Bank Lending Survey Report
First Quarter - FY 2021/22

STATISTICS DEPARTMENT, BANK OF UGANDA

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Executive Summary

Statistics Department conducted the lending survey for supervised financial institutions, for the quarter ended September 2021. The objectives of the survey were to: enhance BOU's understanding of the lending behavior and loan financing conditions among deposit-taking financial institutions, capture leading information on credit developments and bank lending on the Ugandan market during the quarter ended September 2021 and the expectations for the quarter to December 2021.

Credit Standards

In the First quarter of FY2021/22, credit standards to both enterprises and households tightened.

Across firm size, credit standards were tightened for both SMEs and large enterprises. In terms of loan duration, credit standards slightly improved and worsened for short- and long-term loans, respectively, as the rate of tightening measured on net basis dropped and rose in the quarter to September 2021, from that reported in the previous survey.

Going forward (quarter to December 2021), banks expect to tighten credit standards to both enterprises and households. Banks also expect to tighten credit standards across all firm sizes and loan durations, save for short-term loans which are expected to ease.

Credit Standards by Economic Sector

In the quarter to September 2021, banks reported tight credit standards for all economic sectors on a net basis. The degree of tightness in credit standards as measured by the scale of net tightening increased in this period for majority of the sectors when compared to the previous period, except for Business Services which recorded a decline.

Outlook on Demand for credit

In the quarter to December 2021, banks anticipate an overall increase in demand for credit from enterprises and individuals on a net basis, contrary to the decrease predicted in the previous survey results.

Outlook on Terms & Conditions for credit

In the quarter to December 2021, banks expect to tighten price terms and conditions for riskier loans to enterprises and riskier and average loans to households to reflect the need to price high credit risk loans vastly amidst an uncertain economic environment, the slump in business activities, higher credit risk, need to tighten standards to reduce bad loans amidst the initiative to maintain a quality loan portfolio.

Similarly, most banks are expected to tighten their non-price terms and conditions for enterprises and consumer credit, save for maturity period and non-interest rate charges that are predicted to be eased. The tightening was based on the focus on limiting large exposures and long-term loan facilities to mitigate future risks and the declining property values brought about by the impact of the pandemic. On the other hand, the easing of maturity period and non-interest rate charges was hinged on the need to enable customers pay manageable instalments over a long period of time, reduction in the loan repayment burden, revival of the economy as a result of the partial lifting of the lockdown and competition from other financial institutions.

Outlook on the default rate on loans

Most banks expect the default rate on loans to both enterprises and households to increase in the quarter to December 2021, at a slower pace compared to the previous survey results.

The expected increase in default rate on loans to enterprises and households was attributed to the slowdown in economic activity since most businesses haven't fully recovered from the second lockdown effects hence their cash flows are still unstable, underwhelming purchasing power of enterprise customers, loss of jobs by salary earners due to closure and downsizing of some companies and pay cuts for those that are still employed.

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Interest Rate Expectations

Majority of the banks (96.4%) expect their lending rates to remain largely unchanged, while 3.2 percent expect lending rates to increase, and only 0.5 percent anticipate a decrease in the quarter to December 2021.

The lending rate is expected to marginally increase in the quarter to December 2021 when compared to that in the quarter to September 2021, with a growth of 0.1 percentage points

Bank of Uganda's Liquidity Assistance to Supervised Financial Institutions.

Majority of banks noted that they had not accessed the facility in the quarter ended September 2021 and cited customer deposits and internally generated funds as the major sources of funding, followed by development partners, international financial organisations, parent group companies and utilizing excess reserves to meet credit needs.

Banks Action on Restructuring of Credit Facilities

Majority of banks (88.0 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 7.1 percent of their loan portfolio in the quarter to September 2021.

Introduction

The quarterly lending survey conducted by the Statistics Department of the Bank of Uganda captures past and prospective developments in the credit market. The survey is designed to complement existing quantitative data on credit and lending rates.

The main objectives of the survey are to:

i) Enhance BOU's understanding of the lending behaviour and loan financing conditions among the deposit-taking institutions; and

ii) Capture leading information on credit developments.

The survey covered the outturn for the quarter ended September 2021 and expectations for the quarter to December 2021. Questionnaires were completed by all 25 commercial banks and 9 nonbank deposit-taking financial institutions in Uganda.

This report presents the findings from the analysis of the responses received from the commercial banks only. The methodology used in the analysis is detailed in *Appendix 3. Detailed summary results of Non-Bank Financial Institutions (NBFIs) are presented in Appendix 2.*

1. Survey Findings

1.1 Enterprises

1.1.1 Credit Standards to Enterprises

Credit standards consist of internal banking rules/ criteria/guidelines which will determine (based on classifications by sector, area, size, duration, financial indicators, etc.) what type of loans (collaterised, non-collaterised, investments, overdrafts, etc.) and amounts to be provided, and to which clients. This survey measures changes in such standards including cases where banks have introduced new lending policies or amended existing ones.

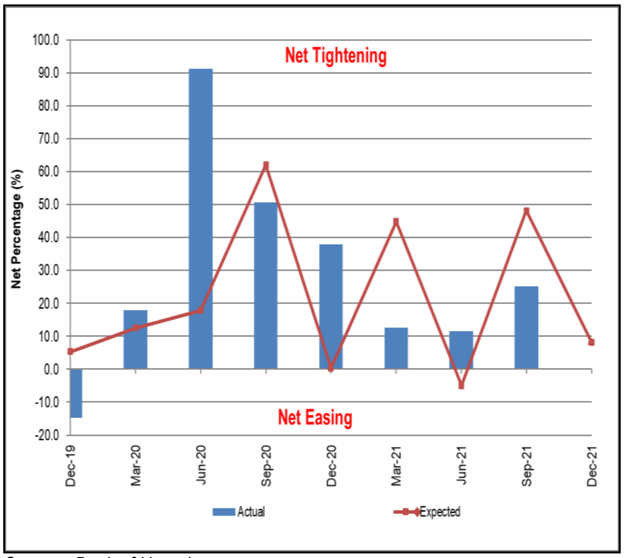
In the First quarter of FY 2021/22, credit standards on loans to enterprises heightened as the measure of net tightening rose to 29.9 percent from 11.5 percent in the quarter to June 2021 (see Figure 1). This was in line, although lower than the net tightening expectation of the banks during the fourth quarter (2020/21 Q4) survey. The divergence in outturns was as a result of the change in economic dynamics, coupled with the lifting of some lock down restrictions (*See Tables 1 & 2)*.

