

Financialization of Indian Households: Trends in Savings and Borrowing*

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Abstract

This article examines how Indian household balance sheets have changed over the past three decades. Near-universal bank account ownership, digital payments, and wider credit access have deepened household participation in the financial system. This financialization has coincided with important shifts in both savings and borrowing. On the asset side, deposits have declined as a share of household financial savings, while market-linked instruments such as mutual funds, shares, insurance, and pension products have gained prominence. On the liability side, household borrowing has expanded rapidly, with private banks, NBFCs, and FinTech lenders playing a growing role. Although credit growth has supported consumption, housing, and entrepreneurship, it has also increased exposure to unsecured lending and repayment stress among riskier borrowers. The article concludes by highlighting the macroeconomic risks associated with rising household debt and discussing their policy implications.

JEL Codes: D14, E21, G21, G28, G51, O16

Keywords: Household finance; Financialisation; Household debt; Financial savings; Consumer credit; Digital lending; FinTech; NBFCs; Financial inclusion; Retail credit; Financial stability; India

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1 Introduction

Households play a fundamental role as key drivers of consumption, savings, and economic growth in India. In 2024-25, the share of private final consumption expenditure (PFCE) in real gross domestic product (GDP) was 56.5 percent (Ministry of Statistics and Programme Implementation (MoSPI), 2025), underscoring the substantial role household spending plays in driving aggregate demand. Households contribute to the economy not only as consumers but also as small business entrepreneurs, real estate investors, and self-employed proprietors. As a result, their financial position, reflected in both assets and liabilities, has implications for financial flows and debt sustainability in the broader economy.

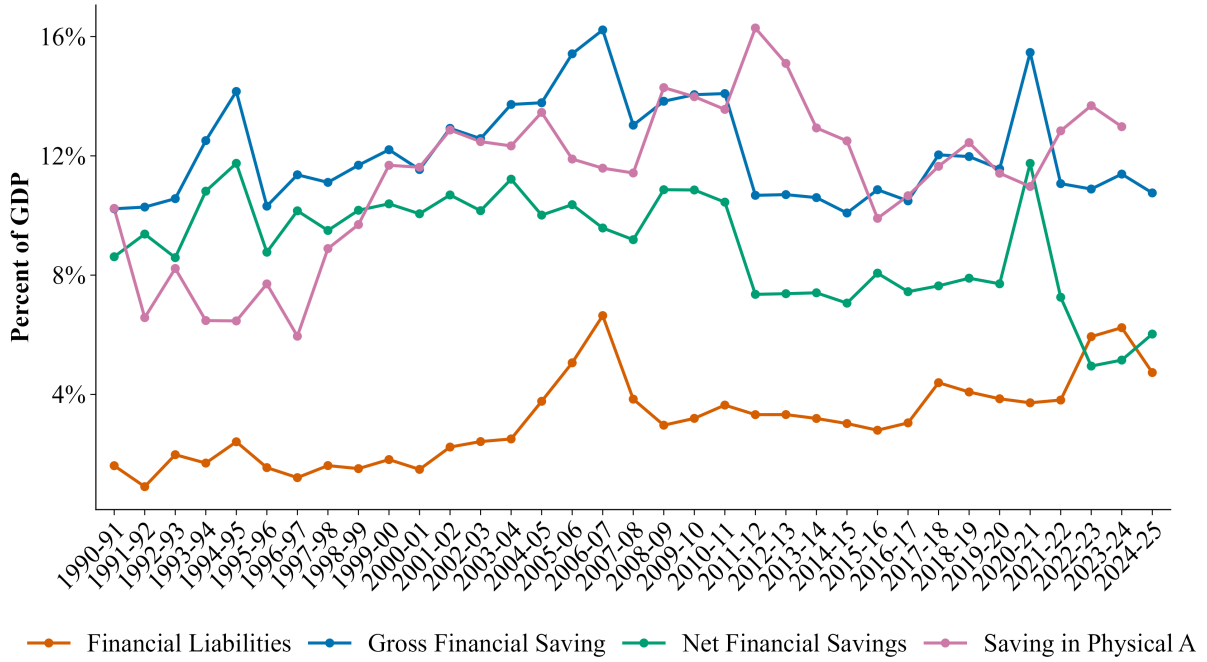
A major component of the country's gross savings comes from households, positioning them as the largest lenders, which contributes to the capital requirements for national investment and economic growth. Over the past two decades, financial inclusion has been the forefront of India's growth. The share of households holding a bank deposit account is now nearly universal, according to the All India Debt and Investment Survey (AIDIS, 2019), reflecting the broad-based financialization of Indian households. This financial inclusion drive has made formal credit more accessible to households. Wherein households are not only increasing their savings, but have also been borrowing more.

