

## PART II: MICRO-PERCEPTIONS QUARTERLY BANK LENDING SURVEY(QBLS)<sup>1</sup>

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We present the results of the **Quarterly Bank Lending Survey (QBLS)** focussing on forward-looking insights into bank behaviour pertaining to credit, covering loan professionals across banks in India. We focus on ***lending standards by banks, loan demand by borrower type (corporate, MSME, households)*** and the ***reasons for changes in loan demand***, covering the corporate, MSME and households which together contribute to 83 % of non-food credit as on January 2026<sup>3</sup>. The background, methodology and sample characteristics are presented in Appendix A and questionnaire in Appendix B.

**Summary:** Over the last quarter of FY 2025-26 (Jan 2026 to March 2026), the respondents reported **moderate easing of lending standards for MSME and Household credit**. The **demand for credit from both the MSME and Household segment remain robust**. Credit to **large corporates has seen a moderate tightening** which is in keeping with the subdued demand from this sector.

The detailed results are presented below in Chart 1- 3<sup>4</sup>. Figure 1 **shows Net Balance and Diffusion Index** for the broad sectors, Chart 2-4 details for each demand factor the Net balance, Diffusion Index (DI) and Contribution of each factor (mean score for each factor).

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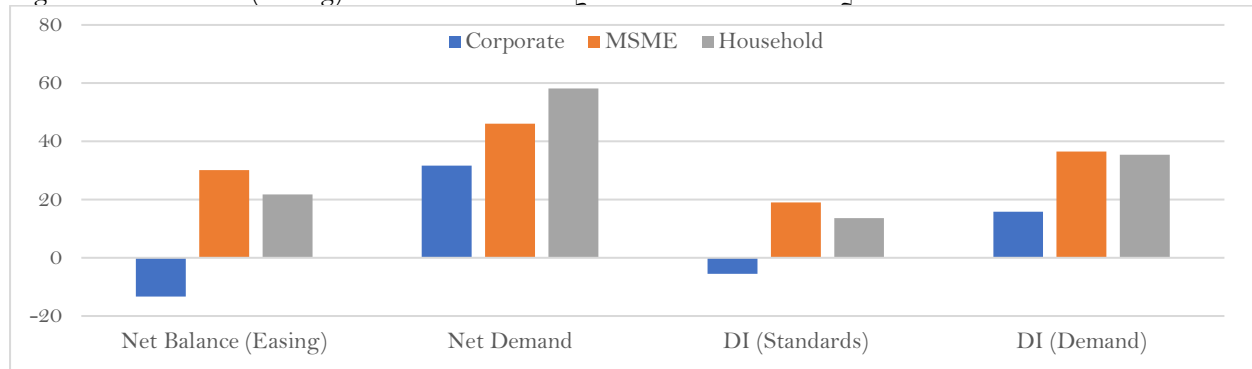
*Any errors or omissions remain the authors' responsibility*

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<sup>3</sup> As on January 2026, personal loans to households (retail) make up around 33% of total non-food credit, while loans to industry and services stands at around 22.5% and 28% respectively. The sectors characterized by RBI in Deployment of Bank Credit by Major Sectors as 'personal loans' is referred to here as households sector or retail.

<sup>4</sup> The sample comprised 107 respondents: public sector banks accounting for about 58% of the total sample and private sector banks about 20%, with limited representation from foreign and cooperative institutions. 70% of respondents more than five years of total banking experience and over 60% having at least two years in their current role. Around 17% of observations contained incomplete or non-standard demographic information and

Figure 1: Net Balance (Easing) and Diffusion Index [Standards and Demand]