Across firm size, credit standards heightened in both SMEs and large enterprises as the measure of net tightening in the two categories rose to 23.6 percent and 26.1 percent, respectively.

In terms of loan duration, the credit standards slightly loosened for short-term loans, but heightened for long-term loans as the rate of tightening measured on net basis decreased and increased, respectively, in the quarter to September 2021, from that reported in the previous survey. (*See Table 1*).

The major reasons cited by banks for the tight credit standards include management of the impact of COVID-19 pandemic, increase in non-performing loans especially for sectors which are still under lockdown like education and entertainment and the reduction in business cashflows.

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

Notes:

(a). Net percentage balances are calculated by obtaining the difference between the percentages of lenders reporting that, a factor has tightened/increased and those reporting that it has eased/decreased. A negative balance indicates that more credit is available.

(b). The bar graph shows the net percentage over the previous three months. The line graph shows the expectation over the next three months.

(c). Expectations have been moved forward one quarter so that they can be compared with the actual outturn in the following quarter.

Table 1: Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**
Tightened(A)	24.3	65.2	23.9	28.4	33.2	28.8	18.8	18.4	27.6	20.8
Unchanged	62.8	4.8	63.2	66.7	61.9	68.6	67.5	67.2	61.1	77.2
Eased (B)	12.9	25.1	12.9	4.8	4.9	2.6	13.7	14.5	10.3	2.0
Net %(A-B)	**11.5**	**29.9**	**11.1**	**23.6**	**28.2**	**26.1**	**5.1**	**3.9**	**17.3**	**18.9**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to December 2021, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards tightening on a net basis. Notably, banks expect to tighten credit standards across all firm sizes and long-term loans and ease for short-term loans on a net basis. (*See, Figure 1 and Table 2*).

The expected reduction in net tightening of credit standards in the next quarter was hinged on; reduced uncertainty as regards the impact and prevalence of COVID-19 and the anticipated increase in economic activity to follow the easing of some lockdown measures will result to a need for short-term working capital to fund the festive season business demands, although banks will be very cautious while lending as not all sectors have recovered.

Table 2: Expectations for Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**
Tighten (A)	49.1	18.9	49.1	18.9	55.6	22.0	47.1	16.1	49.1	20.2
Unchanged	50.0	70.4	48.9	69.5	43.4	78.0	43.6	59.2	50.0	71.3
Ease (B)	1.0	10.7	2.0	11.7	1.0	0.0	9.3	24.7	1.0	8.5
Net %(A-B)	**48.1**	**8.2**	**47.1**	**7.2**	**54.6**	**22.0**	**37.9**	**-8.5**	48.1	**11.6**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

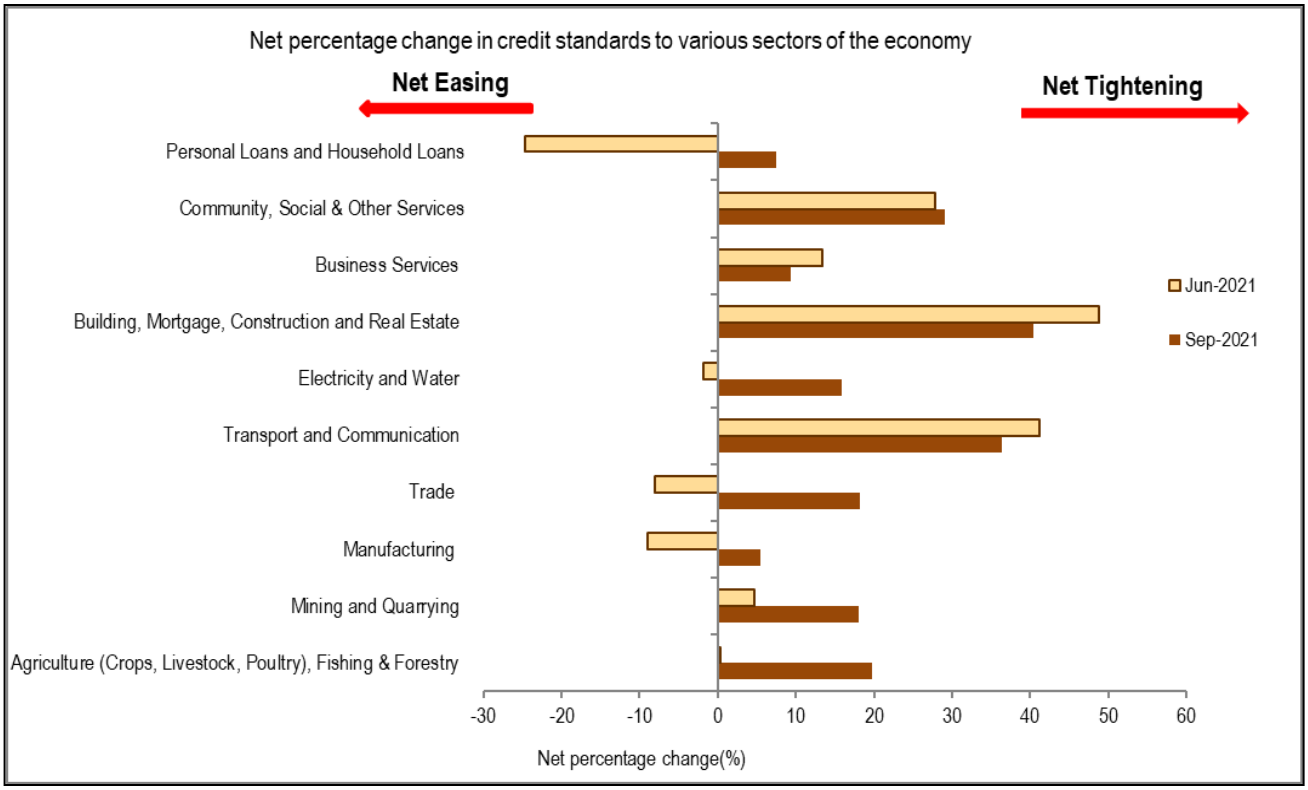
1.1.2 Credit Standards by Economic Sector

