Analysis of Household Liabilities from 2021-2025 using CMIE-CPHS

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25 November 2026

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Summary

- Households reported a decrease in participation in borrowing in 2024 and 2025, mainly driven by a sharp decline in informal borrowings from shops for buying daily provisions or other regular household expenses. The decline in shop loans is observed in both rural and urban areas; however, it is more pronounced in rural areas.

- While rural households reported greater participation in borrowing between 2021-2023, the percentages for rural and urban household participation have converged around the 24-25% mark as of September-December 2025.

- While 7% of urban households report participation in informal borrowing in September 2025, it still remains a rural phenomenon, with 10.31% of households reporting reliance on informal borrowing.

- Informal borrowing remains crucial for households, especially those in the lowest quintile. As of September 2025, 53.9% of borrowing households in the lowest quintile reported relying solely on informal borrowing, while another 12% relied on both formal and informal sources.

- Different sources drive borrowing for different purposes – Shops largely provide loans for consumption purposes, while SHGs provide a large portion of loans for debt repayment purposes and NBFCs overwhelmingly fund loans for consumer durables and vehicles.

- Regulatory actions such as RBI's raising of risk weight on unsecured consumer credit in November 2023 could have impacted the levels of participation in borrowing reported by households.

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Household Liabilities Data – Points to note

- Using CMIE CPHS (Consumer Pyramids Household Survey conducted by the Centre for Monitoring Indian Economy) data from 2021-2025, we review outstanding household borrowing by source and purpose across formal and informal sources.
- CPHS is conducted in three annual waves: January–April, May–August, and September–December. Charts label these periods Jan, May, and Sep.
- CMIE-CPHS data captures participation of households (HH) in borrowing and not the allocation, meaning the households report the purpose and source of their loan(s) but not the quantum of the loan(s).

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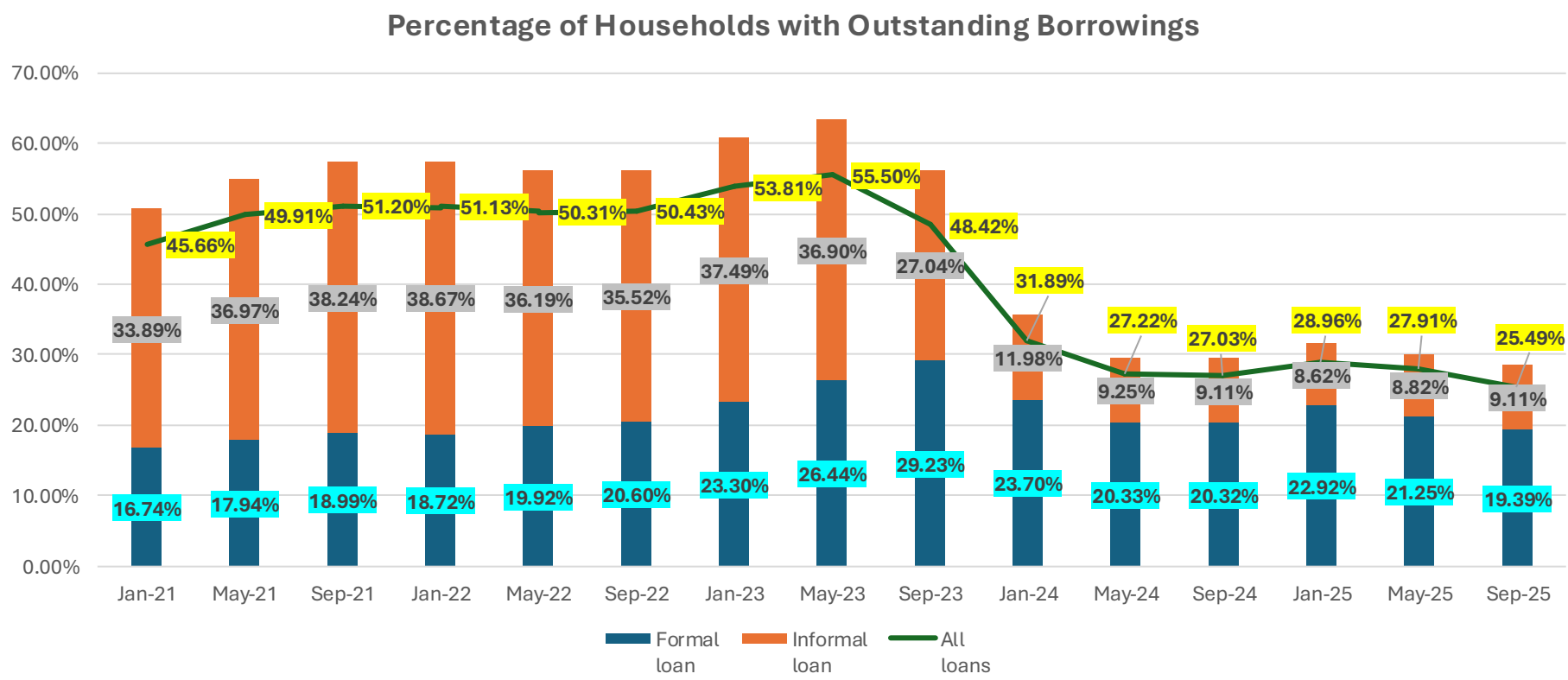
Overview of Households' Participation in Borrowing

