6 percent). Similarly, the top-right panel of Appendix Figure B2 shows Muslim households to also have lower credit access along the intensive margin. Relative to Hindu forward castes or other religious minorities, and conditional on having an outstanding bank loan, Muslim households on average had 30 percent lower bank loan amounts. The bottom row of Appendix Figure B2 compares the cost of credit across communities and shows no variation in bank interest rates across the five groups. This indicates that Muslim households were not inherently riskier borrowers. However, these households were charged the

[1] We refer to *Dalits*, *Adivasis*, and Other Backward Classes (OBCs) when referring to Hindu marginalized castes. The descriptive analysis also distinguishes between SC/STs and OBCs.

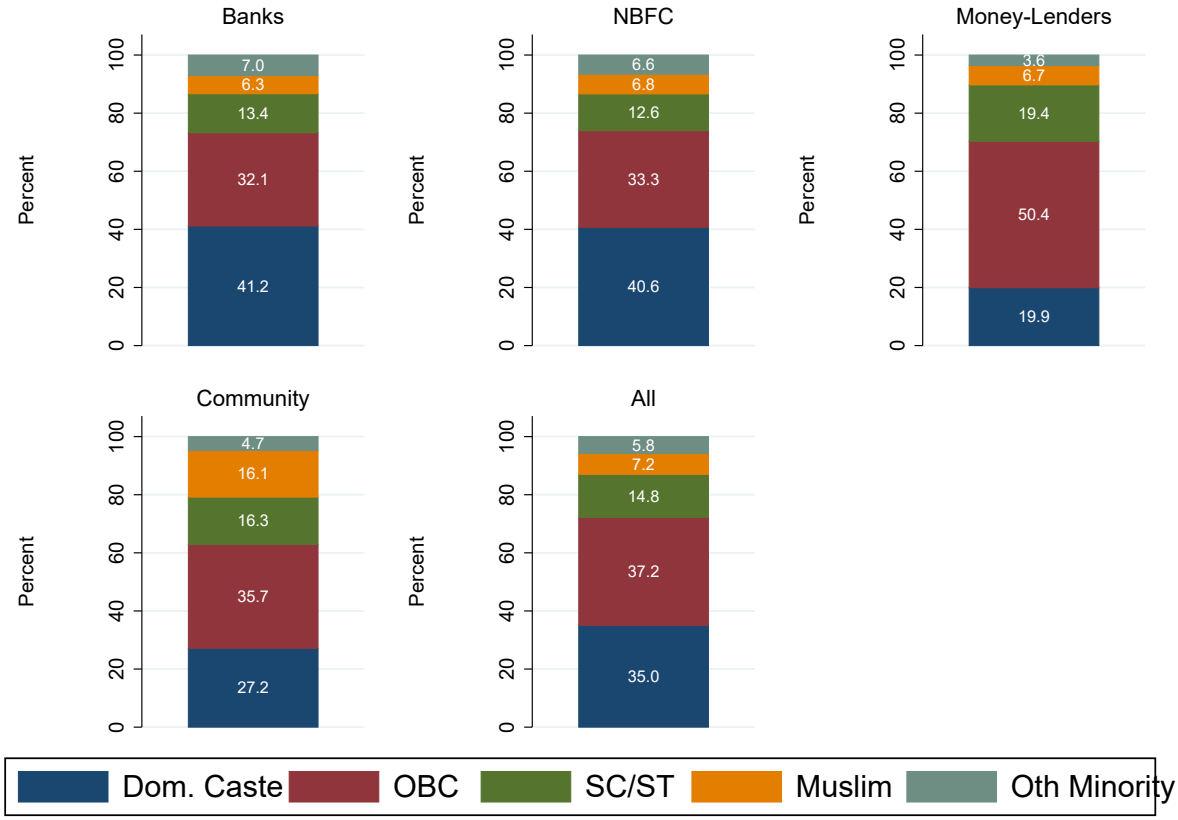
highest rates of interest by professional money lenders. Collectively, Appendix Figure B2 points to a rationing of formal credit for Muslim households along both the extensive and intensive margins. This is unlikely to be explained by a lower demand for credit as the fraction of Muslim households with outstanding loans is very similar to Hindu forward castes. In the absence of formal credit, Muslim households were pushed towards informal credit markets, where they faced the highest cost of credit.

B.2 Oaxaca Blinder Decomposition

We formally use an Oaxaca-Blinder decomposition to gauge whether the descriptive difference in credit access for minority Muslim households, discussed in Section B.1, can be explained by observable characteristics. We use the 2003 AIDIS and restrict the sample to Hindu and Muslim households. District fixed effects are used to partial out aggregate district characteristics which uniformly affect credit access for both communities. Consequently, our decomposition tests whether observable characteristics can explain the difference in bank credit access for Muslim households, relative to Hindu households residing in the same district. We condition for demographic features such as household size and rural location, as well as educational characteristics such as whether the household has a secondary educated member. Additional covariates includes whether the household's earnings are primarily from self-employment or wage work, and the broad industry of occupation. To factor in variations in households' demand for credit, we also control for monthly per capita household consumption. Finally, as the ability to extend collateral often determines credit access Banerjee and Duflo (2010), we control for the value of land and buildings owned by the household. The sample is restricted to households in non-minority concentration districts and standard errors are clustered by district.

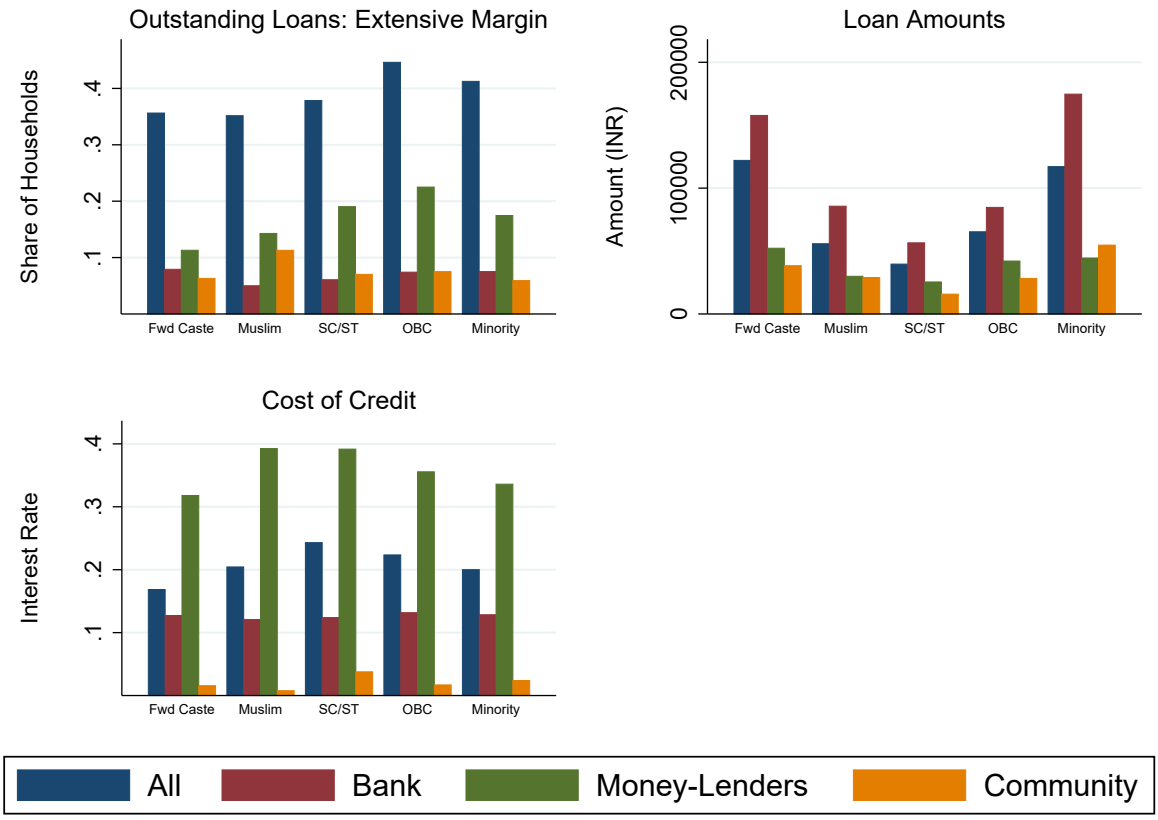
Appendix Figure B4 shows that observable characteristics cannot fully explain the variation in bank credit access across Hindu and Muslim households, pointing to the presence of discrimination. After conditioning on the fixed effects and covariates, Muslim households have a statistically significant 2.3 percentage point lower likelihood of having a bank loan, relative to Hindu households. Observable characteristics can only explain 38 percent of this difference. Along the intensive margin, unobservable characteristics explain 30 percent of the difference in the amount of bank credit, although the point estimate is not statistically significant (p-value .229).