In the quarter to September 2021, banks reported tight credit standards for all economic sectors on a net basis. The degree of tightness in credit standards as measured by the scale of net tightening increased in this period for majority of the sectors when compared to the previous period, except for Building, Mortgage, Construction and Real Estate, Business Services, and Transport and Communication which recorded a decline.

The sectors' net tightening of credit standards was registered as; Building, mortgage, construction and real estate (40.4%), followed by Transport and communication (36.4%), Community, social and other services (29.0%), Agriculture (19.8%), trade (18.2%), Mining and quarrying (18.1%), Electricity and water (15.9%), Business services (9.3%), personal and household (7.4%) and Manufacturing (5.5%).

The net tightening registered for all sectors was based on, slow business activity and reduced purchasing power. Some sectors were not fully operational while others were still under lockdown amid an uncertain economic environment caused by the COVID-19 pandemic.

Figure 2: Changes in Credit Standards by Economic Sector



Source: *Bank of Uganda*

1.1.3 Expectations in the Terms and Conditions[1] for Credit to Enterprises

Majority of the banks expect to maintain price terms and conditions[2] in the quarter to December 2021 (Figure 3). Looking at the different loan classifications, banks anticipate tightening of price terms and conditions for riskier loans[3], while the expectation is softer for price terms and conditions for both prime and average loans in the quarter to December 2021.

The easing of terms and conditions for average and prime borrowers was mainly attributed to the need to retain and counter competition for the best but few customers. On the other hand, the prospective tightening of riskier loans was based on the need to limit their uptake amidst an uncertain economic environment.

Similarly, majority of banks expect to maintain non-price terms and conditions[4] in the quarter to December 2021 (Figure 3). However, some banks expect to tighten the collateral requirements (42.8 percent) and the size of loan (5.9 percent). On the contrary, banks expect to ease maturity period (3.2 percent) and non-interest charges (1.1 percent) on a net basis during this period.

The main reasons banks cited for the expected tightening of collateral requirements and size of the loan in the quarter to December 2021 include the focus on limiting large exposures and long-term loan facilities to mitigate future risks and the declining property values brought about by the impact of the pandemic.

[1] Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower.

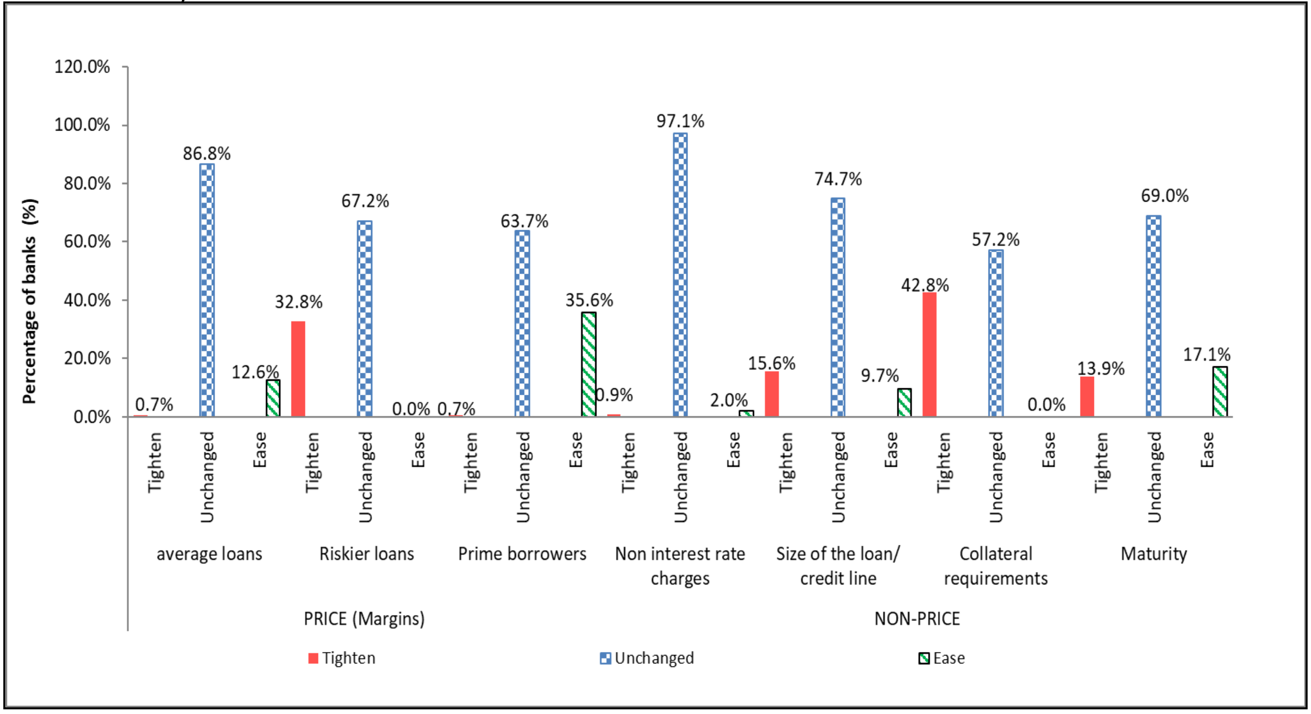
[2] Price-related terms and conditions refer to the direct price or interest rate in the context of this survey.

