Confederation of Indian Industry

BANKING IN EASTERN INDIA

The Next Growth Opportunity



October 2026

SUMEDHA
adding values to value

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Chairman's Message



Economic growth is closely linked to the strength and responsiveness of the financial system that supports it. As Eastern India enters its next phase of development, its ability to translate economic potential into sustained growth will depend significantly on how effectively the banking sector mobilises savings and channels capital towards productive investment.

Eastern India has a diverse economic and industrial base, with growing opportunities across manufacturing, infrastructure, logistics, MSMEs, services and emerging sectors. As investment activity expands, banks will play an increasingly important role in meeting enterprises' evolving financing needs and supporting long-term economic growth.

A resilient banking system—supported by adequate capital, sound asset quality, and a stable deposit base—is essential to sustain credit growth. Equally important is the effectiveness of financial intermediation: how efficiently deposits mobilised across the region are converted into credit for businesses, infrastructure and new investment. Strengthening this flow can enable MSMEs to scale, support industrial expansion, encourage entrepreneurship and generate employment.

At CII, we seek to facilitate dialogue between industry, financial institutions and policymakers on the opportunities and challenges shaping Eastern India's economic development.

Against this backdrop, the report, "Banking in Eastern India – The Next Growth Opportunity," examines the region's banking landscape, focusing on capital adequacy, asset quality, deposit mobilisation, and credit deployment. It highlights opportunities to strengthen financial intermediation and enable greater capital flows to productive sectors of the economy.

As Eastern India strengthens its contribution to India's growth journey, banking must evolve from merely providing credit to becoming a catalyst for investment, enterprise, and transformation. The opportunity ahead is to convert the region's savings into investments, its potential into enterprise, and its ambitions into sustainable growth—positioning Eastern India as a significant growth engine for Viksit Bharat.



Mehul Mohanka
Chairman, CII Eastern Region
and Managing Director & Group CEO, Tega Industries Ltd

Foreword



India's banking sector enters its next phase of growth from a position of considerably greater strength. Over the past decade, balance sheets have been repaired, asset quality has improved, capital and provisioning buffers have strengthened, and profitability has recovered. These improvements have enhanced the ability of banks to support the credit requirements of a growing economy.

Against this backdrop, the question is gradually shifting from the **strength of the banking system to where the next opportunities for banking growth will emerge**.

Eastern India represents an important part of that opportunity. The region has a large economic and deposit base, significant rural and urban markets, and rising investment across infrastructure and industry. Yet, its share of India's bank credit remains well below its share of deposits, indicating considerable scope for deeper financial intermediation.

The opportunity, however, is not uniform. West Bengal, Bihar, Odisha, Jharkhand and Assam differ significantly in economic structure, credit penetration, fiscal capacity and investment intensity. Some markets are increasingly being shaped by infrastructure and industrial investment, while others offer opportunities through MSMEs, consumption, agriculture and deeper credit penetration.

This report, **"Banking in Eastern India – The Next Growth Opportunity,"** looks beyond the size of the existing banking market to understand how effectively savings are being translated into credit, whether lending is keeping pace with economic activity, and where the next pockets of credit demand could emerge.

Capturing this opportunity will require more than expanding the banking footprint. It will call for sharper state-level strategies, stronger origination capabilities and products aligned with the economic character of individual markets. I trust this report will contribute to the discussion among banks, policymakers, industry and other stakeholders on the role finance can play in Eastern India's next phase of growth.



Bijay Murmuria
Chairman, Banking & Financial Services Subcommittee
CII Eastern Region

Preface



The Indian banking system has undergone a significant transformation over the past decade. Asset quality has improved, capital and provisioning buffers have strengthened, profitability has recovered and liquidity remains comfortable. Banks are therefore better positioned to support economic growth, although sustaining this strength will increasingly depend on deposit mobilisation, disciplined underwriting and prudent liquidity management.

This report has been prepared against this backdrop, with a particular focus on **Eastern India as an emerging banking opportunity**.

The first part examines the broader Indian banking system, covering trends in credit and deposits and assessing financial strength through asset quality, capital adequacy, profitability and liquidity. The second part focuses on **West Bengal, Bihar, Odisha, Jharkhand and Assam**, examining credit and deposit patterns, credit penetration, rural banking, sectoral lending, public capital expenditure and the relationship between investment and credit growth.

A key finding is that **Eastern India cannot be viewed as a single banking market**. Odisha and Jharkhand show stronger investment-led opportunities; Assam presents a distribution and origination opportunity; Bihar is more consumption- and MSME-oriented; while West Bengal remains the region's largest established banking market, with greater scope for deeper credit deployment and market-share capture.

The broader message is that banking strategies for Eastern India need to become more granular and state-specific. Public investment, industrial activity, fiscal capacity and credit penetration provide important indicators of where future credit demand could emerge.

Eastern India already has a substantial deposit base and banking network. The next opportunity lies in **deepening the connection between finance and the economic activity taking shape across the region**. We hope this report provides a useful perspective for banks, policymakers, industry participants and other stakeholders in understanding and participating in this opportunity.



Vijay Maheshwari
Chairman, Sumedha Fiscal Services Ltd

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Indian Banks on Stronger Footing

Strength Across Key Metrics

The financial position of Indian banks has improved considerably over the past decade. Legacy asset-quality stress has been progressively addressed, fresh slippages have moderated and provisioning buffers have strengthened. At the same time, banks have rebuilt capital, maintained comfortable liquidity and returned to sustained profitability. Together, these trends leave the banking system better placed to support the next phase of credit growth, while providing greater resilience against potential economic or financial stress.

Indian Banking Sector – Steady Improvement in Financial Strength



Source: RBI Financial Stability Report

This improvement has taken shape across different parts of banks' balance sheets. Asset quality has improved, capital buffers have strengthened and profitability has recovered, while

liquidity remains comfortable. The following sections look at each of these areas in greater detail.

Financial Strength Remains Broad-Based

Scheduled Commercial Banks (SCBs)

	(Per cent)	10-year median	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
			Best			Worst
Credit and Deposit	Credit Growth	*11.0*	15.4	19.4	11.0	14.5
	Deposit Growth	*10.1*	10.1	13.8	10.7	11.5
Asset Quality and Provisioning	GNPA Ratio	*7.3*	3.9	2.8	2.2	1.8
	NNPA Ratio	*2.4*	1.0	0.6	0.5	0.4
	Slippage Ratio	*2.8*	1.9	1.6	1.5	1.2
	PCR	*67.4*	74.1	76.2	76.3	75.6
Liquidity	LCR	*130.3*	143.5	130.3	132.5	124.2
	NSFR	*126.4*	128.8	126.9	126.4	122.1
Earnings	NII Growth	*10.1*	21.6	15.4	7.9	4.0
	OOI Growth	*7.9*	7.7	17.9	18.0	14.5
	EBPT Growth	*12.3*	16.1	12.3	14.9	7.9
	PAT Growth	*16.8*	39.7	31.5	16.8	7.2
Profitability	NIM	*3.3*	3.7	3.7	3.5	3.3
	ROA	*0.7*	1.1	1.3	1.4	1.3
	ROE	*8.0*	12.3	13.7	13.5	12.6
Capital	CET 1 Ratio	*13.2*	14.0	14.0	14.8	15.3
	CRAR	*16.2*	17.2	16.8	17.4	17.7

Source: RBI Financial Stability Report

A Decade of Reforms has Strengthened the Banking System

2015	2016	2017 –20	ONGOING	202 7 ONWARDS
RECOGNISE	**RESOLVE**	**REPAIR**	**PREVENT**	**ANTICIPATE**
AQR + 4R Strategy	**IBC + Stronger Recovery Framework**	**PCA + PSB Consolidation**	**SARFAESI + DRT + Prudential Framework**	**Expected Credit Loss (ECL)**
Transparent NPA recognition, recapitalisation and balance-sheet clean-up	Time-bound resolution strengthened creditor rights and recovery discipline	Weak banks restored to health; 27 PSBs consolidated into 12	Earlier stress identification, dedicated recovery mechanisms and faster resolution	Shift towards forward-looking, risk-sensitive provisioning

The Outcome: Cleaner & More Resilient Bank Balance Sheets

Credit

Growth Remains Strong, with a Changing Lending Mix

Bank credit growth and credit quality are important macroeconomic indicators, reflecting the underlying level of economic activity. Higher credit growth, when supported by lower non-performing assets and healthy bank balance sheets, is generally associated with stronger economic growth over the near to medium term, as highlighted in Financial Sector and Economic Growth in India (IMF, July 2022).

Key Credit Trends at a Glance

1 Credit Growth Accelerates Post-COVID

INR 212.9 tn

NON-FOOD BANK CREDIT, FY26

Growing at ~16% CAGR since FY22, versus ~12% over FY19–FY26.

2 Lending Mix Shifts to Services & Retail

61.1%

SERVICES + RETAIL SHARE, FY26

Up from 47.8% in FY19 — a 13.3 pp gain in seven years.

3 Industrial Credit Loses Share

21.5%

INDUSTRY SHARE, FY26

Down from 29.2%; industry grew at only 7.1% CAGR over FY19–FY26.

4 Medium Enterprises Lead Industrial Growth

23.5%

CAGR, MEDIUM ENTERPRISES

Versus 16.2% for micro & small and just 3.9% for large industry.

5 Housing Remains a Major Growth Engine

INR 33.6 tn

HOUSING CREDIT, FY26

Nearly 3× FY19 levels, sustained by a healthy 16.2% CAGR.

6 Gold Loans Emerge as a Standout Segment

51.9%

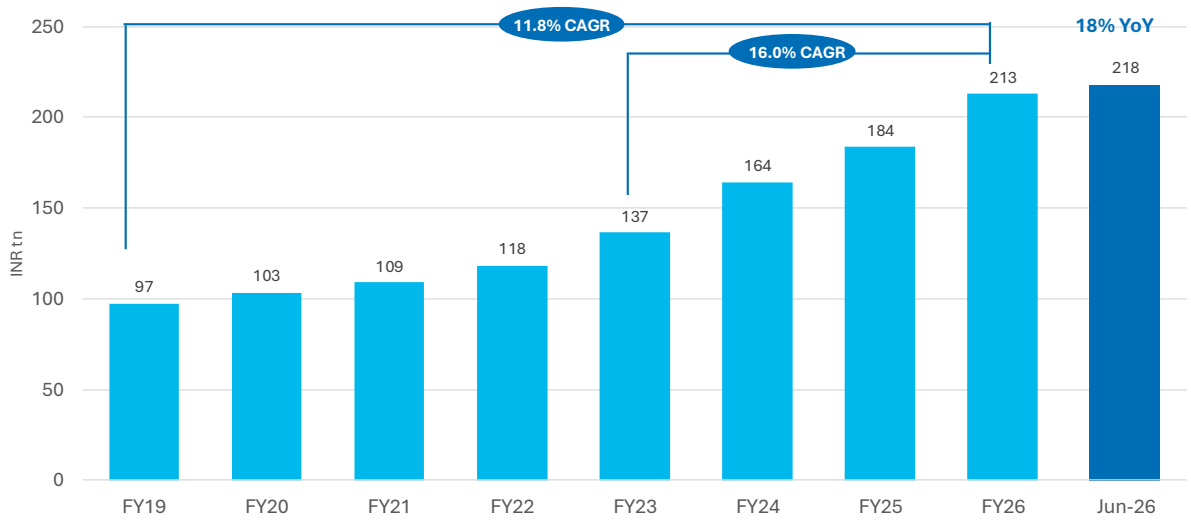
CAGR, BANK GOLD LOANS

Up from INR 0.25 tn in FY19 to INR 4.61 tn in FY26.

Source: RBI

Non-food Bank Credit has Compounded at 11.8% Since FY19

Outstanding non -food bank credit · INR tn · FY19–FY26, Jun-26 YTD



Source: RBI

Indian bank credit has picked up steadily following the COVID period. Non-food credit grew at a CAGR of around 12% between FY2019 and FY2026, compared with around 16% from FY2022-23 onwards, indicating a stronger pace of credit expansion in recent years.

The Lending Mix Has Changed

Sector/ Currency: INR trn	Outstanding FY 2019	% Share 2019	Outstanding FY 2026	% Share 2026	CAGR 2019–26 (7 yrs)
1. Agriculture and Allied	11.13	11.4%	26.46	12.4%	13.2%
2. Industry	28.38	29.2%	45.82	21.5%	7.1%
3. Services	23.41	24.1%	60.61	28.5%	14.6%
4. Personal Loans	23.03	23.7%	69.41	32.6%	17.1%
Sum of sectors 1 to 4	*85.94*	*88.3%*	202.30	95.0%	13.0%
Total Non-Food Credit	**97.30**	**100.0%**	**212.91**	**100.0%**	**11.8%**

Source: RBI

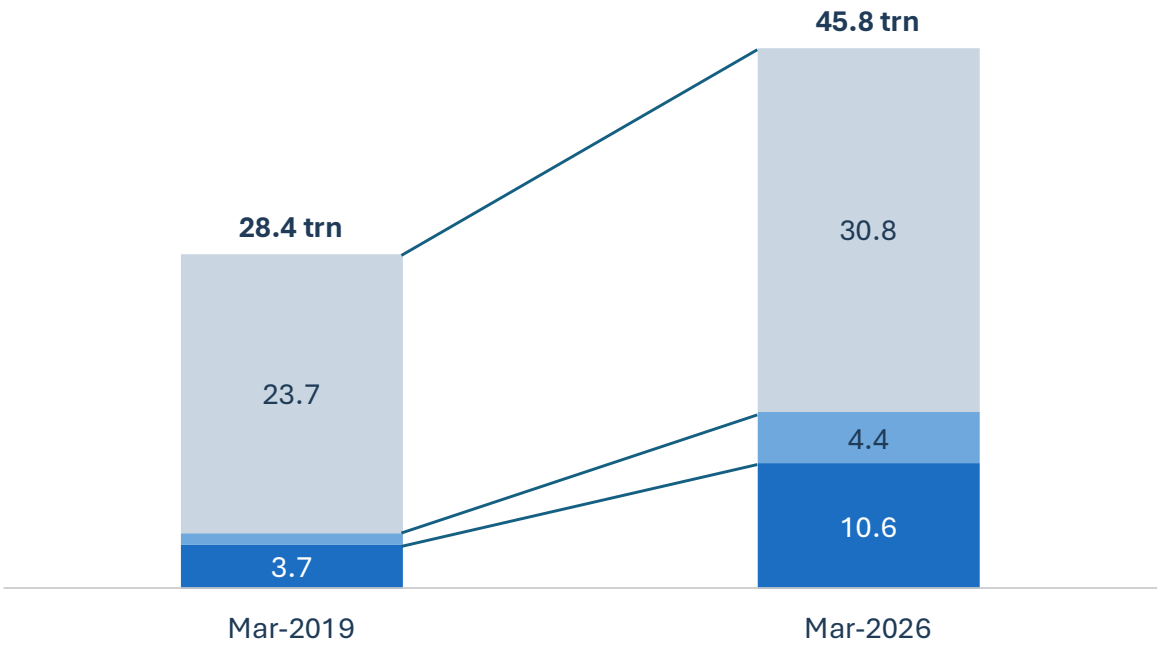
Growth has varied significantly across the major credit segments. Personal loans and services grew at 17.1% and 14.6% CAGR, respectively, well ahead of overall non-food credit growth of 11.8%. As a result, their combined share increased from 47.8% in FY2019 to 61.1% in FY2026. In contrast, industry grew at a relatively modest 7.1% CAGR, with its share declining from 29.2% to 21.5% over the period.

Industrial Credit – MSMEs Outpace Large Industry

Industrial credit growth has remained moderate at 7.1% CAGR between FY2019 and FY2026, largely reflecting subdued growth in large-industry credit at 3.9%. In contrast, credit to micro & small and medium industries grew at 16.2% and 23.5% CAGR, respectively. More recent trends also point to a pick-up in overall industrial credit growth, reaching 15.0% in FY2026, with MSMEs continuing to lead the growth. Medium enterprises have been the standout within industrial credit, recording consistently strong growth across the seven, five, and one-year periods.

Industrial Credit - MSME credit is compounding far faster than large industry

Outstanding industry credit by segment · INR trn · Mar-2019 vs Mar-2026



Segment	CAGR 7y	CAGR 5y	CAGR 3y	CAGR 1y
Micro and Small	16.2%	19.6%	18.7%	32.7%
Medium	23.5%	25.0%	18.2%	21.8%
Large	3.9%	5.5%	7.7%	9.1%
Industry (total)	**7.1%**	**9.3%**	**10.8%**	**15.0%**

Source: RBI

Several Pockets of Credit Are Growing Well Ahead of the System

A few credit segments have grown significantly faster than the overall system since FY2019. Loans against gold jewellery stand out, growing at a CAGR of nearly 52%, albeit from a relatively small base. Credit to Public Financial Institutions (PFIs) followed at 32.4%, while medium industry grew at 23.5%, making it the fastest-growing segment within industrial credit.

Growth has also remained strong across wholesale trade, credit cards and other personal loans, with CAGRs of around 18–19%. Housing, despite its much larger base, grew at a healthy 16.2% CAGR, with outstanding credit reaching INR 33.6 trillion by March 2026. Overall, the data show that the faster-growing pockets of bank credit are spread across MSMEs, services and retail lending, rather than being concentrated in any one sector.