In this article, we examine the evolving landscape of household finance in India, with particular focus on the changing nature of household liabilities. We begin by tracing the trajectory of net household financial savings over the past three decades, highlighting key inflection points during the global financial crisis and the COVID-19 pandemic. We then analyse compositional shifts in household balance sheets, focusing on the decline in the share of deposit holdings and the surge in liabilities driven by NBFCs and FinTech lenders. Using retail loan data sourced from a credit bureau, we track the evolution of household borrowing across three major dimensions: the rise of consumption-driven loans, the emergence of new non-traditional lenders, and the widening of credit access to below-prime borrowers. We conclude by highlighting the potential macroeconomic risks posed by this credit expansion and discussing its policy implications.

2 Household Finance in the last three decades

We begin by examining the broader role of household finance in the Indian economy, tracing net financial savings (NFS), defined as the difference between gross financial savings (GFS) and financial liabilities, over the past three decades. The NFS-to-GDP ratio rose from 8.6 percent in 1990-91 to 9.6 percent in 2006-07 (Figure 1), with NFS growing at a compound annual growth rate (CAGR) of 14.1 percent over this period, supported by GFS and financial liabilities expanding at CAGRs of 16.6 percent and 23.8

Figure 1: Savings and Liabilities (Flows)



Note: Data are sourced from NAS. Estimates for 2024-25 are provisional (RBI, 2025).

percent, respectively.

This expansion was underpinned by the post-reform push toward financial deepening, which contributed to a substantial rise in household deposits and greater access to bank credit following the 1991 liberalisation reforms. Prior to this, household borrowing in India had been dominated by non-institutional sources, often characterised by high borrowing costs; since the 1990s, however, formal credit to the household sector expanded considerably. This momentum was interrupted by the global financial crisis (GFC) of 2007-08, which triggered a sharp contraction in both savings and liabilities: GFS declined by 7.5 percent and financial liabilities by 33.4 percent relative to 2006-07, reflecting the domestic credit tightening that followed the reversal of global capital inflows (Kumar and Vashisht, 2009; Mohan, 2009). As a result, the NFS-to-GDP ratio fell to 9.2 percent.

Although the ratio recovered in 2008-09, it declined again sharply in 2011-12 and remained broadly stable at around 7-8 percent until 2019-20, driven primarily by a reduction in the GFS-to-GDP ratio. Elevated inflation, averaging 9.4 percent between 2008 and 2014, likely encouraged households to shift away from financial savings toward physical assets (Ghate et al., 2023), with the physical-savings-to-GDP ratio rising from 14.3 percent in 2008-09 to 16.3 percent in 2011-12. Apart from a modest improvement in 2017-18, the financial savings rate remained below its pre-crisis peak, while the liabilities-to-GDP ratio stayed broadly constant except for a small uptick in 2018-19.

A second inflection point came with the onset of the COVID-19 pandemic, when GFS rose sharply in 2020-21, reflecting reduced consumption expenditure and heightened precautionary savings. This was short-lived, however: by 2022-23, the NFS ratio had declined steeply, driven by both a fall in GFS and a sharp increase in household liabilities associated with the post-pandemic recovery and pent-up demand (RBI, 2024a). Household liabilities grew by 78 percent in 2022-23, compared with an average annual growth of around 13 percent during 2011-12 to 2021-22, pushing the NFS ratio to a multi-decade low of 5 percent – levels last observed in the late 1970s and early 1980s. The NFS to GDP ratio subsequently recovered modestly to 5.1 percent in 2023-24 and further to around 6 percent in 2024-25, reflecting a moderation in savings growth alongside a slight decline in the financial liabilities-to-GDP ratio.

3 Household Saving Patterns

Deposits have historically served and continue to serve as the primary instrument of household financial savings (Figure 2). However, their share in total financial savings has declined steadily, falling from 57.9 percent in 2011-12 to 40.6 percent in 2023-24, with provisional estimates suggesting a further dip to 35 percent in 2024-25. At the same time, savings in alternative instruments such as shares and debentures, insurance, and provident funds have been rising.

