

Research Article

Journal of Economic Research & Reviews**Household Savings Erosion and Credit-Led Consumption: Implications for India's Long-Term Economic Stability**Pranita Joshi^{1*}, Manasi Kurtkoti² and Sudarshan S Savanoor³

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Abstract

In the today's world, self-reliance and self-sufficiency vis a vis sustainability has gained significant importance. In India, Gross domestic savings is contributed by three sectors such as household sector, Private corporate sector and the government. Household sectors save in three forms i.e. Physical assets, financial assets and Gold/Silver etc [1]. Household sector savings contributes majorly about 60 -70% to the gross domestic savings (RBI) followed by corporate sector with the contribution 20-30% and government contributes very negligible part in the gross domestic savings [1]. There is a major concern that household savings are remarkably and continuously falling down i.e. showing hit 5 years low to 28.4% of the GDP and in addition financial liabilities are surged to 6.2% of the GDP in 2024 as per care edge ratings report (The Economic Times, 15th June 2025) [2]. Many developed and emerging developing economies have remarkable savings rate which directly connect with capital formation and further strong economic growth. This paper is trying to showcase the trend of savings, emergence of fintech and its trend in lending. To achieve resilience and sustainability in the economy, India need to keep keen eye on this financial inclusion policies to sustain savings for a longer period.

Keywords: Gross Domestic Savings, Savings Erosion, Gold Import, Fintech, Credit-led Consumption, Delinquencies, Economic Sustainability

1. Introduction

India is known to be to fastest growing economy in the world and recorded nominal GDP of 9.8% and claimed that we surpassed even developed European countries like United Kingdom and France. India is dreaming to achieve GDP of 5 trillion USD. Virtuous cycle of any economy cannot be without the savings and capital formation. For sustainable growth, country should have robust and strong domestic savings. Recent trend shows that India's household saving patterns is undergoing a significant transformation, raising concerns about long-term economic stability and domestic capital formation [3]. For preparation of the estimates of domestic saving, the economy has been divided into three broad institutional sectors viz., (i) public sector (ii) private

corporate sector and (iii) household sector [4].

Household savings is done in 1. Physical assets 2. Financial savings 3. Gold/ Silver etc. Physical assets mean people save in tangible assets such as Real estate, Machinery etc. Financial assets such as savings in mutual funds, bonds, shares, debentures etc. and savings in gold and silver. Household sector savings contributes majorly about 60 -70% to the gross domestic savings (RBI) followed by corporate sector with the contribution 20-30% and government contributes very negligible part in the gross domestic savings [1]. There is a major concern that household savings are remarkably and continuously falling down i.e. showing hit 5 years low to 28.4% of the GDP and in addition financial liabilities are

surged to 6.2% of the GDP in 2024 as per care edge ratings report (The Economic Times, 15th June 2025) [2]. On the contrary due to surge in the fintech and fintech enabled industries in our countries which are focusing more on small ticket sized loans lending and its higher delinquencies is hampering health of the banking industry. Savings and loans are the two most interdependent variables for the capital formation and overall economic growth of the country.

2. Objectives

1. To examine the trend and pattern of household savings in India over the last five years.
2. To identify and analyze the key economic, demographic, and institutional factors influencing household saving behaviour in India.
3. To assess the trend in India's liabilities and examine its impact on household savings and gross domestic savings.
4. To examine the role of fintech expansion in influencing household borrowing behaviour and the consequent decline in household savings in India.

