QUARTERLY BANK LENDING SURVEY(QBLS)- Round 2[i]

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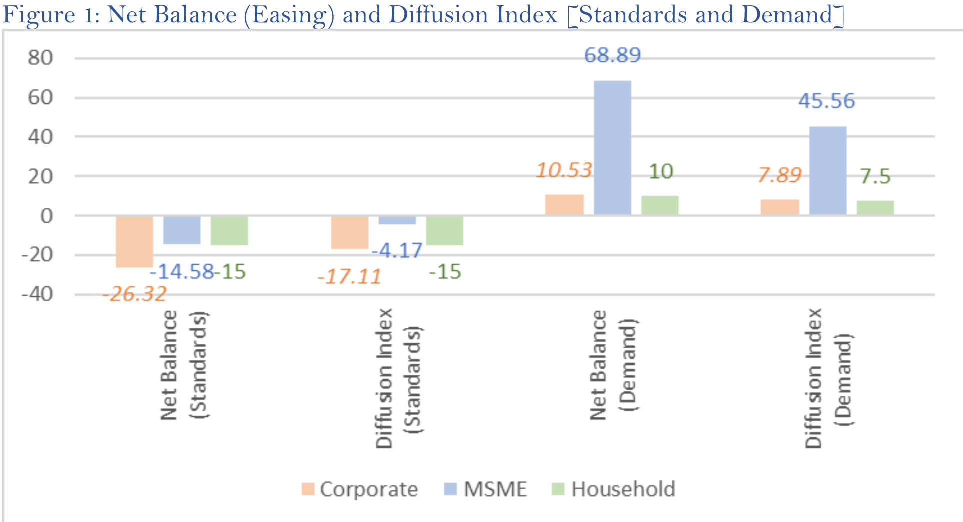
We present the results of the **second round** of Quarterly **Bank Lending Survey (QBLS)** focussing on forward-looking insights into credit, covering loan professionals across banks in India[iii].

A. Survey Summary: Over the first quarter of FY 2026-27 (April 2026 to June 2026), the respondents **reported moderate tightening** of **lending** standards for MSME and Household credit. The **demand** for credit from both the MSME and Household segments **remains robust**. Credit to large corporates has seen a tightening, which is in keeping with the subdued demand from this sector.

The detailed results are presented below in **Charts 1–5**[iv]. **Figure 1** shows Net Balance and Diffusion Index for the broad sectors.

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

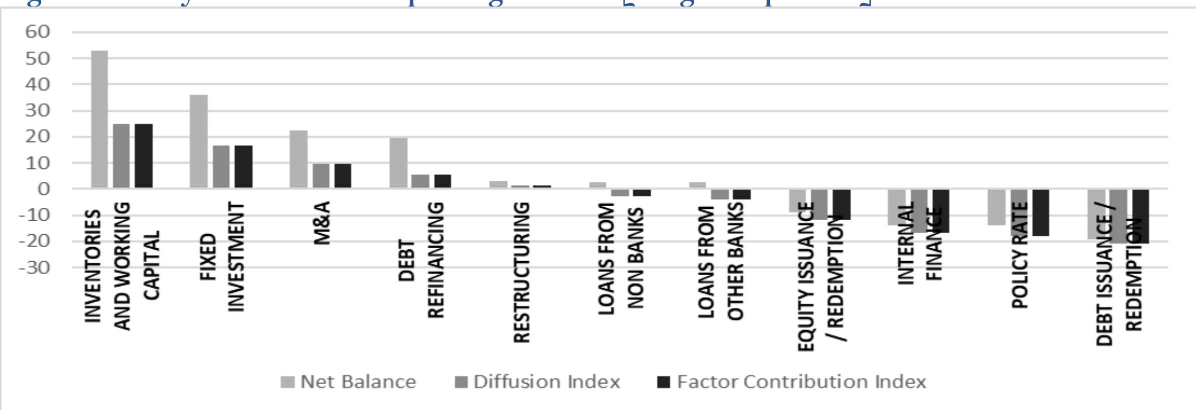


Source: Quarterly Bank Lending Survey (QBLS), Authors' calculations

- **Corporates** continued to report a tightening in credit standards (Net Balance: **−26.32%; DI: −17.11%**), while loan demand remained strongly positive (Net Balance: **10.53%; DI: 7.89%**), suggesting that borrowing appetite was not strong reflected in muted lending conditions.
- **MSME** credit standards indicate a slight tightening (Net Balance: **-14.58%; DI: -4.17%**), accompanied by a strong increase in loan demand (Net Balance: **68.89%; DI: 45.56%**), pointing to robust credit demand but not fully supported in this quarter by lending.