[3] Loans that banks assume to have a high probability of default.

[4] Non-price related terms and conditions that include the maximum size of the loan, access conditions as well as other terms and conditions in the form of non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

On the other hand, the easing of maturity period and non-interest rate charges was based on the need to enable customers pay manageable instalments over a long period of time and reduction in the loan repayment burden.

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to December 2021)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2021 (Table 3), banks anticipate an overall increase in demand for credit, contrary to the decrease in demand for credit reported in the previous survey. Notably, the increase in credit demand is expected for loans across all firm sizes and loan durations.

The reasons cited by most banks for the expected increase in credit demand include.

a) The anticipated increase in demand during the festive season.

b) The partial easing of the economy has prompted some of the businesses to seek funding in form of working capital to bolster their operations.

Table 3: Demand expectations for the next three months

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**
Increase(A)	6.6	90.6	2.0	88.1	6.2	66.6	6.6	95.6	6.2	71.8
Unchanged	3.6	6.3	8.3	8.9	12.5	31.0	10.8	3.6	11.4	25.1
Decrease(B)	89.8	3.1	89.8	3.1	81.3	2.4	82.6	0.8	82.5	3.1
Net %(A-B)	-83.2	**87.5**	**-87.8**	**85.0**	**-75.1**	**64.2**	**-76.0**	**94.8**	**-76.3**	**68.6**
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit Standards to Households

The findings revealed that, in the quarter to September 2021, banks tightened credit standards to households, as depicted by a net percentage of 20.3 percent, contrary to the 25.7 percent net easing registered at the end of the previous quarter (See, Appendix 1). This was largely attributed to continued selective lending to salaried customers since some employers have stopped paying their staff, terminated staff or even reduced the pay for their employees as a result of the impact of the COVID-19 pandemic.

On the other hand, in the quarter to December 2021, banks expect to ease credit standards to households as depicted by a net percentage of 10.0 percent, contrary to the net tightening anticipated for the quarter to September 2021 as represented by a net percentage of 41.6 percent.

The expected easing of credit standards to the household sector is attributed to; the resumption of work by most employees as the economy gradually picks up and improved stability of employment terms and salaries compared to the first lockdown.

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price terms and conditions for consumer credit are expected to tighten on a net basis for average and riskier borrowers, but ease for prime borrowers over the next three months to December 2021. Similarly, majority of the banks expect to tighten their non-price terms and conditions for consumer credit on a net basis, save for maturity period and non-interest rate charges that are expected to ease (See, Appendix 1).

The major reasons cited for the anticipated tightening of price terms and conditions for the average and riskier loans and majority of the non-price terms and conditions are, higher credit risk and the need to reduce bad loans amidst the initiative to maintain a quality loan portfolio.

On the other hand, the expected easing for prime borrowers, non-interest rate charges and maturity period was attributed to; expected revival of the economy as a result of the partial lifting of the lockdown and competition from other financial institutions.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to December 2021. Specifically, 64.1 percent of banks anticipate an increase in households credit demand in the next quarter, contrary to the 65.7 percent that anticipated a decrease in the quarter to September 2021.

The anticipated increase in household credit demand is mainly attributed to the need to finance school fees payments and other school requirements, increased expenditure towards year end festivities, and easing of the lockdown allowing households to engage more in business activities hence the need for credit.

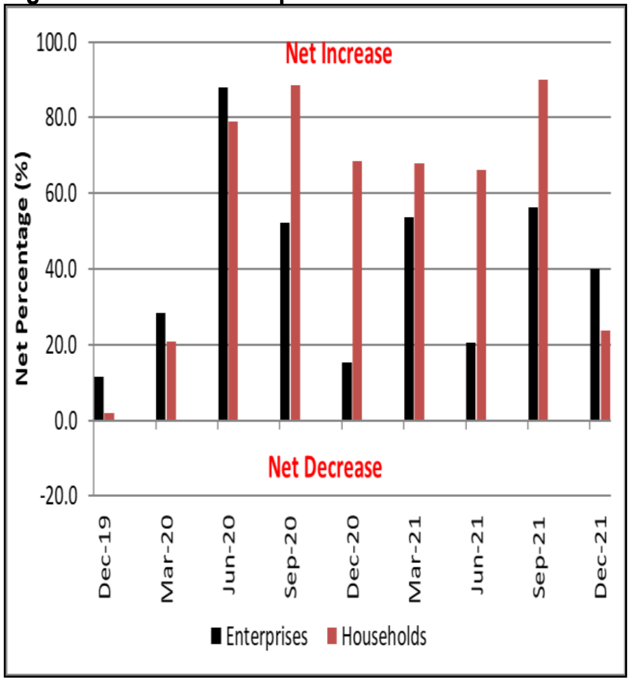
1.3 Expected Default Rate on Loans to Enterprises and Households

Overall, 40.0 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to December 2021, down from 56.4 percent registered in the previous quarter. The anticipated smaller increase in default rate cuts across all firm sizes and loan durations.

On the side of households, 23.8 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to December 2021, much lower than the 90.0 percent recorded in the previous survey results (See Appendix 1).