Participation in Borrowing by Households



The share of households with any outstanding loan peaked at 55.5% in May 2023 and fell to 25.5% by September 2025, with most of the fall occurring between September 2023 and January 2024. Informal borrowing, which ranged between 34% and 39% from 2021 to May 2023 (peaking at 38.7% in January 2022), fell to 9.1%. Formal borrowing peaked at 29.2% in September 2023 and fell to 19.4%

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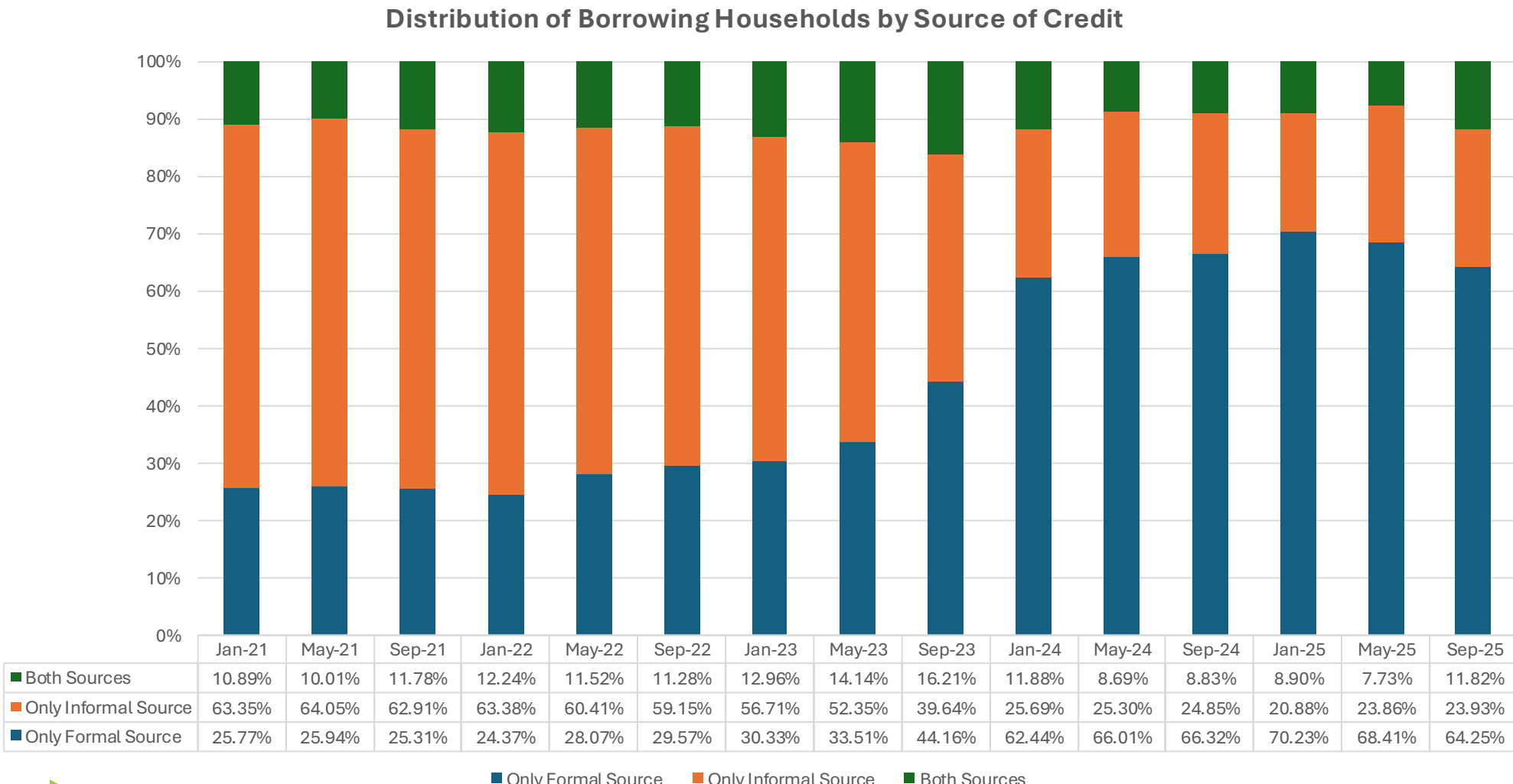
Note: The sum of households with formal loans and households with informal loans does not equal 'All loans' because some households have reported both formal and informal loans.
The denominator is all households.