Rank	Segment	Mar 2019 (INR trn)	Mar 2026 (INR trn)	Total Growth %	CAGR (7 yrs)
1	Loans against Gold Jewellery	0.25	4.61	1770.1%	51.9%
2	Public Financial Institutions	0.49	3.49	611.5%	32.4%
3	Medium Industry	1.01	4.43	339.1%	23.5%
4	Wholesale Trade	2.30	7.76	237.6%	19.0%
5	Credit Card Outstanding	0.88	2.94	235.8%	18.9%
6	Consumer Durables	0.07	0.22	219.3%	18.0%
7	Other Personal Loans	5.53	17.32	213.4%	17.7%
8	Micro and Small Industry	3.71	10.59	185.3%	16.2%
9	Housing	11.77	33.56	185.2%	16.2%
10	Tourism, Hotels and Restaurants	0.37	1.03	176.9%	15.7%

Source: RBI

Emerging Trend

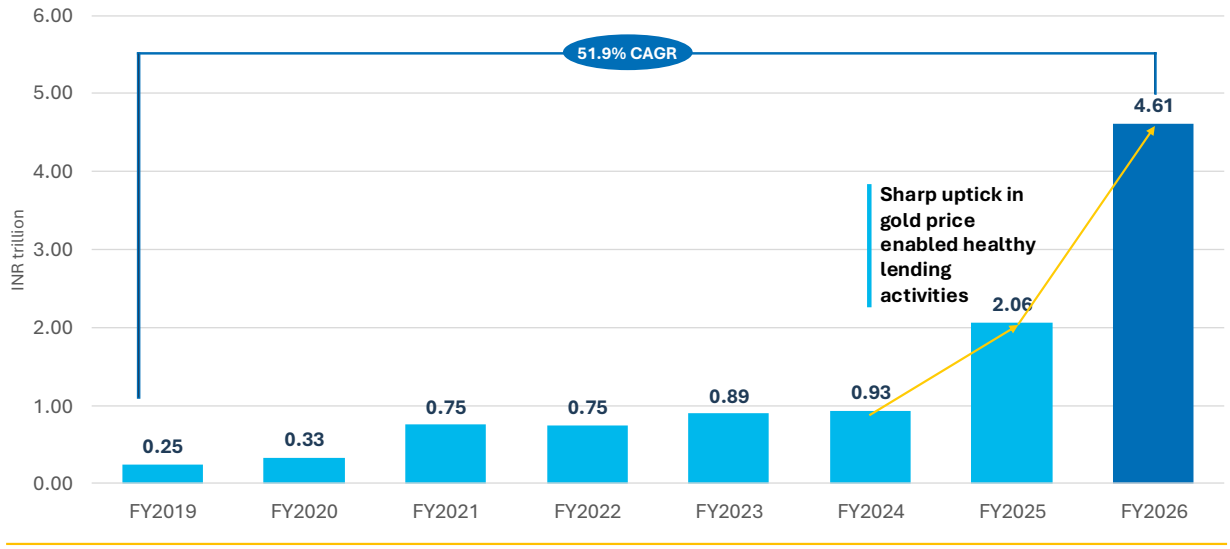
Gold Loans Emerging as a High-Growth Retail Segment

Gold loans have emerged as one of the fastest-growing segments in banks' retail portfolios. Outstanding bank credit against gold jewellery increased from INR 0.25 trillion in March 2019 to INR 4.61 trillion in March 2026, registering a CAGR of around 52%. Growth has been supported by rising gold prices, quicker loan processing and increasing preference for organised lenders. Despite the sharp growth, penetration remains low, with only around 8%[1] of India's household gold stock estimated to be monetised through organised lending. This leaves considerable room for banks to expand, although prudent LTV and underwriting practices will remain important as the segment grows.

[1] *Mint/Economic Times*

Gold Loans have Compounded at 51.9% Since FY19

Outstanding gold loans · INR tn · FY19–FY26



Source: RBI

Credit Outlook

India's credit cycle has strengthened post-COVID, with the composition of growth also becoming more diversified. Personal loans and services have gained share, while within industry, MSMEs, particularly medium enterprises, have emerged as the key growth drivers. With healthier bank balance sheets and credit demand remaining broad-based, the underlying environment remains supportive, though asset quality across the faster-growing segments will remain important to watch.

Bank Deposit

Deposit Mobilisation Faces Growing Funding Pressures

Bank deposits remain a critical source of funding for the banking system, linking savings with the credit needs of the economy. However, as financial markets deepen and alternative investment avenues expand, banks increasingly compete with market-based instruments for savings.

Key Trends

1 **Deposit Base More Than Doubles**

Up from INR 129 tn in FY19 — a 10.9% CAGR over seven years.

INR 267 tn

BANK DEPOSITS, FY26

2 **Credit Outpaces Deposit Growth**

Versus 11.0% for deposits, sustaining pressure on funding mobilisation.

14.0%

CREDIT CAGR, FY24 –FY26

3 **Deposit Mix Turns More Interest -Bearing**

Up from 58.5% in FY19; savings deposits fell to 28.7% from 31.9%.

61.6%

TERM DEPOSIT SHARE, FY26

4 **CD Ratio at a Multi -Decade High**

System credit-deposit ratio now sits well above its long-term median.

~80%

CURRENT CD RATIO

5 **FCNR(B) Provides Near -Term Support**

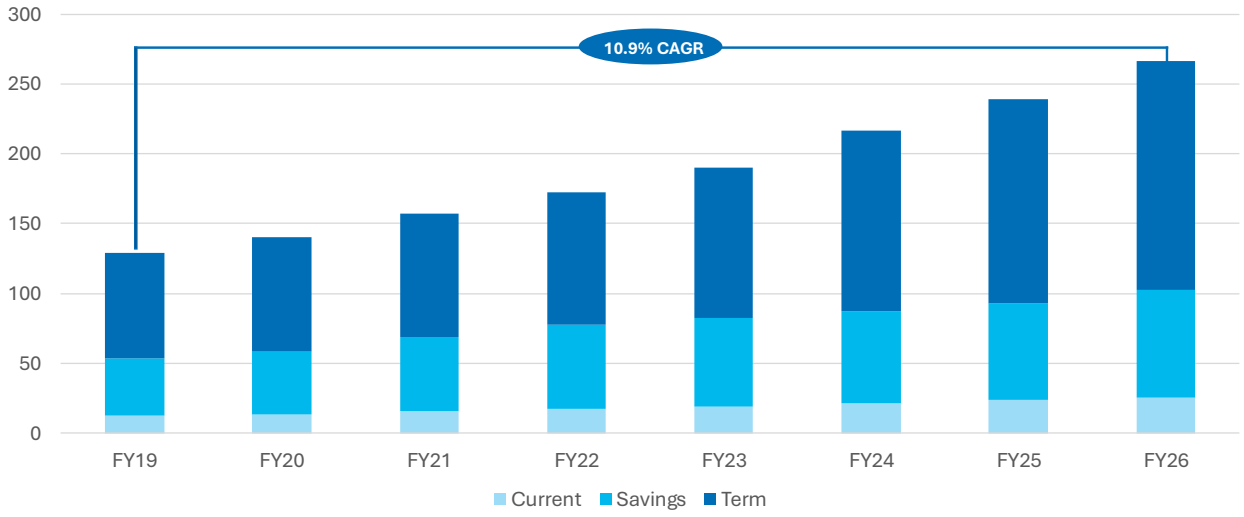
Around 4.5% of outstanding banking-system deposits, raised by 31 Aug 2026.

US$127.2 bn

FCNR(B) MOBILISED, AUG 2026

Bank Deposits Have Compounded at 10.9% Since FY19

Outstanding deposits · INR tn · FY19 –FY26 · by deposit type



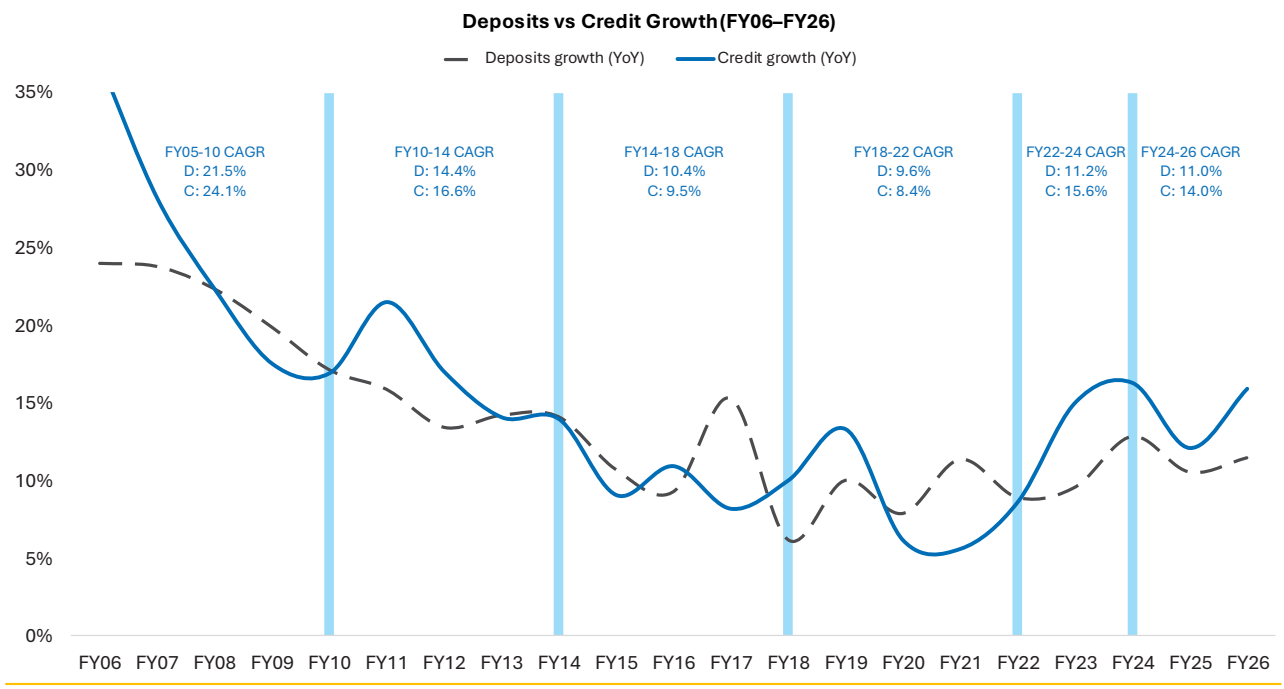
Source: RBI

Bank deposits have maintained a steady growth trajectory, increasing from INR 128.97 trillion in FY2019 to INR 266.55 trillion in FY2026, translating into a 10.9% CAGR over the seven-year period. Annual deposit growth has remained relatively stable at around 9–13%, with growth accelerating to 13.5% in FY2024, before moderating to 10.6% in FY2025 and improving to 11.5% in FY2026.

The composition of deposits, however, shows a clear divergence. Term deposits have been the fastest-growing segment, recording an 11.7% CAGR during FY2019–FY2026, compared with 11.1% for current deposits and 9.3% for savings deposits. Consequently, the share of term deposits increased from 58.5% of total deposits in FY2019 to 61.6% in FY2026, while the share of savings deposits declined from 31.9% to 28.7%. Current deposits remained broadly stable at around 9.6–9.7%. The changing mix indicates a gradual shift towards term deposits, making the overall deposit base relatively more weighted towards term deposits and potentially increasing the cost of funds for banks.

Deposit Growth Continues to Lag Credit Expansion

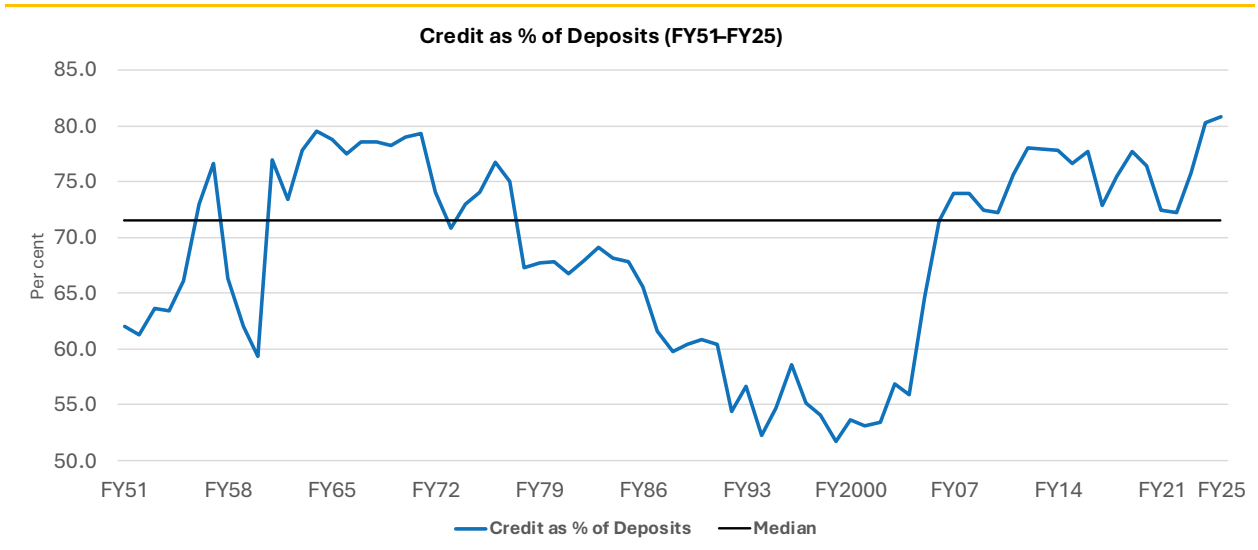
The relationship between credit and deposit growth has changed noticeably since FY22. During FY22–FY24, bank credit grew at a CAGR of 15.6%, well ahead of deposit growth of 11.2%, as the post-pandemic recovery led to a sharp pick-up in credit demand. The gap has continued in FY24–FY26, with credit growing at 14.0% compared with 11.0% for deposits, indicating that deposit mobilisation has not kept pace with balance-sheet expansion.



Source: RBI

Credit–Deposit Ratio at a Multi-Decade High

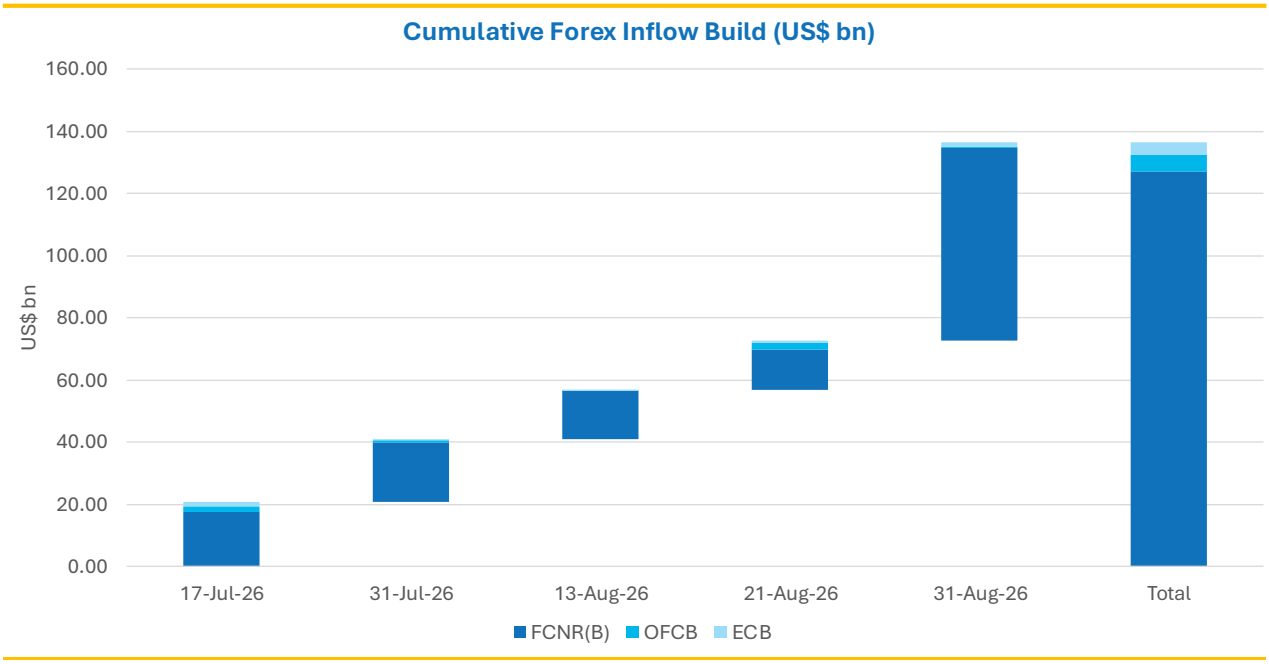
The Credit–Deposit (CD) ratio, which measures the proportion of deposits deployed as loans, provides a useful indication of the banking system's funding and liquidity position. Viewed over the long term, India's CD ratio has moved through distinct cycles, remaining elevated during parts of the 1960s and early 1970s, declining substantially through the 1980s and 1990s, and rising again from the mid-2000s. As shown in the chart, the ratio has now moved well above its long-run median of around 71%.



Source: RBI

FCNR(B) Inflows Provide Near-Term Relief to Deposit Mobilisation

As domestic deposit growth lagged credit expansion, the RBI's special FCNR(B) window offered banks an alternative source of relatively stable, longer-tenor funding. Introduced in June 2026, the window allowed banks to mobilise three- to five-year foreign-currency deposits, with the RBI absorbing the hedging cost and exempting these deposits from CRR and SLR requirements. Banks consequently raised deposit rates substantially, driving exceptionally strong mobilisation. By 31 August 2026, they had raised US$127.2 billion in FCNR(B) deposits, equivalent to about 4.5% of the banking system's outstanding deposits. Additional inflows of US$9.15 billion through OFCBs and ECBs brought the total to US$136.38 billion.