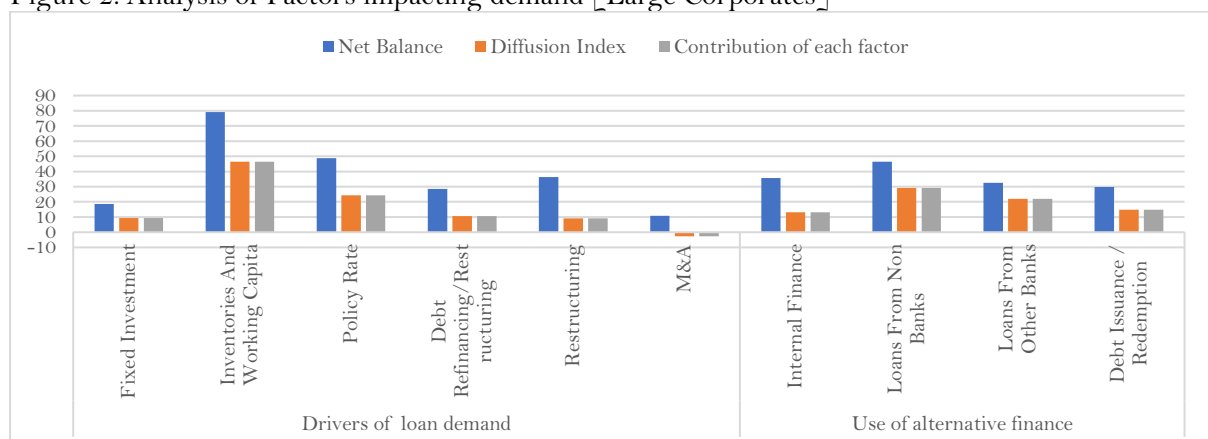
Source: Quarterly Bank Lending Survey (QBLs), Authors' calculations

- Corporates' credit standards remain broadly stable, with a **net tightening (-13.33%)**, even as **loan demand remains positive (net 31.7%, DI 15.85%)**, underlining robust borrowing appetite co-existing with net tightening in lending conditions.
- MSME segment reflects a **moderate easing of credit standards (net 30.15%, DI 19.05%)** alongside a **robust increase in demand (net 46.03%)**, pointing to some improvement in credit availability with moderate demand.

Household segment shows **moderate easing in credit standards (17.54%)** but a continued **increase in demand (net 50.7%, DI 30.7%)**, indicating that household borrowing appetite is robust

- Analysis of factors shows loan demand among corporates is primarily driven by **working capital needs, with inventories and working capital emerging as the strongest contributor (Net Balance: 79.07; DI: 46.51)**, highlighting the dominance of short-term financing requirements over long-term investment demand. **Policy rate exerted a robust positive influence on demand (Net Balance: 49)**, consistent with price-sensitive borrowing behaviour (Chart 2).

Figure 2: Analysis of Factors impacting demand [Large Corporates]

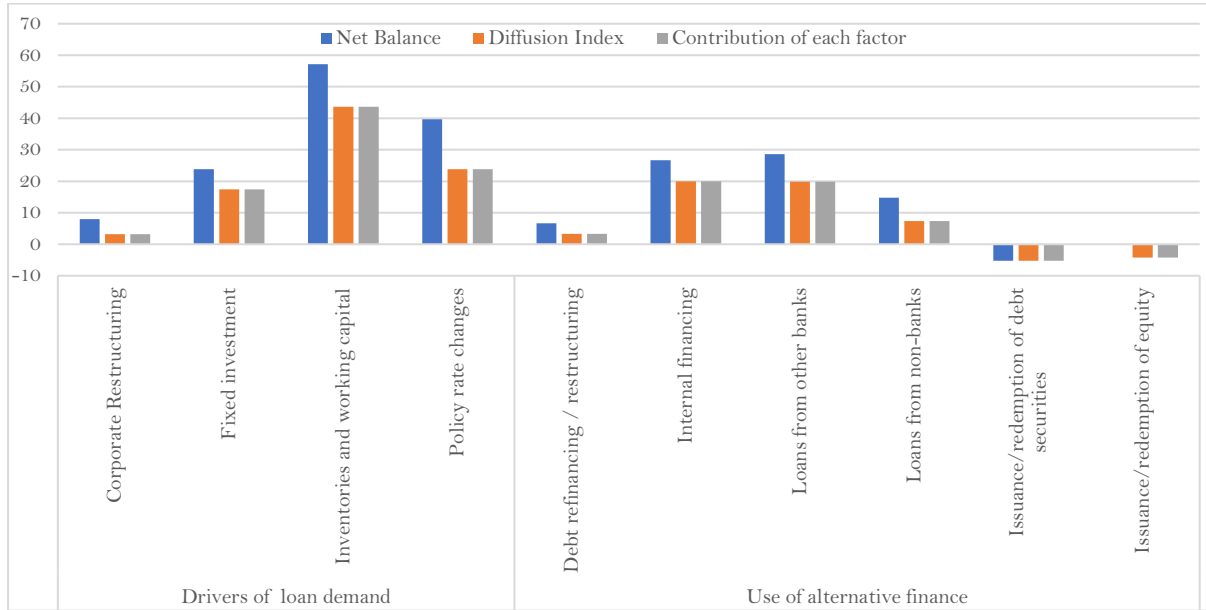


Source: Quarterly Bank Lending Survey (QBLs), Authors' calculations

were excluded from subgroup classifications but responses retained in the analysis. The responses were collected over a period from March 28<sup>th</sup>, 2026 to 22<sup>nd</sup> April 2026, and questions pertained to the first quarter of 2026.

