

# How have household balance sheets changed post the pandemic?

A descriptive analysis of household balance sheets using CMIE's Consumer Pyramid Household Survey (CPHS) Dataset (2021- 2023)

# Summary of Insights

- While the overall percentage of households with an outstanding loan has not changed significantly between 2021 and 2023, there is a steady increase in formal borrowings from 17% in January 2021 to 29% in December 2023.
- Between 2021 and 2023, the percentage of households borrowing to repay debt increased from 11% to 17%. The largest increase however was witnessed for quintiles 4 ( from 19% to 28%) and 5 (from 15% to 26%). On average, 60 to 70% of loans borrowed for debt repayment were being sourced from SHGs.
- Between 2021 and 2023, the percentage of households with no loans and a single loan came down from 60% to 55% and from 35% to 30%, respectively. During the same period, the percentage of households with 2 loans almost doubled from 6% to 11% and those with 3 or more loans increased from 0.5% to 3% . A greater proportion of MFI borrowers have two or more loans. For the lowest income quintile, 28% of MFI borrower households had two or more loans in December 2021 compared to 72% in December 2023.
- Percentage of households saving and investing in both formal and informal financial products have increased during the period 2021 to 2023. For the lowest income quintile, however, participation in formal financial instruments such as Fixed Deposits, Life Insurance, and Post Office Savings accounts has dropped since January 2023. The decrease in savings and investments across these instruments since January 2023 also coincides with an increase in formal borrowing for this group.
- According to [research by Amit Basole and Anand Shrivastava](#) using the CMIE dataset, the poorest ten percent have seen the biggest rise in income-consumption mismatch between 2019 to 2023. For the lowest income decile, the consumption to income ratio was 0.99 in 2019 compared to 1.11 in 2023. Increased consumption for this segment is possibly being sustained by depleting savings and increasing borrowing, potentially signalling financial distress.

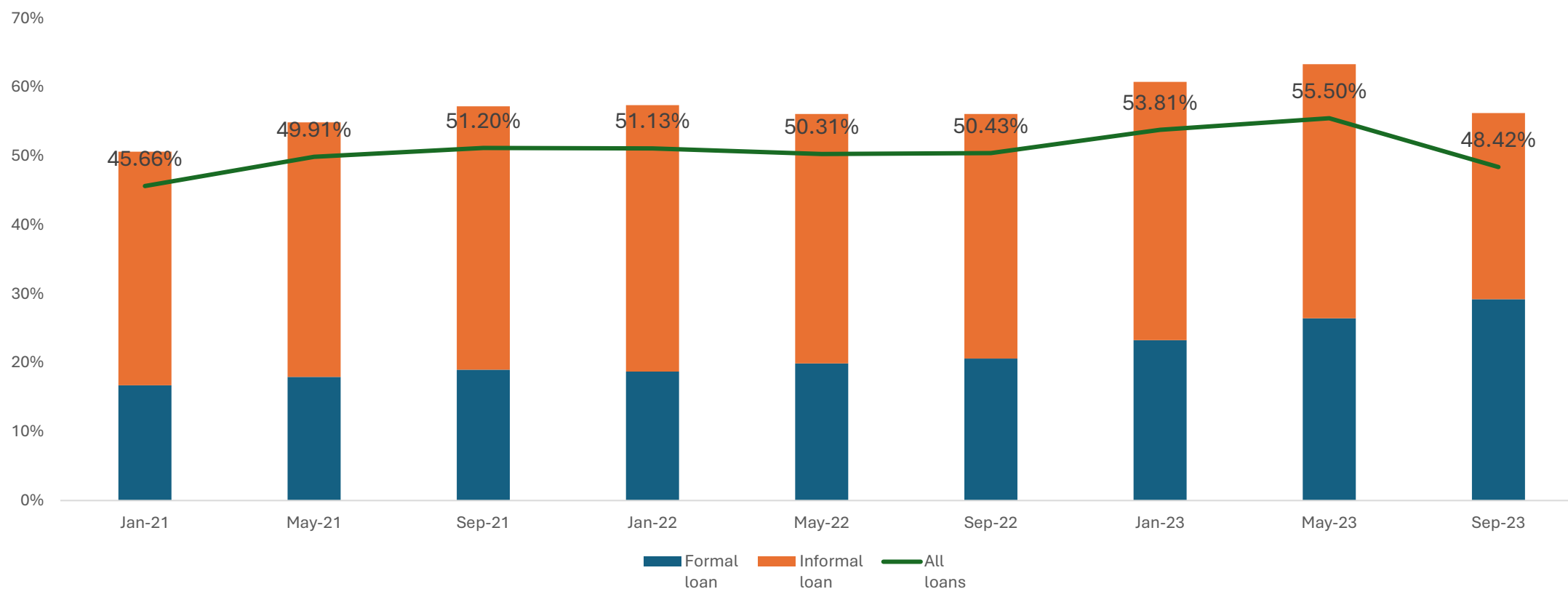
# Household Liabilities

This section analyses household borrowing data across a variety of formal and informal financial instruments using CMIE's CPHS dataset from January 2021 to December 2023. The household is asked whether it has an outstanding borrowing at the time of the survey, and if so, from what source, and for what purpose.

Note: CMIE conducts the CPHS in three waves during the year. Waves 1, 2, and 3 refer to the period January to April, May to August, and September to December, respectively. For all the graphs in this slide, Jan refers to the period ranging from January to April, May refers to the period ranging from May to August, and finally September refers to the period ranging from September to December.

