

The Credit Supply Survey covers all Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs), from which information on all lending categories are obtained.

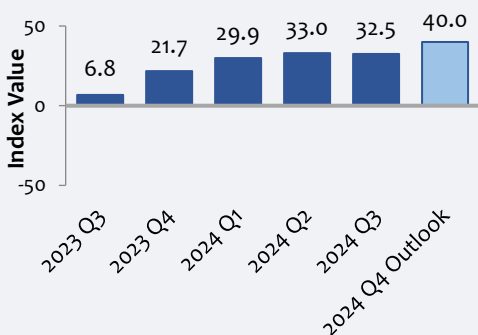
Indices are calculated as 'Diffusion Indices', that take values between -100 and 100, by weighting responses of the licensed banks using exposure of each bank to Total Gross Loan Portfolio of the banking sector.

Key to Interpretation

- **Index value > 0 : increase**
- **Index value < 0 : decrease**
- **Index value = 0 : unchanged**

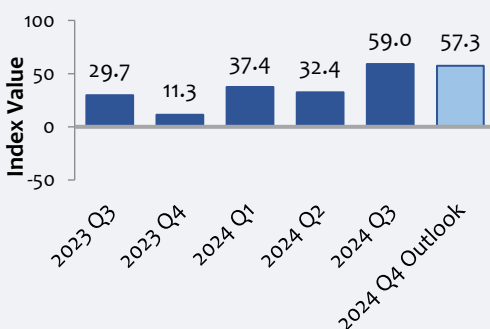
On quarter-on-quarter (Q-o-Q) basis

Willingness to Lend



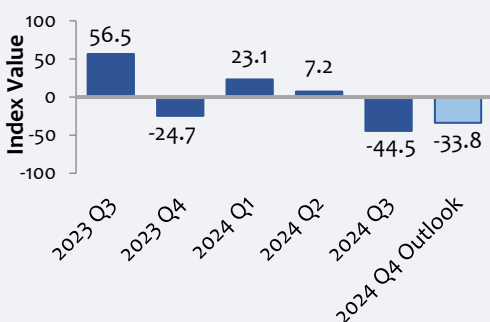
- In 2024 Q3, the willingness to lend in the banking sector remained increased exhibiting almost the same level of growth in index value as in the previous quarter.
- Improved liquidity positions, stable interest rates, positive expectations for economic activity and macroeconomic stability led to observed increase in willingness to lend.
- During 2024 Q4, the willingness to lend is expected to further increase due to expected improvements in economic conditions.

Demand for Loans



- The increasing trend of demand for loans continued in 2024 Q3, reaching the highest index value recorded over the past five consecutive quarters.
- Continued reduction in interest rates, low and stable inflation and improved economic conditions of the country may have led to this increase.
- Demand for loans is expected to further increase during 2024 Q4, due to expected further reduction of market lending rates and favorable economic outlook.

Non-Performing Loans (NPLs)



- The overall number of NPLs recorded a notable decline during 2024 Q3 compared to the previous quarter as indicated by the considerable decrease in the index value. This could be due to continued flexible payment options, reduced interest rates and improved economic conditions.
- During 2024 Q4 as well, the level of NPLs is expected to decrease due to further reduction of interest rates, continuation of flexible payment options and favorable business outlook.

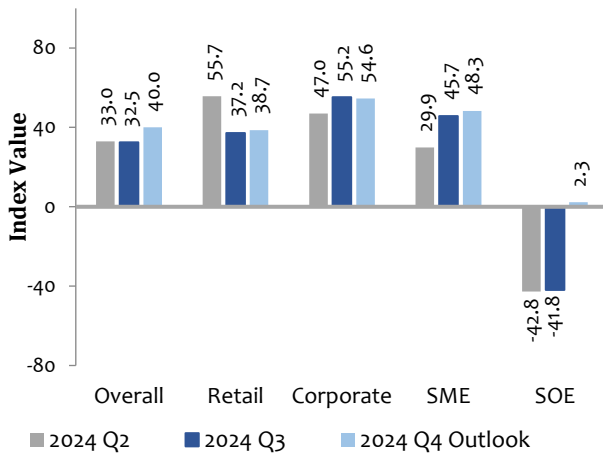
Rejected Loan Applications



- During 2024 Q3, a marginal increase was recorded in index value of the number of rejected loan applications, compared to the previous quarter.
- Loan application rejections are anticipated to decline during 2024 Q4 with expectations of improved cash flows, low interest rates, and favorable economic outlook.