Participation in Borrowing by Households



	Jan-21	May-21	Sep-21	Jan-22	May-22	Sep-22	Jan-23	May-23	Sep-23	Jan-24	May-24	Sep-24	Jan-25	May-25	Sep-25
Both Sources	10.89%	10.01%	11.78%	12.24%	11.52%	11.28%	12.96%	14.14%	16.21%	11.88%	8.69%	8.83%	8.90%	7.73%	11.82%
Only Informal Source	63.35%	64.05%	62.91%	63.38%	60.41%	59.15%	56.71%	52.35%	39.64%	25.69%	25.30%	24.85%	20.88%	23.86%	23.93%
Only Formal Source	25.77%	25.94%	25.31%	24.37%	28.07%	29.57%	30.33%	33.51%	44.16%	62.44%	66.01%	66.32%	70.23%	68.41%	64.25%

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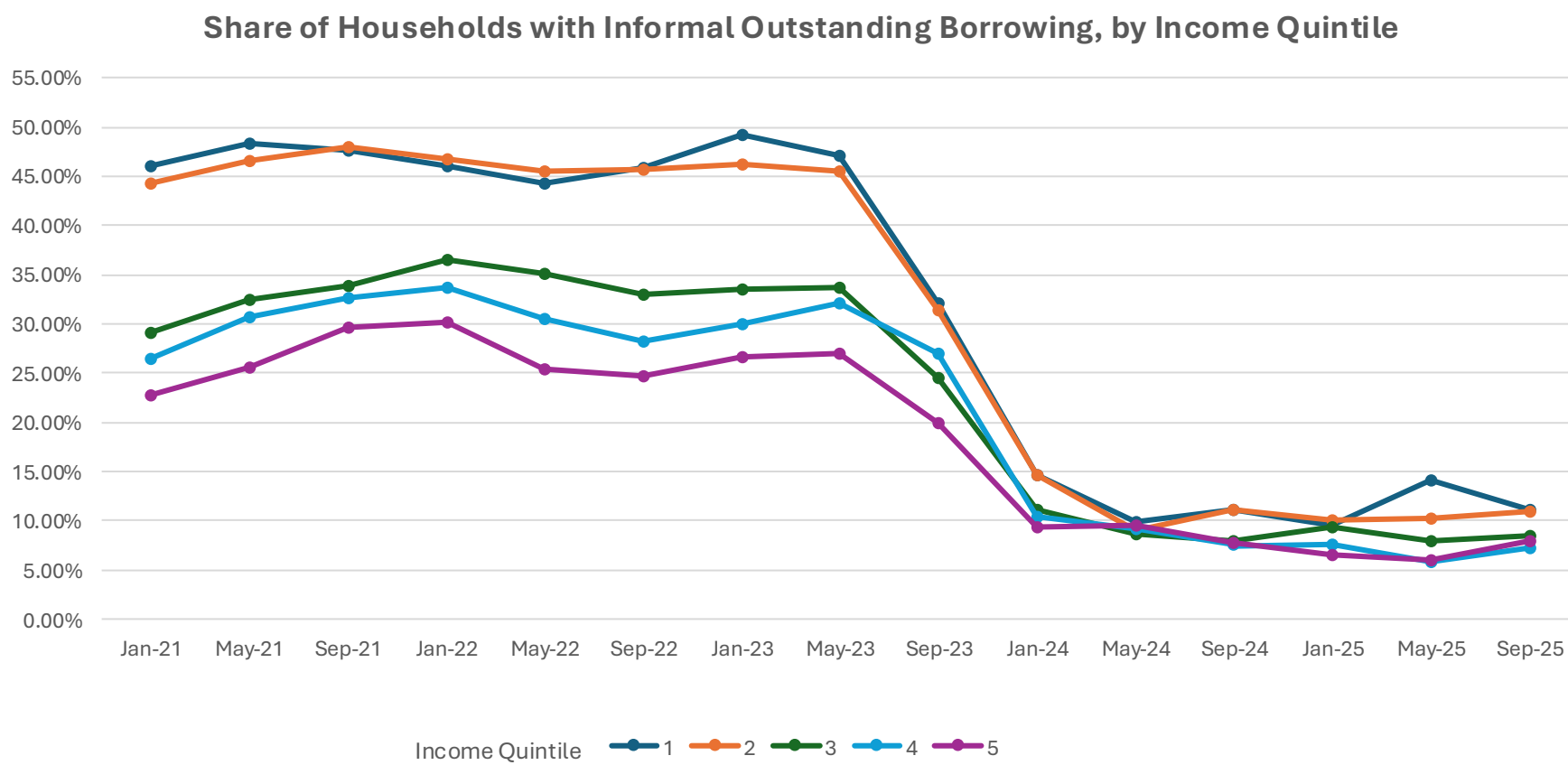
Households reported high levels of participation in informal borrowing during the pandemic. After 2023, a significant number of households retired their borrowing from informal sources; as a result, formal borrowing appears to be the major / dominant source of credit.

Note: Denominator is all borrowing households

Informal Borrowings by Income Quintile



This graph shows round-wise changes in the share of households reporting participation in informal borrowing by income quintile. The share of households reporting informal borrowing is highest for income quintiles 1 and 2, though the gap has narrowed in recent years.