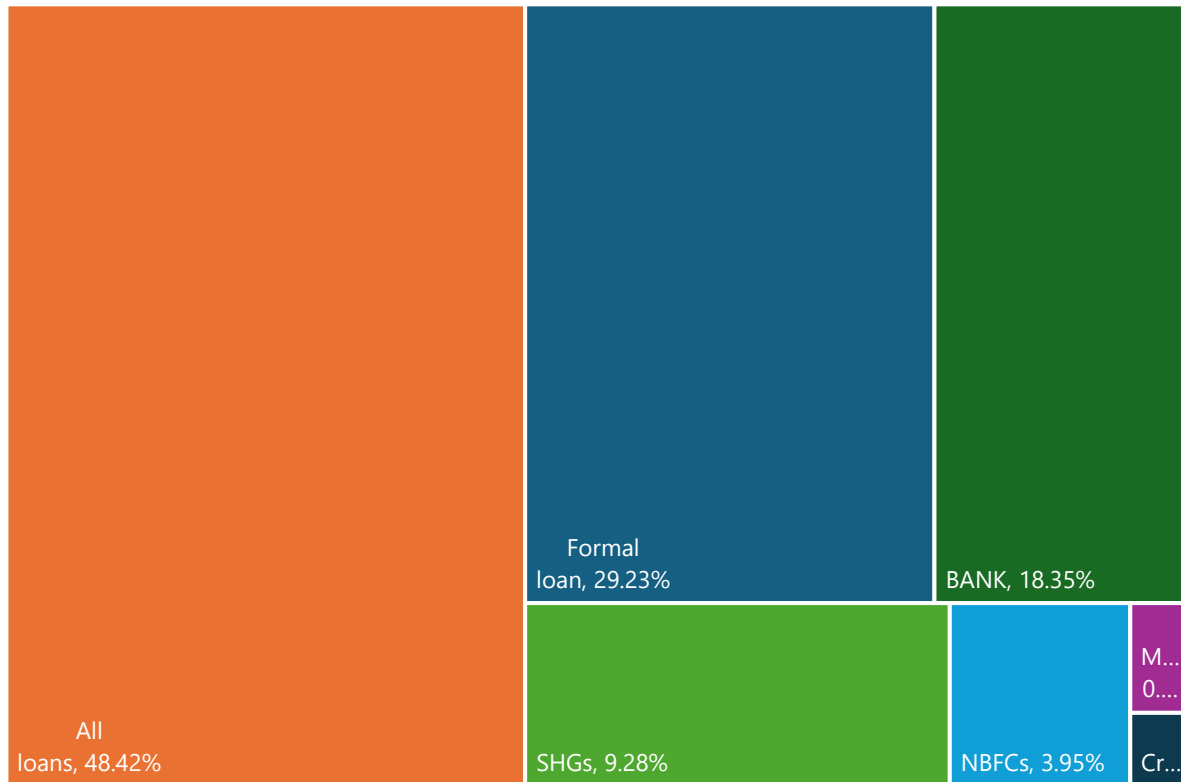
On average, the percentage of households with outstanding borrowing in 2021, 2022, and 2023 stood at 48%, 50%, and 52%. The composition of these loans however has changed- the percentage of households with formal loans has increased from 17% in Jan 2021 to 29% in Sep 2023; the percentage of households with informal loans has decreased from 34% in Jan 2021 to 27% in Sep 2023.

Percentage of Households with Outstanding Borrowings

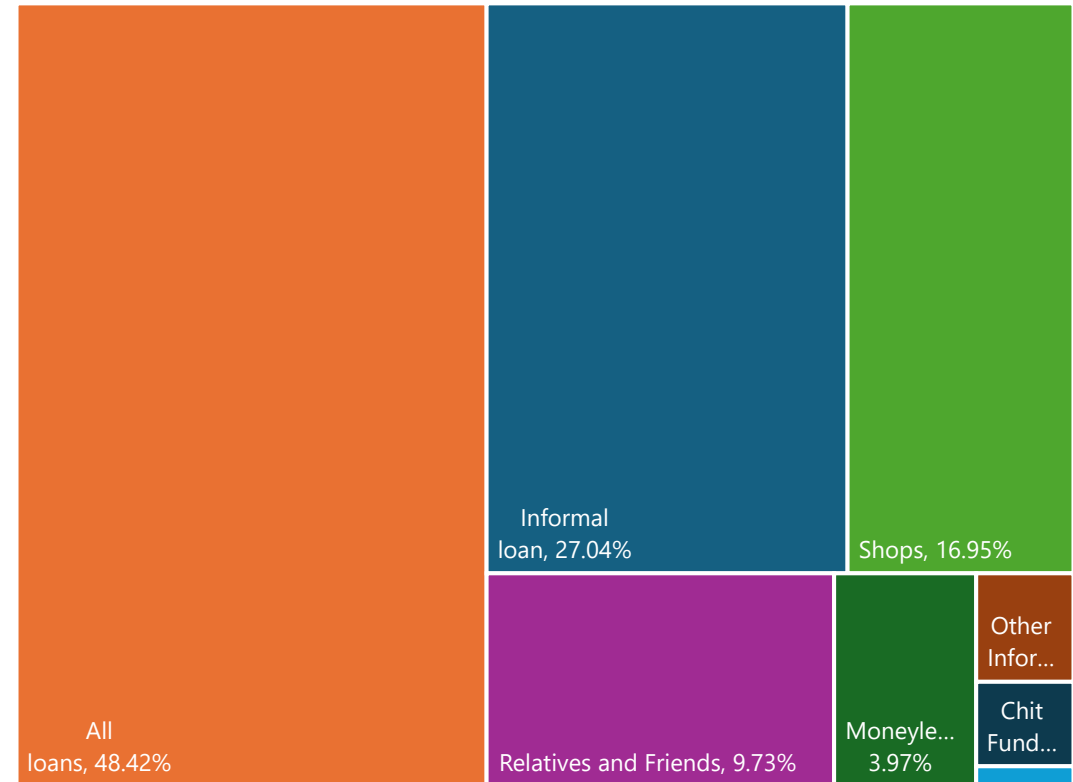


As of Sep 2023, the split between formal and informal loans is roughly the same. Banks and SHGs are the most common sources of formal borrowings. Shops, friends, and family are the most common sources of informal borrowings.

Percentage of Households with Outstanding Borrowings by Source (Sep 2023) - Formal



Percentage of Households with Outstanding Borrowings by Source (Sep 2023) - Informal