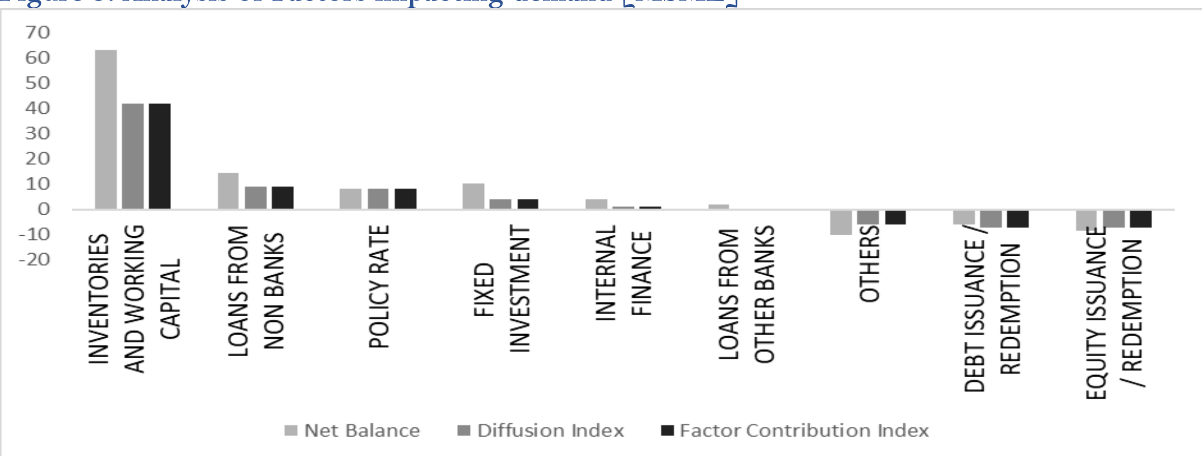
- **Household credit** standards similarly reflect a moderate tightening (Net Balance: −15.0%; DI: −15%), while demand for household credit continues to is positive (Net Balance: 10.0%; DI: 7.5%) but reduced.
- Analysis of factors shows loan demand among corporates is primarily driven by **inventories and working capital,** which emerged as the strongest contributor, followed by fixed investment and M&A, highlighting the dominance of short-term financing requirements over long-term investment demand (Chart 2).
- **MSME** loan demand is primarily driven by **inventories and working capital**, followed by **loans from non-banks**, **policy rates**, and **fixed investment**. Investment through debt and equity issuance remains subdued, indicating that working capital requirements continue to dominate (**Chart 3**).
- **Household** credit demand continues to be driven primarily by **consumer confidence**, **policy rates**, and **gold purchases**, while demand associated with borrowing from banks and non-bank financial institutions remains relatively weak (**Chart 4**).

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



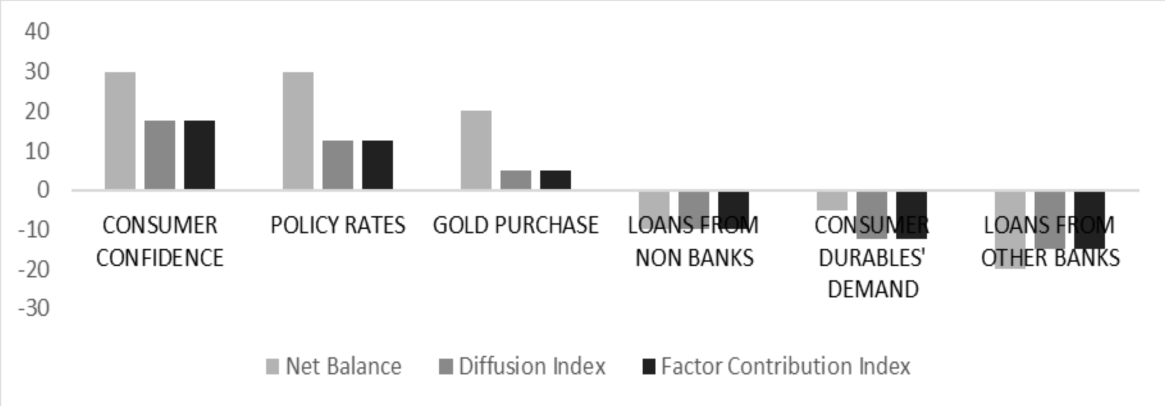
Source: Quarterly Bank Lending Survey (QBLS), Authors' calculations

Figure 3: Analysis of Factors impacting demand [MSME]



Source: Lending Trends Survey, Authors' calculations

Figure 4: Analysis of Factors impacting demand [Households]

