

CREDIT SUPPLY SURVEY



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

(Trends in 3rd Quarter 2025 & Outlook for 4th Quarter 2025)

Survey concluded on 28.10.2025

The Credit Supply Survey covers all Licensed Commercial Banks (LCBs) and Licensed Specialised 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

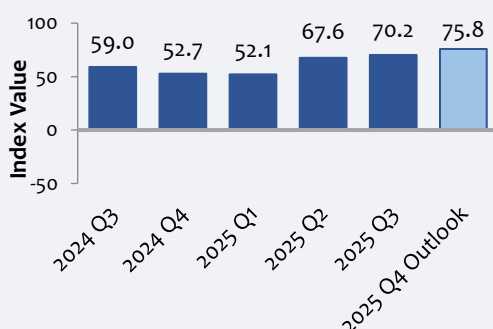
On quarter-on-quarter (Q-o-Q) basis

Willingness to Lend



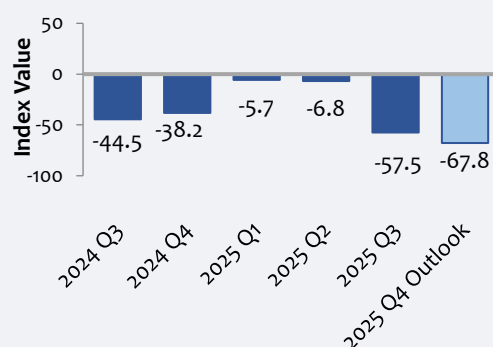
- During 2025 Q3, the banking sector's willingness to lend continued to increase.
- Prevailing macroeconomic and political stability, favourable inflation, stable interest rates, healthy capital and improved liquidity positions in banks, and expectations regarding general economic activities led to this observed increase in willingness to lend.
- The increasing trend is expected to continue to 2025 Q4, due to favourable economic outlook, liquidity positions of banks, and expected economic growth.

Demand for Loans



- Loan demand continued its upward trend in the 2025 Q3, reflecting sustained credit appetite across key sectors.
- This increased demand may have supported by continued economic stability, reduced interest rates, increased wages, vehicle imports, and expansion in businesses.
- During 2025 Q4, loan demand is expected to further increase due to further reduction in interest rates, seasonal demand and expected economic growth.

Non-Performing Loans (NPLs)



- During 2025 Q3, the overall number of NPLs decreased compared to the previous quarter.
- The decline in NPLs can largely be attributed to improved borrower liquidity stemming from better economic conditions, reduced interest rates, and enhanced loan recovery initiatives.
- During 2025 Q4, NPLs are expected to decline further, supported by anticipated improvements in cash flow generation, reduced interest rates, and the expected revival of economic activity.

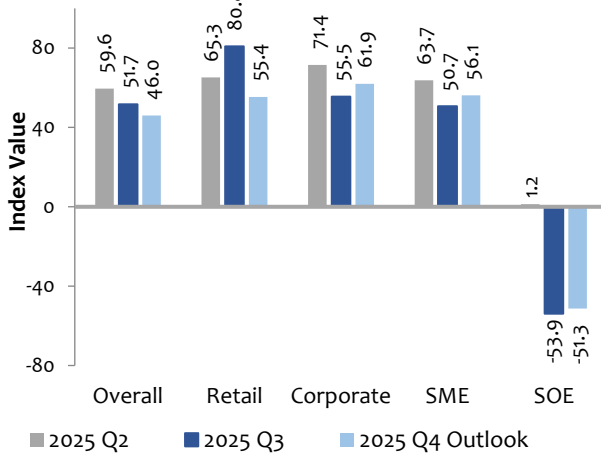
Rejected Loan Applications



- During 2025 Q3, the number of rejected loan applications decreased compared to the previous quarter, possibly due to improved economic conditions and quality proposals.
- Loan application rejections are expected to decline further during the 2025 Q4, supported by anticipated improvements in cash flow generation, the recovery of economic activity, and more favourable business conditions.