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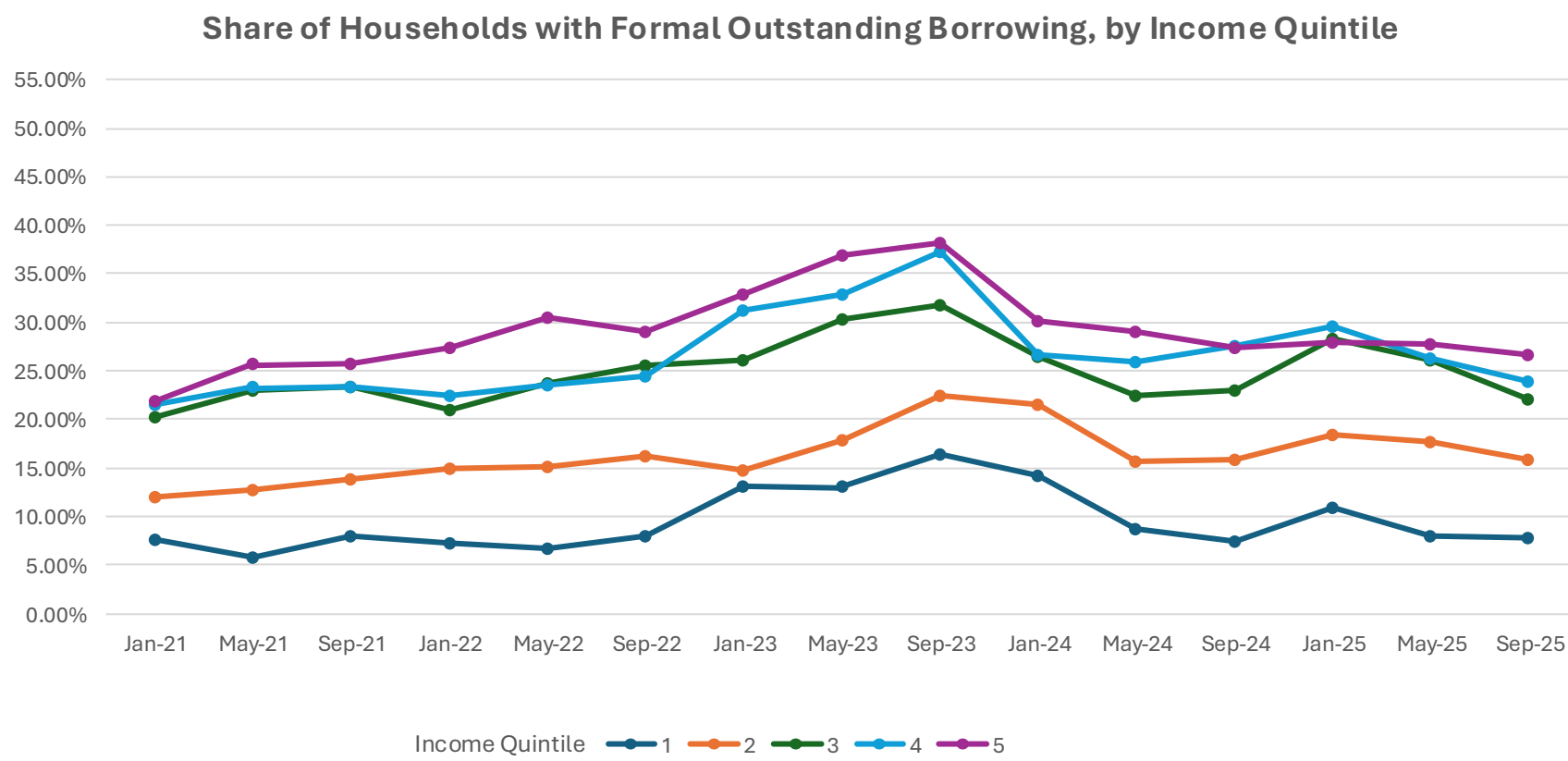
Note: Denominator is all households within the respective income quintile

Formal Borrowing by Income Quintile



This graph shows round-wise changes in the share of households reporting participation in formal borrowing by income quintile. Predictably, higher-income households report greater participation in formal borrowing. Although formal borrowing has declined since September 2023 across all quintiles, the decline is less pronounced than the decline in informal borrowing.