Source: RBI

Deposit Outlook

Deposit mobilisation is emerging as an important challenge for banks, with credit growth continuing to outpace deposit growth and the CD ratio remaining elevated. The shift towards term deposits is also raising funding costs. While recent FCNR(B) inflows provide near-term support, sustaining credit growth will increasingly depend on banks' ability to mobilise domestic deposits without materially increasing the cost of funds.

Asset Quality

Bank Asset Quality at Its Strongest in Over a Decade

Asset quality of Indian banks has improved materially over the past several years. The gross NPA (GNPA) ratio of scheduled commercial banks (SCBs), which had peaked at 11.2% in FY18, declined to 2.2% by FY25 and further to around 1.8% in FY26. The improvement has been broad-based across bank groups, supported by stronger underwriting, better recovery and collection practices, balance-sheet clean-up and relatively healthy corporate balance sheets.

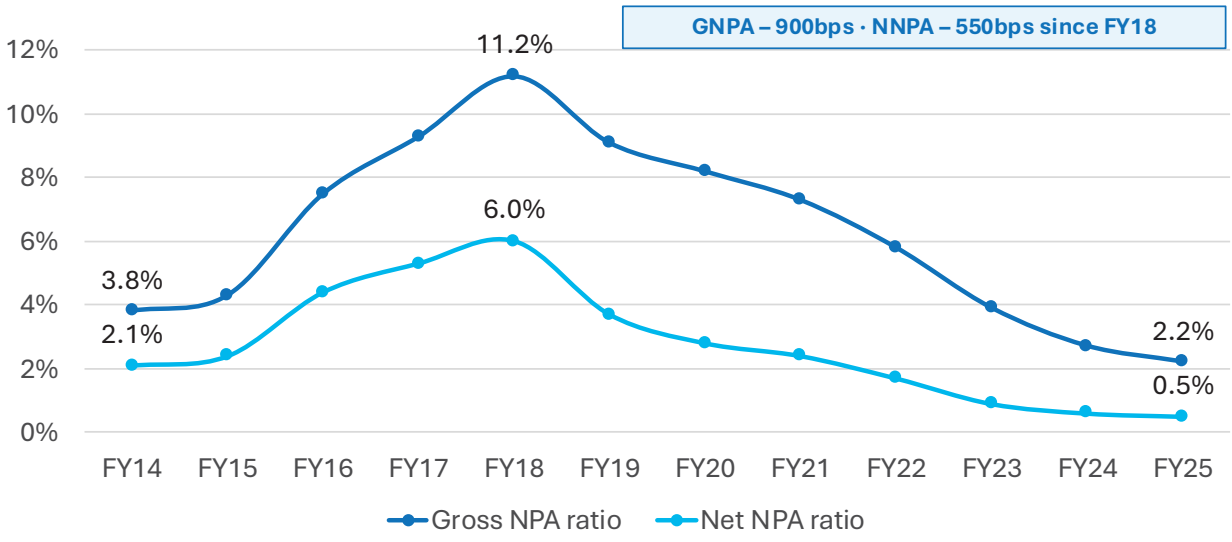
The decline also needs to be seen in the context of the clean-up that followed RBI's Asset Quality Review and the subsequent strengthening of recognition and provisioning practices. Resolution mechanisms such as the Insolvency and Bankruptcy Code (IBC) have added to the recovery framework. By March 2026, creditors had recovered around INR 4.3 trillion through IBC, while more than 35,300 cases involving defaults of around INR 16 trillion were settled before admission, suggesting that the framework has also had a broader deterrent effect.

Key – Highlights

1.8% **SCB GROSS NPA RATIO, FY26**	**Gross NPAs Fall to a Multi -Year Low** Down from an 11.2% peak in FY18; PSB GNPA at 1.9% versus 14.6%.
1.2% **SLIPPAGE RATIO, FY26**	**Fresh Slippages Keep Moderating** Down from 1.9% in FY23 and well below the 10-year median of 2.8%.
75.6% **PROVISION COVERAGE, FY26**	**Provisioning Cushion Stays Well Above Median** Compared with a 10-year median of 67.4%.
INR 4.3 tn **IBC RECOVERIES, TO MAR 2026**	**IBC Underpins the Recovery Ecosystem** A further INR 16 tn of defaults was settled before admission.
1.9% **PROJECTED GNPA, FY28**	**RBI Baseline Points to Normalisation** Versus 3.8–4.1% under adverse stress scenarios.

Asset Quality at a Decade Best: GNPA Down to 2.2% from the FY18 Peak

Gross and net NPA ratios · % of advances · FY14–FY25

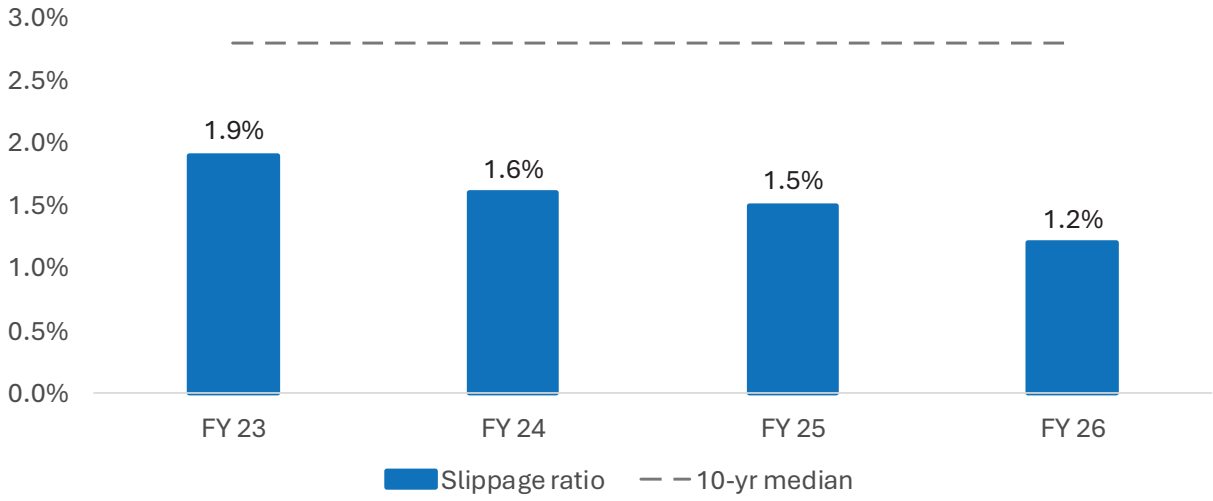


Source: RBI

Fresh Slippages Have Also Moderated

Slippage Ratio has Improved 70bps Since FY23 to 1.2%

Slippage ratio · % of opening advances · FY23-FY26 vs 10-yr median



Source: RBI

Importantly, the improvement is not being driven only by resolution or write-offs of legacy NPAs. Fresh slippages, the proportion of standard advances turning into NPAs during the year, have also been declining. Based on the data compiled for the report, the slippage ratio fell from 1.9% in FY23 to 1.6% in FY24, 1.5% in FY25 and 1.2% in FY26, substantially below its 10-year median of 2.8%.

This is an important indicator of underlying asset quality. A lower slippage ratio means fewer performing loans are migrating into the stressed pool, thereby reducing the need for incremental provisioning and supporting the sustainability of the decline in headline NPAs.

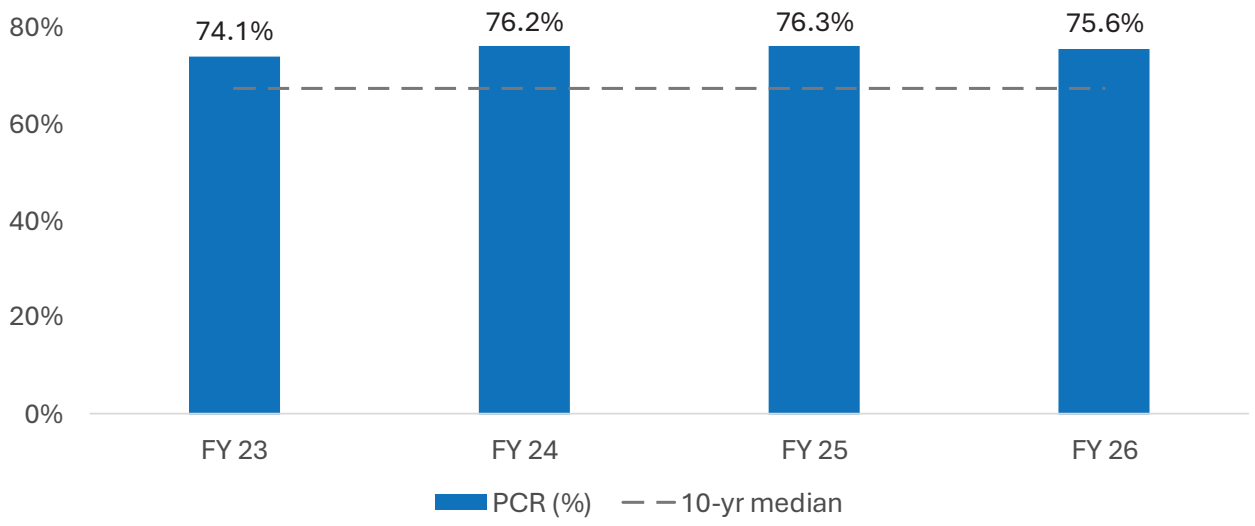
Provisioning Provides an Additional Cushion

Provision coverage has remained healthy alongside falling NPAs. The Provision Coverage Ratio (PCR), which broadly indicates the extent to which provisions have been built against gross NPAs, stood at 75.6% in FY26, compared with 74.1% in FY23 and a 10-year median of 67.4%. A higher PCR provides banks with a larger cushion against potential losses on existing stressed assets; RBI has historically emphasised the importance of building provisioning buffers during stronger periods.

The combination of low GNPA, declining slippages and relatively high provision coverage therefore presents a considerably stronger starting position for the banking system than in earlier credit cycles.

Provision Coverage Sustained Above 75%, Well Clear of the 10-Year Median

Provision coverage ratio · % · FY23–FY26 vs 10-yr median



Source: RBI

Asset Quality May Be Close to a Cyclical Trough

With NPAs already at historically low levels, however, the pace of further improvement is likely to moderate. RBI's stress tests indicate that the GNPA ratio could rise modestly from current levels under the baseline scenario. The background material compiled for the report indicates a projected GNPA ratio of around 1.9% by FY28 under the baseline scenario, while more severe macroeconomic stress could push it to 3.8%–4.1%. RBI released its latest Financial Stability

Report in June 2026, continuing its assessment of the resilience of the banking system under macro-financial stress scenarios.

These stress-test outcomes should not be read as forecasts of an imminent deterioration; rather, they illustrate how asset quality could behave under specified macroeconomic shocks. The more relevant issue going forward is likely to shift from the resolution of legacy corporate NPAs to maintaining underwriting discipline as credit expands rapidly, particularly in faster-growing retail, MSME and other emerging credit segments.

Asset Quality Outlook

Indian banks enter the current credit cycle with considerably stronger asset quality, reflected in historically low GNPA levels, declining fresh slippages and healthy provisioning buffers. With much of the legacy stress already recognised and resolved, the focus is now shifting from balance-sheet clean-up to preserving asset quality as credit expands. RBI's stress tests suggest only a modest increase in GNPA under the baseline scenario, although a sharper deterioration remains possible under adverse macroeconomic conditions.



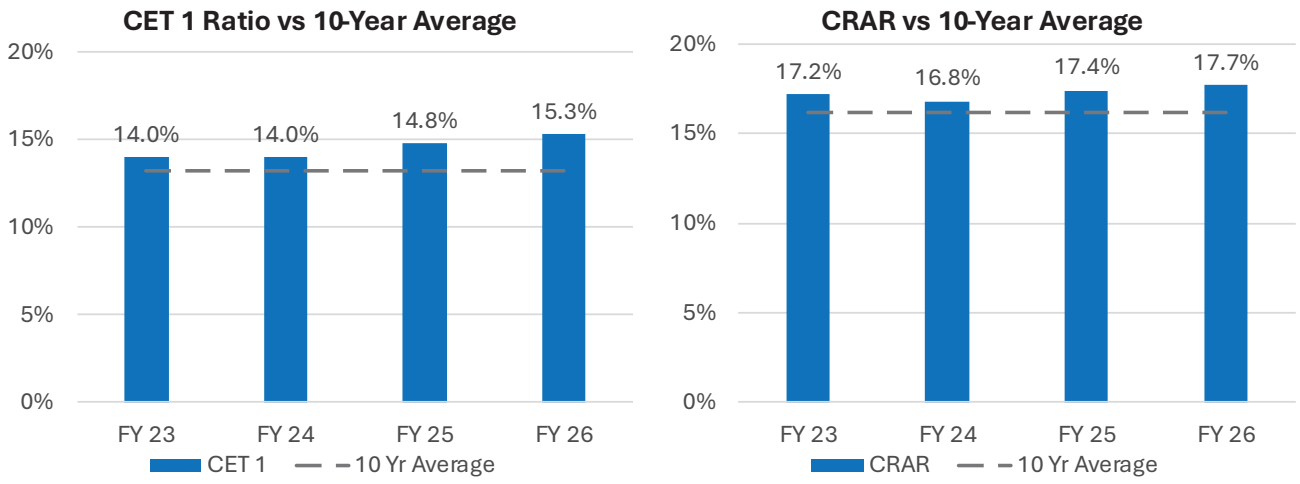
Capital Adequacy

Indian Banks are Well Capitalised

Indian banks remain comfortably capitalised, providing a healthy cushion to support credit growth as well as absorb potential stress. The system-level CRAR stood at 17.7% in FY26, compared with 17.2% in FY23 and a 10-year average of around 16.2%. The quality of capital has also improved, with the CET1 ratio rising from 14.0% in FY23 to 15.3% in FY26.

Banks Maintain Comfortable Capital Buffers

CET 1 and CRAR · % of risk-weighted assets · FY23–FY26 vs 10-yr average



Source: RBI

Capital levels remain well above the regulatory minimums, reflecting the improvement in profitability and asset quality seen across the banking system in recent years. Stronger internal capital generation has also helped banks support credit growth without materially weakening their capital position.

Importantly, RBI's stress tests indicate that the banking system should remain adequately capitalised even under adverse macroeconomic conditions. Overall, the current capital position provides banks with reasonable headroom to grow their balance sheets, while also offering protection against any normalisation in asset quality from the present low levels.

Margins & Profitability

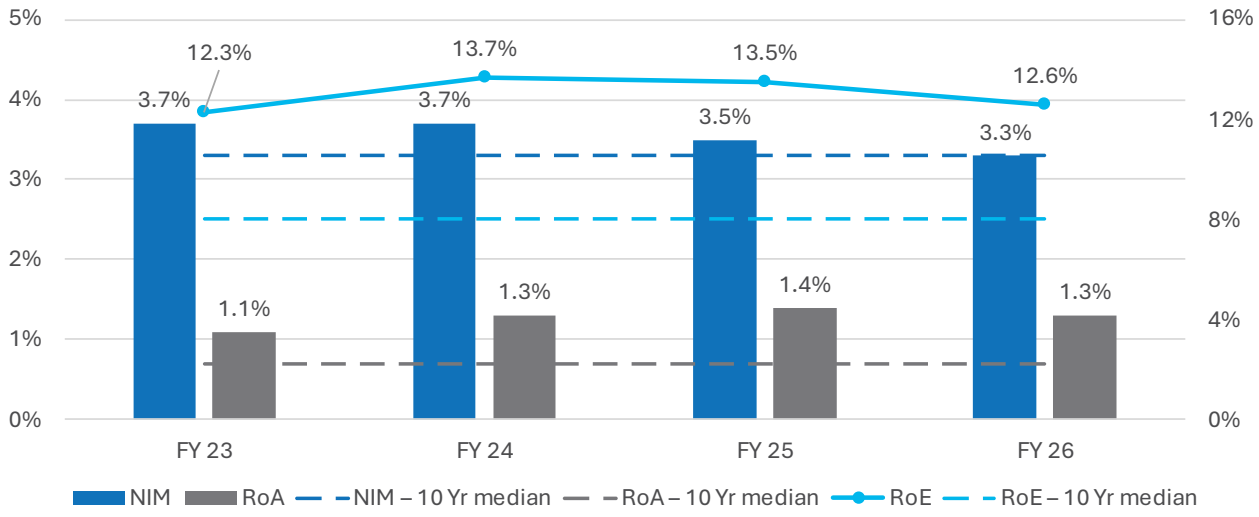
Margins Moderate, While Profitability Remains Resilient

NIMs Moderate as the Rate Cycle Turns

Banking sector margins came under pressure in FY26 as the easing interest-rate cycle led to faster repricing of loans than deposits. NIM moderated from 3.7% in FY23–FY24 to 3.5% in FY25 and 3.3% in FY26, bringing it back in line with its 10-year median of 3.3%. The pressure largely reflects the lag in repricing on the liability side. Banks had mobilised higher-cost term deposits during the earlier tight liquidity and high-rate environment, while competition for deposits remained strong as credit continued to grow faster than deposits. The increasing share of term deposits and moderation in low-cost CASA balances further kept funding costs relatively sticky even as lending yields softened.