Particulars	2018-19	2019-2020	2020-21	2021-22	2022-23	2023-2024
Household Savings (A+B+C-D)	3,844,582	3,845,173	4,505,626	4,742,333	5,010,475	5,461,259
A. Gross Financial Savings	2,263,690	2,324,563	3,067,021	2,611,974	2,927,604	3,430,640
B. Saving in physical assets	2,309,463	2,252,167	2,135,450	2,968,302	3,614,851	3,844,515
C. Saving in the form of Gold and Silver ornaments	42,673	43,136	40,505	61,327	64,504	65,104
D. Financial Liabilities	771,245	774,693	737,350	899,270	1,596,485	1,878,999
E. Net financial savings of household sector (A-D)	1,492,445	1,549,870	2,329,671	1,712,704	1,331,120	1,551,641

Table 1: Household Savings in Crore Rupees

Source- National Accounts Statistics

$$Y^{\wedge} = \alpha + \beta X$$

Where:

$Y^{\wedge}$ = Predicted Net Financial Savings

α = Intercept (constant term)

β = Regression coefficient (slope)

X = Financial Liabilities

$$Y^{\wedge} = 2293668.53 - 0.5126X$$

From the above equation it can be analysed that there is a negative relationship between financial liabilities and savings. For India's development robust savings should be done and financial liabilities need to be reduced. This inverse relationship indicates that higher indebtedness tends to reduce the capacity of households/

3. Literature Review on Household Savings and Liabilities

- The Economic Times (June, 2025)- Household savings in India drop to 18.1% of GDP in FY24: CareEdge Ratings reveals a concerning trend as India's household savings decline for the third year to 18.1% of GDP in FY24, while financial liabilities surge [5].
- The Times of India (June, 2025)- Credit over caution household savings in India fall to 18.1% of GDP; more Indians rely on credit to fund expenses [6].
- Santosh Kale et.al. October 2025; "Household Financial Savings and Liabilities In India: An Empirical Analysis (2020-2025)"- This study looks at Indian household finances from 2020-21 to 2024-25. During the pandemic, households saved more in cash and bank deposits, but from 2022-23, borrowing grew sharply. At the same time, investments in mutual funds increased, showing a move away from traditional savings. Households are shifting from cautious savers to actively managing both debt and investments, shaping the future of the Indian economy [7].

individuals to accumulate savings. From a macroeconomic perspective, improving financial stability and encouraging disciplined borrowing behaviour may support higher savings levels, which are important for capital formation and long-term economic development.

Table no.2 shows that from 2018-19 to 2019-2020 there is little or no change in the household saving i.e. 0.015%. This is due to the pandemic. Further from 2019-2020 to 2020-2021 household savings increased drastically by 17%. From 2020-2021, 2021-22 and to 2022-2023 saving dwindled between 5% on the contrary, the biggest leap from 2021-22 to 2022-23 in the financial liabilities increased by 77.53%. From 2022-23 to 2023-24, savings increased by 8% whereas financial liabilities increased by 17.69% [8].

Sr. no.	Years	GDP (Trillion USD)	% of GDP
1.	2024	3.91	28.4
2.	2023	3.64	29.5
3.	2022	3.35	28.3
4.	2021	3.17	28.6
5.	2020	2.67	27.3
6.	2019	2.84	28.1
7.	2018	2.70	29.9

Table 2: Gross Domestic Savings

Source- www.data.worldbank.org

Above data is fetched from world bank. From the table no.1 Savings is not showing much good performance. It is much less than that of other developing countries like China, Brunei (MOSPI — Ministry of Statistics and Programme Implementation and CEIC Data, a global macro-economic database) etc and developed nations like USA (www.data.worldbank.org)

GDP growth rate is 44.81% whereas Gross Domestic Savings of the GDP is (-)5.02% from the year 2018 to 2024, which indicates that the GDP growth is substantial in the last 7 years but the savings declined by 5%.

3.1. Literature Review on Consumption

1. Chetan Ghate et.al September 2025; The Great Indian Savings Puzzle, Economic Modelling, Vol.150, Falling inflation boosts future wealth, inducing households to increase consumption while lowering future savings. Consumption smoothing and risk aversion lead to higher consumption and lower savings in the initial periods [9].
2. Kumaraswamy, M. & Kailasam T. Dec.2025; Household savings shift in India: Financial inclusion, banking stability, and sustainable capital markets, Household deposit share declined from 48 per cent to 25 per cent, while market instruments rose from 40 per cent to 63 per cent.