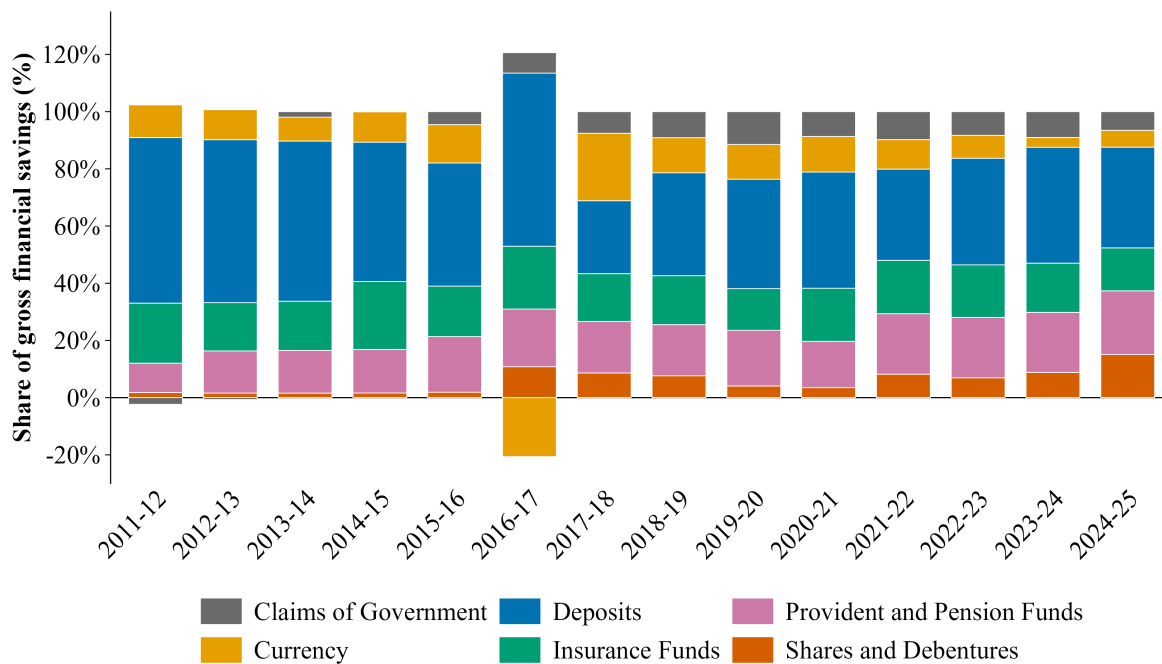
Notably, there has been a sharp increase in savings channelled into shares and debentures, either directly through private corporate equity and debt instruments or indirectly through mutual funds, which have historically remained the predominant vehicle within this category. This share rose from an average of 6 percent over the decade from 2014-15 to 2023-24 to a remarkable 15 percent based on provisional estimates for 2024-25. Higher income households channelled a greater portion of savings into shares and debentures, and this shift was further supported by the post-pandemic recovery during which low interest rates and ample liquidity in financial markets bolstered investor confidence and contributed to a resurgence in market activity (RBI, 2022).

While insurance funds constituted the second-largest component of financial savings in 2011-12, provident and pension funds have gradually grown in importance, nearly matching and more recently surpassing insurance funds in their share of household savings. Moreover, since 2011-12, currency holdings as a proportion of financial savings declined sharply from 11.1 percent to 6 percent, reflecting the rapid expansion of digital payments and online banking infrastructure. Claims on government instruments also gained prominence, accounting for 11.5 percent of gross financial savings in 2019-20 before moderating to around 8-9 percent in the post-pandemic period, with a moderate dip in the last year, standing at 6.5 percent.

Taken together, the changes witnessed in the household savings pattern indicate a

broader financialisation of household wealth and a structural shift in portfolio allocation, with Indian households increasingly moving away from traditional deposit-based saving toward a more diversified mix of market-linked and institutional instruments, driven by rising incomes, digital access, and evolving market conditions.

Figure 2: Types of Financial Savings (Flows)



Note: Data are sourced from NAS. Estimates for 2024-25 are provisional (RBI, 2025).

4 Household borrowing

4.1 Who is lending?

In India, institutional lending was historically dominated by scheduled commercial banks, particularly public sector banks (PSBs), whose branch expansion, government backing, and priority-sector lending mandates enabled credit penetration into rural and under-served regions. In recent years, however, the composition of lenders has shifted noticeably.