Figure B1: Distribution of Credit Across Communities and Credit Source: Pre-Treatment Shares



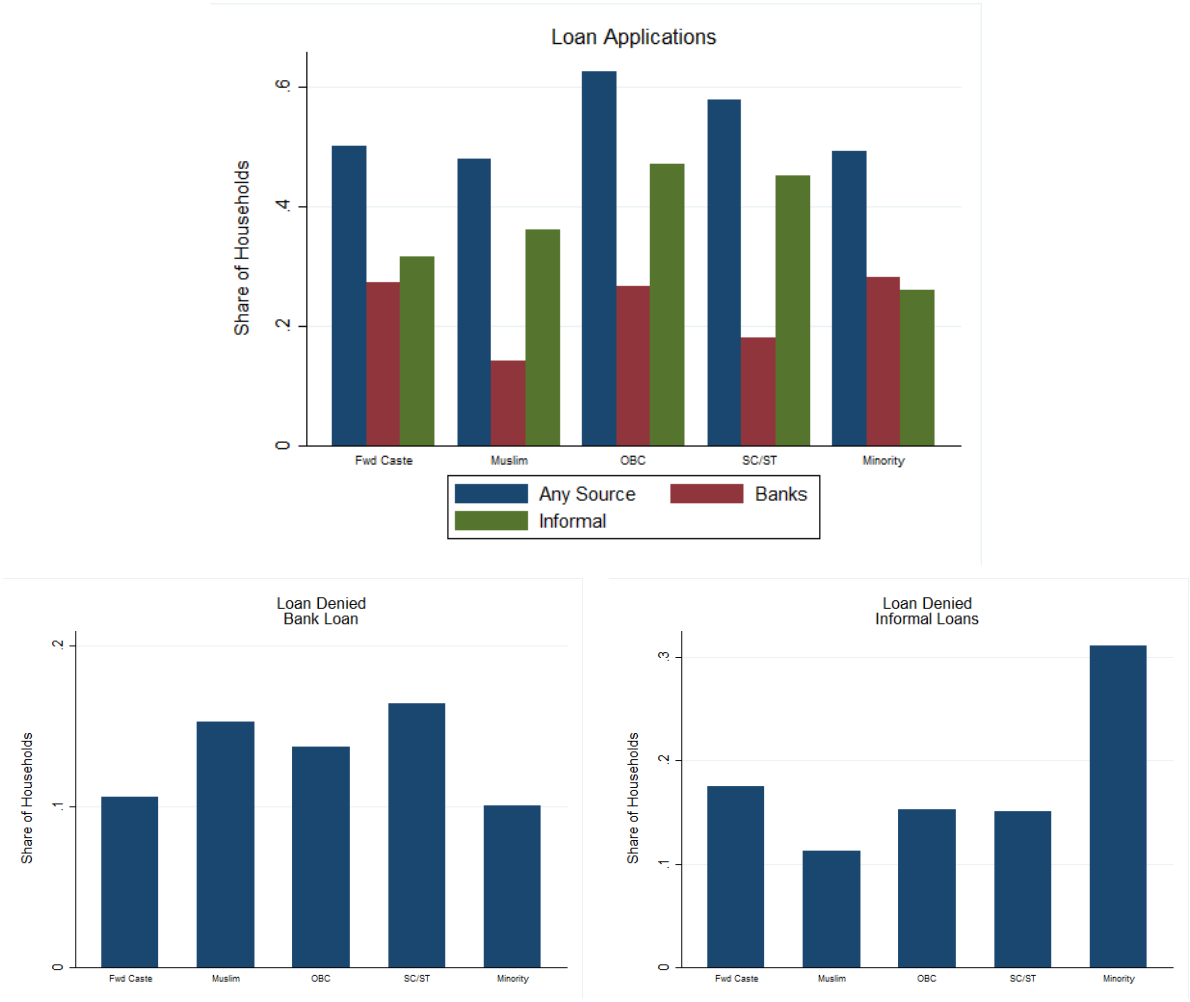
Notes: The above figure shows the pre-treatment distribution of credit across communities and credit source. The bar graph shows the share of outstanding credit for each community, based on credit source. *Oth Minority* refers to non-Muslim religious minorities; *Dom Caste* refer to non-SC/ST/OBC Hindu households. Data is from the AIDIS, 2003.

Figure B2: Pre-Treatment Household Credit Across Communities



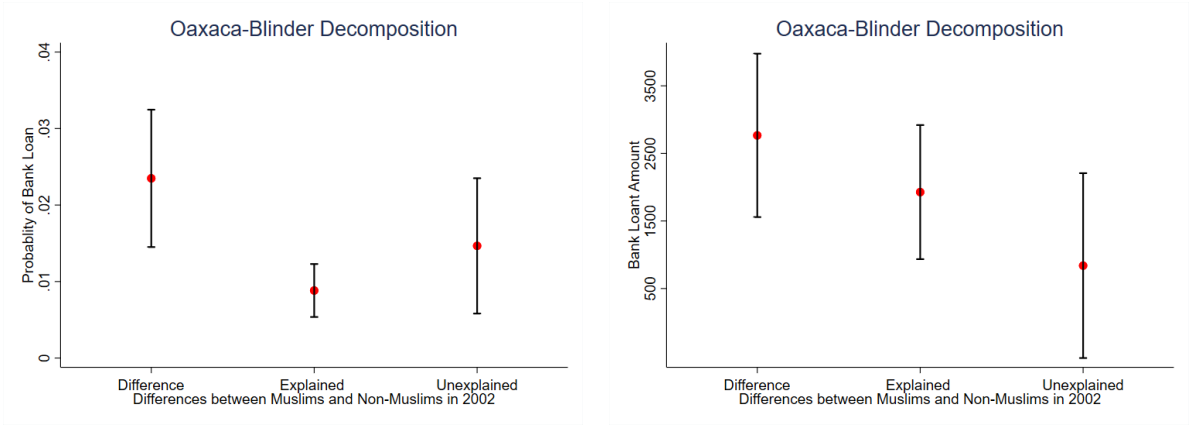
Notes: The above figure presents pre-treatment descriptive statistics for loan outcomes by community. The top-left panel shows the likelihood of households having loans from any of the above-mentioned sources; the top right-panel shows the average volume of credit received by households from each source; the bottom-right panel shows the average rate of interest from each source. *Minority* refers to non-Muslim religious minorities; *Fwd Caste* refer to non-SC/ST/OBC Hindu households. Data is from the AIDIS, 2003.

Figure B3: Loan Application and Denial Across Communities and Credit Source



The above figures compares loan application and denial rates across communities using data from the Indian Human Development Survey (IHDS), conducted in 2011-12. Loan applications cover any loan application made by the household in the past five years, from the source mentioned. Loan denial is conditional on the household applying for the loan from the source mentioned.

Figure B4: Pre-Treatment Credit Access Across Minority and Non-Minority Households: Oaxaca-Blinder Decomposition



Notes: The above figures uses a Oaxaca-Blinder decomposition to test the role of unobservables in explaining the difference in bank credit access across Hindu and Muslim households in the pre-treatment period. The sample is restricted to Hindu and Muslim households. All specifications condition on district fixed effects and a rich set of household covariaes. The outcome of interest in the left-figure is a dummy equaling 1 if the household has any bank loan; in the right-figure, the value of bank loans. Standard errors are clustered by district.

