Bank Lending Survey for Q1:2022-23

Today, the Reserve Bank released the results of 20th round of its quarterly Bank Lending Survey (BLS)[1], which captures qualitative assessment and expectations of major scheduled commercial banks (SCBs) on credit parameters (*viz.*, loan demand and terms & conditions of loans) for major economic sectors[2]. The latest round of the survey collected senior loan officers' assessment of credit parameters for Q1:2022-23 and expectations for Q2:2022-23. Owing to uncertainty driven by the COVID-19 pandemic, an additional block was included in this survey round for assessing outlook for two quarters ahead as well as three quarters ahead.

Highlights:

A. Assessment for Q1:2022-23

- Bankers' assessment of loan demand in Q1:2022-23 remained positive for all major sectors though the sentiments were somewhat toned down from the level reported in the previous quarter (Chart 1 and Table 1).

- Easier loan terms & conditions prevailed for new loans *albeit* with some moderation across all major loan categories (Table 2).

B. Expectations for Q2:2022-23

- Bankers were positive on loan demand from all major sectors during Q2:2022-23 though the level of optimism was somewhat lower than the previous survey round.
- Terms & conditions of loans are expected to remain easy during Q2:2022-23.

C. Expectations for Q3:2022-23 and Q4:2022-23

- Sentiments on overall loan demand in the second half of 2022-23 remain upbeat across the major categories of borrowers (Table 3).
- Bankers anticipate easier terms & conditions of loans in the upcoming quarters of 2022-23.

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[1] The results of 19th round of the BLS with reference period as January-March 2022 were released on the RBI website on April 08, 2022. The survey results reflect the views of the respondents, which are not necessarily shared by the Reserve Bank.

[2] The survey questionnaire is canvassed among major 30 SCBs, which together account for over 90 per cent of credit by SCBs in India.
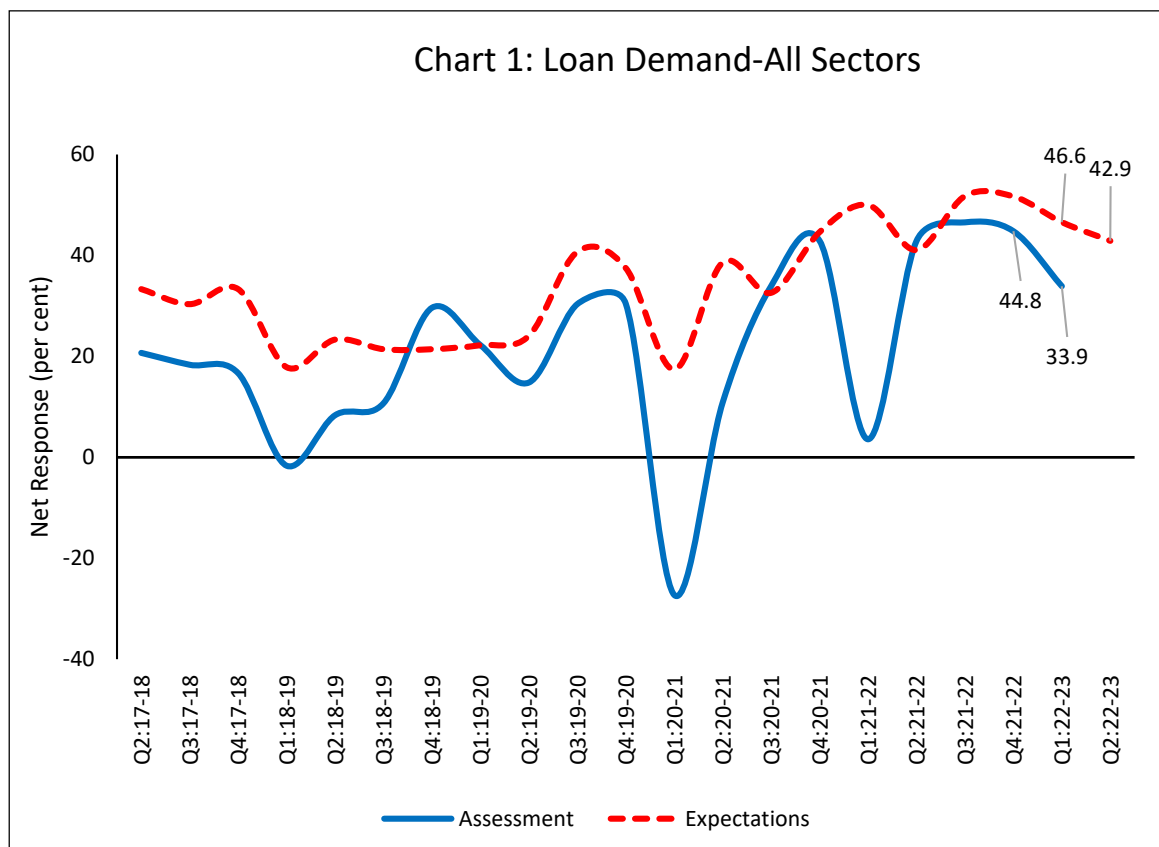
Chart 1: Loan Demand-All Sectors

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Table 1: Sector-wise Loan Demand - Net response[3]

(Per cent)

Sectors	Assessment Period		Expectations Period	
	Q4:2021-22	Q1:2022-23	Q1:2022-23	Q2:2022-23
All Sectors	**44.8**	**33.9**	**46.6**	**42.9**
Agriculture	40.0	36.2	38.3	34.5
Mining and Quarrying Sector	5.0	14.3	18.3	3.6
Manufacturing	45.0	34.5	35.0	43.1
Infrastructure	39.7	37.5	44.8	37.5
Services	43.3	35.7	46.7	44.6
Retail/Personal	48.1	42.0	44.4	46.0

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[3] 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 - Net response

(Per cent)

Sectors	Assessment Period		Expectations Period	
	Q4:2021-22	Q1:2022-23	Q1:2022-23	Q2:2022-23
All Sectors	**19.0**	**8.9**	**22.4**	**8.9**
Agriculture	26.7	13.8	21.7	13.8
Mining and Quarrying Sector	10.0	8.9	16.7	5.4
Manufacturing	33.3	19.0	31.7	10.3
Infrastructure	22.4	12.1	27.6	10.3
Services	26.7	19.6	26.7	16.1
Retail/Personal	33.3	18.8	31.5	18.8

Table 3: Sector-wise Expectations for extended period - Net response

(Per cent)

Sectors	Loan Demand		Loan Terms and Conditions	
	Q3:2022-23	Q4:2022-23	Q3:2022-23	Q4:2022-23
All Sectors	**46.4**	**48.2**	**21.4**	**21.4**
Agriculture	46.6	48.3	13.8	15.5
Mining and Quarrying Sector	21.4	25.0	10.7	10.7
Manufacturing	46.6	48.3	22.4	22.4
Infrastructure	46.6	51.7	10.3	15.5
Services	53.4	56.9	12.1	13.8
Retail/Personal	51.8	53.6	16.1	17.9

Note: Please see the excel file for time series data.