The market share of private sector banks has increased, supported by aggressive growth strategies, particularly in unsecured retail lending. FinTech firms and NBFCs have also emerged as important contributors to household credit expansion since 2018-19, leveraging the rapid spread of smartphones, digital payments, and alternative data-based underwriting models to expand access to small-ticket personal loans and buy-now-pay-later (BNPL) products. The share of financial corporations and NBFCs in total household

lending rose sharply from 3.4 percent in 2011-12 to 21.4 percent by 2022-23 (Figure 3A). The subsequent decline in their share in 2023-24 largely reflects the merger of HDFC Ltd. with HDFC Bank, which reclassified housing-finance lending from NBFCs to scheduled commercial banks, rather than signalling any actual contraction in credit supply.

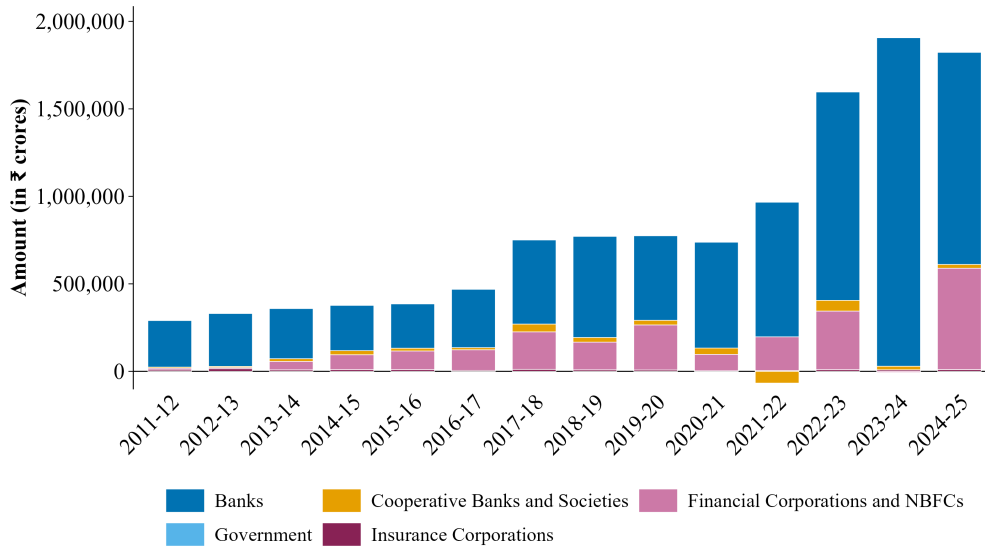
Retail loan data further highlight the rapid pace of this expansion: FinTech lenders recorded exceptionally high growth in new account originations and loan volumes, while NBFCs also experienced strong double-digit annual growth (Figure 3B). The rise of digital lending platforms has significantly lowered access barriers, particularly for first-time and small borrowers, owing to faster processing times and wider digital reach, though often at relatively higher borrowing costs. The expansion of digital payments infrastructure, especially following the introduction of the Unified Payments Interface (UPI) in 2016, has played a key enabling role in this transformation of the household credit landscape (Alok et al., 2024).

4.2 Changing in purposes of household borrowing

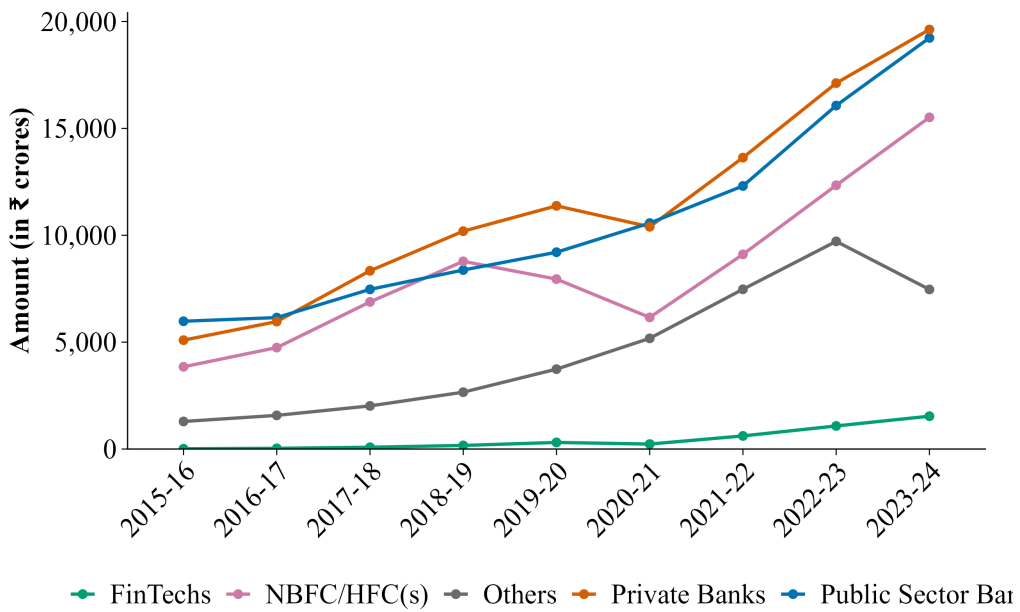
The changes witnessed in household liabilities suggest not only greater participation in financial markets, but also notable shifts in consumption and saving behaviour. Understanding the purposes of borrowing helps assess the productive nature of these loans and, by extension, borrowers' repayment capacity. We do this by closely examining the product categories reported by a major credit bureau (TransUnion CIBIL).