C Appendix: Balance Checks

Table C1: Directed Credit Policy and Household Characteristics: Pre-Treatment Balance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rural	Marginalized	Farm	Non Farm	Farm Work	Non Farm Self Employed	Wage Work
Treat	-.020	.033	.080	-.001	.021	.067	-.096***
	(.077)	(.030)	(.073)	(.070)	(.027)	(.055)	(.018)
Observations	4060	4060	4060	4060	4060	4060	4060
Control Mean	.536	.396	.257	.636	.116	.316	.200

Notes: This table shows pre-treatment balance on household characteristics for Muslim households. The outcome of interest are all binary. The outcome of interest in column (1) is a binary equaling 1 if the household resides in a rural area; in column (2), a binary equaling 1 if the household belongs to the *Dalit*, *Adivasi* or OBC communities; in column (3), a binary equaling 1 if the household's primary earnings are from farm activities; in column (4), a binary equaling 1 if the household's primary earnings are from non-farm work; in column (5), a binary equaling 1 if the household's primary earnings are from farm labour; in column (6), a binary equaling 1 if the household's primary earnings are from non-farm self-employment; in column (7), a binary equaling 1 if the household's primary earnings are from salaried work. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%

Table C2: Directed Credit Policy and Loan Characteristics: Pre-Treatment Balance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Pr(Loan = 1)						Loan Amount (INR)					
	Any Source	Bank	NBFI	Inf.	Money Lender	Comm.	Any Source	Bank	NBFI	Inf.	Money Lender	Comm.
Treat	.02	.012	-.03*	.02	-.02	.03	-872.34**	201.01	-766.36***	-273.13	-361.87	88.74
	(.03)	(.01)	(.02)	(.03)	(.03)	(.02)	(415.61)	(237.60)	(215.80)	(300.93)	(255.68)	(132.50)
Observations	4060	4060	4060	4060	4060	4060	4060	4060	4060	4060	4060	4060
Control Mean	.29	.03	.04	.22	.12	.11	2506.09	312.84	730.51	1236.13	762.98	473.14

Notes: This table shows pre-treatment balance on household borrowing for Muslim households. The unit of observation is the household. The outcome of interest in columns (1)-(6) is whether the household has a loan from the source mentioned; in columns (7)-(12), the value of loans from the source mentioned. *NBFI* refers to non-bank financial institutions. *Inf.* refers to informal loan sources. *Money Lenders* include both traditional money-lenders, and also input suppliers. *Comm.* refers to loans from community networks such as friends, families and landlords. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS, 2003.

Table C3: Directed Credit Policy and Bank Loan Characteristics: Pre-Treatment Balance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Purpose						Other Characteristics		
	Any Farm Loan	Any Non Farm Loan	Any Expenditure Loan	Farm Loan Amt.	Non Farm Loan Amt.	Expenditure Loan Amt.	Unsecured Loan	Long-Term Loan	Interest Rate
Treat	-.010	.012**	.012***	-98.754	124.987*	51.234	.012	.002	-.021
	(.009)	(.005)	(.004)	(196.982)	(65.610)	(56.608)	(.008)	(.013)	(.018)
Observations	4060	4060	4060	4060	4060	4060	4060	4060	273
Control Mean	.015	.006	.006	85.699	87.128	129.135	.013	.024	.131

Notes: This table shows pre-treatment balance on bank loans for Muslim households. The unit of observation is the household. The outcome of interest in columns (1)-(6) shows balance by the purpose of bank borrowings; in columns (7)-(9), balance by loan characteristics. The outcome of interest in columns (1)-(3) is a binary equaling 1 if the household has a bank loan for the purpose mentioned; in columns (4)-(6), the value of bank loans for the purpose mentioned. The outcome of interest in columns (7)-(8) are also binary. Interest rates in column (9) is the loan-volume weighted value of bank interest rates for the household. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS, 2003.

Table C4: Directed Credit Policy and Household Assets: Pre-Treatment Balance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Log Value (INR)					Pr(Asset = 1)			
	Consumption	Assets	Assets Excl. Real Estate	Real Estate	Prod. Assets	Any Land	Any Farm Land	Any Bld.	Res. Bld.
Treat	.056	.358	.302	.264	.632	.041	-.030	.030	.028
	(.047)	(.469)	(.431)	(.441)	(.539)	(.045)	(.056)	(.046)	(.047)
Observations	4060	4060	4060	4060	4060	4060	4060	4060	4060
Control Mean	618.661	30452.222	1609.579	14822.483	8524.967	.776	.262	.785	.782

Notes: This table shows pre-treatment balance on household consumption and assets for Muslim households. The outcome of interest in columns (1)-(5) are logged; in columns (6)-(9), a binary equal to 1 for households owing the asset specified. The outcome of interest in column (1) is households' per capita consumption; in column (2), household per capita assets; in column (3), households' per capita assets excluding the value of land and buildings; in column (4), households' per capita land and buildings; in column (5), households' per capita productive assets, defined as the value of land, machinery, transport assets and livestock; in column (6), a binary equal to 1 if the household owns any land; in column (7), a binary equal to 1 if the household owns any farm land; in column (8), a binary equal to 1 if the household owns any buildings; in column (9), a binary equal to 1 if the household owns any residential building. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district.Significant levels: *10%, **5%, and ***1%
Source: AIDIS, 2003.

Table C5: Balance on Worker Characteristics and Labour Market Outcomes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Rural	Female	Educ.	LFP	Unemp.	Self Emp.	Wage Work	Farm	Non Farm	Mfg.	Trade Services	Daily Earn
Treat	.012	-.036*	-.027	.018	-.026	.029	.012	-.004	.034	.026*	-.031	-.005
	(.053)	(.019)	(.023)	(.019)	(.029)	(.029)	(.031)	(.018)	(.021)	(.015)	(.022)	(.098)
Observations	9112	9112	9112	9112	9112	9112	9112	9112	9112	9112	9112	1958
Dep Var Mean	.592	.487	.174	.540	.064	.297	.228	.207	.320	.098	.178	23.312

Notes: This table shows pre-treatment balance on labour market characteristics for Muslim working age individuals. The unit of observation is the individual, aged between 18 and 60 years. The outcome of interest in columns (1)-(11) are binaries; in column (12), logged value of daily earnings. Daily earnings are computed as total weekly earnings, divided by total number of days worked during the week preceding the survey. Daily earnings are computed only for workers reporting a positive wage during the week and excluded self-employed workers. *Educ.* is a binary equaling 1 if the worker had completed secondary education; *Unemp.* refers to the worker being unemployed during the week; *Self-Emp.* refers to the worker being self-employed during the week; *Mfg.* refers to workers engaged in manufacturing activities during the week. All specifications include state-region fixed effects, individual covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: NSS Employment-Unemployment Survey, 2007.

Table C6: Directed Credit Policy and Electoral Outcomes: Pre-Treatment Balance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Minority Candidates						
	Any Muslim	No. Muslims	Any Muslim Major Party	Vote Share	Vote Share Major Party	Muslim Win	Muslim Major Party Win
Treat	.111	.257	.060	.008	-.026	-.013	-.066
	(.084)	(.250)	(.074)	(.051)	(.035)	(.060)	(.048)
Observations	1423	1423	1423	1423	1423	1423	1423
Dep Var Mean	.497	1.112	.166	.090	.043	.089	.050

Notes: This table shows pre-treatment balance on electoral characteristics. The unit of observation is the electoral constituency. The outcome of interest in column (1) is a binary equaling 1 if any Muslim candidate contested the election; in column (2), the total number of Muslims contesting; in column (3), a binary equaling 1 if a Muslim candidate contested on behalf of a non-majoritarian party; in column (4), vote share received by Muslim candidates; in column (5), vote share received by the Muslim candidate contesting on behalf of a non-majoritarian party; in column (6), a binary equaling 1 if the Muslim candidate won the election; in column (7), a binary equaling 1 if a Muslim candidate from a non-majoritarian party won the election. All specifications include state-region and year fixed effects, along with a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Election Commission of India, 1996-2007.

Table C7: Directed Credit Policy and Electoral Outcomes: Pre-Treatment Support for INC and BJP

	(1)	(2)	(3)	(4)
	BJP		INC	
	Vote Share	Win	Vote Share	Win
Treat	-.002	.025	.030	.080
	(.019)	(.038)	(.032)	(.061)
Observations	1423	1423	1423	1423
Dep Var Mean	.197	.233	.214	.211

Notes: This table shows pre-treatment balance on party performance across minority and non-minority concentration areas. The unit of observation is the electoral constituency. The outcome of interest in odd-numbered columns is the vote shares for the party mentioned; in the even numbered columns, a binary equaling 1 if the political party won the election. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications include state-region and year fixed effects, along with a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Election Commission of India, 1996-2007.