RoA and RoE Hold Well Above 10-Year Medians as NIM Normalises

NIM and RoA (bars, left axis) · RoE (line, right axis) · % · FY23–FY26;



Source: RBI

Profitability Remains Healthy, Though Some Moderation Is Likely

Bank profitability has strengthened considerably over the past few years, supported by improving asset quality, lower credit costs and healthy credit growth. RoA improved from 1.1% in FY23 to 1.4% in FY25 before moderating to 1.3% in FY26, while RoE remained healthy at 12.6% in FY26. Both remain comfortably above their 10-year medians of 0.7% and 8.0%, respectively, indicating that profitability remains structurally stronger than in the previous banking cycle. This is also visible in the latest data: annualised RoA and RoE stood at 1.32% and 13.23%, respectively, in June 2026.

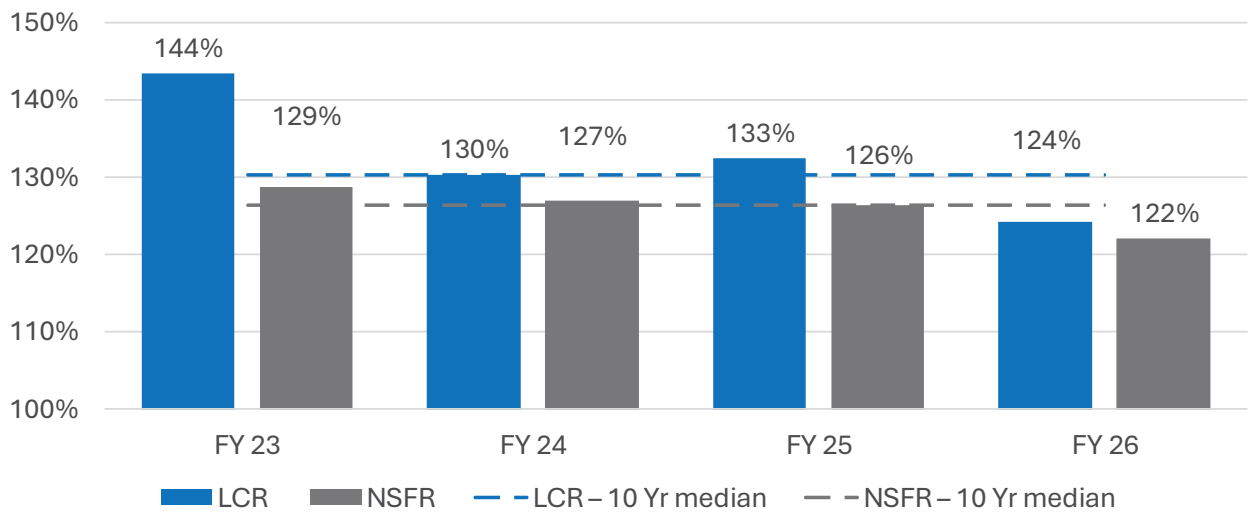
Liquidity

Liquidity Buffers Remain Comfortable

The Liquidity Coverage Ratio (LCR) measures banks' ability to withstand short-term liquidity stress by requiring them to hold sufficient high-quality liquid assets (HQLA) to meet net cash outflows over a 30-day stress period. Indian banks are required to maintain an LCR of at least 100% under the Basel III framework.

Liquidity Ratios Eased but Stay Well Above the 100% Minimum

LCR and NSFR · % · FY23–FY26 vs 10-yr median



Source: RBI

The banking system continues to maintain a comfortable buffer over this requirement. LCR stood at 124.2% in FY26, although it moderated from 132.5% in FY25 and 143.5% in FY23. The moderation indicates some normalisation in surplus liquidity, but the overall position remains comfortable.

The Net Stable Funding Ratio (NSFR) complements LCR by looking at funding resilience over a longer horizon. It assesses whether banks maintain sufficient stable funding relative to the liquidity characteristics and maturity profile of their assets. NSFR stood at 122.1% in FY26, compared with 126.4% in FY25 and 128.8% in FY23, remaining comfortably above the 100% regulatory requirement.

Taken together, LCR and NSFR indicate that Indian banks continue to maintain adequate short-term liquidity as well as stable longer-term funding buffers, notwithstanding some moderation from earlier highs.

Concluding View

Indian banks enter the current phase from a much stronger position than in earlier credit cycles. Balance sheets have been cleaned up, fresh slippages have moderated, provisioning and capital buffers remain healthy, and profitability continues to stay above long-term levels. Liquidity and stable funding ratios also remain comfortable, giving banks sufficient resilience to support continued credit expansion.

The focus, however, is gradually shifting from balance-sheet repair to managing growth sustainably. Credit continues to expand faster than deposits, the deposit mix is becoming more interest-bearing, and margins have begun to normalise as the rate cycle turns. With asset quality already near historically strong levels, the next phase will depend increasingly on disciplined underwriting, efficient deposit mobilisation and prudent liquidity management. Overall, the banking system remains on a sound footing, but maintaining this strength as balance sheets expand will be the key challenge ahead.



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Banking in Eastern India

The Next Growth Opportunity

Eastern India[2] is entering an important phase in its economic development. The region has a large banking base, growing economic activity and rising investment across infrastructure, industry and rural markets. Yet the banking opportunity across the region is far from uniform. Differences in economic structure, credit penetration, deposit mobilisation and investment intensity mean that each state presents a distinct opportunity for lenders.

Against this backdrop, the report examines banking across West Bengal, Bihar, Odisha, Jharkhand and Assam, with a focus on how effectively the region's savings are being translated into credit and whether lending is keeping pace with the sectors driving economic growth. The analysis looks beyond the size of the banking market to identify where the next phase of credit demand is likely to emerge and how that opportunity differs across states.

Eastern India: A Large Deposit Base with Structural Credit Headroom

Key indicators · Eastern India scheduled commercial banks · FY25 unless stated

Deposit Base

INR 29.8 lakh cr

Eastern India's SCB deposit base in FY25

Credit

INR 15.7 lakh cr

SCB credit outstanding in FY25

Intermediation

52.8%

Credit-deposit ratio vs 80.1% nationally

Credit Headroom

INR 8.1 lakh cr

Potential credit capacity at national intermediation levels

Industrial Gap

16.1% vs 11.8%

Industrial GVA growth vs industrial credit growth

Capex Momentum

18.8%–29.7% CAGR

Public capex growth across the five states, ahead of credit growth

Source: RBI

[2] This report contains aggregate information of five Eastern India states West Bengal, Bihar, Odisha, Jharkhand and Assam

Credit vs Deposit

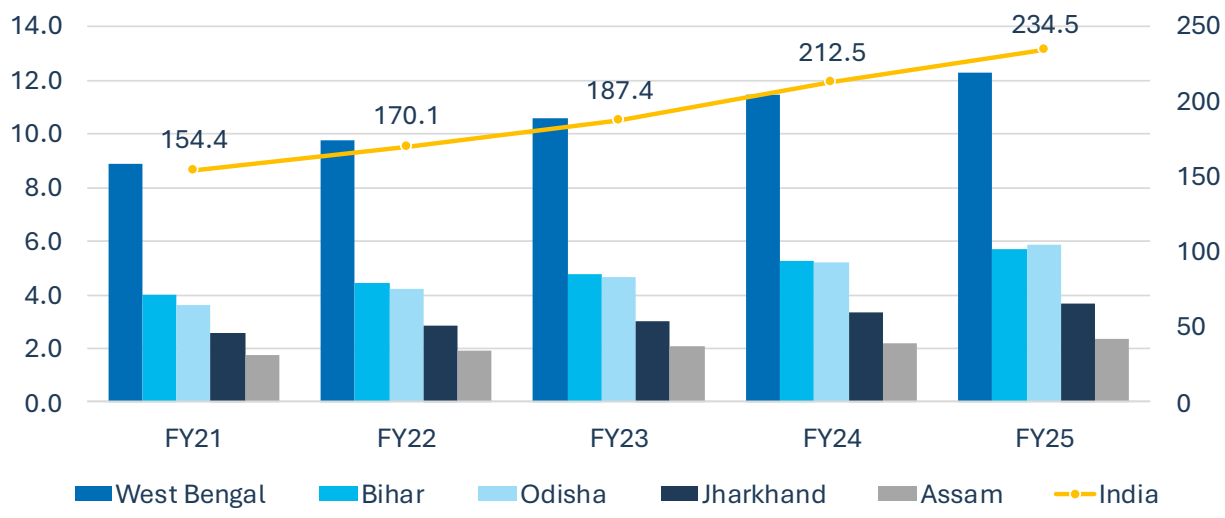
Credit Deepening: An Underleveraged Deposit Base

Eastern India's deposit base is considerably larger than the credit book it supports. Across West Bengal, Bihar, Odisha, Jharkhand and Assam, scheduled commercial bank (SCB) deposits stood at INR 29.79 lakh crore in FY25, compared with credit outstanding of INR 15.74 lakh crore. The five states accounted for 12.7% of national deposits but only 8.4% of national credit. Over these four years, regional credit grew at 14.3% a year, broadly in line with the national rate of 14.1%, while deposits grew more slowly at 9.4% versus 11.0% nationally. The credit-deposit ratio has improved, but largely because deposit growth remained below credit growth, rather than credit deployment has accelerated. The size and nature of this gap are examined below.

Setting the Scale: The Region's Deposit and Credit Base

SCB Deposits

Bank credit outstanding · INR lakh crore · FY21–FY25 · states (bars, left axis) vs All-India (line, right axis)

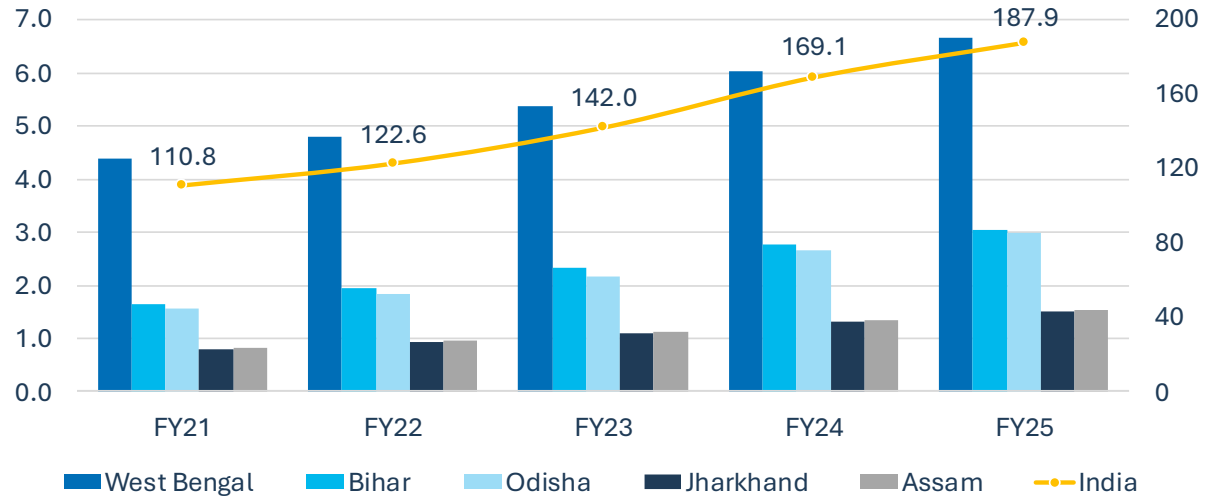


Source: RBI, Handbook of Statistics on Indian States

Deposit growth has remained relatively weak. Eastern India’s deposits grew at 9.4% annually during FY21–FY25, below the 11.0% All-India growth, reaching INR 29.79 lakh crore. Odisha was the only state to outpace the national average, growing at 12.6%. West Bengal, which accounts for 41.1% of regional deposits, grew by a relatively modest 8.4%, weighing on overall growth. Assam recorded the slowest growth at 7.9% and also has the region’s smallest deposit base at INR 2.34 lakh crore.

SCB Credit

SCB credit outstanding · INR lakh crore · FY21–FY25 · states (bars, left axis) vs All-India (line, right axis)



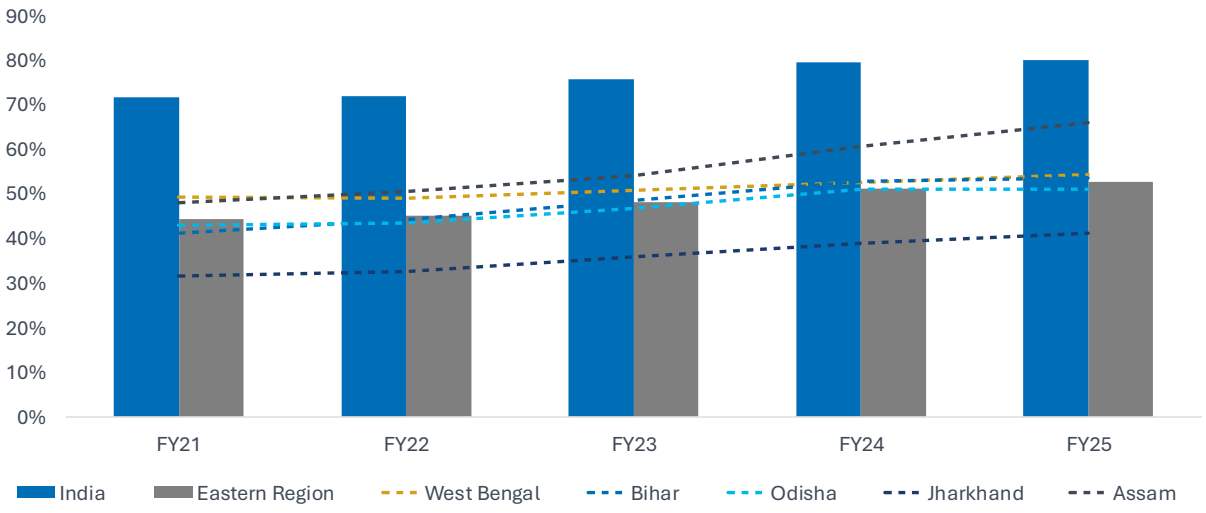
Source: RBI, Handbook of Statistics on Indian States

Credit growth has been stronger in the region's less-banked states. Regional credit rose from INR 9.21 lakh crore in FY21 to INR 15.74 lakh crore in FY25, a CAGR of 14.3%, marginally above the national rate. Odisha, Jharkhand, Bihar and Assam all grew at 16–18%, while West Bengal, despite accounting for 42.3% of regional credit, grew at a slower 11.1%. The trend suggests that incremental credit growth is gradually shifting beyond the region's traditional banking centre.

The Intermediation Gap

Credit-Deposit Ratios Rose Across the East but Remain Well Below India

Credit-deposit ratio of SCBs · % · FY21 –FY25 · India, Eastern Region and states



Source: RBI, Handbook of Statistics on Indian States

The intermediation gap remains a key feature of banking in the region. The credit-deposit ratio stood at 52.8% in FY25, against 80.1% nationally, leaving the gap broadly unchanged from FY21. While all five states remain below the national level, Assam has improved the most, while Jharkhand remains the lowest at 41.1%. At the national credit-deposit ratio, the region could support around INR 23.87 lakh crore of credit, compared with INR 15.74 lakh crore currently, indicating potential headroom of about INR 8.1 lakh crore.

Credit Penetration Relative to the Economy

Credit deepening appears modest relative to the size of the economy. Regional credit stood at 32.4% of GSDP in FY25, only marginally above 31.9% in FY21, while deposits declined from 72.0% to 61.3% of GSDP. This suggests that the improvement in the credit-deposit ratio has largely come from slower deposit growth rather than a significant rise in credit relative to economic output.

The picture varies across states. West Bengal has the highest credit penetration at 36.7% of GSDP, while Assam is the lowest at 24.0%. Jharkhand has the highest deposit base relative to its economy but relatively low credit deployment, whereas Assam shows the opposite trend, with deposit mobilisation emerging as the greater constraint.

The Trajectory: Is the Gap Closing?

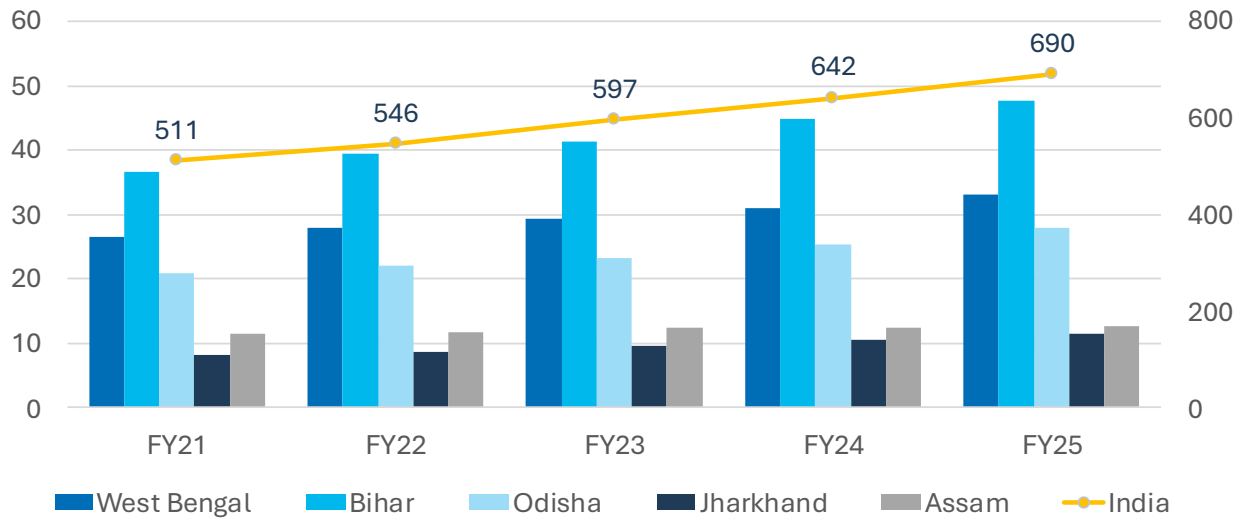
Credit is growing faster than deposits across all five states, with the regional gap at 4.9 percentage points, compared with 3.1 percentage points nationally. This has lifted credit-deposit ratios across the region, but the gap with the national level remains largely unchanged, suggesting that Eastern India is keeping pace rather than catching up. Assam has made the strongest progress, although its smaller deposit base may limit further gains. West Bengal, which accounts for over 40% of both regional deposits and credit, has seen a narrower growth gap and therefore continues to shape the region's overall trajectory.