Post-2018, personal and consumer loans rose steeply, indicating a lifestyle shift among Indian households toward consumption-driven credit. FinTechs have been central to this change, offering easy access to small-ticket loans that cater to this growing appetite. Mortgage loans remain the largest category, supported by government housing policies such as the Pradhan Mantri Awas Yojana (PMAY) and Priority Sector Lending (PSL) mandates. Vehicle loans grew steadily until 2018-20, dipped during the COVID-19 pandemic, and have since begun recovering. Business loans, meanwhile, have expanded rapidly since 2021, supported by entrepreneurship schemes such as the Pradhan Mantri Mudra Yojana (PMMY).

These shifts are reflected in the changing composition of household debt (Figure 4). Mortgages remain dominant by value at 19 per cent of total lending, though their share has moderated from 25 per cent at the start of the period. Personal loan accounts, by contrast, have surged from a 4 per cent share in 2014-2015 to 24 per cent by 2023-2024, with compound annual growth rates (CAGR) of 52 per cent in personal loans and 30 per cent in consumer durables pointing to a clear move from asset-based to consumption-based borrowing. Similarly, business loan reveals an equally striking story, with new accounts in 2023-24 running tenfold above 2015-16 levels, reflecting a broader trend of inclusive entrepreneurship among credit-constrained households.



(a) Panel A

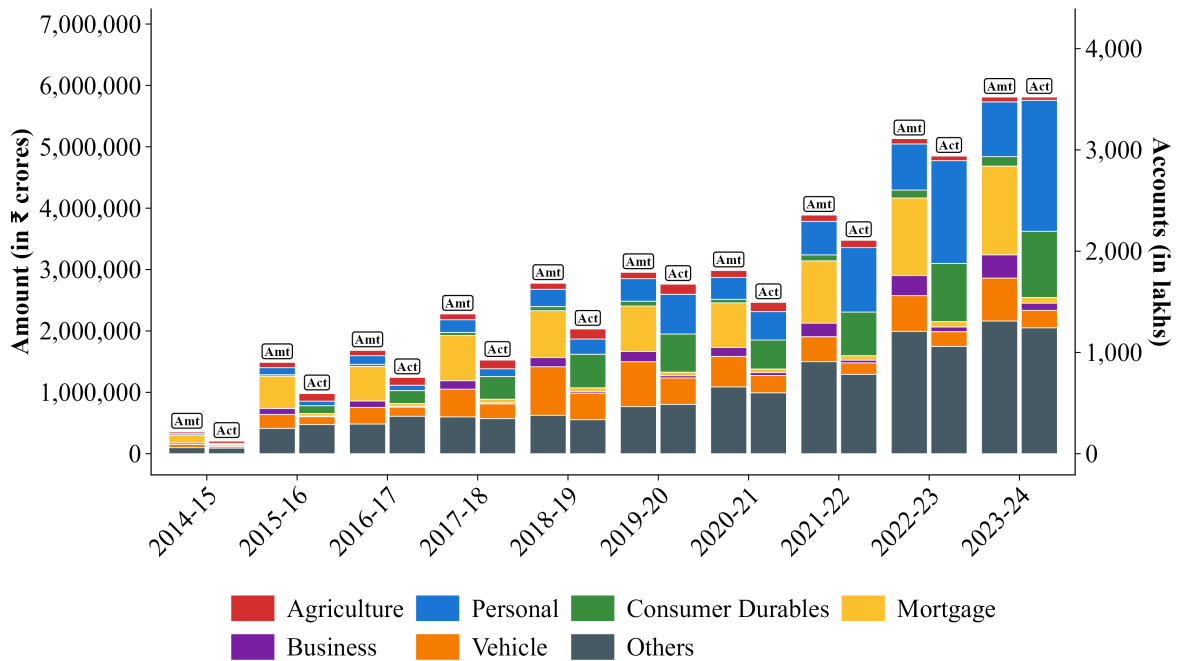


(b) Panel B

Figure 3: Composition of Lenders within Total Liabilities

Note: NAS (Panel A), TransUnion CIBIL (Panel B). Estimates for 2024-25 are provisional (RBI, 2025).