Table C8: Pre-Treatment Bank-Registered Self-Help Group Formation and Composition

	(1)	(2)	(3)	(4)	(5)	(6)
	Total SHG	SHG Members	Muslim Members	Any Muslim in SHG	Only Muslims in SHG	No Muslims in SHG
Treat	201.682	204.101	125.250	-8.174	16.770	212.276
	(155.644)	(246.485)	(126.816)	(14.733)	(10.952)	(251.667)
Observations	462	462	462	462	462	462
Dep Var Mean	372.367	4456.629	236.762	42.719	10.562	4413.910

Notes: This table shows pre-treatment balance for bank-registered self-help group (SHG) formation and composition. The unit of observation is the district. The outcome of interest in column (1) is the number of bank registered SHGs in the district; in column (2), the total number of members across all bank-registered SHGs; in column (3), the total number of Muslim members across all bank-SHGs; in column (4), the number of SHGs with at least 1 Muslim member; in column (5), the number of SHGs with only Muslim members; in column (6), the number of SHGs with no Muslim member. Columns (2)-(6) control for the total number of SHGs registered. All specifications include state-region fixed and year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: National Rural Livelihood Mission, 2001-2007.

Table C9: Pre-Treatment Balance on District Crimes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Per Capita Crimes								
	Riots	Murder	Rape	Abduction	Arson	Hurt	Property	Cheating	Total
Treat	21.237***	-.198	-2.221	-1.900	-1.846	53.978	30.871	3.476	30.364
	(5.597)	(3.487)	(2.686)	(2.965)	(2.114)	(40.263)	(42.336)	(8.866)	(23.308)
Observations	665	665	665	665	665	665	665	665	665
Dep Var Mean	49.529	36.030	23.708	30.153	11.098	239.159	438.439	66.702	246.389

Notes: This table shows pre-treatment balance on district crimes. The unit of observation is the district. The outcome of interest is per capita crimes for the categories mentioned. Per capita refers to the district population as per the 2001 population Census. Crimes are based on first information reports filed during the year. All specifications include state-region fixed effects, year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: National Crime Records Bureau (2001-07).

Table C10: Balance on Bank Branches and Bank Deposits

	(1)	(2)	(3)	(4)	(5)
	Branches			Deposits	
	Total	State Own	Private	Amt.	Act.
Treat	-27.092	-22.465	-4.627	-.138	15.555
	(42.815)	(37.455)	(6.160)	(.440)	(19.902)
Observations	637	637	637	637	637
Dep Var Mean	213.276	188.844	24.432	1.613	48.843

Notes: This table shows pre-treatment balance on bank branches and deposits. The unit of observation is the district. The outcome of interest in columns (1)-(3) are the number of bank branches; in columns (4)-(5), bank deposits. The outcome of interest in column (1) is total bank branches; in column (2), state-owned bank branches; in column (3), private bank branches; in column (4), bank deposit amounts; in column (5), bank deposit accounts. Bank deposit amounts are in billions of INR. All specifications include state-region fixed effects, year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Basic Statistical Returns (2001-07).

Table C11: Balance on Bank Credit Disbursement

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Total Credit		Farm Loans		Manufacturing Loans		Personal Loans	
	Act.	Amt.	Act.	Amt.	Act.	Amt.	Act.	Amt.
Treat	-9873.541	41.598	4795.143	2.022	-4774.879	24.975	1029.820	.771
	(34696.119)	(43.675)	(8129.731)	(1.654)	(5464.193)	(24.707)	(20646.159)	(4.510)
Observations	640	640	640	640	640	640	640	640
Dep Var Mean	359684.134	173.553	78319.785	10.735	12138.260	67.553	211795.986	43.049

Notes: This table shows pre-treatment balance on bank credit. The unit of observation is the district. The outcome of interest in odd-numbered columns is loan amounts; in even-numbered columns, loan accounts. Columns (1)-(2) pertain to all bank credit; in columns (3)-(4), farm loans; in columns (5)-(6), manufacturing loans; in columns (7)-(8), personal loans. Bank loan amounts are in billions of INR. All specifications include state-region fixed effects, year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Basic Statistical Returns (2001-07).

D Appendix: Did Other Concurrent Policies in PM's 15 Point Programme Use the 25% Discontinuity Threshold

The PM's 15 Point Programme for Minority Welfare outlined a series of schemes targeted towards minority welfare. Our paper focuses on the provision of minorities receiving an "equitable share of bank credit". The implementation of this provision was left to the Reserve Bank of India, which directed banks to expand lending to minorities in "minority concentration areas" – namely districts where the share of religious minorities exceeded 25% of the district population (based on the 2001 Census). However, the presence of a host of other schemes, targeted to the same population of interest raises concerns about a bundled treatment: namely whether our fuzzy RD estimates are capturing the impact of directed bank credit to religious minorities across the discontinuity threshold, or the impact of other contemporaneous policies aimed at improving the well-being of religious minorities.

From a reading of the official documents related to the minority welfare programme, we, to the best of our understanding, were unable to identify any other scheme which used the 25% district-level population threshold. Along with the qualitative study, we empirically verify this by showing that key outcomes described in the 15-Point programme remained comparable a decade after the treatment across minority and non-minority concentration districts within a narrow window around the discontinuity threshold. We assess this along five broad dimensions: education, health, public infrastructure, employment opportunities and criminal justice.

D.1 Education

The 15-point programme noted a wide array of education interventions. This comprised of the construction of public schools targeted for minority groups – in particularly, female minority children – the modernization of madrasa education, and improved resources for teaching Urdu. We use publicly available data from the Unified District Information System for Education (UDISE) to compare whether key education outcome variables differed across the 25% discontinuity threshold.

The UDISE is a census of all educational institutions in India, providing detailed information on enrollment, number of teachers, school infrastructure, and granular location information. Up to 2018, the publicly available UDISE data did not separately report Muslim enrollment, but started doing so from the academic year of 2018-19. We thereby use the 2018-19 UDISE data to compare school construction, enrollment, teachers and the quality of education.

D.1.0.1 School Construction

The 2018-19 UDISE provides granular school location in the form of panchayat, municipality or city in which the school is located. The school's district is also provided, as well as the year in which the school was established. We combine the latter two pieces of information to construct a district-level panel between 2008 and 2019, capturing the number of public schools, and Madrasas constructed in each year.[1] Columns (1) and (2) of Appendix Table D1.A shows no significant increase in the construction of public schools or madrasas in minority concentration districts between 2008 and 2019; if anything, there was a signficantly lesser number of madrasas constructed in treated districts over this period.

D.1.0.2 School Infrastructure

Next, we aggregate data from schools to the administrative level of the local government (panchayat, municipality or city) to compare Muslim enrollment, the teaching of Urdu, and madrasa infrastructure across minority and non-minority concentration areas. The results are shown in columns (3)-(11) of Appendix Table D1.A First, we find comparable levels of enrollment for Muslims, and Muslim girls in public schools across treated and control districts. While the UDISE does not specifically distinguish teachers recruited to teach Urdu, it does record the four principal mediums of instruction in schools. The number of public schools or madrasas teaching Urdu in minority concentration areas too is not significantly higher. Using data on school infrastructure, grants received, and the number of teachers, we find that the number of teachers in madrasas, the number of madrasas with a computer or a digital blackboard, or the quantum of public grants received by madrasas remained comparable across treated and control districts.

D.2 Health

Between 2018 and 2020, the government of India compiled a database on rural infrastructure, sourced through Mission Antyodaya. This includes information on village schooling, health infrastructure, public housing, toilets, access to roads, piped water and so on. The SHRUGS database, created by the Development Data Lab scrapes and provides this data in an usable format (Asher et al., 2021). We aggregate the village-level data to the administrative level of sub-district and apply our fuzzy RD design to compare rural infrastructure and public amenities across treated and control districts.

The Mission Antyodaya provides rich data on village health centres and the number of children immunized through the ICDS programme. Both of these are mentioned in the 15 point

[1] As the policy document speaks about schools constructed under the *Sarva Siksha Abhijaan*, we focus on schools with enrollment in grades 1-8.

programme as policy objectives. While the data does not separately report immunization of Muslim children, columns (1)-(5) of Appendix Table D1.B shows the number of child care centres, primary health centres, and the number of children immunized through the ICDS to be statistically indistinguishable across minority and non-minority concentration districts.

D.3 Housing, Piped Water, Vocational Training

The 15-point programme noted the provision of housing benefits through the Indira Awas Yojana, and the provision of piped water for religious minorities. It also recommended the construction of vocational training institutes to benefit the training of minority workers. While there is no information on targeted benefits to religious minorities, columns (6)-(9) of Appendix Table D1.B shows that the number of households receiving housing benefits under the Indira Awas Yojana, and the number of villages where all households had access to piped water remained comparable across minority and non-minority concentration areas. The number of institutes providing vocational training for workers too were comparable across these districts.

