Bank Lending Survey for Q2:2022-23

Today, the Reserve Bank released the results of 21st 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 Q2:2022-23 and expectations for Q3:2022-23. 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 Q2:2022-23

- Bankers assessed improvement in loan demand on a sequential basis across all major sectors (Chart 1 and Table 1).

- Respondents reported easy loan terms & conditions *albeit* with some lowering of pace for agriculture, mining, and infrastructure loans (Table 2).

B. Expectations for Q3:2022-23

- Bankers expect loan demand to improve further across all major sectors during Q3:2022.
- Loan terms & conditions are expected to ease further during Q3:2022-23.

C. Expectations for Q4:2022-23 and Q1:2023-24

- Bankers remain upbeat on loan demand during January-June 2024 across the major categories of borrowers (Table 3).
- Easier loan terms & conditions are anticipated in Q4:2022-23 and Q1: 2023-24.

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[1] The results of 20th round of the BLS with reference period as April-June 2022 were released on the RBI website on August 05, 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.
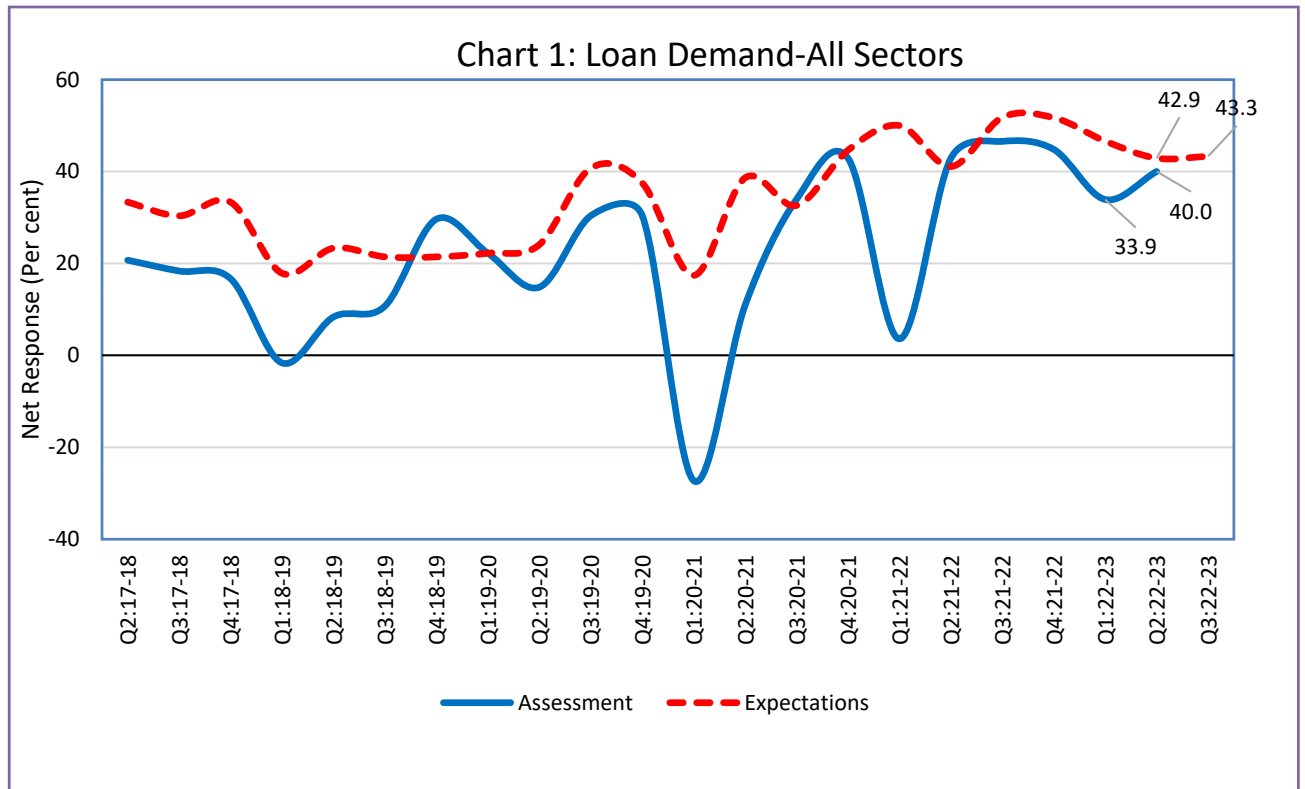
Chart 1: Loan Demand-All Sectors

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

(Per cent)

Sectors	Assessment Period		Expectations Period	
	Q1:2022-23	Q2:2022-23	Q2:2022-23	Q3:2022-23
All Sectors	**33.9**	**40.0**	**42.9**	**43.3**
Agriculture	36.2	38.3	34.5	41.7
Mining and Quarrying Sector	14.3	6.9	3.6	12.1
Manufacturing	34.5	41.7	43.1	48.3
Infrastructure	37.5	41.7	37.5	40.0
Services	35.7	46.7	44.6	45.0
Retail/Personal	42.0	50.0	44.4	53.6

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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	
	Q1:2022-23	Q2:2022-23	Q2:2022-23	Q3:2022-23
All Sectors	**8.9**	**5.2**	**8.9**	**12.1**
Agriculture	13.8	10.0	13.8	20.0
Mining and Quarrying Sector	8.9	5.2	5.4	8.6
Manufacturing	19.0	20.7	10.3	31.0
Infrastructure	12.1	6.9	10.3	12.1
Services	19.6	22.4	16.1	22.4
Retail/Personal	18.8	19.6	18.8	28.6

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

(Per cent)

Sectors	Loan Demand		Loan Terms and Conditions	
	Q4:2022-23	Q1:2023-24	Q4:2022-23	Q1:2023-24
All Sectors	**46.7**	**36.7**	**18.3**	**20.0**
Agriculture	45.0	41.7	16.7	16.7
Mining and Quarrying Sector	15.5	8.6	8.6	8.6
Manufacturing	41.7	40.0	20.0	21.7
Infrastructure	43.3	46.7	11.7	16.7
Services	55.0	48.3	16.7	16.7
Retail/Personal	51.7	50.0	26.7	28.3

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