Bank Lending Survey for Q3:2022-23

Today, the Reserve Bank released the results of 22nd 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 was conducted during Q3:2022-23 and collected senior loan officers' assessment of credit parameters for Q3:2022-23 and expectations for Q4:2022-23. The survey also collected their outlook for the subsequent two quarters.

Highlights:

A. Assessment for Q3:2022-23

- Bankers assessed better credit conditions in Q3:2022-23, driven by higher loan demand from manufacturing and services sectors (Chart 1 and Table 1).

- Respondents reported easing of loan terms and conditions, especially for agriculture and retail segments (Table 2).

B. Expectations for Q4:2022-23

- Bankers' optimism on overall loan demand during Q4:2022-23 remained similar to previous survey round, *albeit* with some moderation in growth in manufacturing and personal loans.
- Loan terms and conditions are expected to ease further during Q4:2022-23.

C. Expectations for Q1:2023-24 and Q2:2023-24

- Bankers remain upbeat on loan demand during the first half of 2023-24 across the major categories of borrowers (Table 3).
- Easier loan terms and conditions are anticipated in Q1:2023-24 and Q2:2023-24.

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[1] The results of 21st round of the BLS with reference period as July-September 2022 were released on the RBI website on September 30, 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.
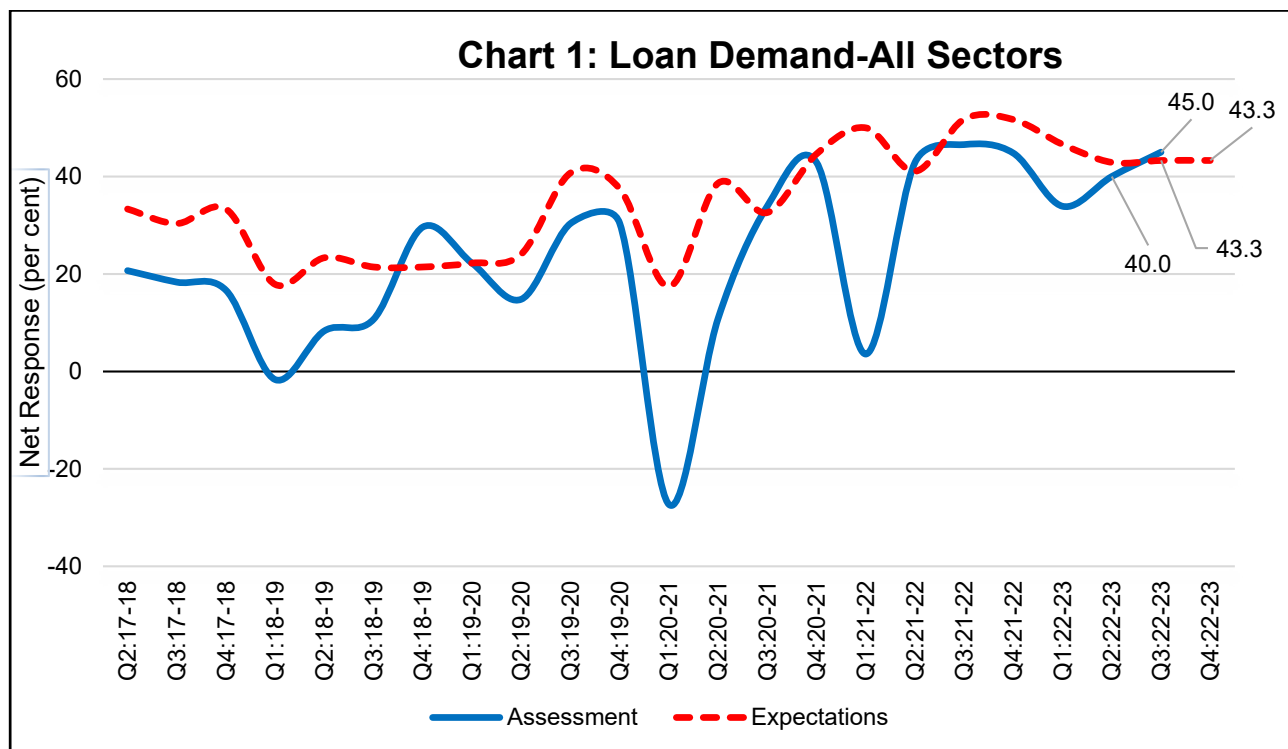
Chart 1: Loan Demand-All Sectors

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

(Per cent)

Sectors	Assessment Period		Expectations Period	
	Q2:2022-23	Q3:2022-23	Q3:2022-23	Q4:2022-23
All Sectors	**40.0**	**45.0**	**43.3**	**43.3**
Agriculture	38.3	33.3	41.7	41.7
Mining and Quarrying Sector	6.9	13.8	12.1	17.2
Manufacturing	41.7	43.3	48.3	41.7
Infrastructure	41.7	40.0	40.0	41.7
Services	46.7	53.3	45.0	46.7
Retail/Personal	50.0	42.6	53.6	38.9

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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	
	Q2:2022-23	Q3:2022-23	Q3:2022-23	Q4:2022-23
All Sectors	**5.2**	**10.7**	**12.1**	**14.3**
Agriculture	10.0	15.0	20.0	20.0
Mining and Quarrying Sector	5.2	0.0	8.6	10.3
Manufacturing	20.7	20.0	31.0	26.7
Infrastructure	6.9	5.0	12.1	13.3
Services	22.4	19.0	22.4	17.2
Retail/Personal	19.6	24.1	28.6	29.6

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

(Per cent)

Sectors	Loan Demand		Loan Terms and Conditions	
	Q1:2023-24	Q2:2023-24	Q1:2023-24	Q2:2023-24
All Sectors	**46.4**	**48.2**	**17.9**	**23.2**
Agriculture	35.7	46.4	16.1	21.4
Mining and Quarrying Sector	16.7	16.7	5.6	7.4
Manufacturing	39.3	44.6	17.9	23.2
Infrastructure	37.5	44.6	7.1	14.3
Services	46.4	51.8	16.1	19.6
Retail/Personal	42.9	51.8	21.4	21.4

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