Particulars	2018-19	2019-2020	2020-21	2021-22	2022-23	2023-2024
Gross Private Consumption Expenditure (Crore Rs.)	78,50,444	82,56,218	78,19,509	87,32,573	93,84,943	99,06,774
Per Capita Private Final Consumption Expenditure @ current prices (Rs.)	84441	91315	89496	105092	119516	129967
Per Capita Private Final Consumption Expenditure @ constant prices (2011-12) (Rs.)	59159	61568	57691	63807	67865	71016
Percentage change over previous year at constant (2011-12) prices	6.0	4.1	-6.3	10.6	6.4	4.6

Source- National Accounts Statistics 2025

Table 3: Private Final Consumption Expenditure of the Households

Table no. 3 shows that gross consumption expenditure has shown phenomenal growth of 26% from 2018-19 to 2023-24. Per capita private final consumption expenditure has tremendously increased by 54%. (Chetan Ghate et al., Sept.2025), observed that post-2009 there is a hump shape in the savings rate[9]. Falling inflation boosts future wealth, inducing households to increase consumption while lowering future savings. Consumption smoothing and risk aversion lead to higher consumption and lower savings in the initial periods. (Isha Bishnoi & Dr. Ashutosh Kumar, Feb.2025), analysed that India's savings performance has been quite impressive since independence [10]. But with the increase in inflation and changing consumption habits of consumers, there has been a consistent decline in the savings of Indian households. The proportion of household goods backed by finance is increasing. This in turn is reducing the savings of households [6]. (ISID working paper (2024) on the ("servicification of consumption") analyses that India's consumption basket has become increasingly dominated by services such as telecommunications, transport, finance, and

entertainment. This paper reflects both rising aspirations and the unique service-led nature of India's economic transformation. However, it also raises concerns about employment generation and limited productivity spillovers associated with service-heavy consumption. Therefore it's true that our economy is driven mostly by consumption [11].

In India gold imports act as a huge burden on the country's current account balance and a large part of it lies idle in the economy. The attempts to curb the import demand have often failed in recent past [12].

3.2. Literature Review on Gold Import and its Consumption

Business Standards (Nov, 2025) The country's gold imports surged about threefold to hit a record high of USD 14.72 billion in October, mainly due to higher festival and wedding demand, according to commerce ministry data. Gold imports have pushed the country's trade deficit (difference between imports and exports) to a record high of USD 41.68 billion in October [13].

As per NITI Aayog's "Transforming India's Gold Market" report, India is highly dependent on imported gold to meet domestic demand. While demand for gold is strong, the export of jewellery

(which could offset some import value) has faced headwinds e.g., in a recent month gem and jewellery exports fell 29.5 % year-on-year to US \$2.3 billion [14].

Sr. No.	Year	Import value (in billion INR)
1.	2019	2295.37
2.	2020	1992.50
3.	2021	2542.88
4.	2022	3440.94
5.	2023	2804.82
6.	2024	3772.50
7.	2025	4897.50

Source- Statista

Table 4: Value of Gold Imported to India (in billion INR)

The above table shows that gold import value surged from 2295.37 billion INR to 4897.50 billion INR from the year 2019 to 2025. Henceforth gold import surged by 113%. This gold import deteriorates not just forex but it also surges Current Account Deficit which may lead to economic instability. Excessive investment in gold imports may divert savings from financial instruments and

productive sectors which hampers capital formation in the country. In recent years, fintech and banks are jointly expanding share of credit with the help of capital and technology. Which directly impacts adversely on the savings. (Private Saving and Credit in Emerging Markets: Cross-Country Evidence and the Role of Financial Depth," – IMF working paper) [15].