Willingness to Lend

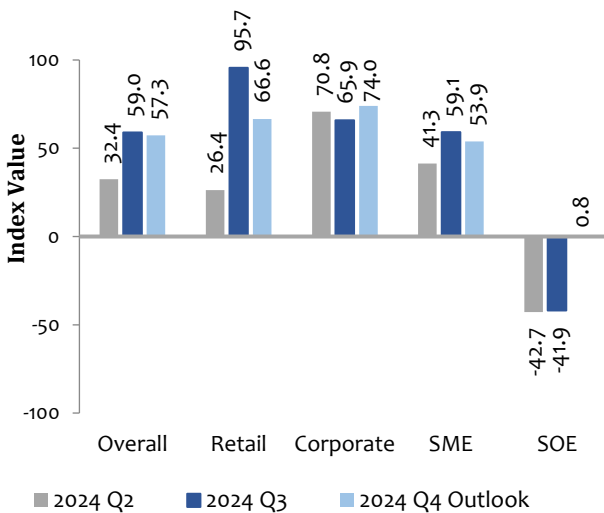
Willingness to Lend by Category



- Willingness to lend to the retail, corporate, and SME sectors continued to increase during Q3 2024 compared to the previous quarter, while willingness to lend to the SOE sector continued to decline.
- Improved liquidity positions of banks, favorable expectations on economic activities, improvements in sector specific outlooks, stable interest rates and improved business conditions were attributable to the observed increase in willingness to lend.
- During the quarter, the willingness to lend to SOE sector remained unfavorable due to uncertainties in settling debt commitments and possibility of restructuring of SOEs.
- During 2024 Q4, the willingness to lend is expected to increase across all sectors, due to expectations regarding good governance and political stability, favorable expectations on business outlook and economic growth.

Demand for Loans

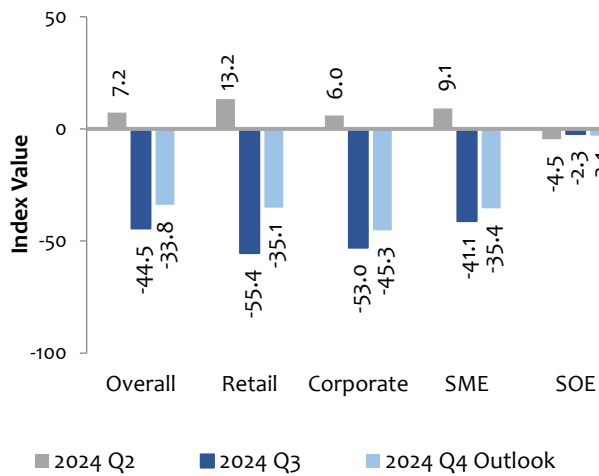
Demand for Loans by Category



- During 2024 Q3, demand for loans increased in retail, corporate and SME sectors while a reduction was observed in SOE sector compared to the previous quarter.
- The observed increase in demand is mainly due to the reduced interest rates, continuation of low and stable inflation, economic growth, improvements in the business environment, stable exchange rates and expansions in economic activities.
- Improvements in the tourism and renewable energy sectors have led to increased loan demand in the corporate and SME sectors.
- The expected increase in demand in 2024 Q4 will be due to anticipated further reductions in interest rates, political stability, policy consistency, expectations on continued growth in economy and Expected improvements in overall economic activities.
- Due to expectations regarding relaunching of hold projects and commencement of new projects, a slight edge up in the index value of demand for loans was observed in the SOE sector during 2024 Q4 compared to considerable negative value recorded in the previous quarter.

Non-Performing Loans

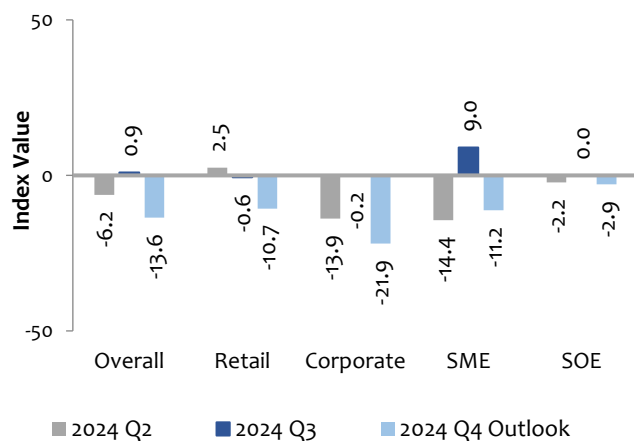
Non-Performing Loans by Category



- The overall number of NPLs decreased in the 2024 Q3, with contributions from the retail, corporate, SOE, and SME sectors.
- Continuation of flexible payment options, strict follow ups and recovery actions, reduction of interest rates, improved cash flows and improved macroeconomic conditions may have led to observed decrease in NPLs in all sectors.
- Due to further reduction of interest rates, expected further stabilization of economy and business revival, positive cash flows due to expected improvement in macro-economic conditions and continuation of restructuring options, NPL's are expected to decrease among all sectors in 2024 Q4.

Rejected Loan Applications

Rejected Loan Applications by Category



- Index value of overall rejections in loan applications increased marginally during 2024 Q3, driven by rejections observed in the SME sector.
- Problems in repayment capacity and insufficient collateral may have caused the observed Increase in loan rejections in SME sector during 2024 Q3.
- Loan rejections in the retail and corporate sectors declined driven by lower interest rates, positive cash flows, quality proposals, and favorable business conditions.
- During 2024 Q4, loan application rejections are expected to decrease within all sectors with the favorable expectations of economic outlook, positive cash flows, expected political stability and expected further reduction in interest rates.