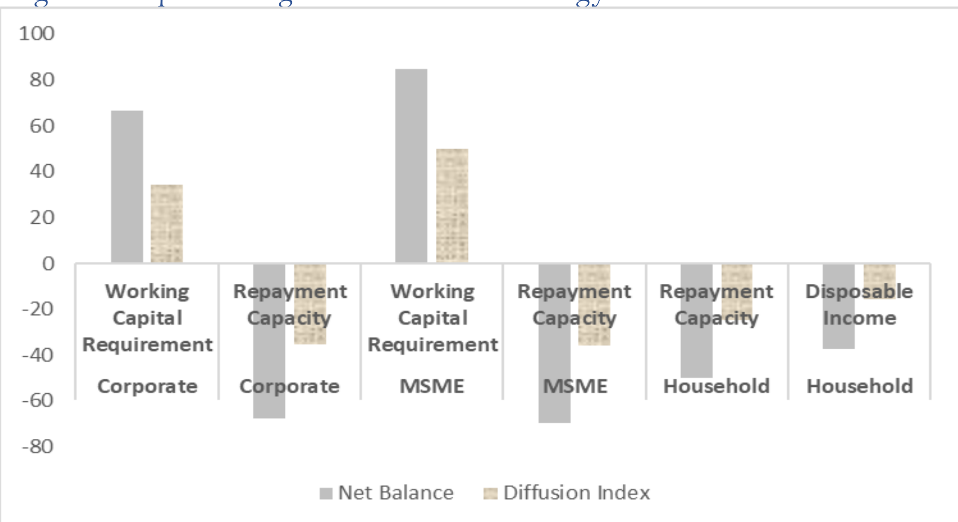


Source: Lending Trends Survey, Authors' calculations

In this round[v], respondents were asked about the impact of higher fuel and energy prices on (i) working capital requirements and (ii) repayment capacity of corporate and MSME borrowers, while for households, the survey additionally assessed the effect of fuel hike on disposable income. The results are summarized below (Figure 5)

- Increases in crude oil and energy prices have **raised the working capital requirements** of both corporate and MSME borrowers, with stronger impact for MSMEs.
- Higher fuel and energy costs perceived to have **adversely affected the repayment capacity** of borrowers across all lending segments
- Respondents further reported that higher fuel and energy prices have **reduced the disposable income** of household borrowers

Figure 5: Impact of Higher Crude Oil and Energy Prices on Credit



Source: Lending Trends Survey, Authors' calculations

B. Qualitative Interviews[vi]: Summary

In this round, we conducted a total of 23 semi-structured interviews between 1 July and 13 July 2026 with senior officials from financial institutions, including large public sector banks, private sector banks, foreign banks, export-import bank. The qualitative findings broadly corroborate the survey evidence on evolving credit conditions. As illustrated in the keyword cloud (Figure 6), discussions were dominated by themes related to capex, working capital, liquidity and funding.

First, dominance of the capex suggests the continuing concerns on **low investment activity and lending driven by working capital, which corroborated by survey findings**.

Second, triangulating the survey results (suggesting muted lending for MSMEs and robust demand), and interview findings (emphasizing capex, and role of government guarantees), suggests **subsidized credit is driving the lending conditions.**

Third, the expected support for rupee and deposit growth from FCNR-B scheme suggests a **substantial impact of oil price shock** and consequent depreciation on borrowers, as also the banking sector concern with deposits. The concern over deposits is also iterated in FSR June 2026 (RBI).

Figure 6: Word Cloud from the interviews

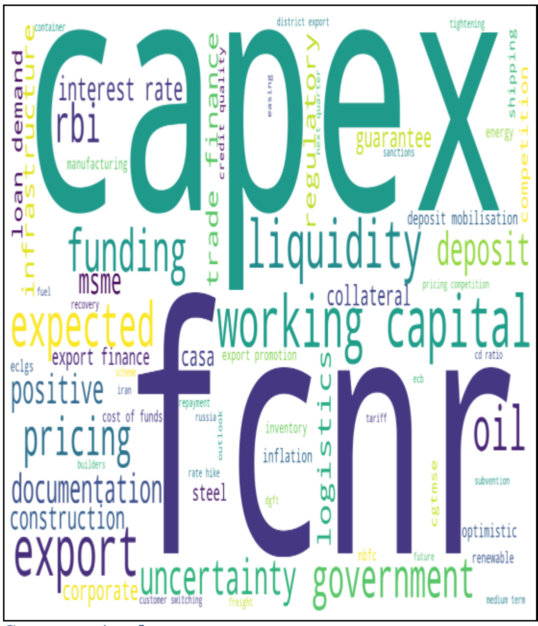
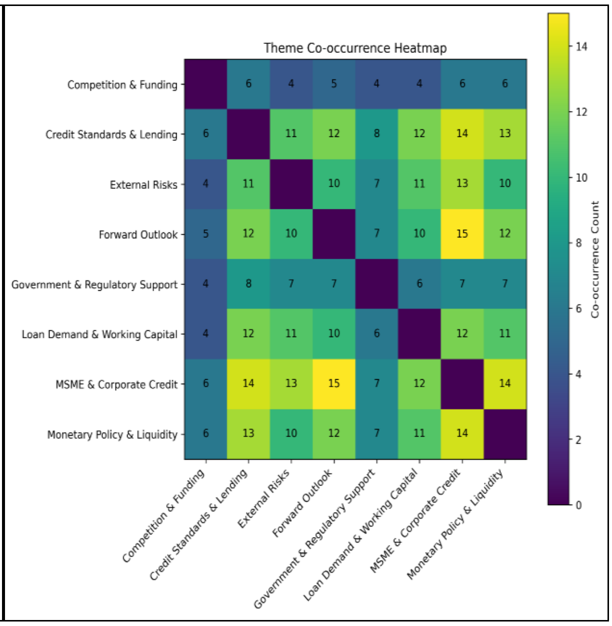


