

Bank Lending Survey for Q1:2021-22

Today, the Reserve Bank released results of 16th round of its quarterly bank lending survey (BLS)¹. 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 sectors². The latest round of the survey, conducted during Q1:2021-22, collected senior loan officers' assessment of credit parameters for Q1:2021-22 and expectations for Q2:2021-22³. 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 as well as three quarters ahead.

Highlights:

A. Assessment for Q1:2021-22

- After recording sequential rise since Q2:2020-21, loan demand slumped during Q1:2021-22 when major disruption in economic activities was witnessed in the wake of the second wave of the pandemic; the impact was reported across all major sectors (Chart 1 and Table 1).
- Banks indicated some restraint in easing of the terms and conditions of loans during Q1:2021-22 (Table 2).

B. Expectations for Q2:2021-22

- Demand for loans is expected to rise during Q2:2021-22; bankers display maximum optimism on demand for retail/personal loans followed by that for manufacturing and services sector.
- Outlook on terms and conditions of loans for Q2:2021-22 portrayed some easing, especially for the agriculture and manufacturing sectors.

C. Expectations for Q3:2021-22 and Q4:2021-22

- Sentiments on overall loan demand are upbeat across all sectors in the second half of 2021-22 (Table 3).
- In upcoming quarters, banks anticipate sequential easing of loan term and conditions across major sectors.

¹ The results of 15th round of the BLS with reference period as January-March 2021 were released on the RBI website on [April 7, 2021](#).

² The survey questionnaire is canvassed among major 30 SCBs accounting for more than 90 per cent of credit by SCBs in India.

³ The survey results reflect the views of the respondents, which are not necessarily shared by the Reserve Bank of India.

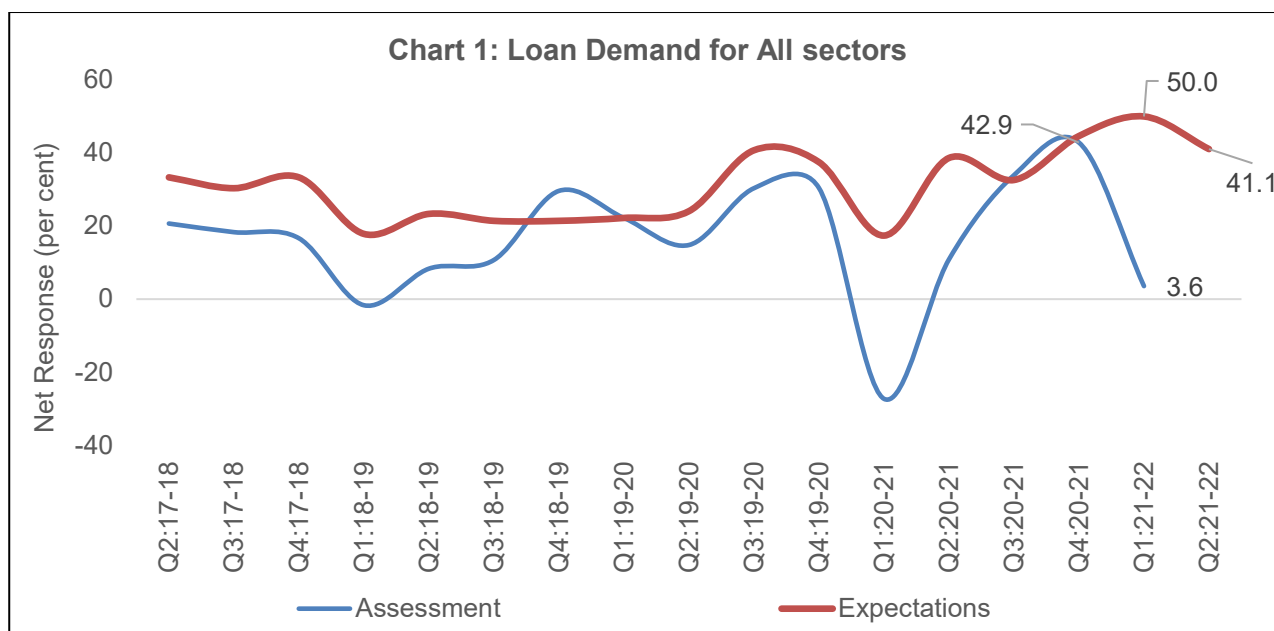


Table 1: Sector-wise Loan Demand - Summary of Net responses⁴

(per cent)

Sectors	Assessment Period		Expectations Period	
	Q4:2020-21	Q1:2021-22	Q1:2021-22	Q2:2021-22
All Sectors	42.9	3.6	50.0	41.1
Agriculture	31.0	15.5	39.7	34.5
Mining and Quarrying Sector	24.1	-5.2	27.6	13.8
Manufacturing	41.1	10.7	48.2	39.3
Infrastructure	42.6	17.9	46.3	25.0
Services	41.1	5.4	53.6	39.3
Retail/Personal	53.7	5.8	42.6	44.2

⁴ 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).

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

(per cent)

Sectors	Assessment Period		Expectations Period	
	Q4:2020-21	Q1:2021-22	Q1:2021-22	Q2:2021-22
All Sectors	12.5	-1.9	19.6	18.5
Agriculture	14.3	12.5	17.9	19.6
Mining and Quarrying Sector	-1.7	0.0	10.3	10.7
Manufacturing	23.2	15.5	14.3	20.7
Infrastructure	11.1	5.4	16.7	16.1
Services	19.6	10.7	19.6	19.6
Retail/Personal	23.1	10.7	25.0	25.0

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

(per cent)

Sectors	Loan Demand		Loan Terms and Conditions	
	Q3:2021-22	Q4:2021-22	Q3:2021-22	Q4:2021-22
All Sectors	50.0	55.4	27.6	31.0
Agriculture	51.7	55.2	27.6	27.6
Mining and Quarrying Sector	20.7	25.9	13.8	13.8
Manufacturing	48.3	46.7	20.0	23.3
Infrastructure	38.3	35.0	13.3	15.0
Services	45.0	46.7	20.0	26.7
Retail/Personal	48.3	55.0	26.7	28.3

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