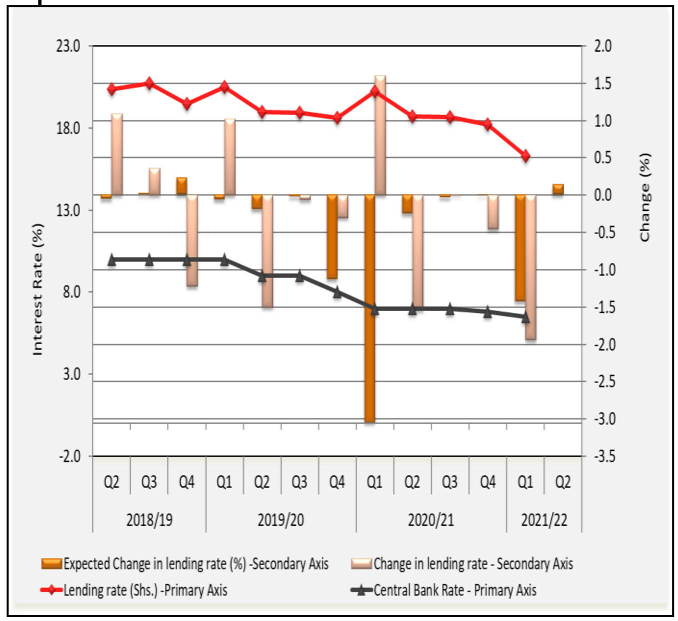
The expected increase in default rate on loans to enterprises and households was mainly attributed to the constrained economic activity since most businesses haven't fully recovered from the second lockdown debilitating effects hence their cash flows are still unstable, underwhelming purchasing power of enterprise customers, loss of jobs by salary earners due to closure and downsizing of some companies and pay cuts for those that are still employed.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

Figure 5: Changes in interest rates vis-à-vis Net Expectations



Source: *Bank of Uganda*

Notes*: The line graphs show actual lending rate and CBR outturns over the quarter. The bar graphs show the average percentage, by which lending rates were expected to increase over the next quarter following the survey and the actual change in lending rates over the quarter. Expectations have been moved forward by one quarter so as to be comparable with the actual outturns.*

1.4 Interest Rate Expectations for Q2 FY 2021/22

To understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their expected lending rates in the quarter to December 2021.

The results indicate that majority of the banks (96.4%) expect their lending rates to remain largely unchanged, while 3.2 percent expect lending rates to increase, and a paltry 0.5 percent anticipate a decrease in the quarter to December 2021.

The lending rate is expected to marginally increase in the quarter to December 2021 when compared to that in the quarter to September 2021, with a growth of 0.1 percentage points (See Figure 5).

The anticipated marginal increase in the lending rates was attributed to, high costs of funds and doing business, unstable economic environment, expected rise in default risk and the high credit loss which is compensated through higher pricing.

1.5 Bank of Uganda's Liquidity Assistance to Supervised Financial Institutions.

In line with the Bank of Uganda's efforts to mitigate the economic impact of COVID-19 through provision of liquidity assistance to SFIs, banks were asked to indicate how these efforts have facilitated their credit extension efforts to the private sector.

All the banks noted that they had not accessed the facility in the quarter ended September 2021 and cited customer deposits and internally generated funds as the major sources of funding, followed by development partners, international financial organisations, parent group companies and utilizing excess reserves to meet credit needs.

1.6 Banks Action on Restructuring of Credit Facilities

Banks were further asked to indicate whether they restructured their credit facilities in the quarter to September 2021 following Bank of Uganda's action of waiving limitations on restructuring of credit facilities.

Majority of banks (88.0 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 7.1 percent of their loan portfolio in the quarter to September 2021.

The main reasons cited for restructuring of credit facilities all stem from the impact of the COVID-19 pandemic and government restrictions on operations of most sectors, second lockdown which affected business operations, reduced cash inflows and need to help customers affected by the pandemic

Conclusion

The bank lending survey results indicate that in the First quarter of FY2021/22, credit standards to both enterprises and households tightened at a higher pace.

Going forward (quarter to December 2021), banks expect to tighten credit standards to enterprises and ease for households.

Consequently, the demand for loans by both enterprises and households is expected to increase in the quarter to December 2021, contrary to the decrease that was reported in the previous survey results. The decline in demand during the current period is also visible in the number of applications received in July and August 2021(676,457 applications), which are lower than those received in April and May 2021 (981,600 applications).

On the other hand, the default rate on loans to both enterprises and households is expected to increase in the quarter to December 2021, at a slower pace compared to the previous survey results mainly attached to the slowdown in economic activity since most businesses haven't fully recovered from the second lockdown hence their cash flows are still unstable, underwhelming purchasing power of enterprise customers, loss of jobs by salary earners due to closure and downsizing of some companies and pay cuts for those that are still employed.

Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged with a bias towards an increase attached to high costs of funds and doing business, unstable economic environment, expected rise in default risk and the high credit loss which is compensated through higher pricing.

APPENDICES

Appendix 1: Summary of Bank Lending Survey results-Commercial Banks

Appendix 1: Summary of Bank lending survey results

To calculate aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'. These scores are then weighted by lenders' market shares. The weights used in the computation were derived by taking an average of each institution's market share over the three month period , as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sector.

The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.