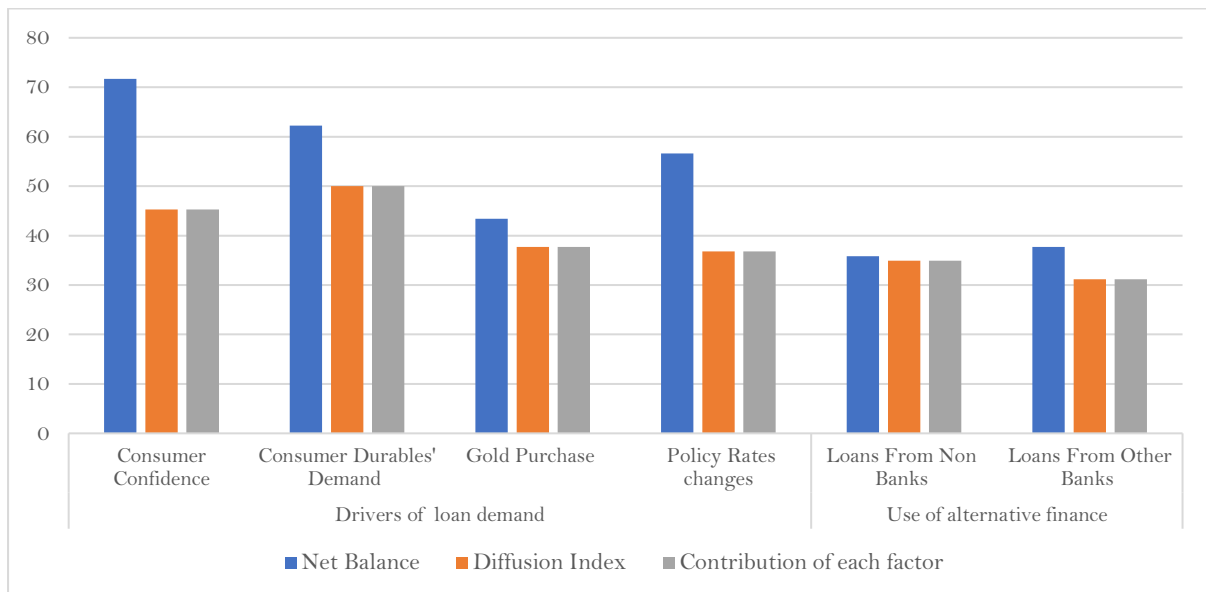
- MSME shows for **working capital** (Net Balance: 54.69) and **policy rates** are positive drivers for demand. While aggregate demand is supported by consumption and short-term financing needs, investment-led demand, especially among MSMEs, seems to remain subdued (Chart 3).
- Household-related indicators point to strong consumption-driven demand, with consumer durables and confidence showing robust positive contributions, reinforcing the role of consumption in sustaining credit growth (Chart 4).

Figure 3: Analysis of Factors impacting demand [MSME]



Source: Lending Trends Survey, Authors' calculations

Figure 4: Analysis of Factors impacting demand [Households]



Source: Lending Trends Survey, Authors' calculations

## A. Qualitative Interviews<sup>5</sup>: Major observations

### a. *Supply side:*

- On the supply of credit, senior bankers indicated that there is no significant stress across sectors: while there was some initial concern due to tariff conditions and pertaining to companies with exposure to US only, these concerns eased once the tariff situation stabilized.
- The interviewees almost unanimously indicate that the transmission of interest rates is, in fact, occurring, not only because of central bank directives but also due to increased price sensitivity among customers. Banks have therefore not revisited their supply standards in recent quarters for any of the segments<sup>6</sup>.
- Follow up questions suggested Concerns on the lending to smaller firms remain for most banks: including lack of documentation, poor quality of records maintained, as well as concerns around the effectiveness of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)<sup>7</sup>.

### b. *Demand side:*

- Global conditions have not particularly impacted Indian firms and their demand for credit, as understood from ground-level feedback. Executives have differing views on this trend however: some feel this is overly optimistic and that firms do not take into account long-term risks, while others feel domestic economic conditions are resilient<sup>8</sup>.
- On the factors impacting the demand side, respondents indicated that credit demand is largely driven by working capital needs rather than investment. Particularly for smaller firms, growth was described as horizontal rather than vertical. This observation was probed further later, especially in the context of why, despite subsidies, firms continue to prefer horizontal expansion.