Particulars	Fintech type	Personal Loans	Business Loans
AUM (Asset Under Management) in Crore	Fintech NBFCs	248006	28,607
	Fintech Enabled	32,515	21,450
Disbursal Amount in Crore	Fintech NBFCs	2,11,794	17,345
	Fintech Enabled	28,737	8,317
Market Share (%)	Fintech NBFCs	52%	16%
	Fintech Enabled	12%	18%

Source- Experian Whitepaper- "Small is Big"

Table 5: Fintech Lending Summary/ Snapshot

Fintech is financial technology; refers to companies or solutions that use innovative technology to deliver or automate financial services, often disrupting traditional models. The examples of fintech services include PayPal, Venmo (P2P payments), Square (Block) (mobile payment processing), Stripe (payment processing infrastructure), Robinhood (commission-free trading), SoFi (various personal finance products etc. Fintech enabled services is an operational model with traditional financial institutions that adopt these technologies or partner with fintech firms to modernize their own operations and compete more effectively, without necessarily overhauling their entire legacy structure. They leverage technology to improve existing services, reduce operational costs, and increase efficiency.

Table no. 5 shows that Fintech NBFC's AUM contribution of Personal loans is Rs. 248006 Crore whereas fintech enabled banks contribute Rs. 32515 crore which shows fintech enabled lending institution's share is much lower. In case of Disbursal amount of personal loan, Fintech NBFCs contribute much higher than that of fintech enabled lending institutions. In recent days, Market share

of fintech NBFCs are hovering with 52% and fintech enabled institution's market share is much lesser i.e. 12%. On the other hand, Fintech NBFCs and Fintech enabled lending institutions have more or less equal contribution in case of business loans. Therefore, Fintech NBFCs are the big players in personal lending with massive loan volumes and market dominance. Fintech-enabled lenders contribute to the ecosystem but are smaller in personal loans. In business loans, both groups play a significant role, with fintech-enabled lenders slightly stronger in market share.

Although there is overall surge in the small ticket sized loans in the pan India level amid it raises concern of asset quality. As per the RBI's Financial Stability Report, 2024, the asset quality of the sector deteriorated in the first half of FY25, with the share of loans overdue between 31-180 days doubling to 4.30% at the end of September 2024 from 2.15% at the end of March 2024

Delinquency rates across different geographies have remained stable, but the overall landscape is changing. Adverse macroeconomic trends have contributed to slower growth in new

loan originations and rising delinquencies since March 2024. Subhrangshu Chattopadhyay, a whole-time director at CRIF High Mark, noted that rising household debt is a significant factor. Super-prime borrowers are increasingly borrowing for asset creation, while subprime borrowers are borrowing for consumption [16]. According to the latest Fintech Barometer report by CRIF High Mark and the Digital Lenders Association of India, there has been a staggering 44% increase in delinquencies among personal loan borrowers who took loans between December 2023 and June 2024. This spike in defaults is particularly concerning for loans under ₹10,000.

The CRIF High Mark report highlights a recalibration of lender strategies in response to inflation, regulatory interventions, and changing borrower profiles. Public sector banks (PSBs) emerged

as leaders in home loan originations, while non-banking financial companies (NBFCs) rapidly expanded their footprint in personal, two-wheeler, and consumer durable loans. However, the sharp increase in delinquency rates, especially among subprime and new-to-credit customers in low-value loans, has raised red flags across the financial ecosystem. Sachin Seth, chairman of CRIF High Mark, says risk aversion by lenders and regulatory guidelines have shaped lending trends across categories, leading to a recalibration in lender strategies. "Risk management remains a key priority, with early-stage stress showing improvement, though later-stage delinquencies continue to pose challenges, particularly among subprime borrowers and low-value loans. (High-value Loans Rise in India as Delinquencies Surge in Small-ticket Lending: CRIF High Mark Report, 14 July 2025)

Sr.No.	Type of Loan	Delinquencies level				
		PAR 1-30	PAR 31-90	PAR 91-180	PAR 181-360	PAR 360+
1.	Home Loans	NA	2.2% stable	0.3% stable	1.9%	NA
2.	Personal Loan	NA	1.6%	1.1% (stable)	5.6%	NA
3.	Two Wheeler Loan	NA	3.6 stable	1.9%	1.8% stable	5.9%stable
4.	Auto Loan	NA	2.4%	0.7%	2.0%	NA
5.	Consumer Durable loans	NA	1.1%	1.1% stable	0.5% stable	5.5%
6.	Credit card Loan	2.3	2.3 stable	1.8	7.1	NA