This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

Period		2018/19				2019/20				2020/21				2021/22
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
or credit lines to enterprises														
Overall	Past three months	-3.2	-21.2	-3.9	-20.4	15.5	-14.7	17.9	91.3	50.6	37.9	12.6	11.5	25.1
	Next three months	-10.1	-9.3	1.3	0.5	5.4	12.5	17.9	62.1	0.4	44.9	-5.0	48.1	8.2
SMEs	Past three months	2.2	-26.9	-5.1	-13.7	-6.4	-14.5	17.1	91.3	50.6	35.6	10.7	11.1	23.6
	Next three months	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6	20.6	75.8	-6.4	35.8	-10.1	47.1	7.2
Large enterprises	Past three months	4.7	8.1	5.6	-18.1	18.1	16.7	25.6	74.1	57.4	45.6	15.4	28.2	26.1
	Next three months	-15.8	0.6	18.3	11.7	10.7	30.6	22.3	42.5	3.4	46.9	7.7	54.6	22.0
Short term loans	Past three months	-7.8	-33.1	-10.5	-31.7	-22.0	-17.0	-0.3	70.7	41.1	28.7	4.1	5.1	3.9
	Next three months	-44.9	-14.2	-10.8	2.5	2.7	-26.6	31.6	31.4	-22.4	26.6	-10.8	37.9	-8.5
Long term loans	Past three months	8.3	-3.9	5.7	11.7	32.5	5.1	13.8	88.5	55.2	39.1	15.0	17.3	18.9
	Next three months	-0.5	0.7	29.2	14.3	20.6	34.1	28.6	64.5	2.2	45.1	-4.9	48.1	11.6
or credit lines to enterprises to different sectors														
Agriculture (Crops, Livestock, Poultry), Fishing & Fc	Past three months	-6.1	-8.0	-8.7	-5.8	2.7	8.0	10.8	36.9	35.1	9.4	13.7	0.3	19.8
Mining and Quarrying	Past three months	5.0	3.8	6.9	-9.8	4.3	4.4	12.6	52.3	40.4	17.5	4.9	4.6	18.1
Manufacturing	Past three months	-6.1	-1.0	-5.6	-14.2	5.1	-7.5	22.4	57.3	42.6	7.5	-7.9	-8.9	5.5
Trade	Past three months	-5.6	-16.1	-9.5	-31.0	5.9	-1.6	20.7	89.7	59.3	22.6	-10.7	-8.1	18.2
Transport and Communication	Past three months	4.3	-3.7	2.1	-5.6	9.7	-4.2	21.5	71.0	48.1	26.1	17.3	41.2	36.4
Electricity and Water	Past three months	-4.9	1.5	-1.8	-20.1	1.3	-4.9	0.9	5.6	-3.9	1.7	-1.8	-1.8	15.9
Building, Mortgage, Construction and Real Estate	Past three months	13.7	14.8	20.0	-14.7	11.0	10.8	14.7	90.5	71.2	38.9	46.1	48.8	40.4
Business Services	Past three months	3.3	-11.3	1.7	-2.9	0.3	-1.3	-1.6	52.1	58.2	30.3	-0.3	13.4	9.3
Community, Social & Other Services	Past three months	1.2	-8.9	-2.7	-9.8	-0.7	-4.1	10.8	54.0	56.0	32.1	15.6	27.8	29.0
Personal Loans and Household Loans	Past three months	-3.7	-14.8	-11.9	-19.1	-13.8	-11.9	-13.1	84.9	42.9	-8.0	-26.0	-24.6	7.4
credit lines to enterprises														
Margin on average loans	Next three months	-7.8	-8.2	-12.5	-7.8	-13.2	2.7	2.2	-6.3	-10.9	-0.9	-18.1	-12.0	-11.9
Margin on riskier loans	Next three months	46.1	57.3	56.5	37.9	40.3	51.7	47.0	31.9	59.7	31.7	21.0	41.4	32.8
margin on prime borrowers	Next three months	-39.1	-40.6	-32.8	-56.0	-39.6	-34.5	-34.8	-41.6	-22.4	-21.8	-23.7	-40.8	-35.0
Non-interest rate charges	Next three months	-14.2	-10.0	-14.4	6.6	-6.4	0.0	-8.7	-7.9	-2.2	-3.2	-14.0	-3.8	-1.1
Size of the loan or credit line	Next three months	-0.5	7.1	6.6	-6.9	-0.1	0.8	20.6	56.9	44.3	25.3	-17.3	18.2	5.9
Collateral requirements	Next three months	36.5	34.3	13.5	7.4	1.0	15.0	46.8	68.2	48.9	33.5	5.5	39.7	42.8
Maturity	Next three months	30.1	28.7	24.5	24.6	8.6	18.8	-1.0	36.7	40.7	24.5	-11.4	7.2	-3.2
enterprises(apart from normal seasonal														
Overall	Next three months	72.8	45.6	80.7	67.6	87.0	37.8	43.7	20.7	64.4	11.7	76.4	-83.2	87.5
SMEs	Next three months	67.6	38.6	87.3	75.4	90.0	14.8	41.9	20.2	66.7	18.6	64.5	-87.8	85.0
Large enterprises	Next three months	59.6	23.2	61.0	60.7	75.4	26.5	39.8	35.9	38.5	-4.0	61.9	-75.1	64.2
Short term loans	Next three months	71.8	51.8	83.8	63.2	69.8	1.7	53.0	33.3	80.4	39.7	84.7	-76.0	94.8
Long term loans	Next three months	59.9	24.4	59.4	43.0	37.9	29.8	41.0	16.2	38.0	-0.9	81.4	-76.3	68.6
Default rate on loans to enterprises														
Overall	Next three months	12.7	0.5	-7.0	2.2	11.5	28.3	87.8	52.1	15.2	53.6	20.6	56.4	40.0
SMEs	Next three months	32.4	29.5	20.0	6.7	6.5	26.1	49.5	52.9	21.4	52.5	27.4	58.0	40.1
Large enterprises	Next three months	16.5	0.6	-2.8	18.3	-5.7	15.3	68.8	51.6	16.0	50.1	45.9	47.0	29.3
Short term loans	Next three months	14.7	1.0	-2.5	2.2	0.4	9.8	76.8	55.5	15.3	57.9	34.7	45.1	23.7
Long term loans	Next three months	9.9	14.7	10.6	19.8	-3.8	5.6	72.2	52.1	20.4	56.4	35.0	56.0	38.0