Figure 7: Co-occurrence heat map



Source: Author

Figure 7 shows that MSME and corporate credit was closely associated with **forward outlook, monetary policy and liquidity**.

Overall, the interviews point to **resilient working capital demand, cautious investment activity, and a broadly positive outlook** despite continuing external uncertainties.

C. Conclusion

- Survey and qualitative interviews together point of **robust demand conditions from MSME and households** in Q 1 2026-27, largely driven by **working capital financing and consumption demand** respectively as earlier
- **Supply side conditions are slightly tighter** than in previous quarter
- **Oil prices have impacted firms** and **household**s adversely, in spite of largely resilient domestic conditions
- Rupee **depreciation and the inflow of remittance**, and its impact on liquidity will be a major factor impacting domestic conditions
- **Policy rate** changes remain **major driver for demand**, with a noted churning in loans.

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[vii] 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[viii], 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[ix]. 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, it 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)[x]. The qualitative responses were analysed using standard thematic analysis approach, with interview transcripts were systematically coded to identify recurring themes and patterns. We have 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:

$$Net\ Balance(Easing) = (\%\ reporting\ increase\ /easing) - (\%\ reporting\ decrease / tightening)$$
…(1)

2. Diffusion Index (Intensity Measure), constructed as follows[xi]

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

3. Factor Contribution Index (Drivers of Change)[xii]

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

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

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[xiii] 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
- o = 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[xiv] 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

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					

Round 2 additions:

a.4. To what extent have higher fuel and energy prices affected the repayment capacity of household borrowers?
a.5. In your assessment, to what extent have higher fuel and energy prices affected the disposable income of household borrowers over the past three month?

b.4. In the last three months, how have recent increases in crude oil prices affected the working capital requirements of your borrowing firms?

b.5. In the last three months, to what extent have higher energy and fuel costs affected the repayment capacity of your borrowers?

c.4.In the last three months, how have recent increases in crude oil prices affected the working capital requirements of your borrowing firms?

c.5.To what extent have higher energy and fuel costs affected the repayment capacity of your borrowers?

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?

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[i] ***Acknowledgments: The authors are grateful to the banking professionals who participated in the survey and interviews, and helped extend outreach. We acknowledge the kind and continued guidance of Prof. Abhiman Das, Professor, IIMA on QBLS.***
Any errors or omissions remain the authors' responsibility
[ii] **Smita Roy Trivedi, Ph.D**. is Associate Professor and **Balu Pawde, Ph.D**., is Assistant Professor at NIBM.
[iii] *The survey focuses 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. The background, methodology and sample characteristics are presented in Appendix A and questionnaire in Appendix B.*

[iv] The sample comprised 96 respondents, with public sector banks accounting for about 58% of the total sample and private sector banks about 20%, with limited representation from foreign, small finance, and cooperative institutions. Around 70% of respondents had more than five years of total banking experience, and over 60% had at least two years of experience in their current role. The responses were collected over the period 15 June 2026 to 12 July 2026, and the questions pertained to the quarter ending June 2026 (Q1 FY 2026–27).

[v] Based on the feedback received on the first round QBLS, we introduce two additional questions in each round now on: this one related to the recent increase in crude oil and energy prices (Appendix)

[vi] 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.

[vii] 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.

[viii] 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

[ix] 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.

[x] 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.

[xi] 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

[xii] Factor-based responses were in ordinal-scaled format: "++" = strong positive contribution "+" = moderate positive contribution, "0" = neutral, "–" = moderate negative contribution, "—" = strong negative contribution

[xiii] Conditions under which loans are extended to households

[xiv] Conditions under which loans are extended to households