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<sup>5</sup> The qualitative interviews were conducted with 26 senior credit officers, heading one or multiple of the three sectors at the zonal level, that typically constitutes two or three states. The interviewees span a mix of public, private and foreign banks, ensuring representation across key lending institutions, with both large and mid-sized banks, including one Domestic Systemically Important Banks as identified by RBI (D-SIBs). Public sector banks accounted for approximately 69% of the sample. Around 65% of the interviews were conducted in person and the rest undertaken telephonically.

In tune with established qualitative interview practices, interview transcripts were coded using a structured framework aligned with the survey questionnaire to allow for a triangulation between qualitative and quantitative components. Thematic analysis approach was then employed to identify recurring themes and narratives, and pertaining majorly to supply-side constraints and demand drivers.

<sup>6</sup> Literature on monetary policy transmission through credit channel in India have highlighted the role of structural factors such as sticky deposit rates, balance sheet constraints, and administered rates along with the lags and asymmetry in the transmission ([Reserve Bank of India, 2020](#), [Amrutkar et al. 2022](#))

<sup>7</sup> [Singh \(2025\)](#) has for example highlighted the limitations of India's credit guarantee schemes including the partial coverage, claim settlement delays, and inadequate scale.

<sup>8</sup> Uncertainty following major shocks may causes firms to temporarily pause their investment and hiring, such that while productivity growth falls, there is an overshoot in output, employment, and productivity, generating short sharp recessions and recoveries.

- There is a churning in loans, where customers shift from bank to bank to avail of the most lucrative interest rates. A part of the credit growth (around 20% of the portfolio according to respondents) would be takeovers.
- On the demand factors, loans from non-banks impacts demand. While on the macro-level this does not impact credit offtake numbers, given it is banks who have extended the credit to NBFCs, on the micro-level this may lead to a divergent credit quality if NBFCs have less stringent standards and regulatory requirements. This concern has been highlighted for both firms and households. NBFCs may create a reverse incentive and worsen credit quality<sup>9</sup>.
- For the retail portfolio, most banks reported an increase in demand for housing, vehicle, and education loans, along with loans for non-productive purposes such as gold loans, credit cards, and loans against financial assets. Rising indebtedness among households, most respondents believe, however could support consumption and, in turn, economic growth<sup>10</sup>.
- For MSMEs, especially smaller firms we found a recurring theme of horizontal expansion of smaller firms rather than scaling up. The ecosystem of subsidies in particular States has led to a reverse tendency among smaller firms, whereby they do not expand for fear of losing subsidies. This results in many firms operating below scale instead of breaking the same barrier<sup>11</sup>.

### Conclusion

- The survey and qualitative interviews together point of robust demand conditions from MSME and households, largely driven by working capital financing and consumption demand respectively.
- Policy rate changes are major driver for demand: while transmission of policy rates is immediate, customers are highly price sensitive with a noted churning in loans
- There are benign supply side conditions with some tightening for large corporates
- Fixed investment is a weak driver of demand for both large corporates and MSMEs
- Demand for loans from MSMEs and households remains robust

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<sup>9</sup> Literature suggests shadow banks (including NBFCs) expand credit particularly in segments with higher information asymmetry, such as low-credit-score or new-to-credit borrowers: while this indicates a greater risk tolerance compared to traditional banks, this may propels a rapid credit expansion without proportionate attention to underlying credit quality (Cramer et al. 2024)

<sup>10</sup> This in line reports of rising household indebtedness in India: household debt stood at 41.3 per cent of GDP as at end-March 2025, marking a sustained increase compared to its 5-year average of 38.3 per cent (Reserve Bank of India, Financial Stability Report, Dec 2025).

<sup>11</sup> MSMEs may be reluctant to scale up not because of a lack of opportunities, but the tendency to substitute rather than expand when marginal credit becomes available (Banerjee and Duflo, 2014). In this case, additional credit leads to higher sales and profits only for constrained firms with most firms operating below optimal scale despite high returns to capital (Banerjee and Duflo, Ibid).