Period		2018/19				2019/20				2020/21				2021/22
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
to households and non-enterprises	Past three months	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4	-26.3	85.9	47.9	-13.9	-8.1	-25.7	20.3
	Next three months	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2	40.2	62.8	-4.0	-5.9	-24.0	41.6	-10.0
enterprises (for purposes of consumer credit)	Next three months	68.9	71.3	76.3	39.5	52.1	83.4	22.6	23.7	67.8	34.2	63.3	-46.1	61.9
credit lines to households														
Margin on average loans	Next three months	-17.4	0.5	-12.7	7.1	-25.2	-7.0	-21.2	-16.5	-18.0	1.7	-2.5	1.5	3.6
Margin on riskier loans	Next three months	47.4	18.6	50.4	27.5	60.3	73.7	42.3	42.0	32.7	32.0	19.8	52.2	32.4
Margin on prime borrowers	Next three months	-34.8	-17.1	-27.5	-16.3	-41.4	-42.5	-31.0	-10.3	-18.4	-13.2	-7.0	-22.6	-2.5
Non-interest rate charges	Next three months	-2.8	2.1	-0.3	4.0	-13.3	-16.4	-8.8	-2.9	-0.6	-0.6	0.00	-1.96	-0.81
Size of the loan or credit line	Next three months	-2.8	-5.3	-17.5	-0.6	-28.6	-27.6	6.6	40.8	22.7	29.6	9.6	32.0	0.2
Collateral requirements	Next three months	8.6	12.8	13.0	-2.7	2.3	10.2	-1.6	36.1	27.4	37.6	22.3	41.5	22.4
Maturity	Next three months	12.0	13.9	1.0	4.5	-8.1	2.2	-1.5	24.0	-22.2	22.5	15.4	23.3	-8.8
Default rate on loans to households	Next three months	16.6	55.0	-26.3	20.3	2.0	20.9	79.1	88.4	68.4	67.9	66.2	90.0	23.8

Period		2018/19				2019/20				2020/21				2021/22
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Lending rates expectation														
Increae(+)/Decrease(-)	Next three months	-4.2	16.3	22.1	-10.0	-19.6	-2.6	-14.4	-57.8	-23.1	-1.9	-2.2	-37.3	2.7
Percentage change	Next three months	-0.1	0.0	0.2	-0.1	-0.2	0.0	-1.1	-3.0	-0.2	0.0	0.0	-1.4	0.1

by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.

be higher than over the previous/current three-month period, or that the credit standards/ terms

Appendix 2: Summary of Bank Lending Survey results-NBFIs

Appendix 2: Non bank Financial Institutions

To calculate aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'.
These scores are then weighted by lenders' market shares. The weights used in the computation were derived by taking an average of each institution's market share
over the three month period , as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sector.
The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or
credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.
This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over
the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

Part I: Enterprises		Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Credit policy as applied to the approval of loans or credit lines to enterprises															
Overall	Past three months	33.6	-14.6	-24.1	13.4	59.6	4.4	-21.9	25.2	63.1	29.8	64.1	9.4	26.5	71.8
	Next three months	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1	66.8	32.3	41.7	70.7	-31.5	100.0	-32.0
SMEs	Past three months	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7	53.1	63.1	40.8	64.1	-48.9	26.5	77.9
	Next three months	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5	66.1	49.9	41.7	70.7	-2.3	100.0	18.4
Large enterprises	Past three months	5.6	8.0	9.1	14.3	26.1	11.6	18.4	26.6	43.9	26.2	32.2	36.7	38.6	69.4
	Next three months	33.8	38.5	9.2	11.0	22.6	-7.1	1.1	38.9	31.9	27.1	46.3	15.3	74.9	18.4
Short term loans	Past three months	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2	24.7	61.5	39.6	64.1	2.5	25.5	69.4
	Next three months	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5	44.6	25.0	30.9	70.7	-19.8	71.6	-35.0
Long term loans	Past three months	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3	25.9	56.7	16.4	33.6	38.5	33.0	69.4
	Next three months	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8	38.2	44.0	27.1	46.3	-22.0	74.9	-32.0
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors															
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	-18.1	12.6	-18.1	0.7	-45.7	-19.9	12.4	-0.2	46.3	-4.7	-19.2	2.5	-11.0	28.1
Mining and Quarrying	Past three months	26.1	0.0	0.0	0.0	30.3	3.1	0.0	0.0	12.0	27.5	-15.4	6.0	0.0	16.0
Manufacturing	Past three months	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0	0.7	17.6	27.5	0.6	35.1	-12.1	16.0
Trade	Past three months	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5	5.1	27.6	47.5	45.3	67.7	-7.8	66.4
Transport and Communication	Past three months	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1	5.1	62.3	34.1	13.4	38.5	52.8	69.4
Electricity and Water	Past three months	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0	0.0	12.0	19.1	-31.9	0.0	-15.3	16.0
Building, Mortgage, Construction and Real Estate	Past three months	-11.1	28.5	-8.0	45.7	12.0	9.2	-23.0	4.4	62.3	34.1	14.8	9.4	-7.6	31.1
Business Services	Past three months	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0	25.9	63.1	34.1	14.8	9.4	52.8	69.4
Community, Social & Other Services	Past three months	-17.4	-18.3	-12.6	8.7	-10.7	-8.0	-23.0	3.9	55.5	50.1	39.2	67.7	51.8	91.5
Personal Loans and Household Loans	Past three months	-27.9	0.6	-17.7	-16.4	-9.8	-11.1	-23.0	4.4	57.5	-2.3	-11.6	-26.6	4.5	31.1
Terms and conditions for approving loans or credit lines to enterprises															
Margin on average loans	Next three months	-56.8	-47.4	32.1	12.6	-4.5	11.5	-20.5	22.8	-38.7	-41.8	-2.5	-13.8	-21.1	-22.3
Margin on riskier loans	Next three months	44.2	41.8	40.2	14.8	28.7	11.1	25.5	23.3	42.3	43.0	50.3	20.6	43.8	18.9
margin on prime borrowers	Next three months	-62.1	-60.5	-2.4	-11.7	-31.4	-17.5	-30.4	-17.5	-45.5	-41.8	-3.8	15.3	-20.1	-25.3
Non-interest rate charges	Next three months	-43.2	-31.2	9.2	-5.4	29.4	-8.4	-17.4	4.8	-39.5	-41.8	22.5	44.5	14.5	16.0
Size of the loan or credit line	Next three months	25.7	11.0	-3.2	-5.2	-15.0	0.8	1.2	31.7	57.5	36.4	26.4	-10.3	50.0	54.2
Collateral requirements	Next three months	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6	-1.1	39.5	37.6	22.6	18.8	17.7	18.9
Maturity	Next three months	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5	32.2	40.3	29.8	11.4	44.5	53.3	54.2
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?															
Overall	Next three months	83.3	72.1	-9.0	72.7	67.7	67.9	-28.7	-98.6	29.8	27.2	40.7	70.9	-62.5	91.0
SMEs	Next three months	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7	-98.6	29.8	27.2	14.4	70.9	-62.5	66.6
Large enterprises	Next three months	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9	-65.3	-1.0	2.7	-40.1	33.9	-38.4	54.2
Short term loans	Next three months	25.2	72.1	17.5	72.7	31.3	65.6	-12.3	-98.6	29.8	27.2	39.4	98.2	-2.8	91.0
Long term loans	Next three months	47.7	40.9	24.3	28.1	56.3	9.0	15.9	-66.0	79.6	18.7	-17.5	33.9	-38.4	68.9
Default rate on loans to enterprises															
Overall	Next three months	-11.9	-16.3	8.3	-10.1	-36.0	-58.8	24.0	100.0	76.0	87.3	100.0	-7.3	100.0	-50.6
SMEs	Next three months	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0	100.0	76.0	87.3	100.0	-7.3	49.8	-50.6
Large enterprises	Next three months	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8	67.5	69.2	72.7	68.1	-44.2	74.9	-50.6
Short term loans	Next three months	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0	99.3	76.0	81.9	92.3	51.0	100.0	-50.6
Long term loans	Next three months	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6	71.4	57.2	73.9	69.5	21.8	74.9	-50.6