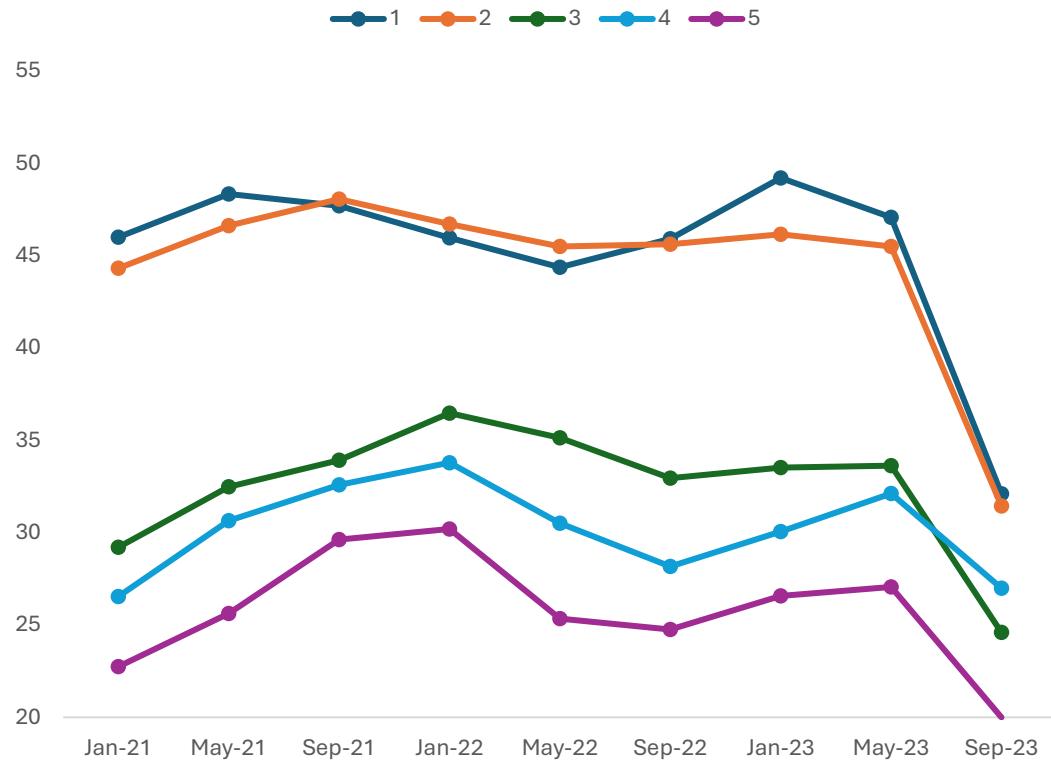


\*Percentages don't add up to 100 as households borrow from multiple sources

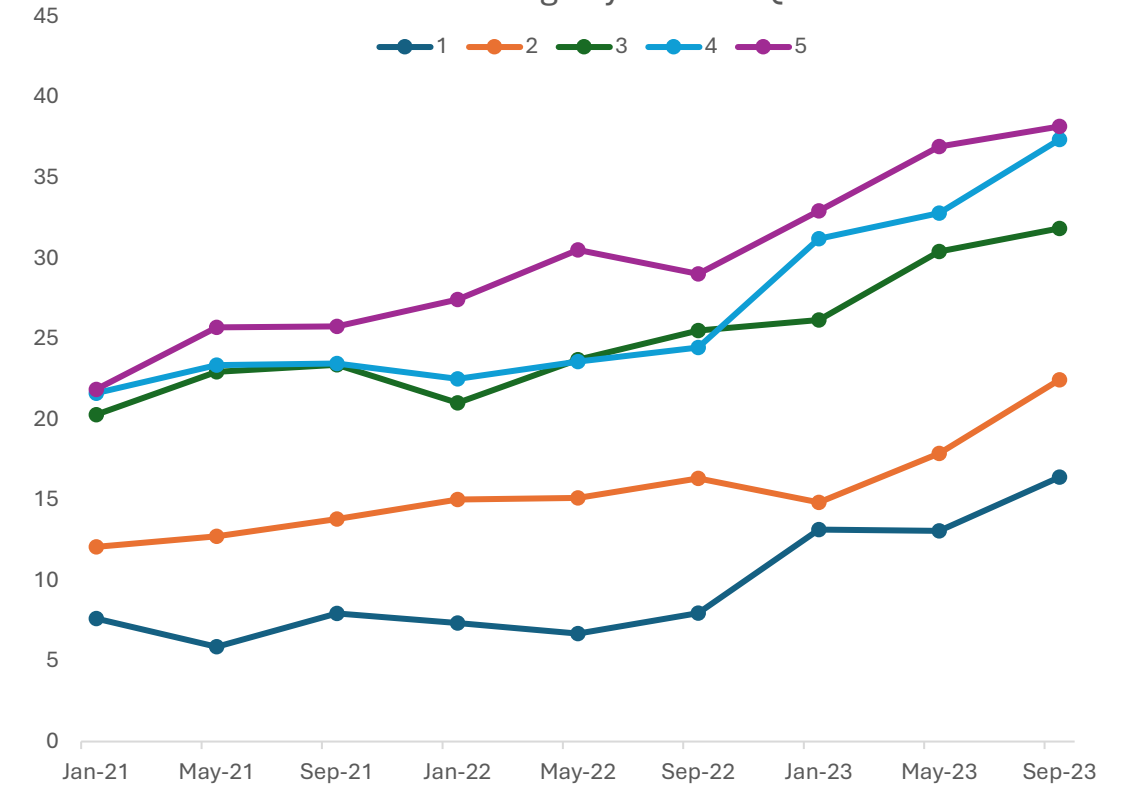
Percentage of households with informal borrowing is highest for income quintiles 1 and 2. There is a sharp drop (roughly 15 percentage points decrease) in informal borrowings between May and Sep 2023 rounds for quintiles 1 and 2.

Percentage of households with formal borrowings is highest for income quintiles 4 and 5. Formal loans have increased almost consistently for all households between Jan 2021 and Sep 2023.

Percentage of Households with Informal Outstanding Borrowings by Income Quintile



Percentage of Households with Formal Outstanding Borrowings by Income Quintile



Household borrowing for day to day consumption expenditure has decreased over time but increased consistently for business purposes, repayment of debt, housing, and vehicle purchase. Self-reported data on borrowing purpose however could be prone to errors of misclassification, especially for the low-income segment (eg: a prominent reason for borrowing among low-income households is ‘social obligations’ which does not get recorded in the CMIE-CPHS data).

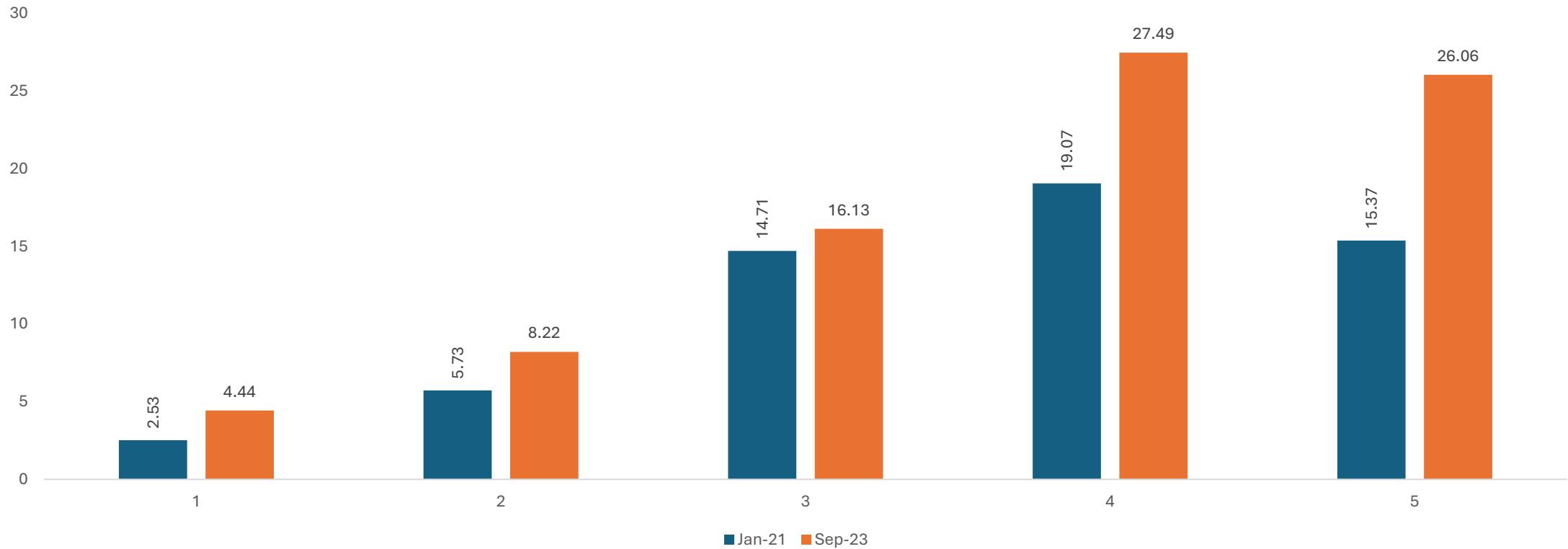
## Household Borrowing by Purpose (%)- Jan 2021 to Sep 2023