Willingness to Lend

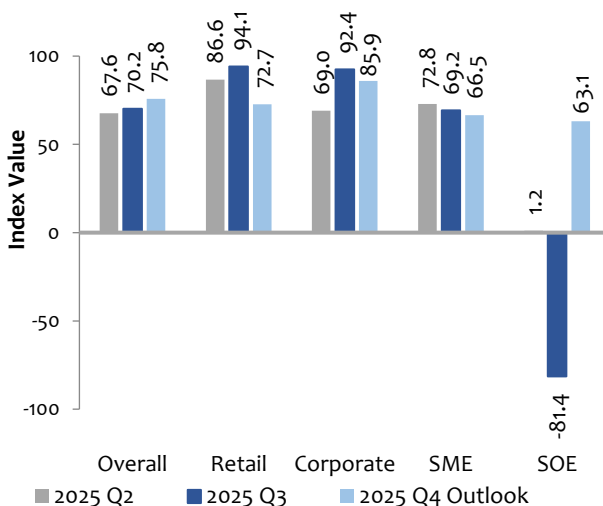
Willingness to Lend by Category



- The willingness to lend to the retail, corporate, and SME sectors continued to increase during the 2025 Q3, while the willingness to lend to the SOE sector recorded a decline.
- The prevailing macroeconomic stability, strong capital and liquidity positions of banks, favourable inflation and exchange rate conditions, stable interest rates, positive economic expectations, improved governance, and better business conditions may have contributed to the observed increase in willingness to lend.
- Willingness to lend to the SME and corporate sectors remained high, supported by growth in tourism, recovery in vehicle trading, stronger exports, improved manufacturing, and better business sentiment.
- The willingness to lend is expected to increase further across the retail, corporate, and SME sectors during 2025 Q4, supported by growth in tourism, vehicle imports, and manufacturing, improved bank liquidity, favourable economic outlook, political stability, and stronger business confidence. However, lending willingness towards the SOE sector is expected to decline.

Demand for Loans

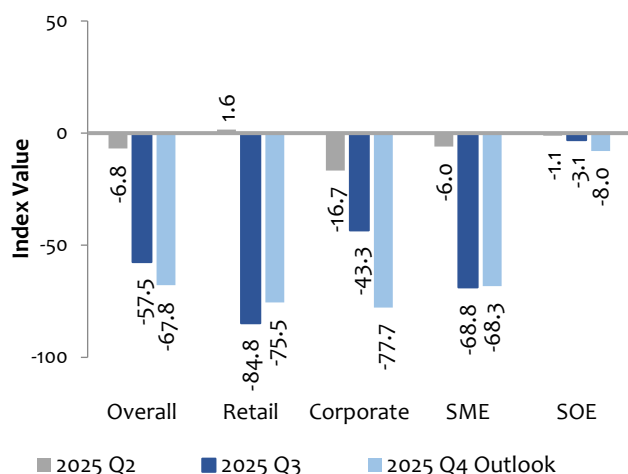
Demand for Loans by Category



- During 2025 Q3, loan demand continued to rise across retail, corporate and SME sectors.
- This increase in loan demand may have been attributed to low and stable interest rates, policy and political stability, improved cash flow generation and business expansion, the resumption of vehicle imports, stable exchange rates, and overall improved macroeconomic conditions.
- Lower interest rates, renewed vehicle imports, improved consumer sentiment and income levels have likely supported higher loan demand in the retail sector.
- Enhanced government support for SME revival, tourism growth, improvements in domestic manufacturing, the resumption of vehicle imports, higher production levels, and overall business expansion may have contributed to the observed increase in loan demand across the SME and corporate sectors.
- Loan demand is expected to rise across all sectors in 2025 Q4, supported by vehicle imports, low interest rates, expected economic growth, rising investor confidence and a favourable economic outlook.

Non-Performing Loans

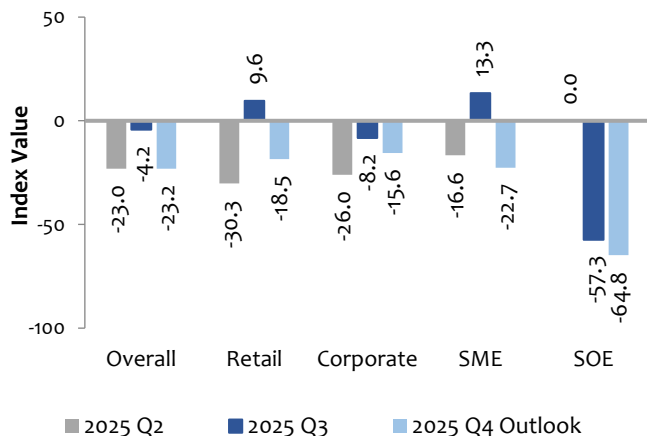
Non-Performing Loans by Category



- The overall number of NPLs decreased across all sectors during 2025 Q3.
- Improved cash flow generation and disposable income of businesses and individuals, reduced interest rates, strong collection efforts coupled with effective repayment support mechanisms, and improved economic conditions may have contributed to the observed reduction in the overall number of NPLs.
- NPLs are expected to decline across all sectors during 2025 Q4, driven by further anticipated improvements in cash flow generation and disposable income, continued moderation in interest rates, sustained recovery and collection efforts, the extension of flexible repayment arrangements, ongoing economic stabilisation, business revival, and a steadily improving macroeconomic environment.

Rejected Loan Applications

Rejected Loan Applications by Category



- Loan application rejections declined across the corporate and SOE sectors in 2025 Q3, whereas a slight increase was observed in the retail and SME sectors compared to the previous quarter.
- The observed decline in loan rejections in the corporate sector may be attributed to improved cash flows, stronger financial performance of businesses, favourable business environment, reduced interest rates, and improved macroeconomic conditions.
- Issues related to repayment capacity, non-compliance with evaluation criteria, inadequate collateral, and weak credit histories may have contributed to the increase in loan rejections within the retail and SME sectors.
- During 2025 Q4, loan application rejections are expected to decline across all sectors, supported by the continued reduction in interest rates, sustained economic growth and stability, anticipated improvements in business conditions and cash flow generation, and a generally favourable economic outlook.