## Appendix A

### a. Background and methodology

In keeping with the major qualitative credit surveys, institutionalized by central banks including Federal Reserve's *Senior Loan Officer Opinion Survey (SLOOS)*, the European Central Bank's *Bank Lending Survey (BLS)*, the Bank of Japan's *Senior Loan Officer Opinion Survey*, and the Bank of England's *Credit Conditions Survey*, we propose the survey<sup>12</sup> with a stratified sampling adopted, as detailed in the working paper (Roy Trivedi 2026), but calibrate to a mixed methods approach supplementing the survey data with qualitative inputs from senior bankers. The reasons for the adoption of mixed methods approach are two-fold: First, the realised survey response of around 100 branch-level officers while, broadly in line with typical response rates observed in practitioner surveys<sup>13</sup>, was lower than the initially targeted sample.

Second, the mixed methods helped to check consistency of the survey data, made the information detailed, and helped contextualize and interpret observed trends (Creswell & Plano Clark, 2017).

Importantly, central bank surveys, forming the basis of the present survey, rely on relatively small and specialised respondent pools<sup>14</sup>. For instance, the European Central Bank Lending Survey typically covers around 150 banks across the euro area, while the Federal Reserve Senior Loan Officer Opinion Survey (SLOOS) is based on responses from about 70–80 large domestic banks and 20–25 foreign banks. Thus, present survey, supplemented with 25 senior officer interviews, aligns with established practice focussing on smaller, informed samples to get a comprehensive overview and pertinent insights on credit conditions.

We drew upon contacts from extended alumni network of our institution, mapping with the sampling frame created and the branches identified. While some banks do provide email ids and numbers bankers branch wise, in most cases mailed questionnaire did not elicit any response, making the reach out through the alumni network crucial. For the qualitative interviews that followed, we used a judgement-based sampling, with an attempt to ensure representativeness in terms of size, type of bank (public, private [old and new] and foreign banks), and geography.

The questions were the same as used in the survey (Appendix A-1), with follow up questions (Appendix A-2)<sup>15</sup>. The qualitative responses were analysed using standard thematic analysis approach, with interview transcripts were systematically coded to identify recurring themes and patterns. We have

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<sup>12</sup> A pilot survey was proposed to be conducted to test the questionnaire, sampling procedures, field protocols, and response behaviour of loan officers, with the sampling frame, as in case of the main study, constructed from the Reserve Bank of India Directory of Bank Offices (DOB), and restricted to branches and administratively independent offices located in the selected metropolitan centres.

<sup>13</sup> In banking and firm-level surveys, response rates are reported between 10–30%, given participation is voluntary and contact information is limited (Baruch & Holtom, 2008). A crucial difference with surveys done by central banks is the lack of implicit regulatory obligation to responding that likely permeates such surveys

<sup>14</sup> However, the response rate of such surveys is close to 100%. However, the crucial difference between the present survey, as compared to surveys conducted by central banks, is the absence of any implicit regulatory obligation to respond, which likely explains the higher response rates observed in such official surveys.

<sup>15</sup> The interviews were not recorded, and the notes made at the time of interview were converted into transcripts, which were then analysed as per standard methods. The survey instrument was also anonymised, retaining only district, bank type, and experience as compulsory responses, based on feedback that bankers were hesitant to share their views when identified at the branch or bank level.

attempted to map the themes to corresponding survey questions to ensure a triangulation of findings between qualitative insights and survey indicators.

### b. Indicators

Three major indicators are used Net balance Index (Direction), Diffusion Index (Intensity) and Factor Contribution Index (Driver), in line with standard methodology used in credit surveys (Berg et al. 2005, Bank of Japan 2001, De Bondt et al. 2010, Lown & Morgan 2006):

1. Net Balance Index (Credit Conditions and Demand) captures the difference between positive and negative responses, giving a directional measure of change. Responses mapped as tightening (+), easing (-) for credit standards and increase (+), decrease (-) for demand.

The index is computed as:

$$\text{Net Balance(Easing)} = (\% \text{ reporting increase/easing}) - (\% \text{ reporting decrease/tightening}) \dots (1)$$

2. Diffusion Index (Intensity Measure), constructed as follows<sup>16</sup>

$$\text{DI(Net easing)} = (\% \text{ reporting eased/ increased substantially} + (0.5 \times \% \text{ reporting eased or increased somewhat}) - (\% \text{ reporting tightened/ decreased substantially} + (0.5 \times \% \text{ reporting tightened or decreased somewhat}) \dots (2)$$

3. Factor Contribution Index (Drivers of Change)<sup>17</sup>

The ordinal scale used, ranging from ++ to -- are mapped to numerical values from +2 to -2, and the diffusion index for each factor calculated:

$$\text{Factor Score} = (\% \text{ reporting eased/ increased substantially} + (0.5 \times \% \text{ reporting eased or increased somewhat}) - (\% \text{ reporting tightened/ decreased substantially} + (0.5 \times \% \text{ reporting tightened or decreased somewhat}) \dots (3)$$