Figure 4: Lending by different product types



Source: TransUnion CIBIL.

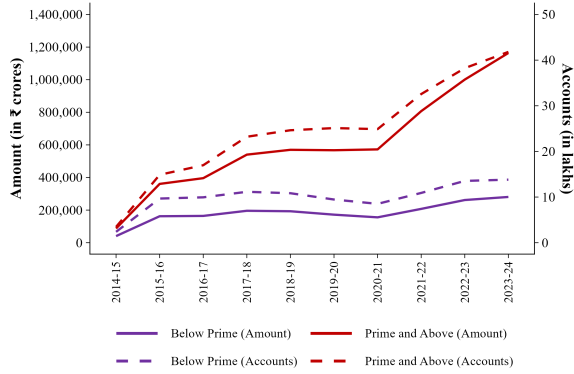
4.3 Composition of Borrowers

The quality of borrowers remains an important yardstick for evaluating the risks associated with this expansion in lending. To this end, we examine the risk profiles of borrowers by utilising credit ratings provided by the bureau (Figure 5). This allows us to analyse heterogeneous borrower groups based on their creditworthiness across the dominant loan categories. Figure 3 illustrates how the expanding household credit universe is stratified by these risk profiles. Mortgages remain concentrated among prime and above-prime borrowers, reflecting rigorous credit scrutiny and lower default risk.

In contrast, personal loans, consumer durables, and business loans show significant growth in participation from below-prime and new-to-credit (NTC) borrowers. Between 2017-2018 and 2023-24, FinTechs and NBFCs aggressively expanded unsecured lending to these riskier segments, with below-prime account origination growing at a CAGR of 4.5 per cent. Similarly, vehicle loans are now split almost evenly between prime and below-prime groups, as non-bank lenders increasingly serve higher-risk customers. While this broadening of access demonstrates progress in financial inclusion, it also embeds systemic vulnerability.

The sharp rise in unsecured lending to borrowers with weaker repayment capacity raises significant concerns for financial resilience during potential economic downturns. This concern is primarily driven by the emergence of new lenders who operate under

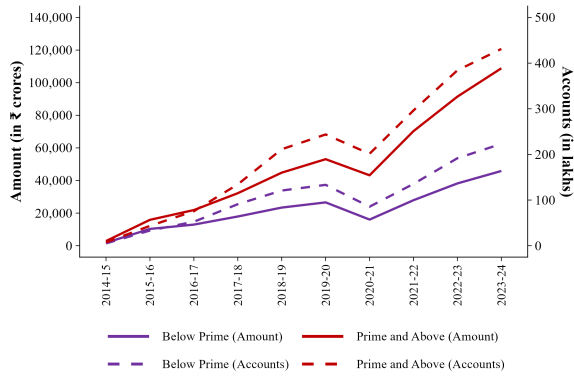
Figure 5: Lending by different product types and score bands