D.4 Employment Support

The 15 point programme listed two schemes to support minority employment. First, it offered to support minority entrepreneurs by providing them credit through schemes such as the National Rural Livelihood Mission (NRLM) or the National Minority Development and Finance Corporation (NMDFC). These policies were listed separately from credit offered through commercial banks. While the central bank oversaw the credit allocation through the banking channel for religious minorities, credit provided through the NRLM or the NMDFC were financed directly by the public exchequer. Second, without offering any explicit targets or quotas, the 15 point programme called for increased recruitment of religious minorities in public employment positions.

The AIDIS household survey separately classifies loans received through government schemes. Columns (1) and (2) of Appendix Table D1.C shows access to credit via government schemes remained comparable for minority households across treated and control districts. To assess whether there was a significant expansion in public recruitment in minority concentration areas, we use data from the Primary Labour Force Survey in 2017-18 and define a binary indicator to equal 1 if an individuals' sector of employment is listed as public administration. Column (3) of Appendix Table D1.C finds no evidence of enhanced public recruitment of Muslim individuals in minority concentration areas.

D.5 Protection from Violence

The PM's 15 point programme also mentioned protecting religious minorities from targeted violence. In terms of policies, they suggested the setting up of special courts to deal with cases involving sectarian violence. While no such court has been set up, we use data from Ash et al. (2025) to test whether more cases from minority petitioners were registered in minority concentration districts. We restrict ourselves to cases registered under Sections 153 and 295 under the erstwhile Indian Penal Code, which directly deals with the hurting of religious sentiments or promoting enimity against religious communities, or religious riotings. Column (4) shows that if anything, fewer cases filed by Muslim petitioners were registered in minority concentration areas between 2010 and 2018. Column (5) shows that cases on which a decision had been reached remained comparable across treated and control districts.

Table D1.A: Post-Treatment Balance on School Outcomes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	School Construction		Public School Characteristics			Madrasa Characteristics					
	Public Schools	Madrasa	Muslim Enroll	Muslim Enroll Girls	Teach Urdu	Muslim Enroll	Muslim Enroll Girls	Teachers	Teach Urdu	Computers	Grants
Treat	4.292	-1.380*	12.983	4.810	-.097**	-7.494**	-4.334***	-.179	-.006**	-.017	20.791
	(3.102)	(.731)	(39.615)	(19.998)	(.041)	(2.962)	(1.554)	(.182)	(.003)	(.011)	(494.116)
Observations	1164	1164	33515	33515	33515	33515	33515	33515	33515	33515	33515
Dep Var Mean	11.440	1.527	75.166	39.188	.327	12.259	6.138	.511	.001	.010	3.405

Notes: This table shows post-treatment balance on schooling outcomes. The unit of observation in columns (1) and (2) is the district; in columns (3)-(11), the village council (*panchayat*) or municipality in which the school is located. The outcome of interest in columns (1)/(2) is the number of public schools/madrasas constructed in each year. The data covers the years 2008-2017 for each district. Columns (3)-(11) aggregate school outcomes to the village council or municipality. The outcome of interest in column (3) is the number of Muslim students enrolled in public schools; in column (4), the number of Muslim female students enrolled in public schools; in column (5), number of public schools where Urdu is taught; in column (6), the number of Muslim students enrolled in madrasas; in column (7), the number of Muslim female students enrolled in madrasas; in column (8), the number of teachers in madrasas; in column (9), the number of madrasas teaching Urdu; in column (10), the number of madrasas with a computer; in column (11), the total amount of public grants received by madrasas. All specifications include state-region fixed effects, in addition to a linear polynomial in the running variable. Columns (1) and (2) also include year fixed effects. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Significant levels: *10%, **5%, and ***1%.
Source: Unified District Information System for Education (UDISE) 2018-19.

Table D1.B: Post-Treatment Balance on Health and Education Infrastructure

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Villages with Child Centres	Health Centre	Primary Health Centre	Children Immunized	Children Registered	Villages with Piped Water	Housing Benefit	Vocational Training Institute	Individuals Vocational Training
Treat	.217	-1.407	-.147	16.512	1499.927	-3.180	496.986	-1.768*	-591.930***
	(25.688)	(4.798)	(1.720)	(736.490)	(1190.566)	(4.608)	(1012.665)	(.984)	(227.329)
Observations	778	778	778	778	778	778	778	778	778
Dep Var Mean	133.859	20.505	9.392	9009.282	14564.950	34.871	5382.948	5.363	1534.949

Notes: This table shows post-treatment balance on local health and education infrastructure. The unit of observation is the sub-district. All data is aggregated from the village to the sub-district level. The outcome of interest in column (1) is the number of villages with an *anganwadi*; in column (2), villages with a health care sub-centre; in column (3), villages with a health centre; in column (4), children immunized; in column (5), children registered for immunization; in column (6), villages where all households have access to piped water; in column (7), households benefitting from subsidized housing through the Prime Minister's housing scheme; in column (8), the number of vocational training institutes; in column (9), the number of individuals who have received training in vocational institutes. All specifications include state-region and year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072, and are weighted using a triangular kernel and the sub-district population. Specifications are estimated using a fuzzy RD specification. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Mission Antodaya 2018-19, compiled and disseminated by the Development Data Lab (SHRUGS)

Table D1.C: Post-Treatment Balance on Employment and Court Outcomes

	(1)	(2)	(3)	(4)	(5)
	Any NRLM Loan	Any Central Loan	Public Admin.	Court Cases	Decisions
Treat	-.017	-.018	.001	-5.030*	-3.268
	(.014)	(.015)	(.001)	(2.929)	(2.249)
Observations	3660	3660	6942	327	327
Dep Var Mean	.025	.033	.002	3.19	1.97

Notes: This table shows post-treatment balance on minorities' access to credit under central government self-employment schemes, employment in public administration, and court proceedings brought about by minority citizens. The unit of observation is the district. The outcome of interest in column (1) is a binary equaling 1 if a Muslim household had an outstanding loan from the National Rural Livelihood Mission (NRLM); in column (2), a binary equaling 1 if a Muslim household had an outstanding loan from any federal agency; in column (3), a binary equaling 1 if a Muslim worker was employed in public administration; in column (4), the number of court cases where the petitioner was a Muslim; in column (5), the number of court cases where the petitioner was a Muslim and a decision was reached. Court cases refer to cases filed under Section 153 and Section 295 of the ertswhile Indian Penal Code (IPC), pertaining to religious conflicts and religious sentiments. All specifications include state-region and year fixed effects, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS, 2019; PLFS 2017-18; Courts data from Ash et al. (2025).

Table D1.D: Balance on Minority Concentration Towns and Blocks Across Treated and Control Districts

	(1)	(2)	(3)	(4)	(5)
	No. of Blocks and Towns		Population Share Minority Concentration Areas		
	Blocks	Towns	Block	Town	Block + Town
Treat	-.063	-3.417	.171	-.159	.011
	(.874)	(3.064)	(.174)	(.169)	(.140)
Observations	96	96	74	74	74
Control Mean	.480	2.000	.039	.239	.278

Notes: This table shows balance across the number of minority concentration towns and blocks in districts. The unit of observation is the district. The outcome of interest in columns (1)-(2) shows balance across the number of minority concentration towns/blocks in a district; in columns (3)-(5), the share of population in minority concentration towns and blocks. Minority concentration towns (blocks) are towns (blocks) where at least 25% of the population hail from religious minority groups, as defined by the 2001 population Census. All specifications include a linear polynomial in the running variable, restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are in parentheses. Significant levels: *10%, **5%, and ***1%.
Source: Population Census, 2001.

E Appendix: Additional Results on Household Credit Access

E.1 Directed Credit Policy, Collateralized Lending and Cost of Borrowing

E.1.1 Collateral Requirement

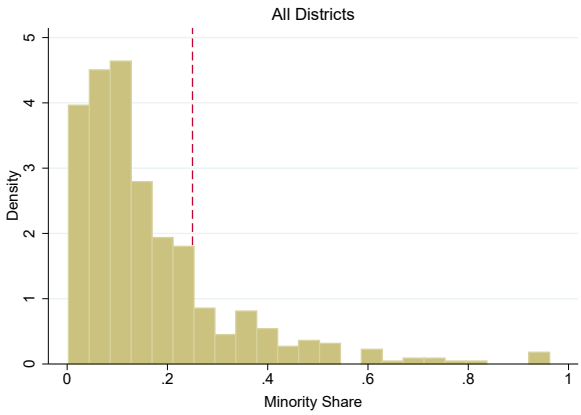
Inadequate collateral is considered a major hindrance to accessing credit markets marked by information frictions (Banerjee and Duflo, 2010). If banks abstained from lending to Muslim households due to limited collateral, it is possible that the directed credit policy nudged banks to extend unsecured loans to reach eligible Muslim borrowers. Using data on loan securitization, column (5) rules out any change in unsecured bank lending for minority households. The point estimate, although positive and relatively large in magnitude, is not statistically significant.