The Rural Layer: Regional Rural Bank Intermediation

RRB data provide a closer look at rural banking across the five states. Lending has grown faster than deposits, but the credit–deposit ratio remains below the national RRB average. With the branch network largely unchanged, there is scope to deepen lending through existing branches. The following section examines these trends over FY21–FY25 against the All-India position.

RRB Deposits

RRB deposits · INR '000 crore · FY21–FY25 · states (bars, left axis) vs All-India (line, right axis)

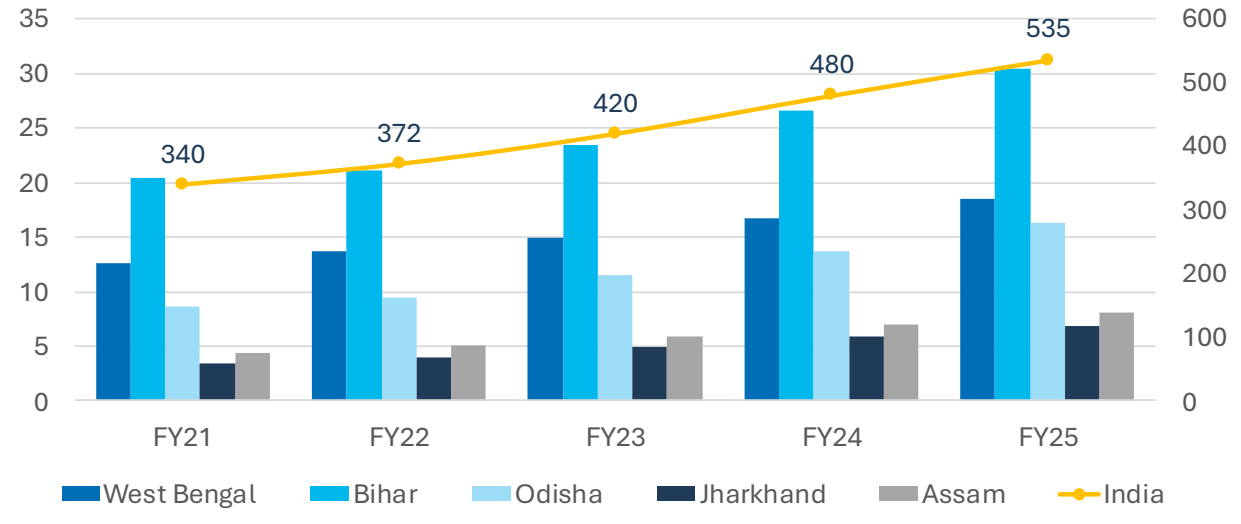


Source: RBI, Handbook of Statistics on Indian States

Rural deposit mobilisation remains weak. RRB deposits across the five states grew at 6.4% annually during FY21–FY25, below the 7.8% All-India growth, reaching INR 1.33 lakh crore. Jharkhand was the only state to outpace the national average, while Assam recorded the slowest growth at 2.5%. Bihar remains the region's largest rural deposit market at INR 47,810 crore, followed by West Bengal and Odisha.

RRB Credit

RRB credit outstanding · INR '000 crore · FY21–FY25 · states (bars, left axis) vs All-India (line, right axis)

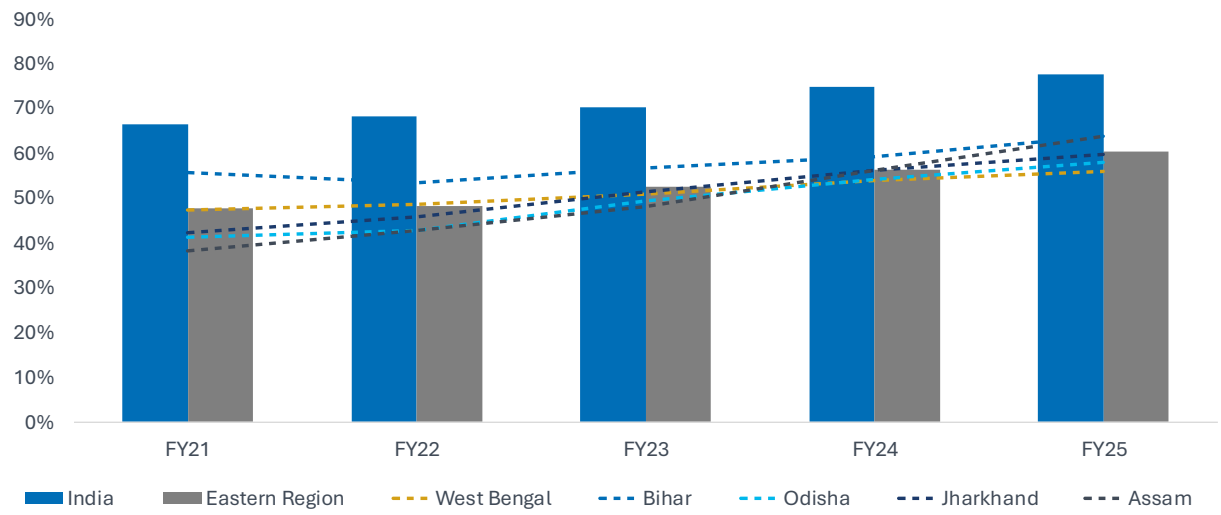


Source: RBI, Handbook of Statistics on Indian States

Rural credit is growing faster than both deposits and the national average. RRB credit across the five states grew at 12.9% annually during FY21–FY25, reaching INR 80,230 crore, compared with 12.1% nationally. Jharkhand, Odisha and Assam led growth, while Bihar remained the largest rural credit market at INR 30,490 crore. Credit outpaced deposit growth in every state, indicating greater reliance on funding beyond the rural deposit base.

RRB Credit-Deposit Ratio

Credit-deposit ratio of RRBs · % · FY21 –FY25 · India, Eastern Region and states

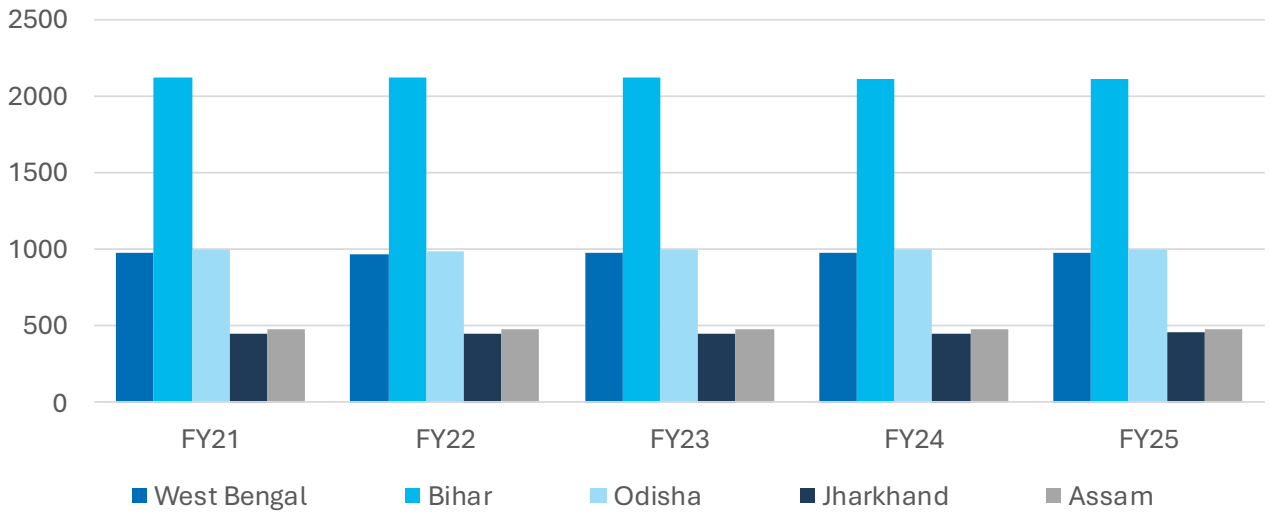


Source: RBI, Handbook of Statistics on Indian States

Rural intermediation is gradually catching up with the national benchmark. The regional RRB credit-deposit ratio rose from 47.6% in FY21 to 60.3% in FY25, narrowing the gap with the All-India level of 77.6%. It also now exceeds the region's commercial bank ratio of 52.8%. At the national rural intermediation level, the region could support around INR 1.03 lakh crore of RRB credit, implying additional headroom of about INR 23,100 crore, with West Bengal accounting for the largest share.

The RRB Branch Network

RRB branches · number of branches · FY21–FY25 · by state



Source: RBI, Handbook of Statistics on Indian States

The RRB branch network has remained largely unchanged at 5,032 branches between FY21 and FY25, meaning rural credit growth has come through the existing footprint. Credit per branch is highest in West Bengal at INR 18.9 crore and lowest in Bihar at INR 14.4 crore. Despite having more than twice West Bengal's branch network, Bihar's lower credit per branch suggests scope to deepen lending through its existing infrastructure.

The Core Credit-Deepening Opportunity

The credit-deepening opportunity differs across states. Jharkhand has the lowest intermediation despite a large deposit base, while West Bengal represents the largest absolute opportunity, with INR 3.2 lakh crore of commercial and INR 7,200 crore of rural credit headroom. Odisha, with strong deposit and credit growth, appears better placed to narrow the gap. Bihar's opportunity lies in increasing credit per branch, while Assam increasingly needs stronger deposit mobilisation to support further lending.

Together, the five states have an estimated INR 8.1 lakh crore of commercial and INR 23,100 crore of rural credit headroom at national intermediation levels. The next question is where this additional credit can be deployed, particularly whether lending is keeping pace with the sectors driving economic growth.

Credit Growth and the Real Economy

Sectoral Composition, Credit Deployment and Financing Gaps

Credit deployment in Eastern India has not fully kept pace with the sectors driving economic growth. Between FY21 and FY25, industrial value added grew at 16.1% a year, while industrial credit grew at 11.8%. Agriculture shows the opposite pattern, with credit growth of 10.4% against farm output growth of 7.1%. This section compares the structure and growth of agriculture, industry, manufacturing, construction and services with the corresponding credit trends. It also uses credit-to-GVA ratios to assess financing intensity across states. The broad picture is that the regional loan book remains concentrated in the states where industrial activity was historically strongest, even as new centres of growth emerge elsewhere.

Regional Economic Structure

Eastern India's five states generated INR 48.6 lakh crore of GSDP in FY25, up from INR 28.9 lakh crore in FY21. Services account for 55.8% of sectoral value added, followed by industry at 31.9% and agriculture at 12.3%. The mix, however, varies widely: West Bengal and Bihar are services-led, Odisha and Jharkhand are more industrial, while Assam has a more balanced economy. These differences translate into distinct financing needs across states.

Composition of Industry

The composition of industrial activity differs materially across states, which is material to the interpretation of industrial credit, reported at state level as a single category. Manufacturing accounts for 58.0% of West Bengal's industrial value added and 50.9% of Jharkhand's, against 30.6% in Bihar, where construction accounts for 58.9% of industrial value added.

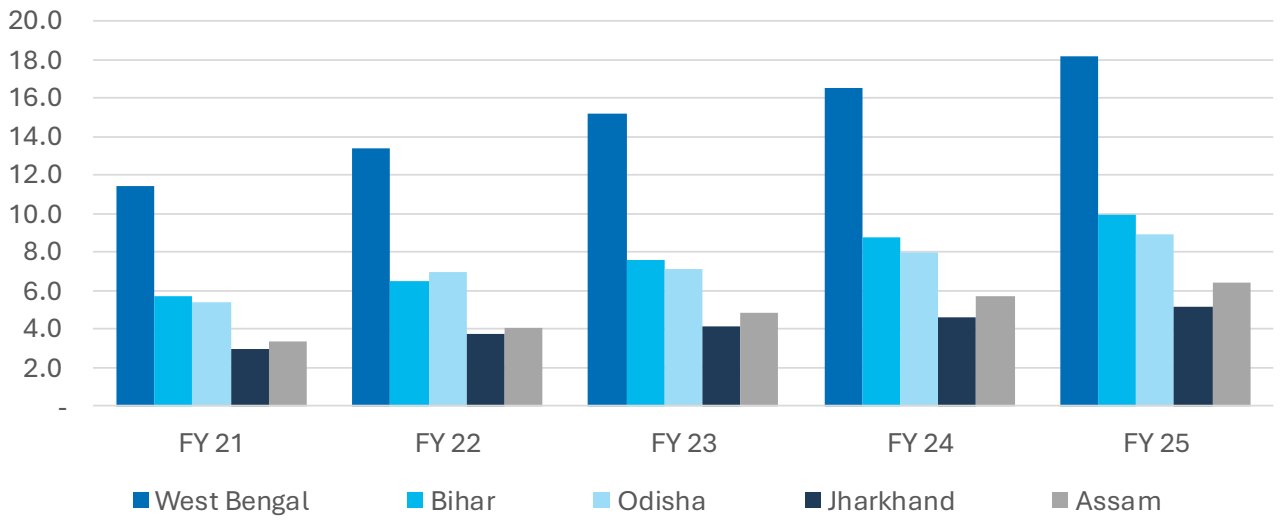
Assam's industrial base is more diversified, with manufacturing at 27.9% and construction at 27.2% and the balance in mining and utilities. An equivalent quantum of industrial credit therefore represents quite different underlying exposures across the five states, and industrial credit-to-GVA ratios should be read with the sectoral mix in view.

Regional GSDP grew at 13.9% annually during FY21–FY25, led by Assam, Bihar and Jharkhand, while West Bengal, the region's largest economy grew at a slower 12.3%. Overall, credit growth at 14.3% broadly kept pace with economic growth, although it lagged in West Bengal.

Manufacturing grew more slowly, at 10.1% annually, reaching INR 5.79 lakh crore in FY25. West Bengal remains the region's largest manufacturing economy, while Bihar and Jharkhand recorded the strongest growth. Overall, manufacturing has grown below the pace of the wider regional economy.

West Bengal Is the Region's Largest Economy, Assam the Fastest-Growing

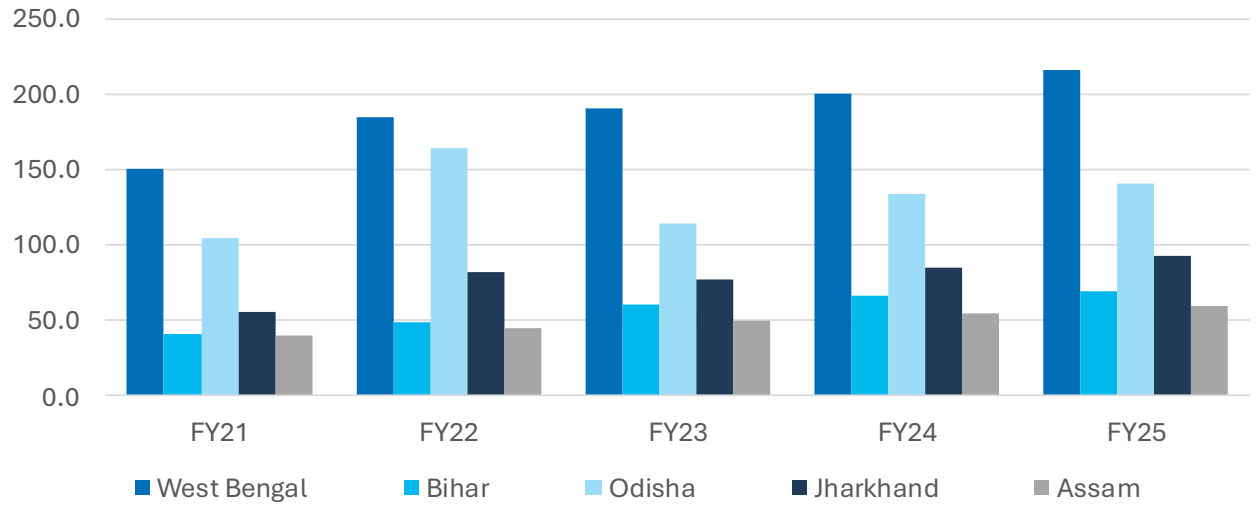
GSDP at current prices · INR lakh crore · FY21–FY25 · by state



