

Financialization of Indian Households: Trends in Savings and Borrowing

Vidhya Soundararajan* Aishwarya Bhamidipati† Twinkle Halder‡
Vijayshree Jayaraman§

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Executive Summary

Households occupy a central position in India’s macroeconomic framework through their roles as consumers, savers, borrowers, small business entrepreneurs, and investors. In 2024-25, private final consumption expenditure accounted for 56.5 percent of real GDP, underscoring the importance of household spending for aggregate demand. At the same time, household savings constitute a major component of national savings and therefore contribute to the capital available for investment and growth. The expansion of bank account ownership, digital payments, and formal credit over the past two decades has accelerated the financialization of Indian households. This process has increased participation in formal finance, but has also altered household balance sheets in ways that require careful policy attention.

The evidence points to two related developments. First, household financial savings have weakened relative to GDP, with net financial savings falling to a multi-decade low in 2022-23 before recovering only modestly. Deposits remain the primary savings instrument, but their share has declined as households have increasingly shifted toward shares, debentures, mutual funds, insurance, and pension products. Second, household liabilities have risen sharply, with credit expansion increasingly driven by private banks, NBFCs, and FinTech lenders. The growth of personal loans, consumer durable loans, and small-ticket digital credit indicates a shift from asset-based borrowing toward consumption-driven credit.

Using several datasets, this article highlights that the benefits of financial inclusion are accompanied by emerging risks. Credit access has widened among women, below-prime borrowers, and new-to-credit borrowers, reflecting important inclusion gains. However, repayment stress is concentrated in unsecured and fast-growing segments, particularly among FinTech lenders and in personal and business loans. The central challenge is to ensure that household financialization does not morph into systemic over-indebtedness. Balanced regulation, robust safety nets, and closer monitoring of borrower risk, lender type, and product-level delinquency are necessary to prevent disruptions in credit flow and sustain stable economic growth.

*Centre for Advanced Financial Research and Learning (CAFRAL)

†University of Virginia

‡Independent Researcher

§University of Illinois Urbana-Champaign