Period		Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Part II: Households															
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-14.9	-31.2	-20.4	-34.8	-10.7	-5.0	-25.9	21.5	51.1	50.7	-15.4	-0.9	2.4	28.1
	Next three months	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7	45.8	44.4	50.9	-4.2	1.1	32.8	-12.2
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	37.7	44.2	32.7	41.0	86.2	67.8	-3.6	-44.8	76.4	13.7	-28.7	39.9	-38.4	33.5
Terms and conditions for approving loans or credit lines to households															
Margin on average loans	Next three months	-29.2	-43.5	-12.6	-3.8	-12.4	3.8	-33.9	1.8	-34.2	-36.4	0.0	18.8	14.5	16.0
Margin on riskier loans	Next three months	26.1	12.7	13.8	8.9	25.8	11.9	-21.7	23.3	-27.9	37.6	46.5	20.6	17.7	21.4
Margin on prime borrowers	Next three months	-46.0	-63.0	-35.7	-21.8	-28.2	3.8	-30.4	0.6	-28.3	-41.8	-3.8	15.3	14.5	13.0
Non-interest rate charges	Next three months	0.0	-27.9	0.0	8.7	27.4	-8.0	0.0	10.7	-34.2	36.4	0.0	18.8	14.5	16.0
Size of the loan or credit line	Next three months	2.2	27.4	-11.3	-3.7	-15.2	0.0	4.1	10.7	-42.3	0.0	0.0	18.8	17.7	16.0
Collateral requirements	Next three months	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0	32.2	-30.3	36.4	18.8	18.8	14.5	16.0
Maturity	Next three months	26.1	9.2	0.0	-16.4	18.0	0.0	0.0	32.2	-11.6	-36.4	-18.8	18.8	21.0	16.0
Default rate on loans to households	Next three months	-31.7	22.7	40.8	-16.2	-65.3	-20.8	-28.8	67.3	17.7	50.7	69.5	-7.4	73.9	-45.0

(a) Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.
Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over
the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 employees.
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.

APPENDIX 3: Methodology

Questions:

The questions in the lending survey questionnaire distinguish between two categories of loans namely: a) loans to enterprises and b) loans to households and individuals. For each category, questions were posed on credit standards for approving loans; credit terms and conditions; default rate; as well as credit demand and its determinants.

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach considers the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the two-month period (July-August 2021), as represented by each bank's new gross extensions to total new gross extensions of the commercial banking sub sector for the same period.

Analysis of data:

For the analysis of aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'. The results are summarized by calculating '*net percentage balance*' which is the difference between the weighted balances of lenders reporting that, demand had increased/ decreased, or credit standards were tightened/ eased. The net percentage balances are scaled to a range between -100 and +100.

Positive net percentage balances indicate those lenders that reported/expected demand/default rate to be higher than the previous/current three-month period, or rather that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten. (See *illustration below)*

On the other hand, interest rate expectations were derived by asking commercial banks whether they were likely to charge higher or lower lending rates in the next three months, compared to the previous quarter's levels and by how much.

Illustration:

'Eased somewhat' + 'Eased considerably' = Eased

'Tightened somewhat' + 'Tightened considerably' = Tightened

Response	**Fraction of total giving response (%)**
Eased / Decreased	X
Unchanged	Y
Tightened / Increased	Z
Net percentage change	Z- X

Interpretation of percentage change:

-100 0 +100

Eased / Decreased Tightened / Increased