Source: RBI, Handbook of Statistics on Indian States

West Bengal Dominates Manufacturing Scale; Bihar Grows Fastest

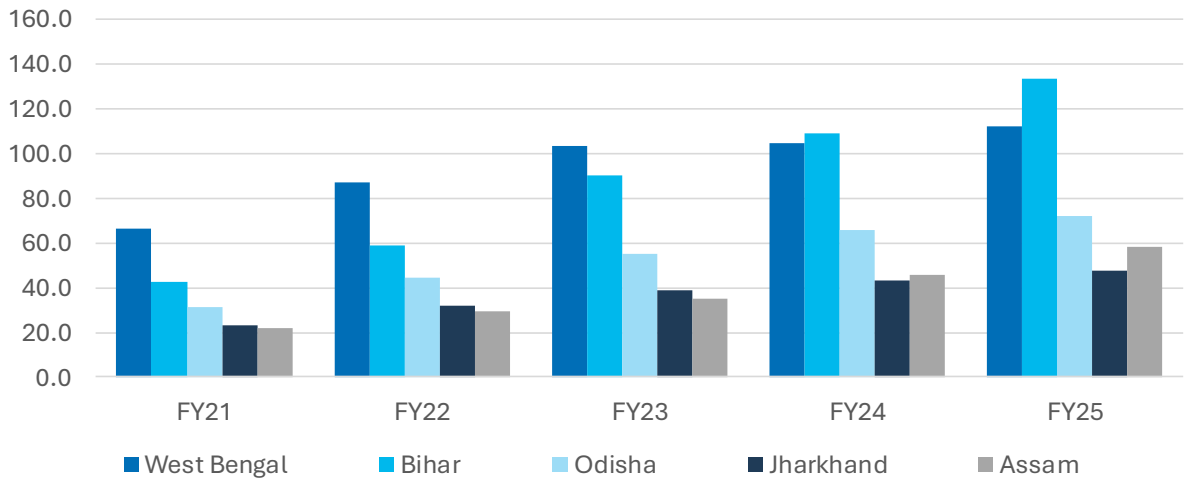
Manufacturing GVA · INR '000 crore · FY21–FY25 · by state



Source: RBI, Handbook of Statistics on Indian States

Construction GVA

Construction GVA · INR '000 crore · FY21–FY25 · by state

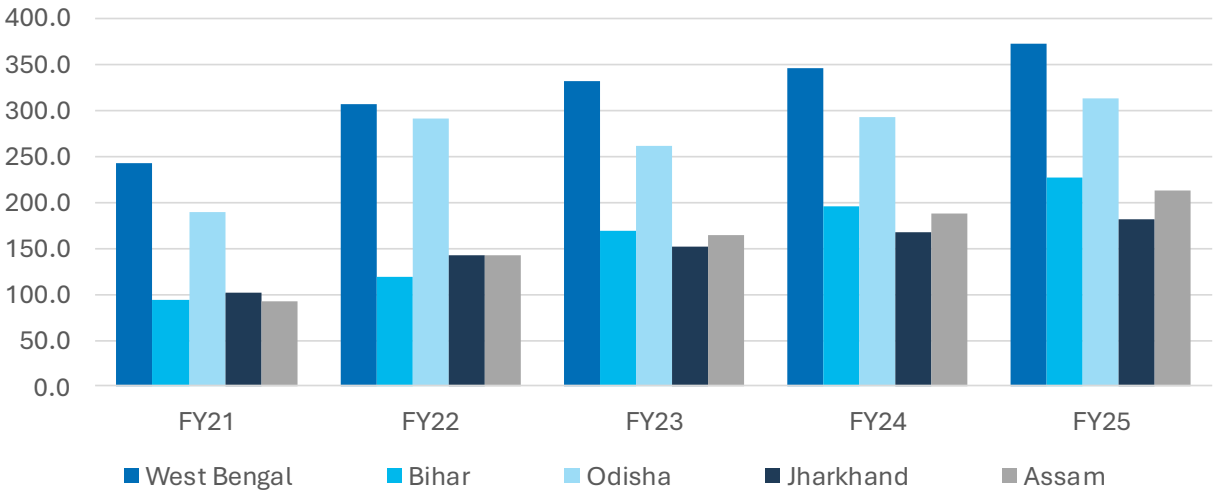


Source: RBI, Handbook of Statistics on Indian States

Construction has been the fastest-growing part of Eastern India's economy, expanding at 23.0% annually during FY21–FY25, more than twice the pace of manufacturing. Bihar led growth at 33.0%, followed by Assam and Odisha. This expansion is creating stronger demand for working capital, equipment finance, supply-chain funding and housing finance, with financing needs growing faster than the credit trends seen so far.

Industry GVA

Industry GVA · INR '000 crore · FY21–FY25 · by state



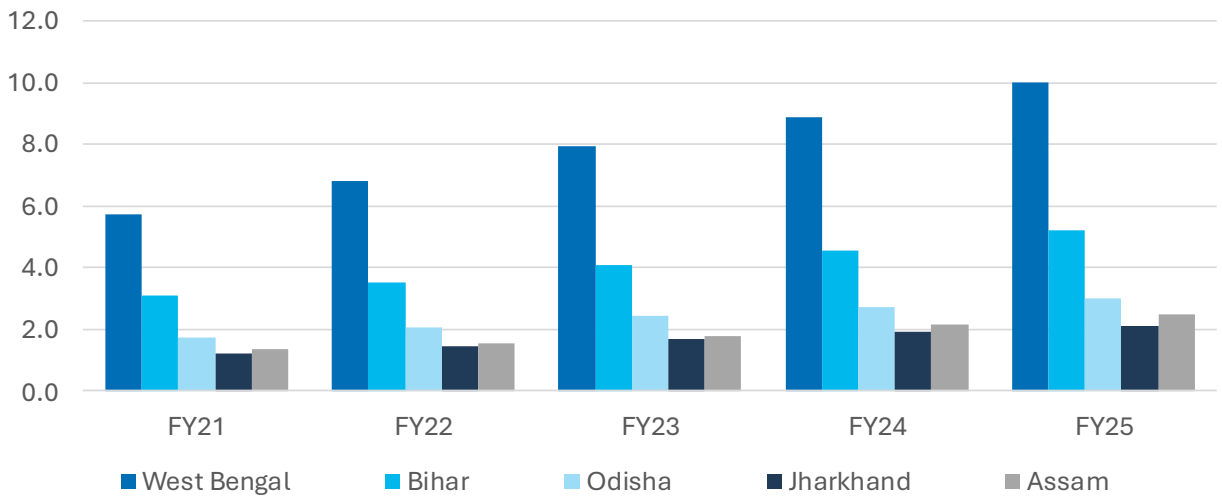
Source: RBI, Handbook of Statistics on Indian States

Industry has been a strong growth driver, expanding at 16.1% annually during FY21–FY25, ahead of regional GSDP growth of 13.9%. Bihar and Assam led growth, while West Bengal grew

at a slower 11.2%. Odisha is now the region's second-largest industrial economy, approaching West Bengal in size, indicating a gradual shift in industrial activity beyond the region's traditional banking centre.

Services GVA Nearly Doubles in Every Eastern State Since FY21

Services GVA · INR lakh crore · FY21–FY25 · by state

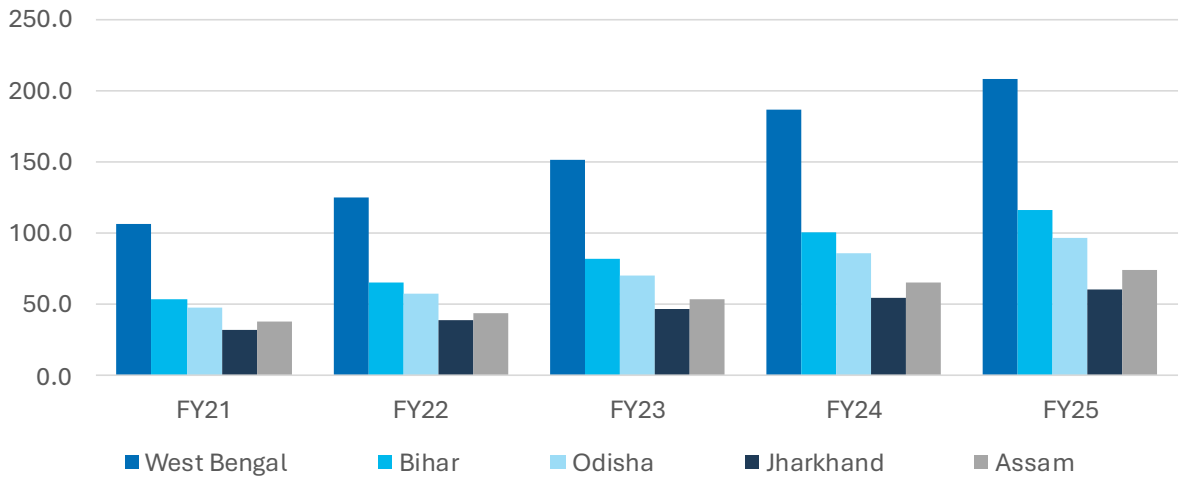


Source: RBI, Handbook of Statistics on Indian States

Services remain the largest part of Eastern India's economy, growing at 14.9% annually during FY21–FY25, with relatively consistent growth across states. West Bengal dominates the regional services economy, accounting for INR 10.0 lakh crore, or 43.8% of the total, making services its strongest economic segment.

Personal Loan Credit

Personal loan credit outstanding · INR '000 crore · FY21–FY25 · by state

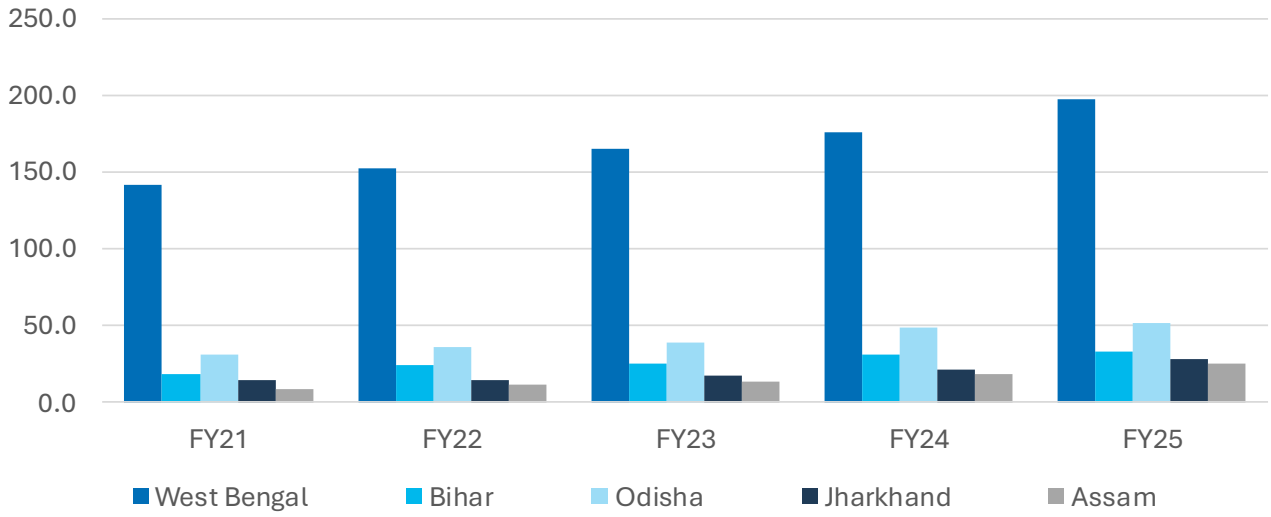


Source: RBI, Handbook of Statistics on Indian States

Personal loans are the fastest-growing credit category, nearly doubling from INR 2.79 lakh crore in FY21 to INR 5.57 lakh crore in FY25, a CAGR of 18.9%. They now account for 50.3% of the three credit categories, indicating that a significant share of incremental credit is flowing to households rather than productive sectors.

Industry Credit

Industry credit outstanding · INR '000 crore · FY21–FY25 · by state



Source: RBI, Handbook of Statistics on Indian States

Industrial credit has not kept pace with industrial growth. It grew at 11.8% annually during FY21–FY25, compared with 16.1% growth in industrial GVA. Assam and Jharkhand saw stronger credit growth, while Bihar recorded the widest gap. West Bengal still accounts for 58.8% of regional industrial credit, despite contributing only 28.4% of industrial output.

Does credit follow the economy?

The table below sets industrial value-added growth against industrial credit growth over FY21–FY25, together with the FY25 credit-to-GVA ratio by state.

State	Industry GVA CAGR	Industry credit CAGR	Gap (pp): GVA less credit	Industry credit / GVA, FY25
West Bengal	11.2%	8.7%	+2.5	53.2%
Bihar	24.7%	15.3%	+9.4	14.6%
Odisha	13.4%	13.5%	-0.1	16.5%
Jharkhand	15.8%	17.3%	-1.5	15.7%
Assam	23.2%	29.9%	-6.7	12.0%
Eastern region	**16.1%**	**11.8%**	**+4.3**	**25.7%**

Source: *computed from RBI, Handbook of Statistics on Indian States series plotted in this section.*

Industrial credit has not kept pace with output. The region's industry credit-to-GVA ratio fell from 29.9% in FY21 to 25.7% in FY25, with lending still heavily concentrated in West Bengal.

Odisha, Bihar, Jharkhand and Assam together generate 71.6% of regional industrial output but account for only 41.2% of industrial credit, highlighting a clear financing gap.

Agriculture shows the opposite trend, with credit growing faster than output, while personal loans grew at 18.9%, indicating stronger credit flow towards households.

Where future credit demand will come from

The largest gap between economic growth and credit deployment is in industry, particularly construction. Bihar stands out, with industrial output growing at 24.7% and construction at 33.0%, while credit penetration remains low. Odisha and Jharkhand also have large industrial economies but relatively shallow credit penetration, while Assam combines strong economic growth with low industrial financing. West Bengal presents a different opportunity, with future demand more likely to come from services and household credit.

Overall, the next credit opportunity is likely to emerge from construction-linked finance and enterprise lending in Bihar, Odisha and Jharkhand, while household credit remains a strong growth segment. Much of this demand will involve SMEs, making MSME and enterprise finance an important channel for the next phase of credit growth.



Rural and Agricultural Finance

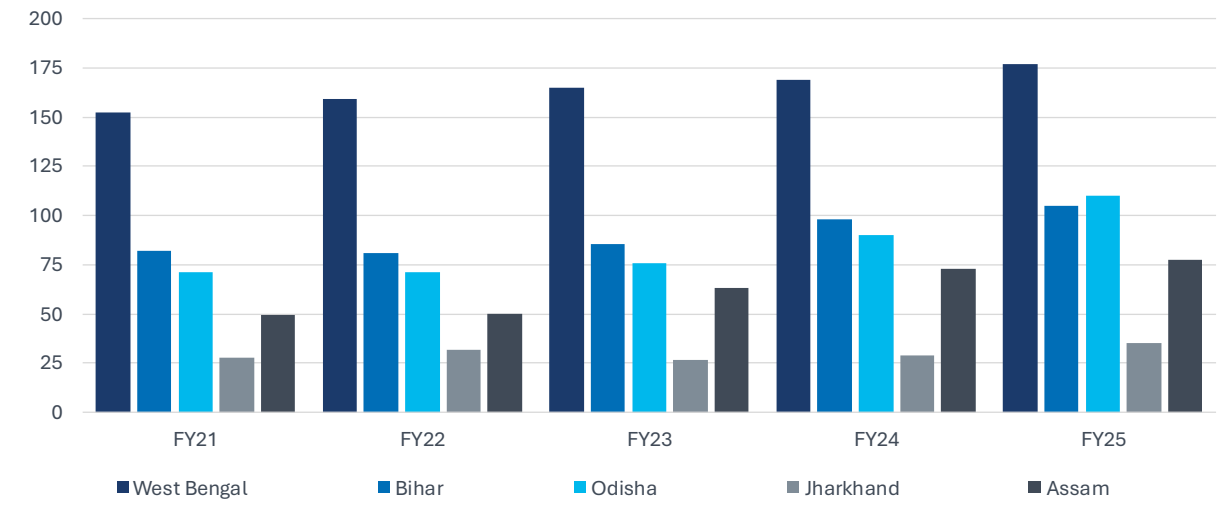
Beyond Traditional Lending

Eastern India's rural economy remains the foundation of regional output. Across the five states, agricultural gross value added reached INR 5.05 lakh crore in FY25, from INR 3.83 lakh crore in FY21, with West Bengal contributing INR 1.77 lakh crore, or approximately 35% of the regional farm economy, followed by Odisha at INR 1.10 lakh crore, Bihar at INR 1.05 lakh crore, Assam at INR 77,600 crore and Jharkhand at INR 35,100 crore. The institutional architecture serving this economy is correspondingly large, comprising 5,032 regional rural bank branches across the five states, of which Bihar accounts for 2,118. For banks, the issue is not whether a market exists, but whether the prevailing model, oriented predominantly towards seasonal crop finance, engages the economic activity above the farm gate.

Three points stand out from the data. Rural credit demand across the region is compounding faster than deposit mobilisation and faster than the farm economy underpinning it. The regional rural banks remain well below the national credit-deposit ratio, with a static branch network carrying the whole of that growth. Agricultural credit tracks the scale of the farm economy but not its momentum, showing that lending is allocated by institutional capacity rather than by the location of rural output. Taken together, they support a shift of rural banking in the region from financing the crop to financing the chain that carries it to market.