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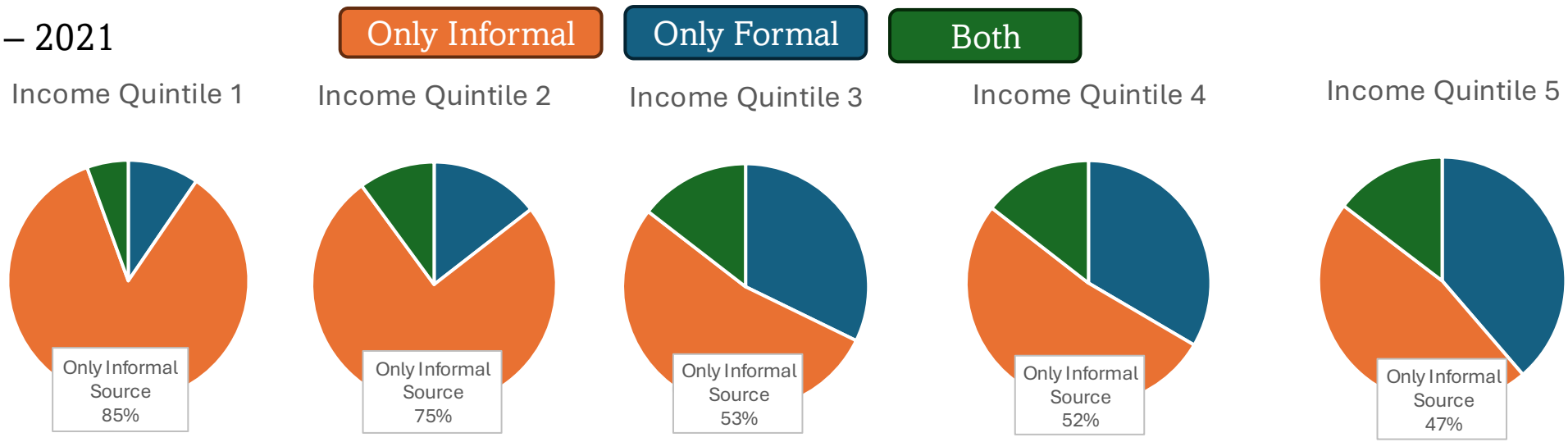
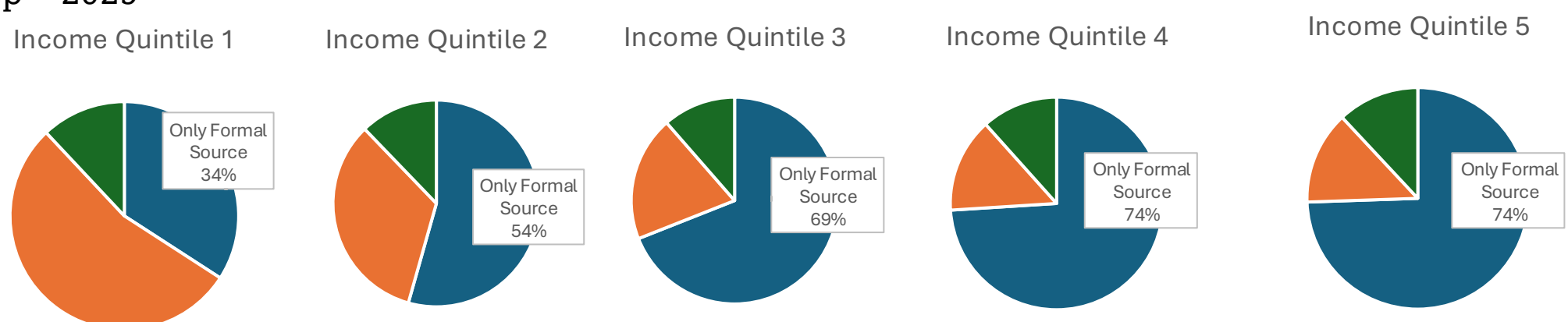
Note: Denominator is all households within the respective income quintile