E.1.2 Interest Rate

The final mechanism considered is the cost of credit. While the central bank's policy documents do not make any recommendations regarding interest rates, it is possible that banks reduced interest rates for minority borrowers to facilitate the flow of credit. Column (6) of Table 2 estimates a precise null effect on bank lending rates. Importantly, column (6) of Appendix Table D9 identifies no change in interest rates for non-minority borrowers, assuaging concerns that lenders were cross-subsidizing minority borrowers by charging higher rates to non-minorities.

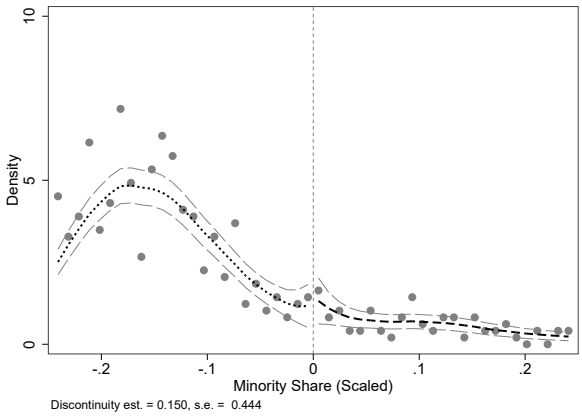
E.2 Figures

Figure D1: Distribution of Running Variable



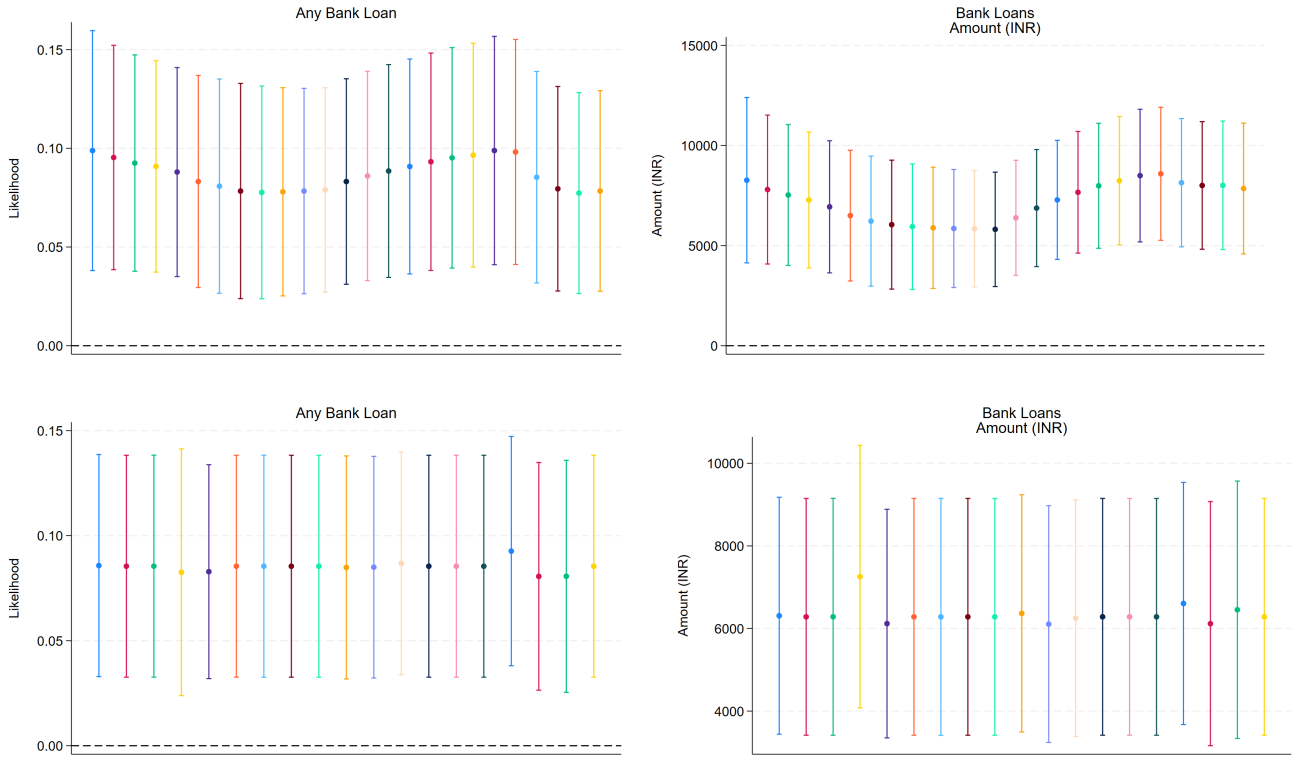
Notes: This figure shows the distribution of the share of religious minorities across districts in India. Religious minorities include the religious denominations Muslims, Christians, Sikhs, Buddhists and Zoarastrians, classified as religious minorities in the Census 2001. The population shares are computed using the 2001 Census. The red vertical line shows the population threshold of 25 percent, using to classify districts as "minority concentration".

Figure D2: Smoothness in Treatment Assignment at Discontinuity Threshold



Notes: This figure presents the McCrary test (McCrary, 2008), testing for selective sorting of districts as minority concentration around the 0.25 threshold. The horizontal axis depicts the running variable – defined in equation (1). The horizontal axis shows the range of the running variable between -.25 and .25. The discontinuity threshold of 0 is indicated by the broken vertical line. The discontinuity estimate and standard error is depicted below the figure.

Figure D3: Robustness to Alternate Bandwidths and Dropping Individual States



This figure shows the robustness of the baseline results to alternate bandwidths and omission of individual states. The outcome of interest in the left-panel is a dummy equaling 1 if the household has any bank loan; in the right-panel, the volume of bank loans (initial loan value). All specifications are restricted to Muslim households. The vertical lines denote 95% confidence intervals of the coefficient estimates. The top panel shows robustness to alternate bandwidths; the bottom panel shows robustness to dropping individual states. The first coefficient in the top-panel is computed using a bandwidth of .04. Subsequent estimations sequentially increase the bandwidth by 0.005. The last point estimate is based on a bandwidth of .10. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications in the bottom panel restrict the sample to a bandwidth of .072 around the discontinuity threshold. All specifications are weighted using a triangular kernel and household weights. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Standard errors are clustered by district.
Source: AIDIS 2019.

Table D1.A: Summary Statistics: Household Characteristics

	N	Mean	SD
Rural	97154	0.673	0.469
Minority	97154	0.150	0.357
Muslim	97154	0.113	0.316
SC/ST	97154	0.287	0.452
OBC	97154	0.456	0.498
Any secondary educated individual	97154	0.614	0.487
Any higher educated individual	97154	0.234	0.423
Farm	97154	0.372	0.483
Non-farm self-Employed	97154	0.155	0.362
Non-farm casual Work	97154	0.183	0.387
Non-farm salaried Work	97154	0.197	0.398
Monthly Per Capital Household Expenditures	97154	2643.365	2333.916

Notes: This table shows the summary statistics for household demographic characteristics from the AIDIS, 2019 .

Table D1.B: Summary Statistics: Household Credit, Extensive Margin

	N	Mean	SD
Any loan	97154	0.417	0.493
Any bank loan	97154	0.231	0.422
Any commercial bank loan	97154	0.171	0.377
Any bank-SHG loan	97154	0.073	0.261
Any non-bank financial institution loan	97154	0.106	0.308
Any money-lender loan	97154	0.131	0.338
Any community network loan	97154	0.085	0.279
Any farm loan	97154	0.132	0.338
Any non-farm business loan	97154	0.037	0.189
Any expenditure loan	97154	0.168	0.374

Notes: This table shows the summary statistics for household credit along the extensive margin. Bank-SHG loans are loans issues by bank-linked SHGs. Non-bank financial institution loans include loans issued by co-operative banks and other non-banking financial corporations. Money-lender loans include loans obtained from input-suppliers. Community network loans include loans obtained from friends, relatives, employers and landlords. Expenditure loans include loans obtained for consumption, housing, health and education.