Source- How India Lends, Credit landscape in India, Q2FY26- CRIF report

Table 6: Delinquencies Trend of Personal, Two-Wheeler Loans, Auto Loans, Consumer Durable Loans and Credit Card Loans 2025

Table no. 6 is about the delinquency rate of different types of loans. Stable performance in the home loans show improvement in the Asset quality continues to remain strong, reflecting ongoing improvement in performance metrics. In case of personal loans asset quality remains stable overall. PAR 31-90 improved to 1.6%, while PAR 91-180 held steady at 1.1%. However, PAR 180+ increased to 5.6%, indicating some stress in the long-overdue bucket. In case of two-wheeler loans PAR 31-90 remained high as compared to PAR 91-180. and PAR 181-360 indicating risks in early buckets. Auto loans showcase the worrisome condition

about the delinquencies PAR 31-90 deteriorated due to increase in NBFCs delinquencies, pushing PAR 31-180 up from 2.8% in Jun'25 to 3.1% in Sep'25. Consumer durable loans such as loan on television, mobile, refrigerators, Electronic devices in which PAR 31-180 metrics showed improvement or remained the same likely reflecting lender caution and ongoing recovery efforts. On the contrary PAR 181-360 days, showing stress with default of 7.1% and may turn it to Non-performing Assets (NPA). Credit card loans showing stability or little improvement in the PAR 1-180 buckets.

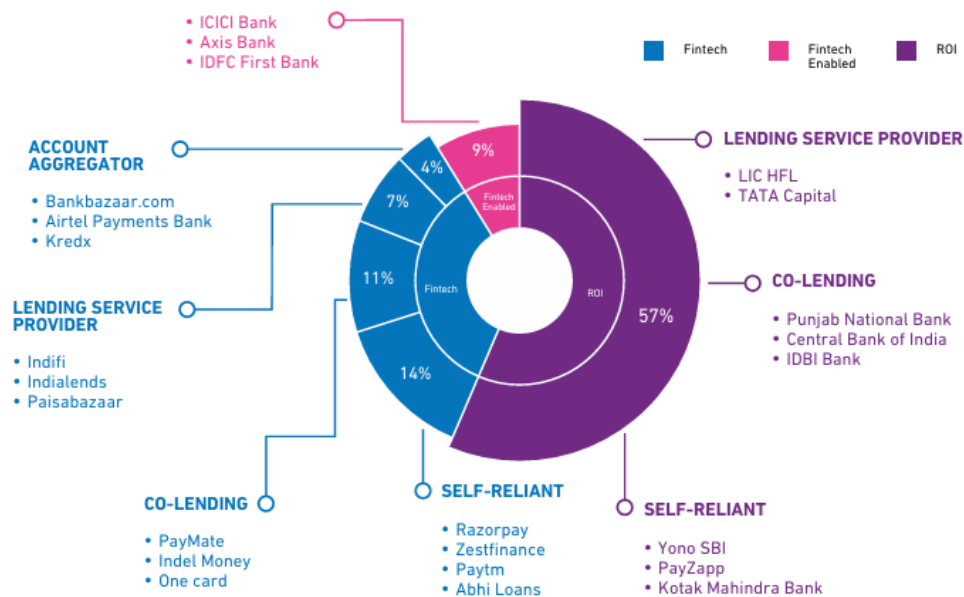


Figure 1: Fintech Operating Models and its Share in the Indian Credit Market
Source- based on Experian study

Above image taken from Experian study report, reveals that, Co- lending means (Banks and fintech jointly provide loans and share risk and profit) commercial banks in collaboration of fintech, Lending service providers (facilitators of the loans) such as LIC HFL and TATA capital, self-reliant models (operations and technology served independently to the customers) are contributing very high i.e. 57% of the total lending.