	Housing	Education	Medical Expenses	Wedding	Consumption	Durables	Business	Investments	Repayment	Vehicle	Others
Jan '21	4.79	0.32	0.56	1.62	71.16	3.93	13.37	0.41	10.82	7.78	2.32
May '21	4.44	0.29	0.58	1.82	68.86	3.66	15.21	0.46	10.69	7.84	2.73
Sep '21	5.02	0.29	0.64	2.02	70.06	3.66	15.07	0.56	12.37	8.59	2.01
Jan '22	4.8	0.32	0.48	2.09	71.5	3.47	15.13	0.8	12.78	8.68	2.08
May '22	4.86	0.35	0.61	1.75	66.78	3.04	15.59	0.51	14.46	10.26	3.77
Sep '22	5.01	0.53	0.62	1.9	65.48	4.6	15.35	0.43	14.3	11.53	3.27
Jan '23	4.97	0.53	0.81	2.07	63.25	5.74	14.43	0.63	13.81	13.62	4.89
May '23	5.71	0.53	1.03	2.75	59.59	7.16	15.7	0.41	14.14	15.36	4.59
Sep '23	7.88	0.96	1.58	3.52	46.57	9.4	20.52	0.39	17.01	18.98	6.65

\*Percentages don't add up to 100 as households borrow from multiple purposes

Between Jan 2021 and Sep 2023, the percentage of households borrowing to repay debt has increased for all households, with the largest percentage point (pp) increases occurring for quintiles 4 (9 pp) and 5 (11 pp).

Percentage of Households with Outstanding Borrowings for the Purpose of Debt Repayment by Income Quintiles





On average, 60 to 70% of loans borrowed for debt repayment are being sourced from SHGs. Loans from friends and family and chit funds are the second and third most common sources of loans used for debt repayment.

## Household Borrowing for Debt Repayment by Source (%)- Jan 2021 to Sep 2023

	Bank	Money Lender	Employer	Relatives and Friends	NBFC	SHGs	MFIs	Chit Funds	Credit Card	Shops	Other Sources	Unknown
Jan '21	3.86	3.89	0.2	9.25	0.1	68.2	0.26	14.48	0.72	0.06	0.05	0
May '21	3.12	3.84	0.17	16.67	0.39	76.14	0.24	7.55	0.22	0.59	0.06	0.04
Sep '21	3.75	2.47	0.17	22.29	0.06	72	1.85	0.62	0.22	1.05	0.06	0.02
Jan '22	6.03	2.38	0.04	26.02	0.05	62.92	3.53	1.79	0.27	1.07	0.12	0.02
May '22	7.4	5.37	0.11	20.37	0.2	58.51	2.46	7.53	0.06	1.95	1.6	0.03
Sep '22	4.49	1.35	0.07	22.97	0.73	60.9	0.16	3.32	0.04	2.51	6.48	0.93
Jan '23	2.23	3.47	0.25	18.77	0.59	63.94	0.25	12.86	0.74	1.96	0.44	0.13
May '23	2.38	4.25	0.13	21.96	0.59	62.66	0.27	15.21	0.18	1.41	1.97	0.02
Sep '23	2.84	6.11	0.23	21.12	1.51	66.31	0.29	6.85	0.53	0.44	1.7	0.52

\*Percentages don't add up to 100 as households borrow from multiple sources

MFI loans are used for a variety of purposes across expense categories; MFI Borrowing for debt repayment was highest in Sep 2021 at 47% but has since then come down to 3% in Sep 2023.

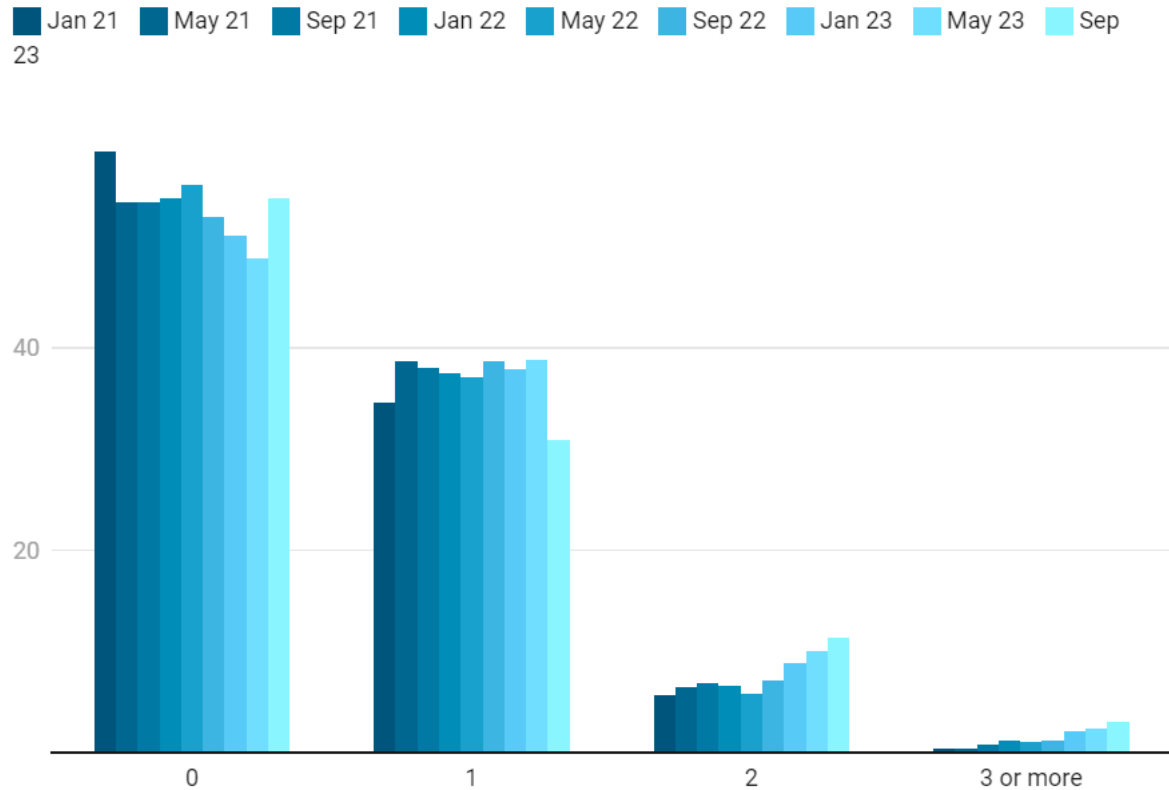
## Household Borrowing from MFI by Purpose (%) - Jan 2021 to Sep 2023