Agricultural Output Rose Across the East, With Odisha and Assam Gaining Fastest

Agriculture GVA · ₹'000 crore · FY21 –FY25 · Eastern Region states

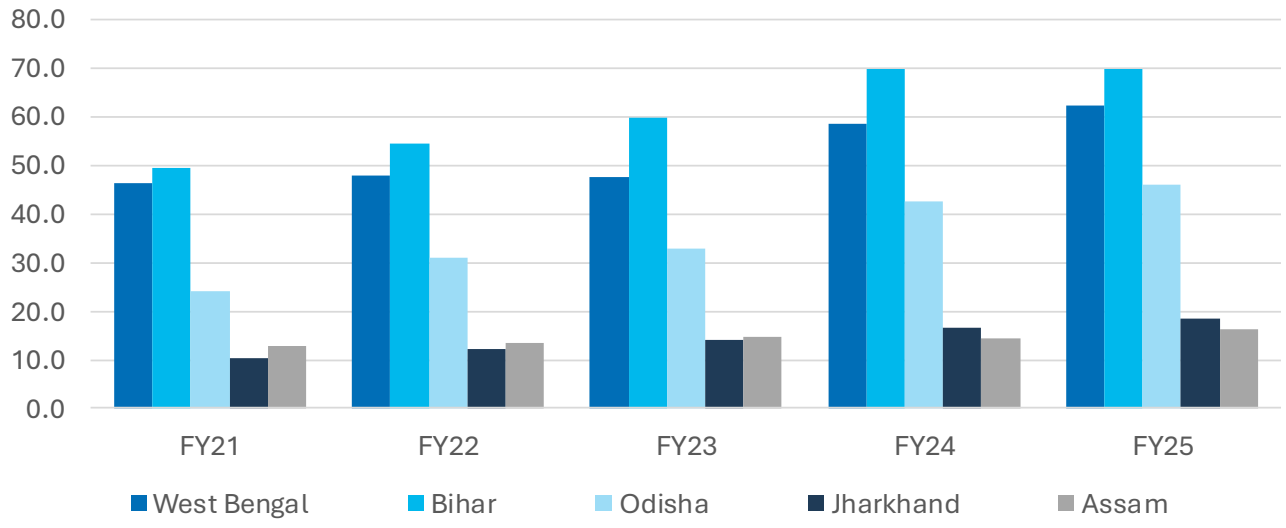


Source: RBI, Handbook of Statistics on Indian States

Agricultural GVA grew at 7.1% annually during FY21–FY25, reaching INR 5.05 lakh crore. Assam and Odisha led growth at 12.0% and 11.4%, respectively. West Bengal remains the region's largest farm economy at INR 1.77 lakh crore, or 35% of the total, but recorded the slowest growth at 3.9%.

Agriculture Credit

Agriculture credit outstanding · INR '000 crore · FY21–FY25 · by state



Source: RBI, Handbook of Statistics on Indian States

Agricultural credit grew faster than farm output, rising at 10.4% annually during FY21–FY25 against 7.1% growth in agricultural GVA, reaching INR 2.13 lakh crore. Bihar has the region's largest agricultural credit book at INR 69,900 crore, ahead of West Bengal despite its smaller farm economy.

Agricultural credit broadly follows the size of the farm economy, but not its growth, pointing to uneven credit penetration across states. Agricultural credit reached 42.2% of regional agricultural GVA, ranging from 66.6% in Bihar to just 21.0% in Assam. West Bengal and Assam together account for nearly half of regional farm output but only 37% of agricultural credit, indicating greater financing headroom.

The opportunity increasingly lies beyond crop finance, across FPOs and aggregators, warehousing, cold storage, processing, rural logistics, equipment and enterprise lending. Assam presents the clearest gap, while West Bengal offers a larger opportunity given the size of its farm economy. Overall, the rural network and deposit base are largely in place; the next step is to broaden lending across the agricultural value chain.

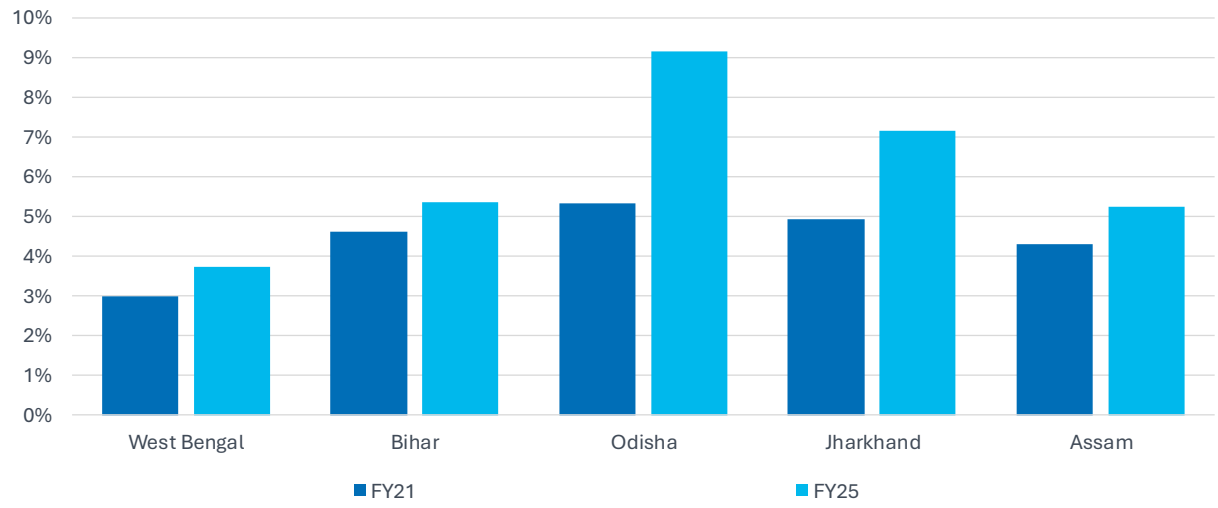
Capex-Led Growth and the Emerging Credit Cycle

The Composition Shift: From Consumption to Investment

Capital expenditure across the five states compounded at between 18.84% and 29.68% annually over FY21–FY25, against 19.93% for All States and Union Territories. Three of the five states, Odisha at 29.68%, Jharkhand at 26.11% and Assam at 23.28%, outpaced the national aggregate by a wide margin. Capital expenditure as a share of total expenditure rose in every state, from 16.1 to 20.2% in West Bengal, 15.8 to 19.0% in Bihar, 18.5 to 23.5% in Assam, 19.8 to 28.7% in Jharkhand and 23.2 to 30.7% in Odisha. The All-India shift over the same period was 20.0 to 24.4%. Jharkhand and Odisha reallocated roughly twice as much of their expenditure base towards capital as the national average did.

Capital Spending Rose Across the East, Led by Odisha and Jharkhand

Capital expenditure · % of GSDP · FY21 vs FY25 · Eastern Region states

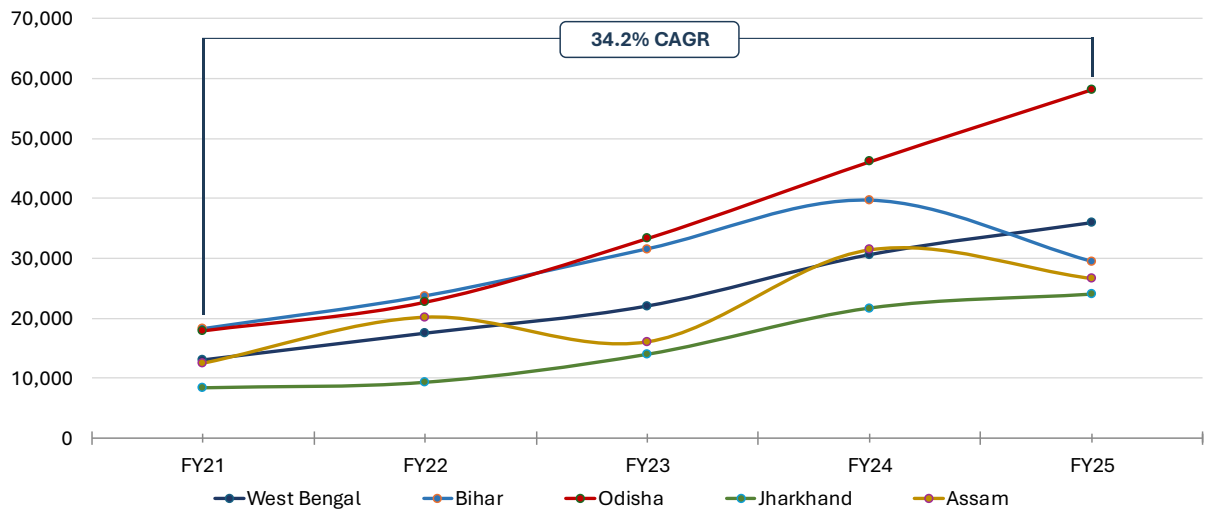


Source: RBI, Handbook of Statistics on Indian States

Capital spending has risen across the region, but Odisha and Jharkhand stand out. Capital expenditure increased to 9.15% of GSDP in Odisha and 7.15% in Jharkhand, while gains elsewhere were modest. West Bengal, despite being the region's largest economy, has the lowest capital intensity at 3.74% of GSDP.

Capital Outlay: Asset-Creating Expenditure

Capital outlay · INR crore · FY21 –FY25 · by state



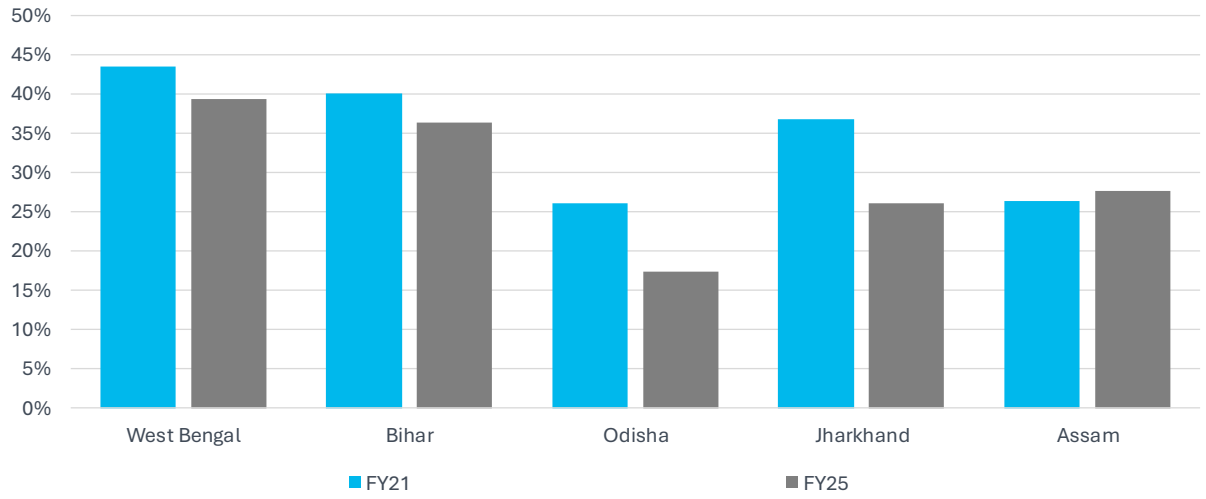
Source: RBI

Capital outlay has been more consistent in Odisha, West Bengal and Jharkhand, with Odisha more than tripling spending to INR 58,195 crore by FY25. Bihar and Assam have shown greater volatility. For banks, a steady capex trajectory offers better visibility for pipeline-based lending and multi-year project finance, while volatile spending calls for more project-specific underwriting.

Fiscal Capacity: Who Can Sustain the Cycle

Debt Burdens Eased Across the East, With Assam the Lone Exception

Outstanding liabilities · % of GSDP · FY21 vs FY25 · Eastern Region states



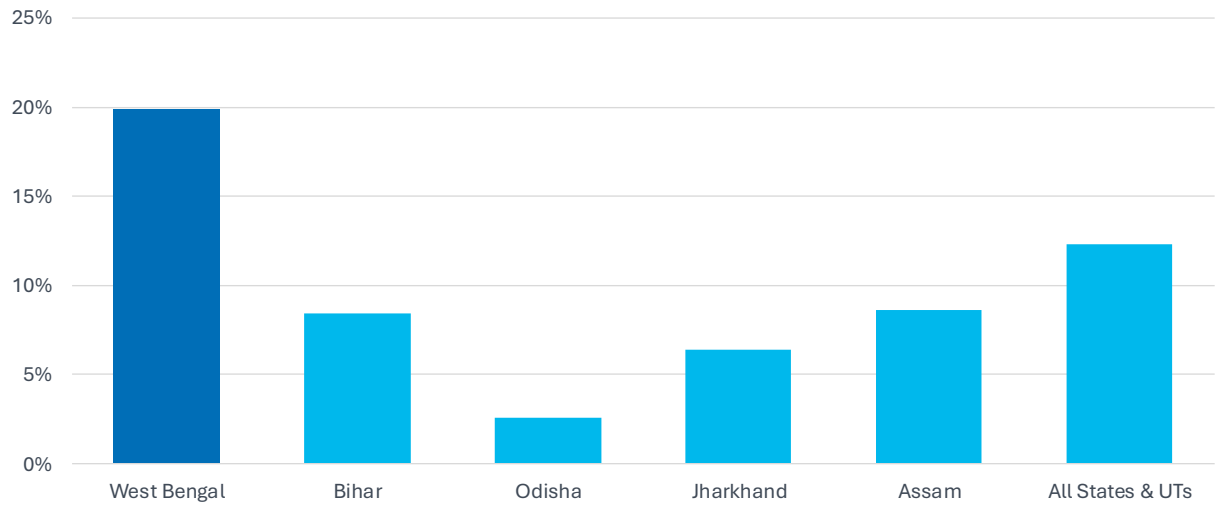
Source: RBI, Handbook of Statistics on Indian States

Fiscal positions have improved across most states. Odisha and Jharkhand stand out, combining lower debt ratios with rising capital spending, while Assam is the only state where debt-to-GSDP ratio increased. West Bengal and Bihar have also deleveraged, although liabilities remain above 36% of GSDP.

The difference is sharper on debt-servicing capacity. Interest payments absorb just 2.6% of revenue receipts in Odisha and 6–9% in Jharkhand, Bihar and Assam, compared with 19.9% in West Bengal. This leaves Odisha with considerably greater fiscal flexibility, while West Bengal remains more constrained.

West Bengal's Interest Burden Is Far Above Peers and the All-State Average

Interest payments · % of revenue receipts · FY25 · Eastern Region states vs all States and UTs



Source: RBI, Handbook of Statistics on Indian States

Fiscal deficit trends also vary across states. Odisha's deficit widened to 3.64% of GSDP, but alongside lower debt and higher capital spending, indicating that borrowing has supported asset creation. Bihar and Jharkhand reduced their deficits sharply, while West Bengal remained broadly unchanged at 3.76%, despite carrying the region's highest interest burden. For banks, this suggests that financing opportunities in West Bengal may increasingly come through structured and private project finance rather than direct state-led spending.

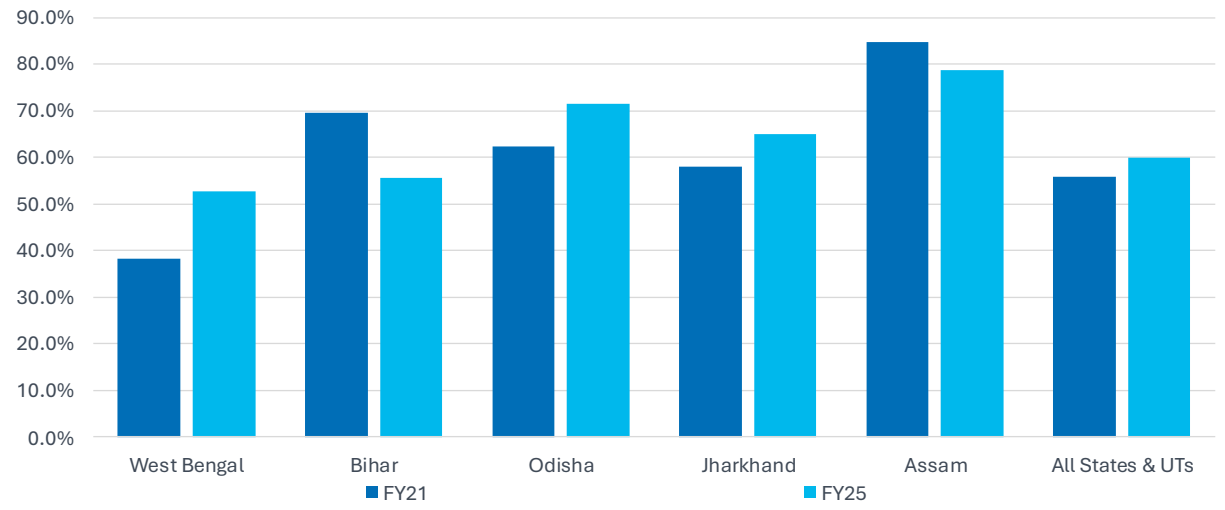
Quality of Spending: What Converts into Assets

Capital outlay provides a clearer view of actual asset creation within capital expenditure. Assam, Odisha and Jharkhand convert 65–79% of capital spending into asset creation, above the 60% All-India level, while Bihar and West Bengal remain below it. The gap is particularly

visible between Odisha and West Bengal, with Odisha directing a much larger share of its capital budget towards infrastructure and other assets.

Capital Outlay's Share of Capital Spending Rose in Most Eastern States

Capital outlay as % of capital expenditure · FY21 vs FY25 · Eastern Region states



Source: RBI

Asset conversion has improved in West Bengal and Odisha, reaching 52.8% and 71.5%, respectively. Bihar moved in the opposite direction, falling to 55.5%, while Assam remains the region's highest at 78.7% despite some moderation. Bihar's declining conversion suggests that its spending mix is currently less supportive of project and equipment finance.