Participation in Formal & Informal Borrowing by Income Quintile

Sep – 2021



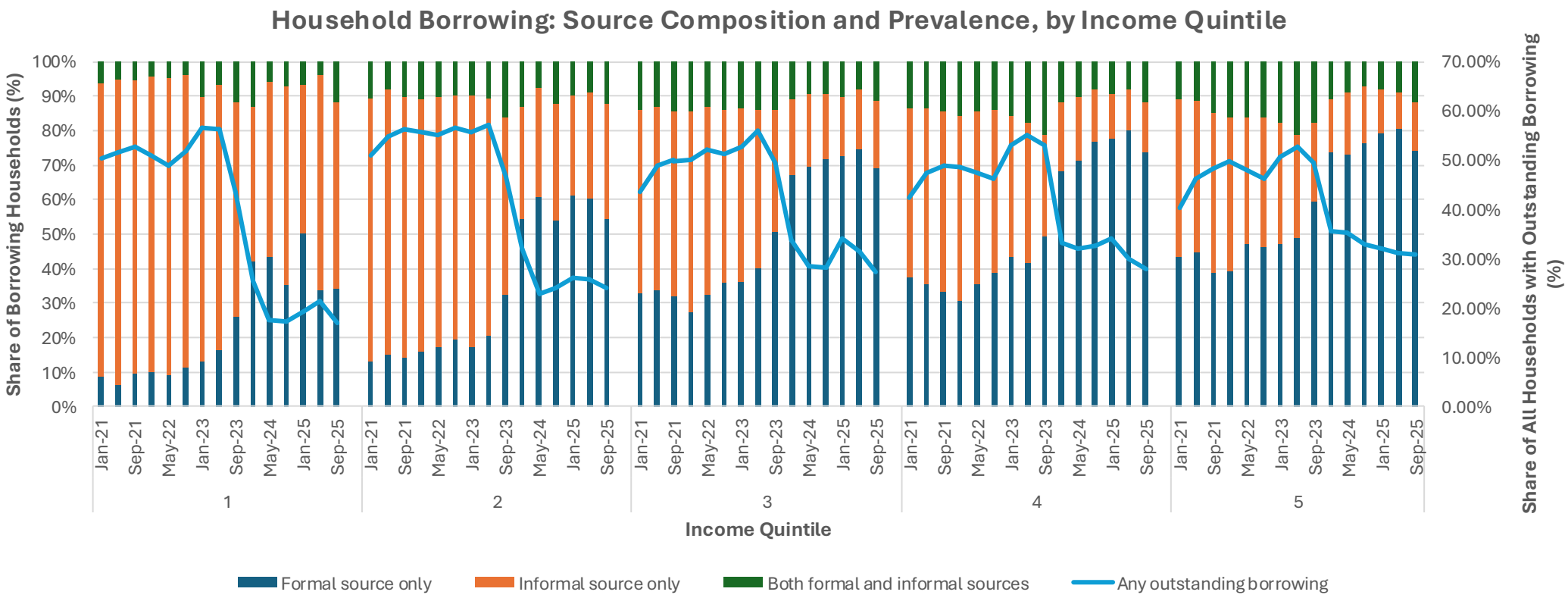
Sep – 2025



Focusing on households reporting outstanding borrowings (rather than all surveyed households), we clearly see a contraction in informal borrowing across all quintiles. The lowest quintile saw more modest gains in formal borrowing than the other quintiles and remains the only quintile where informal borrowing still dominates (as of September 2025)

Note: Denominator is all borrowing households within the respective income quintile