	Housing	Education	Medical Expenses	Wedding	Consumption	Durables	Business	Investments	Repayment	Vehicle	Others
Jan '21	5.29	0.3	0.95	0.67	2.05	12.86	13.65	1.66	6.51	45.85	10.23
May '21	10.72	0.01	1.32	2.55	4.22	7.37	32.21	0.08	5.12	22.58	13.87
Sep '21	2.1	0.99	1.46	1.77	6.31	3.04	17.84	0	47.14	0.75	18.84
Jan '22	3.45	0.01	0.08	0.05	1.53	0.56	26.42	0	37.41	25.37	5.61
May '22	13.03	0	0.4	0.35	5.11	0.78	31.68	0.04	36.22	5.7	7.2
Sep '22	17.2	0.1	0.71	1.33	14.5	2.37	33.44	0	2.86	14.07	15.46
Jan '23	13.34	1.27	3.17	2.74	8.19	7.87	29.28	4.84	3.56	17.42	13.22
May '23	9.09	0.83	0.79	1.88	3.79	15.21	30.9	2.84	2.53	13.31	20.21
Sep '23	14.25	1.04	2.07	4.44	10.95	12.2	19.49	1.01	2.96	13.72	19.72

\*Percentages don't add up to 100 as households borrow for multiple purposes

Between Jan 2021 and Sep 2023, the percentage of households with zero loans came down from 60% to 55% and the percentage of households with a single loan came down from 35% to 30%. During the same period, the percentage of households with 2 loans almost doubled (from 5.7 to 11%) and those with 3 or more loans increased by roughly 3 percentage points. The increase in number of loans also signals greater exposure to diversified sources of credit for the Indian household.

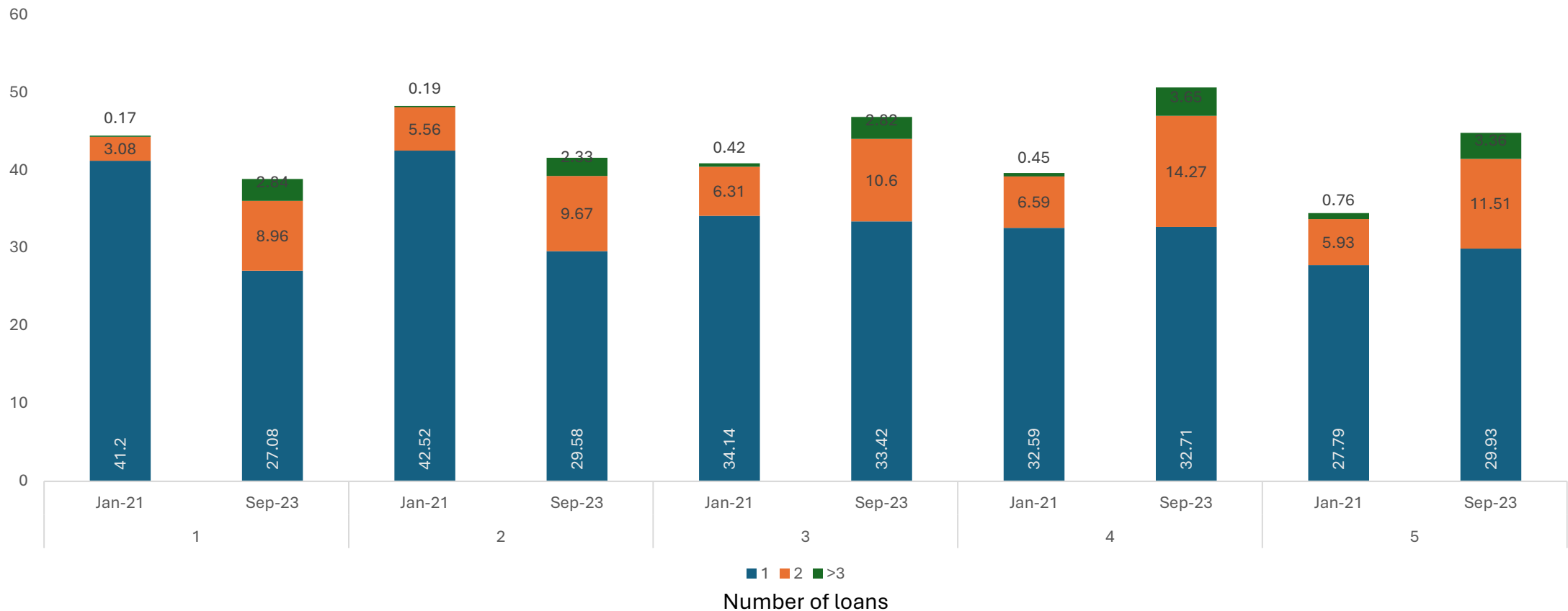
### % of Households with Average Number of Loans (Jan 2021- Sep 2023)



Note: The number of loans per household was calculated by a proxy variable- source of loan. For example, if the household reported borrowing from SHG, Bank, and Credit Card, then the household was marked with 3 loans