The Divergence: Public Investment Against Bank Credit

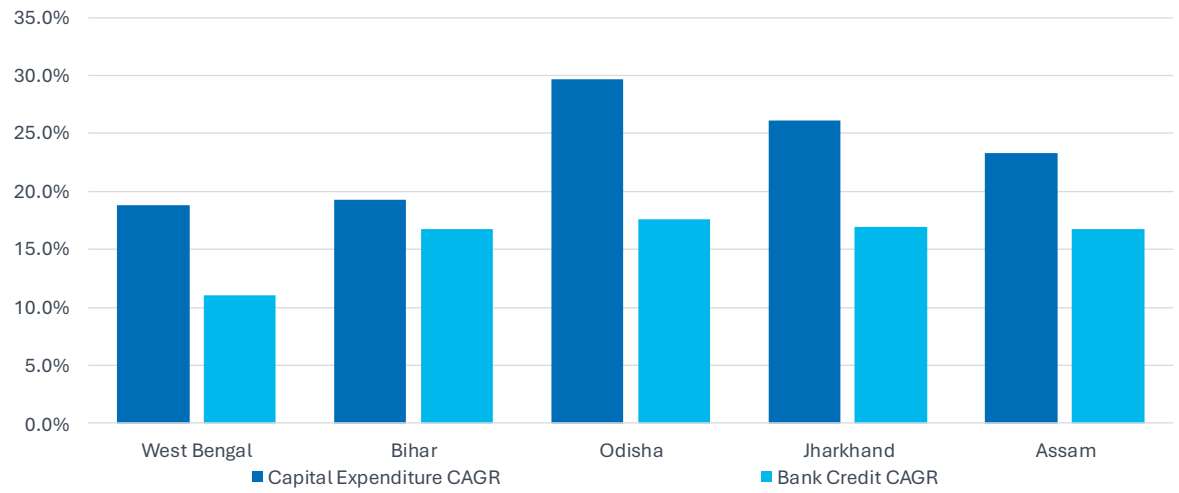
Capital expenditure growth exceeded bank credit growth by 12.10 percentage points annually in Odisha, 9.13 in Jharkhand, 7.76 in West Bengal, 6.56 in Assam and 2.55 in Bihar. The region is not short of public investment. What varies is how far the financial system has moved alongside it.

Odisha and Jharkhand show a positive investment-credit gap: credit is growing strongly, but public investment is growing even faster. Odisha's credit intensity rose to 33.5% of GSDP, the strongest improvement in the region.

West Bengal presents the opposite picture. Credit grew at just 11.1%, the slowest among the five states, and credit intensity declined to 36.7% of GSDP. Despite having the region's largest credit market, lending is not keeping pace with the underlying economy.

Capital Expenditure Growth Outpaced Bank Credit Growth in Every Eastern State

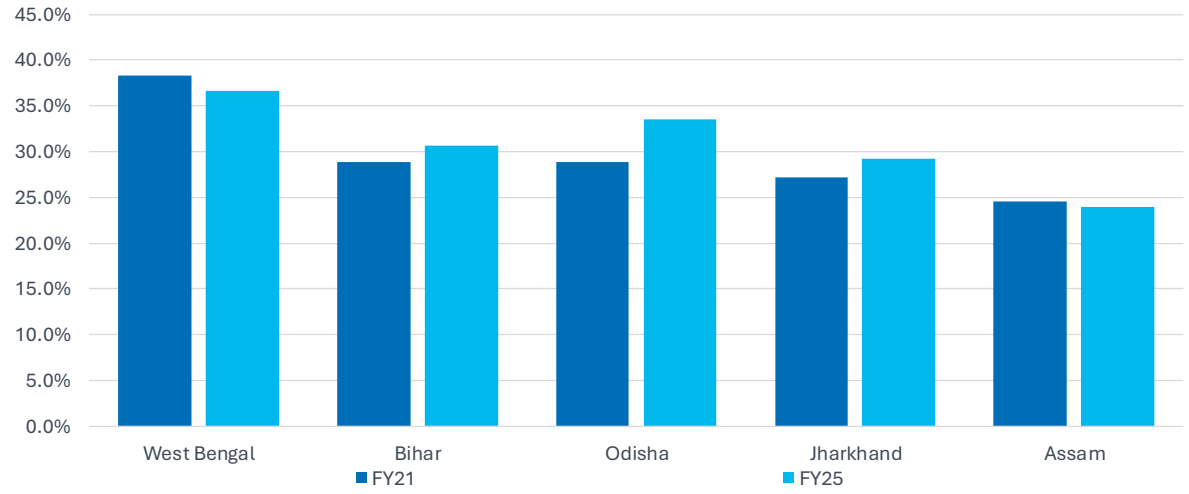
CAGR, % · FY21–FY25 · Eastern Region states



Source: RBI, Handbook of Statistics on Indian States

Credit Depth Rose in Bihar, Odisha and Jharkhand; West Bengal Slipped

Bank credit · % of GSDP · FY21 vs FY25 · Eastern Region states



Source: RBI (Note: Credit includes SCBs and RRBs)

Assam's challenge is low credit penetration rather than weak growth. Despite credit growing at 16.7% annually, credit intensity remained broadly unchanged at 24.0% of GSDP, the lowest in the region. Combined with strong asset-creating public spending, this points to a distribution and origination opportunity. Bihar, by comparison, shows a closer alignment between credit and investment growth.

State-Level Implications for Banking Demand

Indicator	West Bengal	Bihar	Odisha	Jharkhand	Assam	All States
Capital Expenditure FY25 (INR cr)	67,913	53,049	81,437	36,904	33,799	15,30,371
Capex CAGR FY21–25	18.84%	19.28%	29.68%	26.11%	23.28%	19.93%
Capex / GSDP FY25	3.74%	5.35%	9.15%	7.15%	5.25%	—
Capital Outlay / Capex FY25	52.8%	55.5%	71.5%	65.0%	78.7%	60.0%
Fiscal Deficit / GSDP FY25	3.76%	2.93%	3.64%	1.84%	3.50%	—
Liabilities / GSDP FY25	39.35%	36.44%	17.41%	26.12%	27.65%	—
Interest / Revenue Receipts FY25	19.9%	8.4%	2.6%	6.4%	8.6%	12.3%
Bank Credit CAGR FY21–25	11.08%	16.73%	17.58%	16.98%	16.72%	—
Credit / GSDP FY25	36.68%	30.69%	33.49%	29.27%	24.00%	—
Capex–Credit growth gap (pp)	+7.76	+2.55	+12.10	+9.13	+6.56	—

Source: RBI, Handbook of Statistics on Indian States

Odisha presents the clearest investment-led banking opportunity, combining the region's strongest capital spending with low debt, strong fiscal capacity and credit growth that still trails the pace of public investment. Jharkhand shows a similar pattern on a smaller scale, supported by improving fiscal metrics and relatively low credit penetration.

West Bengal is different. Its opportunity comes from deeper credit penetration and market-share capture within the region's largest economy rather than an accelerating public investment cycle. Bihar is more consumption and MSME-led, while Assam's lower credit penetration points to a stronger distribution and origination opportunity.

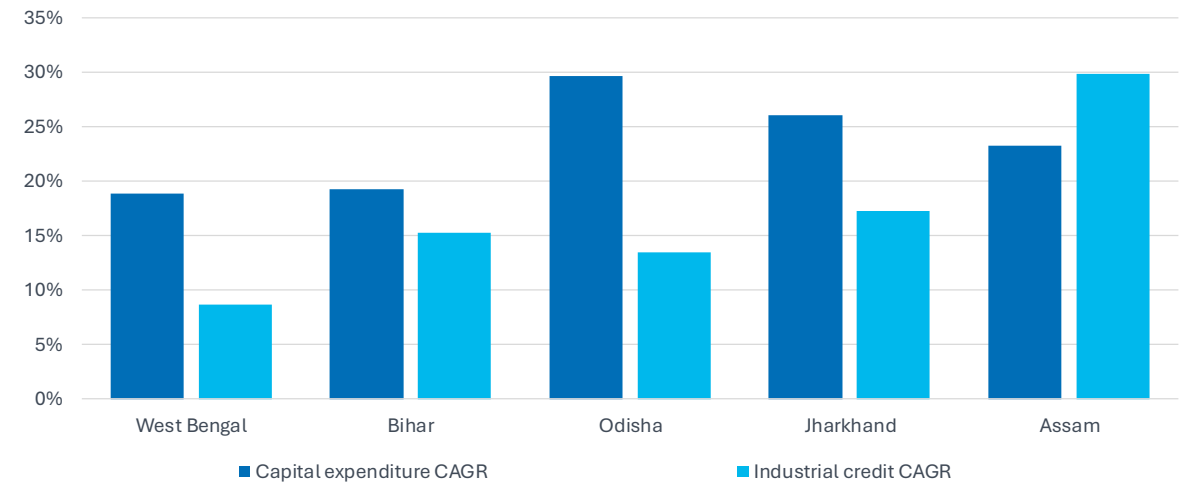
The five states therefore cannot be viewed as a single banking market. Their differences in investment, fiscal capacity and credit penetration call for state-specific approaches to product mix, origination and underwriting.

Public Capital Formation Against Industrial Credit

Industrial credit across the five states grew at 11.8% annually during FY21–FY25, below the pace of public capital expenditure. However, the relationship varies by state: capital expenditure outpaced industrial credit in West Bengal, Bihar, Odisha and Jharkhand, while Assam's industrial credit grew faster than capital expenditure.

Capex and Industrial Credit Diverge: Odisha Leads on Capex, Assam on Credit

CAGR · % · FY21 –FY25 · capital expenditure vs industrial credit · Eastern Region states



Source: RBI, Handbook of Statistics on Indian States

The state-level picture reinforces the divergence. Odisha has the widest gap, with industrial credit growing at 13.5% against capital expenditure growth of 29.7%, while West Bengal recorded the region's slowest industrial credit growth at 8.7%. Assam is the exception, with industrial credit growth of 29.9% outpacing public investment. Jharkhand shows a narrower gap, with industrial credit growing at 17.3%.



A Differentiated Regional Market

State-Level Banking Strategy

The Premise: Aggregation Conceals the Opportunity

West Bengal accounts for 42.3% of the five-state credit book and is the region's largest economy, with GSDP of INR 18.15 lakh crore. Its size gives it considerable influence over regional averages, which can obscure the different trends emerging in Odisha, Jharkhand, Bihar and Assam. West Bengal remains an important banking market, but its slower credit growth and tighter fiscal capacity call for a different approach. Banks should therefore look beyond regional averages and shape their strategies around each state's growth prospects and financing needs.

These differences are significant. Across the five states, credit penetration ranges from 24 to 36.68% of GSDP, credit growth from 11.08 to 17.58% annually, capital intensity from 3.74 to 9.15% of GSDP, debt stocks from 17.41 to 39.35%, and interest burdens from 2.6 to 19.9% of revenue receipts. On several of these measures the spread between the strongest and weakest state exceeds the spread between Eastern India and the national aggregate. The variation within the region is larger than the variation between the region and the rest of the country.

The Comparison: Five States Across Nine Indicators

The table below shows that no state leads on more than one dimension of the opportunity, and that the leaders on penetration are not the leaders on growth.

Indicator	West Bengal	Bihar	Odisha	Jharkhand	Assam
Credit / GSDP FY25	36.68%	30.69%	33.49%	29.27%	24.00%
Credit CAGR FY21–25	11.08%	16.73%	17.58%	16.98%	16.72%
Credit / GSDP change (pp)	−1.62	+1.81	+4.62	+2.07	−0.50
SCB Credit–Deposit Ratio FY25	54.3%	53.5%	51.0%	41.1%	44.3%
Industry credit CAGR	8.7%	15.3%	13.5%	17.3%	29.9%
Agriculture credit CAGR	7.6%	12.5%	11.3%	9.8%	11.9%
Capex / GSDP FY25	3.74%	5.35%	9.15%	7.15%	5.25%
Capex CAGR FY21–25	18.84%	19.28%	29.68%	26.11%	23.28%
Interest / Revenue Receipts FY25	19.9%	8.4%	2.6%	6.4%	8.6%

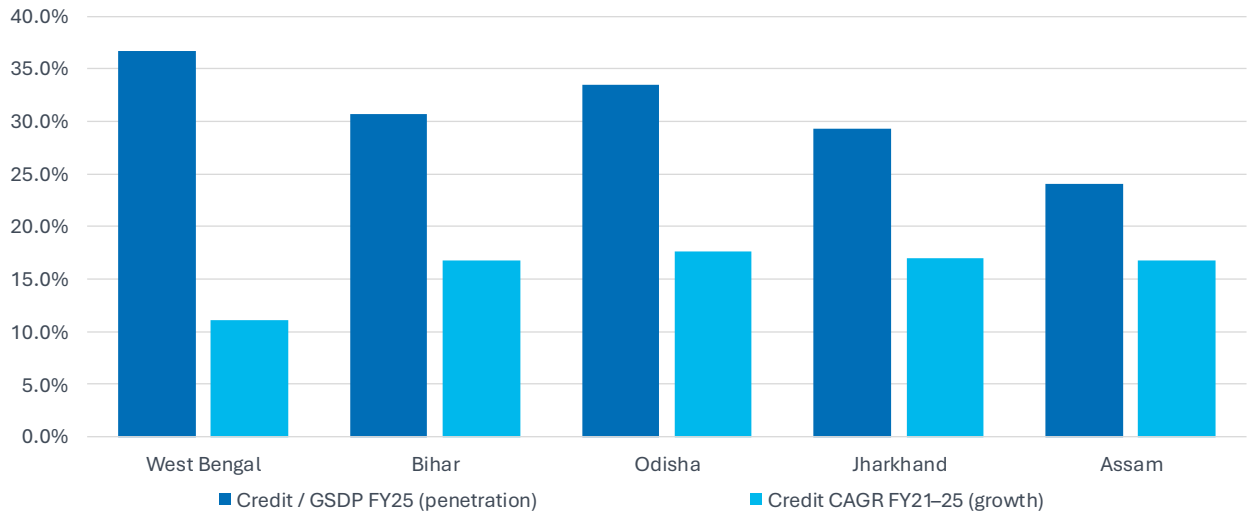
Source: RBI, Handbook of Statistics on Indian States

Three broad patterns stand out from the consolidated view. First, credit penetration and credit growth are inversely related across the region: West Bengal holds the highest credit-to-GSDP ratio at 36.68% and records the slowest growth at 11.08%, while Assam holds the lowest penetration at 24.00% and expanded industrial credit fastest at 29.9%. Second, fiscal capacity and investment momentum are positively related: Odisha and Jharkhand, the two states with

the lowest interest burdens, are also the two fastest capital spenders. Third, only Odisha and Jharkhand improved credit intensity and capital intensity simultaneously.

West Bengal Leads on Credit Depth but Grows the Slowest

Credit / GSDP FY25 vs credit CAGR FY21 –FY25 · % · Eastern Region states



Source: RBI

Odisha stands out as the region's strongest emerging opportunity, combining rapid credit growth with high capital spending and a strong fiscal position. Public investment continues to outpace credit, leaving room for further lending growth.

Jharkhand shows a similar trend on a smaller scale, supported by improving credit penetration, strong industrial lending and a significant improvement in fiscal position.

Assam is primarily a distribution opportunity. Credit penetration remains the lowest in the region despite strong credit growth, while industrial lending and asset-creating public spending are already expanding rapidly.

Bihar is more consumption and MSME-led, with credit broadly keeping pace with investment. Lower conversion of capital spending into assets suggests relatively less near-term demand for project and equipment finance.

West Bengal remains the region's largest and most credit-penetrated market, but credit growth has been the slowest and penetration has declined. Combined with lower capital intensity and tighter fiscal capacity, the opportunity is more about deepening credit within an established economic base.

Market type	State	Defining characteristic	Primary banking opportunity
Emerging - high growth, rising penetration	Odisha	Fastest credit and capex growth; strongest fiscal capacity	Project and infrastructure finance; contractor and equipment lending
Emerging - improving momentum	Jharkhand	Lowest deficit; sharpest deleveraging; shallow credit base	Mid-ticket project finance; working capital; supply-chain credit
Under-penetrated - distribution-constrained	Assam	Lowest penetration, flat since FY21; fastest industrial credit growth	Branch and BC expansion; origination capability
Consumption-weighted - aligned	Bihar	Narrowest capex-credit gap; lowest capital conversion	Retail, MSME and consumption-linked credit
Mature - structurally constrained	West Bengal	Highest penetration but only declining credit intensity	Market-share capture; structured and private project finance

Source: RBI, Handbook of Statistics on Indian States

Conclusion

Taken together, the four preceding sections point to Odisha and Jharkhand as the strongest forward opportunities. Both states are building public assets faster than bank credit is expanding, have fiscal room to sustain investment, and still have relatively shallow credit bases. Assam presents a different opportunity: credit penetration remains low, but strong industrial credit growth shows that demand exists and distribution is the bigger challenge. Bihar offers scale in retail and MSME lending, while West Bengal remains the region's largest existing banking market but with slower growth. The opportunity there is more about gaining share and improving credit deployment than expanding into a new market.

This changes how banks should think about planning for Eastern India. Regional strategies based mainly on the size of the existing credit book naturally favour West Bengal, because it leads on most absolute measures. The forward indicators tell a different story. State capital allocation, fiscal capacity and the gap between public investment and credit growth place Odisha and Jharkhand higher on the opportunity curve, while Assam calls for stronger distribution and origination. Banks that build these capabilities early will be better positioned as today's investment pipeline begins to translate into credit demand.

Eastern India's banking opportunity extends beyond account access to deeper and more productive credit intermediation. The region already has a large deposit base, an extensive branch and business correspondent network, and broad account penetration. The next question is whether credit can keep pace with the region's changing economy, particularly the industrial capacity, infrastructure and enterprise activity being created through public investment. On the available evidence, it is not yet doing so consistently. That gap, which differs by state and by sector, is the central opportunity highlighted in this report.

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