<sup>16</sup> Responses were in ordinal scale as follows: +2 = substantial increase/tightening; +1 = some increase/tightening; 0 = unchanged; -1 = some decrease/easing; -2 = substantial decrease/easing

<sup>17</sup> Factor-based responses were in ordinal-scaled format: “++” = strong positive contribution “+” = moderate positive contribution, “0” = neutral, “-” = moderate negative contribution, “--” = strong negative contribution

**Appendix B: Questionnaire**

The survey (modelled on ECB, 2018, 2025) employed a structured questionnaire with embedded routing logic, wherein respondents are first asked to identify their primary lending segment (retail, MSME, or large corporate). Based on this response, they are directed to a corresponding set of segment-specific questions using automated skip logic. This design ensures that respondents answer only those questions relevant to their lending responsibilities, thereby improving response quality and reducing respondent burden. This is modelled on ECB Lending survey

**1. Which segment of lending are you handling in your present profile?**

- (a) Retail
- (b) MSME
- (c) Large Corporate

**For (a) In the last three months, according to you:**

**2. How have your bank’s lending standards<sup>18</sup> to households changed?**

- Tighten considerably
- Tighten somewhat
- Remain unchanged
- Ease somewhat
- Ease considerably

**3. How has the demand for loans from households changed at your bank? We refer here to the demand for finance, and not actual loan approvals**

- Decreased substantially
- Decreased somewhat
- Remained unchanged
- Increased somewhat
- Increased substantially

**4. How have following factors impacted demand for loans from households? For each of the factors mentioned below, please rate them with the following scale**

- -- = Substantially reduced demand
- - = Somewhat reduced demand
- 0 = Did not impact demand
- + = Somewhat increased demand
- ++ = Substantially increased demand

Factors	--	-	0	+	++
Spending on durable consumer goods					
Consumer confidence					
Policy interest rates of RBI					
Purchases of gold and silver					
Loans from other banks					
Loans from non-banks					

**For (b) In the last three months, according to you:**

**5. How have your bank’s lending standards<sup>19</sup> to MSME changed?**

- Tighten considerably
- Tighten somewhat
- Remain unchanged
- Ease somewhat
- Ease considerably

**6. How has the demand for loans from MSMEs changed at your bank? We refer here to the demand for finance, and not actual loan approvals**

- Decreased substantially
- Decreased somewhat
- Remained unchanged
- Increased somewhat
- Increased substantially

<sup>18</sup> Conditions under which loans are extended to households

<sup>19</sup> Conditions under which loans are extended to households

## 7. How have the following factors affected the demand for loans or credit lines from MSME ?

Factor	--	-	0	+	++
Fixed investment					
Inventories and working capital					
Corporate restructuring					
RBI Policy rates					
Refinancing/restructuring of debt					
Internal financing					
Loans from other banks					
Loans from non-banks					
Issuance/redemption of debt securities					
Issuance/redemption of equity					
Other factors					

**For (c) In the last three months, according to you:**

## 8. How have your bank's credit standards for loans to large corporates changed?

- Tighten considerably
- Tighten somewhat
- Remain unchanged
- Ease somewhat
- Ease considerably

## 9. How has the demand for loans to large corporates changed at your bank? We refer here to the demand for finance, and not actual loan approvals

- Decreased substantially
- Decreased somewhat
- Remained unchanged
- Increased somewhat
- Increased considerably

## 10. In the last three months, how have the following factors affected the overall demand for loans or credit lines to large corporate enterprises?

Factor	--	-	0	+	++
Fixed investment					
Inventories and working capital					
Mergers/acquisitions and corporate restructuring					
RBI policy rates					
Debt refinancing/restructuring and renegotiation					
Internal financing					
Loans from other banks					
Loans from non-banks					
Issuance/redemption of debt securities					
Issuance/redemption of equity					

**Follow-up questions**

1. You indicated a change/no change in lending standards. What were the factors driving this shift?
2. Does the change in loan demand you observed match the actual credit growth or approvals? Why/ Why not?
3. Of the factors affecting demand, which are more crucial? What do you think drives the demand from this segment?
4. What are the issues, if any, of borrowing to this sector?

Looking ahead to the next 3–6 months, do you expect lending standards and demand to tighten or ease further?