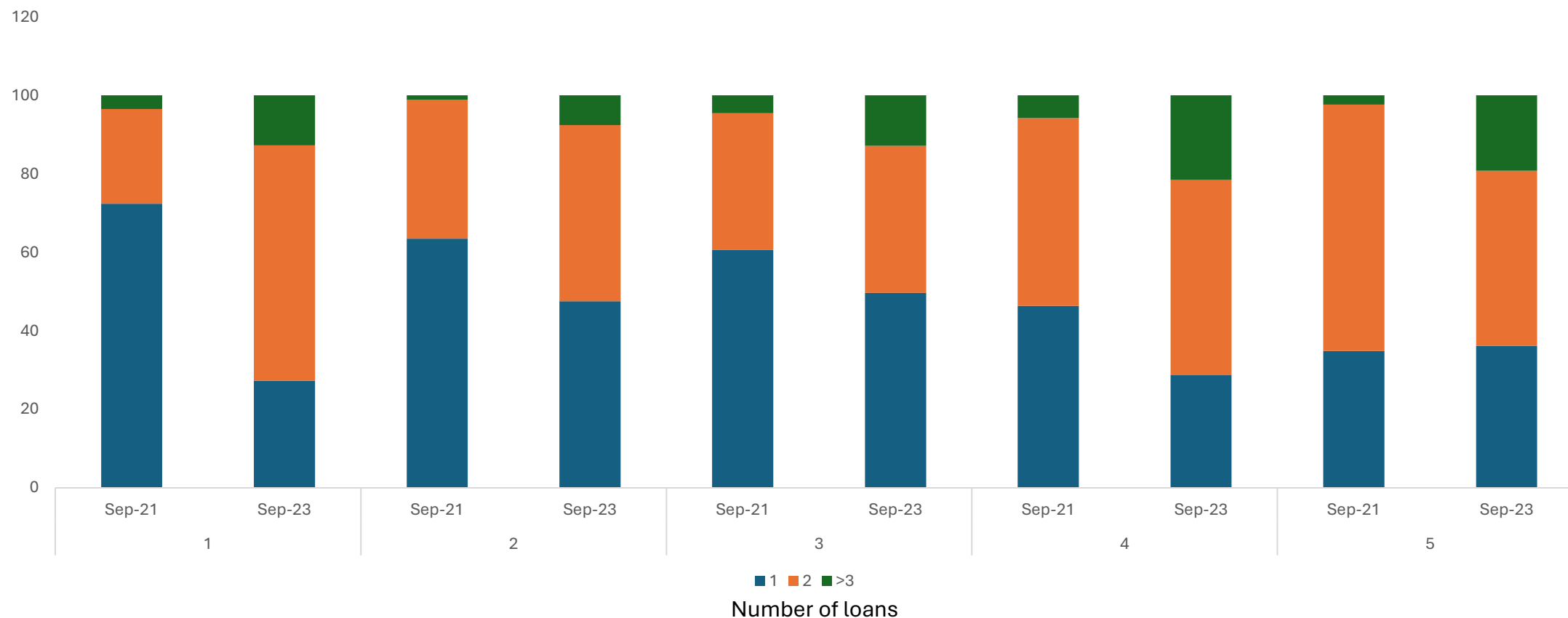
Between Jan 2021 and Sep 2023, the percentage of households with a single loan has decreased for Quintiles 1 and 2 and has roughly remained the same for Quintiles 3, 4, & 5. Between Jan 2021 and Sep 2023, the percentage of households with 2 loans has increased by 2 to 3 times across all income quintiles. Roughly, 3.5 to 4% of households from income quintiles 4 & 5 have 3 or more loans.

Percentage of Borrower Households by Number of Loans and Income Quintiles



Between Sep 2021 and Sep 2023, the percentage of MFI borrower households with a single loan reduced across all income quintiles. During the same period, the percentage of MFI borrower households with two loans increased for the first four income quintiles, with the highest increase for income quintile 1 from 24% in Sep 2021 to 60% in Sep 2023. The percentage of MFI borrower households with 3 loans increased for all income quintiles between Sep 2021 to Sep 2023, with the largest percentage point increase witnessed for income quintiles 4 and 5 at 16% and 17%, respectively.

Percentage of MFI Borrower Households by Number of Loans and Income Quintiles



# Household Assets

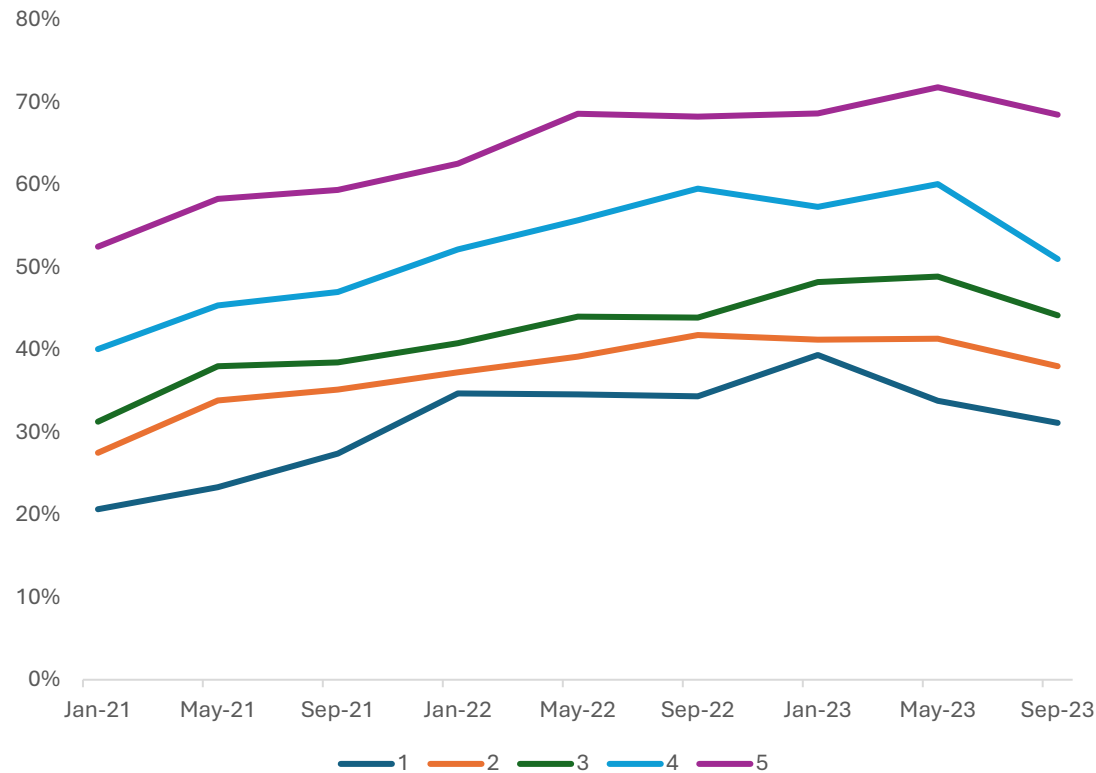
This section analyses household savings and investment data across both financial and physical assets using CMIE's CPHS dataset from January 2021 to December 2023. The household is asked whether it has an outstanding saving/investment at the time of the survey, across a variety of financial (both formal and informal) and physical asset (real estate, gold, consumer durables) categories.