Table D1.C: Summary Statistics: Household Credit, Intensive Margin

	N	Mean	SD	P25	P50	P75
Total loan	60683	216998	442825.5	30501	73337	203339
Total bank loan	30003	235294	497198.3	40000	75787	201669
Commercial bank loan	24553	298823	562999.3	50835	101669	285750
Bank-SHG loan	6342	44964	33412.7	20334	40000	54570
Non-bank financial institution loan	12886	138326	286264.6	28000	50835	105501
Money-lender loan	16864	111975	159061.9	20334	50835	130968
Com loan	14125	70170	121709.9	10167	26501	70000
Farm loan	15534	147068	242104.8	32742	71169	159008
Non-Farm business loan	5555	222833	456930.3	39222	75000	203339
Health/education loan	8334	106350	230131.5	20334	50000	101669
Expenditure loan	22540	98220	172915.8	20334	45751	100835

Notes: This table shows the summary statistics for household credit along the intensive margin. The sample is limited to households with some outstanding loan in each category. Bank-SHG loans are loans issues by bank-linked SHGs. Non-bank financial institution loans include loans issued by co-operative banks and other non-banking financial corporations. Money-lender loans include loans obtained from input-suppliers. Community network loans include loans obtained from friends, relatives, employers and landlords. Expenditure loans include loans obtained for consumption, housing, health and education.

Table D1.D: Summary Statistics: Loan Characteristics

	N	Mean	SD
Any long-term loan	60683	0.835	0.371
Any long-term bank loan	30003	0.824	0.381
Any unsecured loan	60683	0.622	0.485
Any unsecured bank loan	30003	0.370	0.483
Any unsecured NBFI loan	60683	0.074	0.261
Any unsecured money-lender loan	16864	0.798	0.402
Any unsecured friend/relatives loan	14125	0.914	0.280
Interest rate	60675	0.140	0.126
Bank interest rate	30003	0.106	0.048
NBFI interest rate	12886	0.122	0.076
Money-lender interest rate	16864	0.303	0.175
Friends/relatives interest rate	14125	0.021	0.090
Loan delinquent	57286	0.347	0.476
Bank loan delinquent	28766	0.264	0.441
Informal loan delinquent	27154	0.413	0.492

Notes: This table shows the summary statistics for other loan characteristics. Bank-SHG loans are loans issues by bank-linked SHGs. Non-bank financial institution (NBFI) loans include loans issued by co-operative banks and other non-banking financial corporations. Money-lender loans include loans obtained from input-suppliers. Community network loans include loans obtained from friends, relatives, employers and landlords. Expenditure loans include loans obtained for consumption, housing, health and education. Interest rates are weighted using loan size. Summaries are computed only for households with outstanding loans in the referred categories.

Table D2: Directed Credit Policy and Access to Bank Credit: Bandwidth Selection and Exclusion of Covariates

	(1)	(2)	(3)	(4)	(5)	(6)
	Pr(Any Bank Loan = 1)			Bank Loan Amount (INR)		
Treat	.071***	.085***	.072***	4398.896***	6263.371***	4849.674***
	(.026)	(.027)	(.026)	(1676.827)	(1635.814)	(1658.979)
Observations	3637	3639	3660	3324	2899	3660
Bandwidth	.071	.072	.072	.066	.055	.072
Covariates	N	Y	N	N	Y	N

Notes: This table shows the robustness of the baseline results to the use of MSERD-data driven optimal bandwidths recommended by Calonico et al. (2020), and the omission of controls. The unit of observation is the household. The outcome of interest in columns (1)-(3) is a binary equal to 1 if the household has a bank loan; in columns (4)-(6), the volume of bank loans. Columns (1)-(2) and (4)-(5) consider data-driven MSERD optimal bandwidths. Columns (3) and (6) consider a fixed bandwidth of .072. Columns (1), (3), (4) and (6) exclude all covariates except state-region fixed effects. All specifications include state-region fixed effects, in addition to a linear polynomial in the running variable. All specifications are weighted using a triangular kernel and household specific AIDIS multiplier weights. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS 2019.

Table D3: Robustness of Baseline Results to Alternate Specification Choices

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Pr(Any Bank Loan = 1)				Bank Loan Amount (INR)			
Treat	.145***	.067*	.085***	.067***	14907.284***	9133.768***	6282.393***	4956.548**
	(.040)	(.037)	(.014)	(.026)	(3271.669)	(2410.845)	(1129.087)	(1967.431)
Observations	3660	3660	3660	3660	3660	3660	3660	3660
Control Mean	.099	.099	.099	.267	5155.280	5155.280	5155.280	13882.671
Kernel	Uniform	Triangular	Triangular	Triangular	Uniform	Triangular	Triangular	Triangular
Polynomial	Linear	Quadratic	Linear	Linear	Linear	Quadratic	Linear	Linear
Cluster	District	District	Region	District	District	District	Region	District
Weights	Yes	Yes	Yes	No	Yes	Yes	Yes	No

Notes: This table shows the robustness of the baseline estimates to alternate specification choices. The unit of observation is the household. The outcome of interest in columns (1)-(4) is a binary equal to 1 if the household has a bank loan; in columns (5)-(8), the volume of bank loans. Columns (1) and (5) consider an uniform kernel instead of a triangular kernel; columns (2) and (6) consider a quadratic polynomial instead of a linear polynomial; columns (3) and (7) consider state-region clusters as opposed to district clustering; columns (4) and (8) exclude household weights. All specifications include state and electoral year fixed effects, in addition to a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS 2019.

Table D4: Robustness of Baseline Results to Alternate Sample and Specification Choices

	(1)	(2)	(3)	(4)	(5)	(6)
	Pr(Any Bank Loan = 1)			Bank Loan Amount (INR)		
Treat	.036*	.080***	.094***	2328.901*	5911.086***	6626.275***
	(.021)	(.025)	(.024)	(1288.614)	(1382.417)	(1506.492)
Observations	5082	3660	2266	5082	3660	2266
Control Mean	.133	.145	.099	7948.315	5034.709	5155.280
Sample	Minorities	Muslim	Muslim	Minorities	Muslim	Muslim
Specification	Fuzzy	Sharp	Fuzzy	Fuzzy	Sharp	Fuzzy
Non-Compliers	Y	Y	N	Y	Y	N

Notes: This table shows the robustness of the baseline estimates to alternate specification and sample choices. The unit of observation is the household. The outcome of interest in columns (1)-(3) is a binary equal to 1 if the household has a bank loan; in columns (4)-(6), the volume of bank loans. Columns (1) and (4) consider all religious minorities; columns (2) and (5) uses a sharp RD instead of a fuzzy RD specification, presenting ITT estimates based on the policy rule; columns (3) and (6) uses a sharp RD specification after excluding all the districts which did not comply with the treatment assignment rule. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS 2019.

Table D5: Directed Credit Policy and Purpose of Bank Borrowings

	(1)	(2)	(3)	(4)	(5)
	Purpose of Bank Borrowing				
	Farm	Non-Farm Business	Health Education	Housing	Consumption
Treat	-.009	-.028	.013***	.082***	.081***
	(.010)	(.019)	(.005)	(.017)	(.018)
Observations	3660	3660	3660	3660	3660
Control Mean	.026	.013	.006	.019	.047

Notes: This table shows the impact of the directed credit policy on the purpose of bank borrowings. The unit of observation is the household. The outcome of interest in columns (1)-(5) a binary equal to 1 if the household to a bank loan for the mentioned purpose. Column (1) considers farm loans; column (2) considers borrowings for non-farm businesses; column (3) considers borrowings for health and education investments; column (4) considers borrowings for real estate; column (5) considers borrowings for household consumption. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS 2019.

Table D6: Directed Credit Policy and Credit Quality: Bank Defaults and Writeoffs

	(1)	(2)	(3)	(4)
	Default		Writeoff	
	Any Default	Default Amt.	Any Writeoff	Writeoff Amt.
Treat	-.043	486.520	.000	-24.719***
	(.030)	(449.962)	(.000)	(4.708)
Observations	983	2252	3660	3660
Dep Var Mean	.254	1513.590	.000	42.747

Notes: This table shows the impact of the directed credit policy on bank credit quality. The unit of observation is the household. The outcome of interest in columns (1) and (3) is a binary equaling 1 if the household has defaulted on any bank loan, or had a writeoff on a bank loan. The outcome of interest in columns (2) and (4) is the value of bank loan defaults/writeoffs. Rupee values are scaled by household size. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification and are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%. *Source:* AIDIS 2019.