4. Result and Discussion

The study reveals a structural shift in India's household financial behaviour over the last five years. GDP has substantial growth but due to consumption driven economic growth savings are declining which is indicating that savings growth has not kept pace with income and consumption expansion. This trend raises concerns regarding the sustainability of domestic capital formation in a consumption-led growth model. The composition of household savings has also undergone a notable transformation. Financial savings and physical asset accumulation have increased intermittently, but net financial savings have declined due to faster growth in liabilities. This erosion of net savings weakens households' financial buffers and increases vulnerability to income and interest-rate shocks. The IMF-based evidence cited in the study further supports this outcome, showing that financial deepening and easy credit access reduce private savings, particularly in middle-income economies such as India. The proliferation of digital credit lines, and unsecured fintech loans has facilitated consumption smoothing but simultaneously plummeted down the household savings. Asset quality indicators further highlight emerging risks. While home loans remain relatively stable, delinquency rates in small personal loans, two-wheeler loans, consumer durable loans, and credit cards have risen, particularly in longer-duration buckets (PAR 180+). This pattern suggests that fintech-driven lending has expanded

access but at the cost of higher repayment stress. The IMF study finds that as private credit access increases, household saving tends to decline. Using data from 1995 to 2022, the researchers estimate that a 10-percentage-point rise in private credit to GDP reduces the private saving rate by about 0.6 to 0.8 percentage points. The trend is strongest in middle-income economies like India, where financial markets have matured and banks offer a wide range of consumer credit, mortgages, and business loans. This financial deepening helps household's smooth consumption and invest more confidently, but it also erodes the domestic savings base that sustains long-term investment and economic resilience. "Delinquencies remained subdued for larger loans, but sub-Rs 5 lakh loans showed worsening trends in both early (portfolio-at-risk (PAR)-31-90) and later-stage (PAR 91-180) stress. As the result it is confirmed that, fintech expansion has acted as a double-edged sword, enhancing credit access and consumption in the short run, while contributing to declining net household savings and rising indebtedness, with potential macroeconomic repercussions.

5. Conclusion

From the above study it is revealed that the persistent decrease in the household coupled with higher liabilities poses a challenge for India's long-term economic sustainability. Households are increasingly transitioning from net savers to net borrowers, weakening the domestic savings base that traditionally finances investment and capital formation in India. Credit to the microfinance sector by banks (including small finance banks), NBFC-MFIs, and other NBFCs has decelerated during the current financial year, following a period of rapid growth over the last three years. The report noted that credit to the sector grew at a CAGR of 24.4% between June 2021 and March 2024. There is a significant increase in the financial liabilities of the household sector due to

revolutionary surge in the fintech industry. The central bank also flagged pockets of stress in the microfinance and consumer credit segments among key domestic macro financial risks requiring close monitoring [17].

The need for sustainable growth in unsecured lending has never been more critical. Regulatory actions and economic pressures necessitate a careful approach to lending practices. Continuous monitoring of borrower credit scores over time is essential to identify potential risks early. Borrowers whose credit scores decline are flagged as higher risk, underscoring the importance of ongoing risk assessment [16]. Although savings in physical assets and gold continue to provide partial hedges, rising gold imports have worsened the current account balance and diverted resources away from productive investment. The evidence therefore suggests that India's consumption-led growth model, if not supported by robust domestic savings, may not be sustainable in the long run.

Declarations

Funding

The authors received no external funding for this research. The study was conducted independently using publicly available secondary data sources.

Conflict of Interest

The authors declare that they have no conflict of interest.

Ethics Approval

This study is based exclusively on secondary data obtained from publicly available sources. No human participants, animals, or personal data were involved in the research. Therefore, ethical approval was not required.

Consent to Participate

Not applicable. This study did not involve human participants.

Consent to Publish

Not applicable. The manuscript does not contain any individual person's data, images, or identifiable information

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