Note: CMIE conducts the CPHS in three waves during the year. Waves 1, 2, and 3 refer to the period January to April, May to August, and September to December, respectively. For all the graphs in this slide, Jan refers to the period ranging from January to April, May refers to the period ranging from May to August, and finally September refers to the period ranging from September to December.

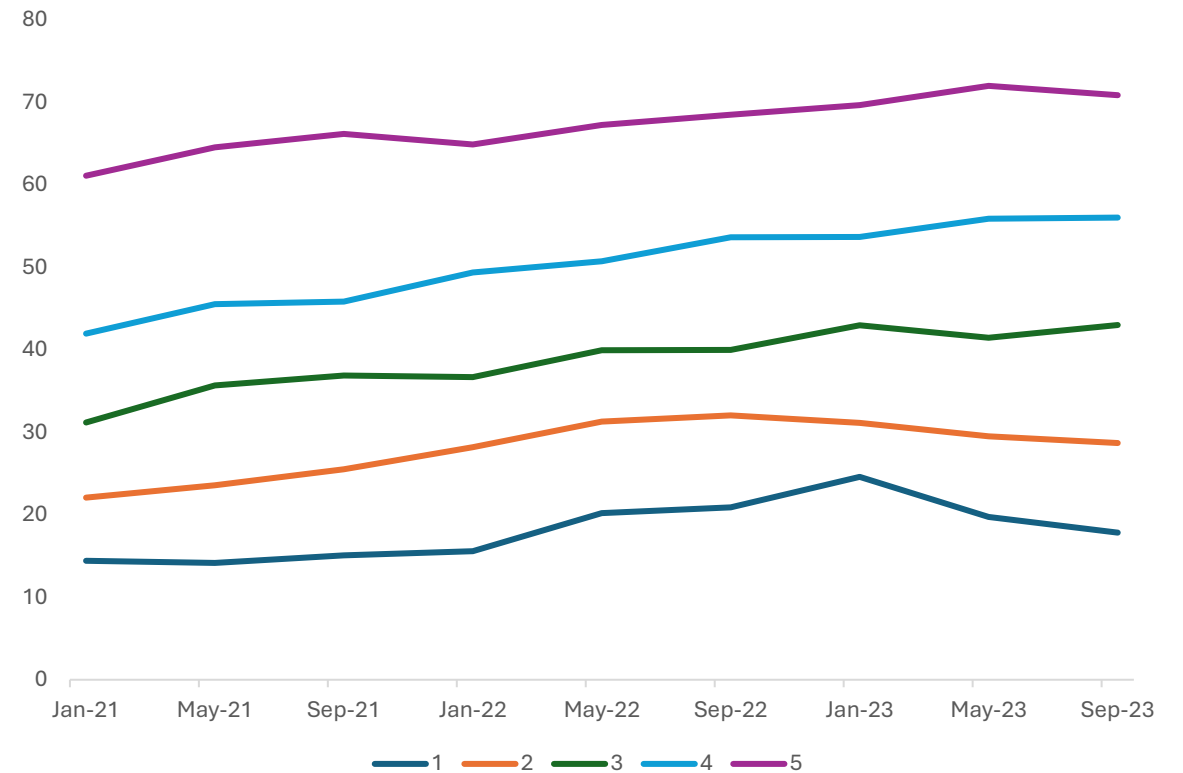


As of Sep 2023, household participation in F.D and Life Insurance is the highest for income quintile 5 with roughly 70% of households in this group owning these products. For the lowest income quintile, participation in both F.D and Life Insurance has dropped since Jan 2023.

Percentage of Households with Investments in Fixed Deposits (F.D) by Income Quintiles



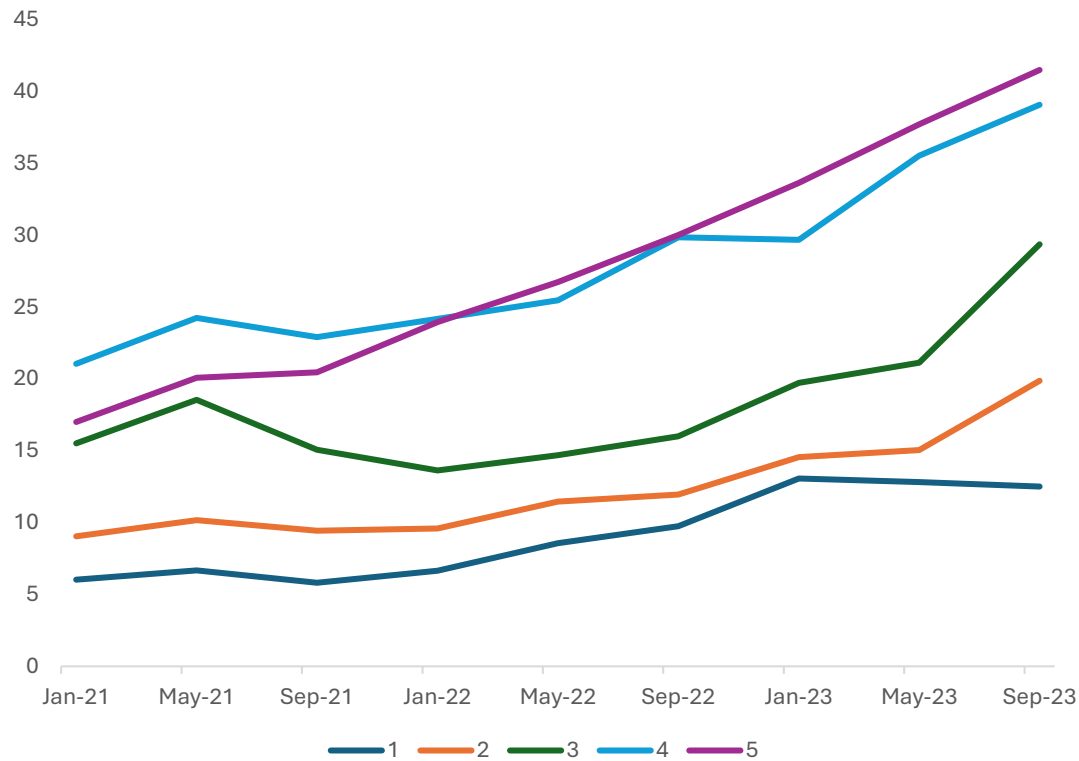
Percentage of Households with Investments in Life Insurance Plans by Income Quintiles