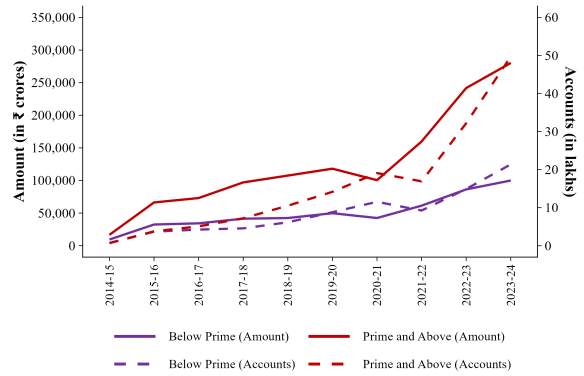
(a) Mortgage



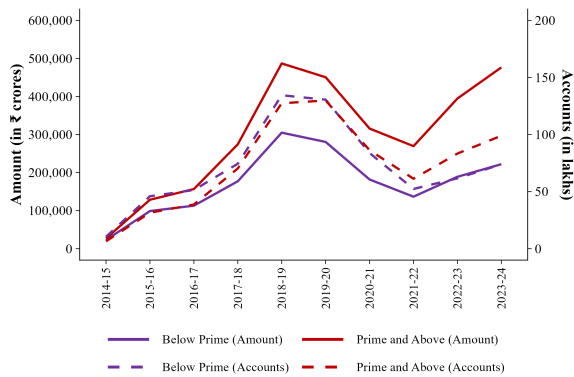
(b) Personal



(c) Consumer durables



(d) Business



(e) Vehicle



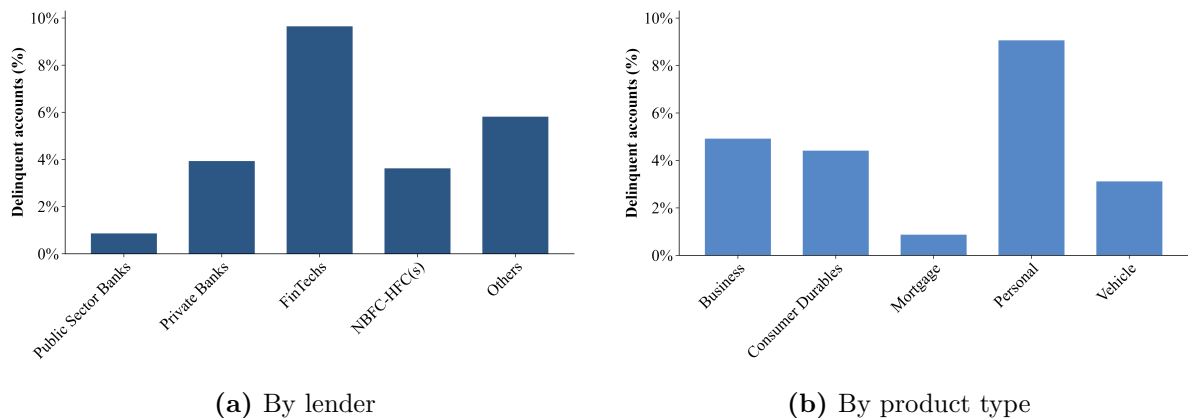
(f) Agriculture

Source: TransUnion CIBIL.

different regulatory frameworks and lack the traditional government backing of legacy banks. This vulnerability is evidenced in by the delinquency rates, defined as accounts overdue by 90 days, recorded across lenders and loan types in 2022-23 (Figure 6).

The share of delinquent loans is largest for FinTechs at 9.7 per cent, a figure far exceeding the rates for PSBs, PVBs, and NBFCs. Defaults are concentrated in personal and business loans, which are the very categories that have experienced the most aggressive recent growth. Conversely, secured loans such as mortgages and vehicle financing remain relatively stable. These trends reinforce the Reserve Bank of India’s ongoing policy warnings regarding retail credit bubbles and underscore the need for closer macroprudential oversight. The magnitude of growth in unsecured segments, coupled with rising default rates, signals both the benefits and risks of financial deepening. While the increase in credit access across the board presents an optimistic picture, it is pertinent to note that the repayment stress is disproportionately concentrated in certain sections.

Figure 6: Delinquency by lender and product type



Source: TransUnion CIBIL.

5 Increasing Women’s Access to Credit

A key milestone of government initiatives to expand bank account ownership has been the substantial increase in access to formal financial services among historically underserved social groups. In particular, these efforts have enabled many women, who were previously excluded from the formal banking system, to participate in formal finance. According to the Ministry of Finance, women now hold nearly half of all bank accounts. This expanded access to banking has, in turn, enabled women to access formal credit. Overall, in the period between 2015 and 2024, new loans taken by women borrowers grew at a CAGR of 41.4 percent, with loan amounts growing at a closely comparable CAGR of 39.5 percent.

This growth in lending to women is evident across all lender categories. While public sector banks initially drove this expansion, incentivised by financial inclusion mandates,