Table D7: Effects of Credit Policy: Controlling for Other Potential Confounders

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Bank Credit				Consumption and Assets			
	Any Bank Loan		Loan Amt. Bank		Consumption		Assets	
Treat	.070**	.095***	5659.237***	7061.426***	.251***	.194***	.254*	.517***
	(.027)	(.029)	(1429.416)	(1695.074)	(.044)	(.042)	(.146)	(.145)
Observations	2921	3660	2921	3660	2921	3660	2918	3644
Control Mean	.174	.174	8251.054	8251.054	2593.000	2593.000	269136.285	269136.285
Minority Population	Y	N	Y	N	Y	N	Y	N
Muslim Legislators	N	Y	N	Y	N	Y	N	Y

Notes: This table shows the stability of the baseline results of the credit policy on economic well-being after controlling for the share of Muslim legislators in a district, and the share of minority population eligible for other non-credit policies at the block level in a district. The unit of observation is the household. The outcome of interest in columns (1)-(2) is a binary equaling 1 if the household has a bank loan; in column (3)-(4), the value of bank loans; in column (5)-(6), monthly household consumption; in column (7)-(8), aggregate household assets. All monetary values are scaled by household size. All specifications include state-region fixed effects, household covariates, and a linear polynomial in the running variable. The odd-numbered columns control for the share of minority population in blocks eligible for other non-credit policies under the PM's 15 point programme; the even-numbered columns control for the share of Muslim legislators representing major non-right wing parties. All specifications restrict the sample to a bandwidth of .072 , and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification and are weighted by AIDIS assigned household multiplier weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%. *Source:* AIDIS, 2019.

Table D8: Credit Access for Non-Minority Households

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Pr(Loan = 1)				Loan Amount (INR)			
Treat	.062***	.024	.089***	.060***	-15548.418***	2717.298	-19816.296***	-9664.610***
	(.023)	(.054)	(.020)	(.020)	(2660.877)	(2397.721)	(3274.663)	(2234.976)
Observations	18285	4926	13359	23367	18285	4926	13359	23367
Sample	Hindu	SC/ST	Non-SC/ST	All	Hindu	SC/ST	Non-SC/ST	All
Dep. Var. Mean	.199	.158	.215	.187	17325.578	5178.139	22009.641	15652.516

Notes: The above table shows the treatment effect credit access for non-minority households. The unit of observation is the household. Columns (1) and (5) show the results for all non-minorities (Hindu households); columns (2) and (6) restrict the sample to Hindu *Dalit* and *Adivasi* (SC/ST) households; columns (3) and (7) restrict the sample to Hindu non-*Dalit* and non-*Adivasi* households; columns (4) and (8) expand the sample to all households in the district. The outcome of interest in columns (1)-(4) is a dummy equaling 1 if the household has an outstanding bank loan; in columns (5)-(8), the value of the bank loan. All specifications include state-region fixed effects and household covariates, in addition to a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using household weights. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: AIDIS, 2019.

Table D9: Mechanisms: Collateral Requirements and Cost of Credit, Non-Minority Households

	(1)	(2)	(3)	(4)	(5)	(6)
	Any Bank-SHG Loan	Bank-SHG Loan Amt.	Any Comm. Bank Loan	Comm. Bank Loan Amt.	Any Unsec. Bank Loan	Bank Interest Rate
Treat	-.016	-35.376	.082***	-15513.042***	-.040	-.031***
	(.016)	(119.781)	(.019)	(2654.119)	(.028)	(.008)
Observations	18285	18285	18285	18285	18285	5871
Dep Var Mean	.040	368.104	.164	16957.474	.054	.107

Notes: The above table shows the treatment effect on the sources of bank credit, bank loan securitization and interest rates for non-minority households. The unit of observation is the household. The outcome of interest in column (1) is a dummy equaling 1 if the household has a loan through the bank-SHG programme; in column (2), the amount of bank loans through the bank-SHG programme; in column (3), a binary equaling 1 if the household has a commercial bank loan; in column (4), the value of loans obtained directly from commercial banks; in column (5), a binary equaling 1 if the household has an unsecured bank loan; in column (6), the interest rate faced by the household for bank loans. Average household interest rates are weighted by loan volume. All specifications include state-region fixed, household covariates, and a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 , and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%. *Source:* AIDIS 2019.

F Appendix: Additional Tables for Political Effects and Religious Violence

Table E1: Summary Statistics: Electoral Outcomes

	N	Mean	SD
Any Muslim Candidate	8381	0.467	0.499
Muslim Candidates	8381	1.133	1.900
Any Muslim Candidate, Non-Majoritarian Party	8381	0.131	0.337
Muslim Vote Share	8381	0.067	0.162
Muslim Vote Share, Non-Majoritarian	8381	0.030	0.103
Muslim Win	8381	0.058	0.233
Muslim Win, Non-Majoritarian	8381	0.035	0.185
Turnout	8381	0.685	0.115
Candidates	8381	12.158	5.410

Notes: This table shows the summary statistics for electoral outcomes. The unit of observation is the electoral constituency, for elections conducted between 2008 and 2019. The data is sourced from the Trivedi Centre for Political Data (TCPD).

Table E2: Summary Statistics: Religious Conflicts

	N	Mean	SD
Administrative Data from NCRB			
Religious Riots	2573	1.640	9.613
Religious Riots Per Capita	2573	0.662	4.562
Non-Religious Riots	2573	128.342	168.690
Non-Religious Riots Per Capita	2573	47.780	52.014
Murder	2573	58.754	41.675
Murder Per Capita	2573	23.787	14.679
ACLED Data			
Hindu Muslim Riots	1824	0.085	0.351
Hindu Muslim Riots Per Capita	1824	0.031	0.143
Other Riots	1824	4.901	8.264
Other Riots Per Capita	1824	1.939	5.049
Hindu-Instigated Riots	1824	0.020	0.175
Muslim-Instigated Riots	1824	0.002	0.045

Notes: This table shows the summary statistics for crimes obtained from the administrative National Crime Records Bureau (NCRB) and Armed Conflict Location and Event Data Project (ACLED).

Table E3: Directed Credit Policy and Electoral Outcomes: Impact on Minority Friendly Parties and BJP Vote Shares

	(1)	(2)	(3)	(4)	(5)
	Major Party Vote	Major Party Win	BJP Vote Share	BJP Win	Candidates
Treat	-.025	.116**	-.117***	-.235***	-1.536**
	(.020)	(.059)	(.018)	(.042)	(.673)
Observations	1348	1400	1400	1400	1400
Dep Var Mean	.316	.312	.288	.424	13.672

Notes: This table identifies the impact of the directed credit policy on electoral outcomes for political parties and electoral competition. The unit of observation is the electoral constituency. The outcome of interest in columns (1) and (3) are vote shares; in columns (2) and (4), a binary equaling 1 if a candidate won the election; in column (5), number of candidates contesting. Columns (1)-(2) pertain to non-majoritarian parties; columns (3)-(4) to the right-wing Bharatiya Janata Party (BJP). All specifications include state and electoral year fixed effects, in addition to a linear polynomial in the running variable. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted using the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: Trivedi Centre for Political Data (TCPD), 2008-2019.

Table E4: Directed Credit Policy and Religious Conflicts: Control for Pre-Treatment Riots

	(1)	(2)	(3)
		Crimes Per Capita	
	Religious Riots	Non-Religious Riots	Murders
Treat	.960**	-8.234*	-3.171
	(.489)	(4.353)	(3.251)
Observations	562	562	562
Dep Var Mean	.614	48.145	30.355

Notes: This table compares religious and non-religious conflicts across minority and non-minority concentration districts. The unit of observation is the district. The outcome of interest is per capita crimes for the category mentioned. Per capita crimes scales annual incidences of crime by the district's population in 2001. All specifications include a linear polynomial in the running variable, pre-treatment district-level per capita riots, state-region and year fixed effects. All specifications restrict the sample to a bandwidth of .072 around the discontinuity threshold, and are weighted using a triangular kernel. Specifications are estimated using a fuzzy RD specification, instrumenting actual treatment assignment with treatment assignment based on the policy rule. All specifications are weighted by the number of registered voters in the constituency. Standard errors are in parentheses, clustered by district. Significant levels: *10%, **5%, and ***1%.
Source: National Crime Records Bureau, 2015-2019.