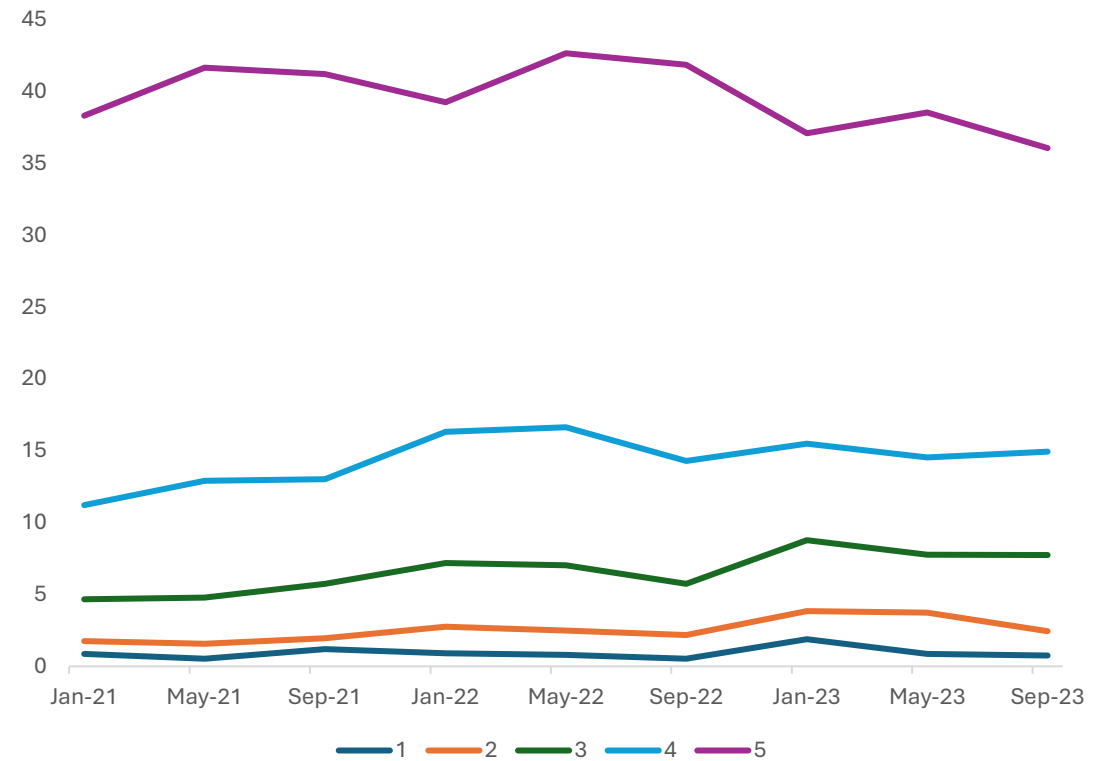


From Jan 2021 to Sep 2023, household participation in Post Office Savings has increased sharply for income quintiles 4 and 5. For the same period, participation in P.F fluctuated for the highest income quintile. For the lowest income quintile, participation in both Post Office Savings and Provident Fund (P.F) increased almost consistently from Jan 2021 to Jan 2023, post which it declined.

Percentage of Households with Investments in Post Office Savings by Income Quintiles

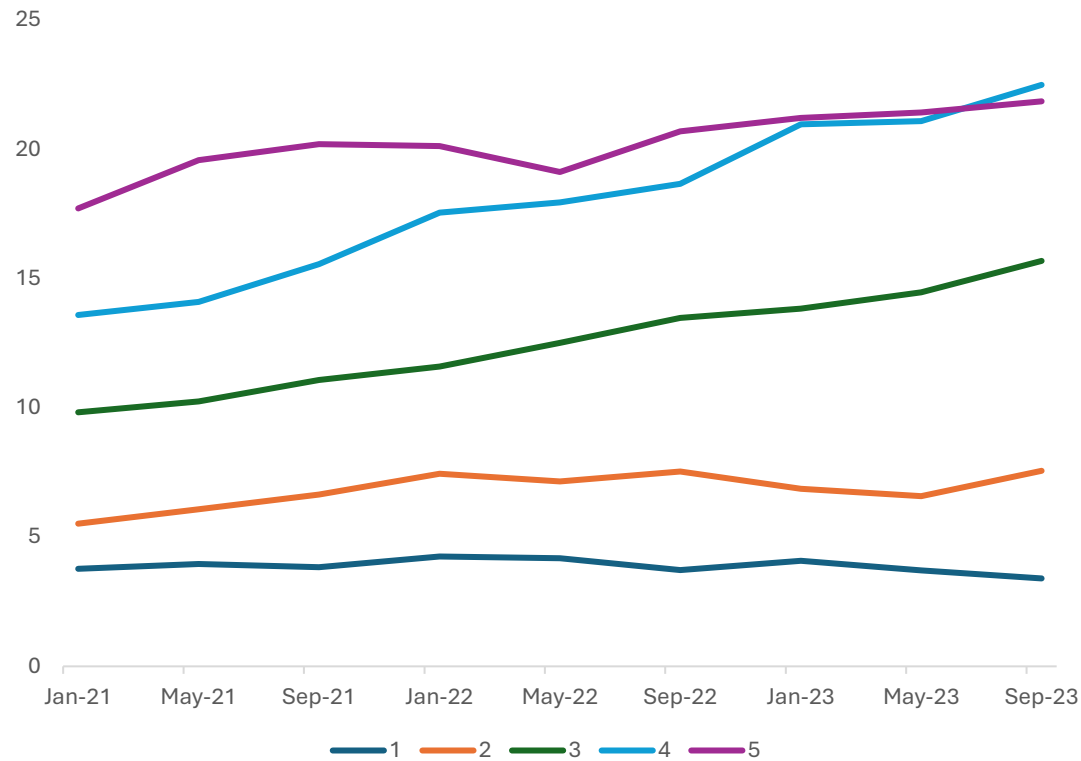


Percentage of Households with Investments in Provident Fund (P.F) by Income Quintiles



Savings and Investments in informal financial instruments such as Chit Funds and Savings Groups are also led by participation from the highest income quintiles (4 and 5). Participation in chit funds by the lowest income quintile changed only marginally between Jan 2021 and Sep 2023. While household participation in Savings Groups fluctuated during Jan 2021 and May 2023, it increased post May 2023 for all income groups.

Percentage of Households with Savings in Chit Fund by Income Quintiles



Percentage of Households with Savings in Savings Groups by Income Quintiles