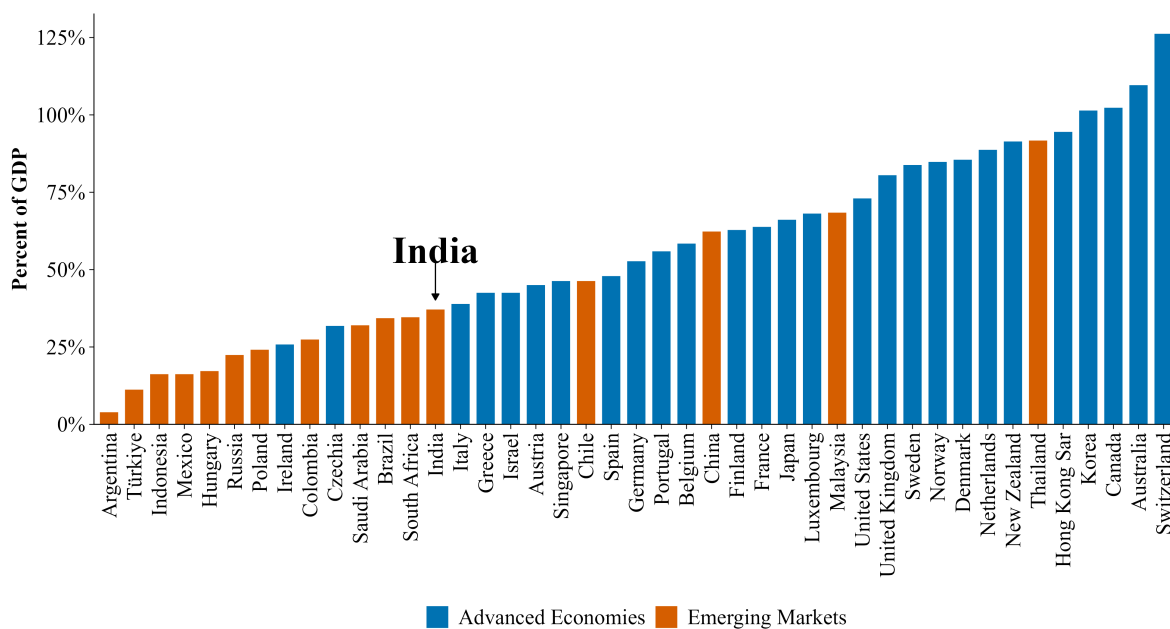
newer lender groups such as NBFCs and FinTechs have increasingly stepped in to meet demand. Examining the composition of lenders within the women borrower segment reveals this shift clearly: public sector banks and NBFCs now account for the largest share of loans to women, while private sector banks have maintained a relatively stable share over time.

6 Macroeconomic Risks

The stock of household debt to GDP ratio in 2023 is higher in advanced economies (68.29 per cent) than in emerging market economies (35.6 per cent). Notably for some advanced economies like Australia and Switzerland, this ratio is almost 100 per cent. However, even within emerging and advanced economies, there are significant differences (Figure 7).

Household borrowing and the ability to obtain credit can stimulate demand and contribute to individual financial growth (Levine, 1998; Beck and Levine, 2000). Household borrowing can help boost the economy in the short term, but these effects can reverse in the medium and long term (Mian, 2017; Jordà, 2016). Over time, households burdened with high debt may find themselves compelled to curtail their current expenditures to fulfil loan repayment obligations. This decrease in spending can subsequently impede economic growth. A 5 percentage point increase in the household debt-to-GDP ratio over three years predicts a subsequent 1.25 percentage point decline in inflation-adjusted growth three years later (IMF, 2017). Additionally, heightened levels of debt are associated with significantly higher unemployment rates for up to four years thereafter. Looking ahead, policies that promote debt sustainability will be pivotal in sustaining the household sector's central role in driving India's economic growth. Growing household liabilities beyond a definite threshold of repayment guarantee should be checked in order to minimise default risks and macroeconomic risks (RBI, 2024b).

Figure 7: Household Debt to GDP Ratio (Stock as on September 30, 2023)



Source: Data from BIS, Classification from IMF and Author Calculations.

7 Conclusion

Households are vital contributors to India's economic framework, shaping consumption patterns, driving savings, and fuelling investment across diverse sectors. Their dual roles as consumers and borrowers underscore their significance in sustaining aggregate demand and financial system stability. Household savings have traditionally exceeded those of the government and private corporate sector, and have gradually shifted in composition toward financial instruments such as shares, debentures, mutual funds, and insurance and pension funds.

The decline in net financial savings and rising indebtedness reflect emerging shifts in household financial portfolios. NFS fell to a multidecadal low in 2022-23, driven by rising liabilities owed primarily to banks, with NBFCs also recording significant loan growth. Increased borrowing for physical asset creation, particularly housing and vehicles, has correspondingly lifted physical savings. This borrowing trend reflects a dual narrative of inclusion and aspiration, with credit increasingly driving consumption, housing, and entrepreneurial activity. The vulnerabilities, however, are equally notable: high delinquency rates in FinTech-driven lending, growing exposure among below-prime borrowers, and a fundamental shift in the purposes of borrowing.

The central challenge is to ensure that the financialisation of Indian households does not morph into systemic over-indebtedness. Balanced regulation, robust safety nets, and a deeper understanding of household credit behaviour are essential to keep borrowing a tool for economic empowerment rather than a source of financial fragility.

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