

## Bank Lending Survey for Q3:2020-21

Today, the Reserve Bank released results of 14<sup>th</sup> round of its quarterly Bank Lending Survey (BLS)<sup>1</sup>. This forward-looking survey is being conducted since Q2:2017-18 to capture the qualitative assessment and expectations of major scheduled commercial banks (SCBs) on credit parameters (*viz.*, loan demand, terms and conditions of loans) for major economic sectors. The survey questionnaire is canvassed among major 30 SCBs accounting for more than 90 per cent of bank credit in India. The latest round of the survey, conducted during Q3:2020-21, collected senior loan officers' assessment of credit parameters for Q3:2020-21 and expectations for Q4:2020-21<sup>2</sup>. Owing to uncertainty driven by the COVID-19 pandemic, an additional block was included in this round of the survey for assessing outlook for two quarters ahead as well as three quarters ahead.

### Highlights:

#### A. Assessment for Q3:2020-21

- Loan demand conditions revived further during Q3:2020-21, as reflected in increased level of optimism for all major sectors (Chart 1 and Table 1).
- Banks assessed easing of terms and conditions of loans to all sectors barring the infrastructure sector (Table 2).

#### B. Expectations for Q4:2020-21

- Bankers expect further improvement in loan demand in Q4:2020-21; higher optimism is reported especially for manufacturing, infrastructure, services and personal loan sectors.
- Going forward, banks expect to continue with easy loan terms and conditions, with further softening expected for personal loan segment.

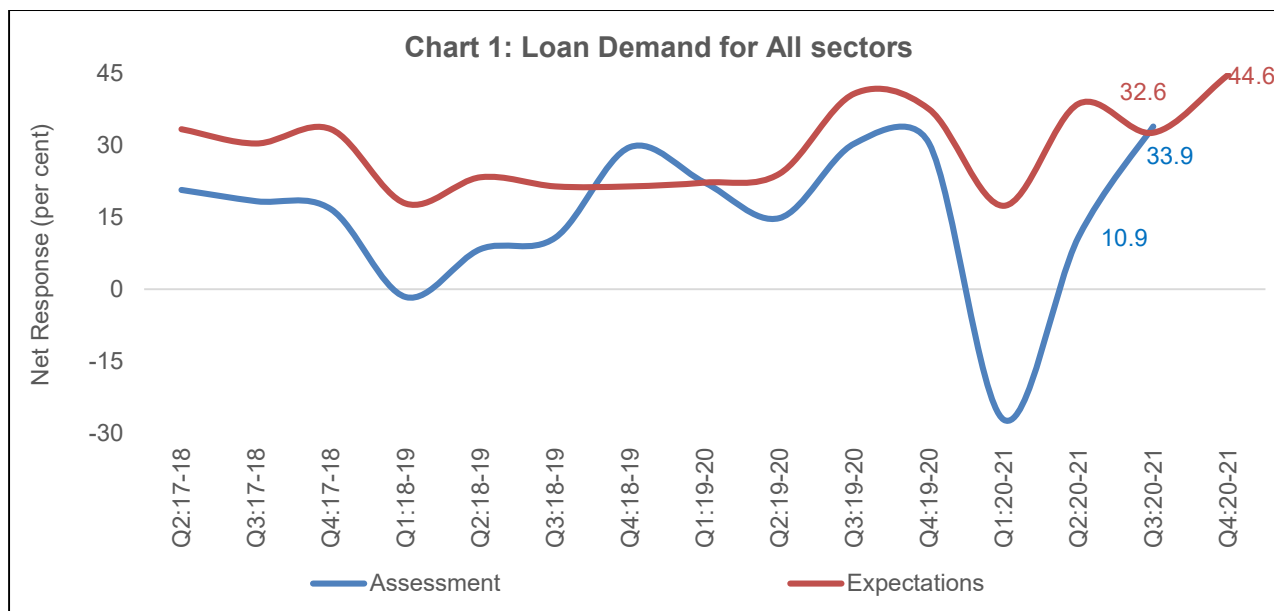
#### C. Expectations for Q1:2021-22 and Q2:2021-22

- Banks expect further sequential improvement in loan demand conditions across all sectors till Q2:2021-22 (Table 3).
- Easy loan term and conditions are expected to continue in the first half of 2021-22.

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<sup>1</sup> The background and methodological aspects of the survey are documented in the article 'Bank Lending Survey - Recent Trends' published in December 2020 issue of the RBI Bulletin (weblink: [https://www.rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?Id=19963](https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=19963)).

<sup>2</sup> The survey results reflect the views of the respondents, which are not necessarily shared by the Reserve Bank of India.



**Table 1: Sector-wise Loan Demand - Summary of Net responses<sup>3</sup>**

(per cent)

Sectors	Assessment Period		Expectations Period	
	Q2:2020-21	Q3:2020-21	Q3:2020-21	Q4:2020-21
All Sectors	10.9	33.9	32.6	44.6
Agriculture	31.3	35.0	39.6	33.3
Mining and Quarrying Sector	2.1	16.1	18.8	19.6
Manufacturing	12.5	31.0	39.6	46.6
Infrastructure	0.0	19.6	22.9	30.4
Services	21.7	31.0	28.3	41.4
Retail/Personal	25.0	45.8	30.0	47.9

<sup>3</sup> Net Response (NR) is computed as the difference of percentage of banks reporting increase/optimism and those reporting decrease/pessimism in respective parameter. The weights of +1.0, 0.5, 0, -0.5 and -1.0 are assigned for computing NR from aggregate per cent responses on 5-point scale i.e. substantial increase/ considerable easing, moderate increase/ somewhat easing, no change, moderate decrease/ somewhat tightening, substantial decrease/ considerable tightening for loan demand/loan terms and conditions parameters respectively. NR ranges between -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism. Increase in loan demand is considered optimism (Tables 1), while for loan terms and conditions, a positive value of net response indicates easy terms and conditions (Table 2). Percentage share of responses may not add up to 100 due to rounding off.

**Table 2: Sector-wise Loan Terms and Conditions - Summary of Net responses**

(per cent)

Sectors	Assessment Period		Expectations Period	
	Q2:2020-21	Q3:2020-21	Q3:2020-21	Q4:2020-21
All Sectors	0.0	14.3	17.4	21.4
Agriculture	19.6	15.5	19.6	17.2
Mining and Quarrying Sector	4.3	3.6	17.4	14.3
Manufacturing	12.0	10.0	20.0	13.3
Infrastructure	0.0	-3.4	10.9	5.2
Services	14.6	15.5	18.8	17.2
Retail/Personal	15.0	24.0	17.5	26.0

**Table 3: Sector-wise Expectations for extended period - Summary of Net responses**

(per cent)

Sectors	Loan Demand		Loan Terms and Conditions	
	Q1:2021-22	Q2:2021-22	Q1:2021-22	Q2:2021-22
All Sectors	53.6	57.1	22.4	31.0
Agriculture	37.9	41.4	19.0	24.1
Mining and Quarrying Sector	19.6	25.0	7.1	14.3
Manufacturing	51.7	55.2	17.2	27.6
Infrastructure	41.1	48.2	12.5	19.6
Services	55.4	60.7	19.6	26.8
Retail/Personal	50.0	63.8	22.4	29.3

**Note:** [Please see the excel file for time series data](#)