Participation in Borrowing by Source & Quintile



This graph presents a snapshot of borrowing patterns by bringing together four quintile-wise data points. It reinforces the steep decline in outstanding borrowing for the first quintile, even as the broad trends remain similar across quintiles. Reliance on informal sources alone for borrowings among quintiles 1 and 2 is significant, even though it declined after 2023.

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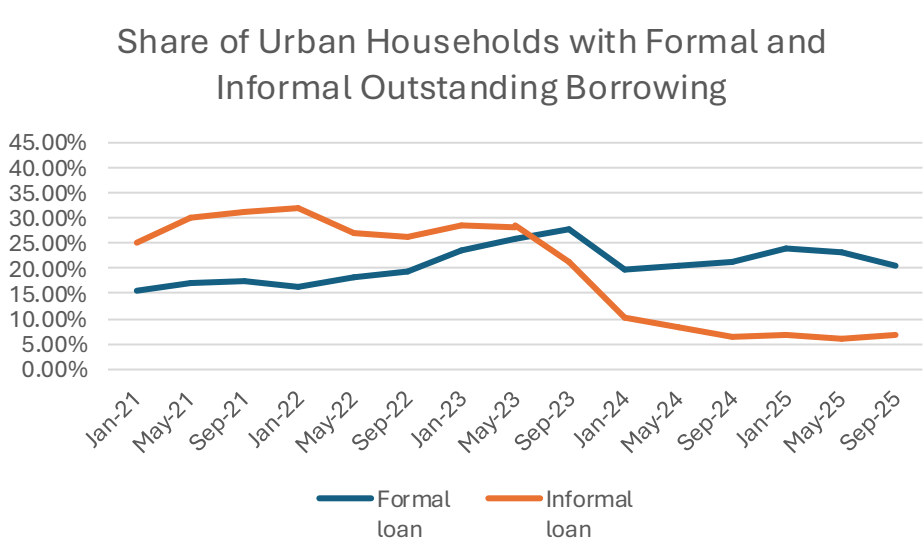
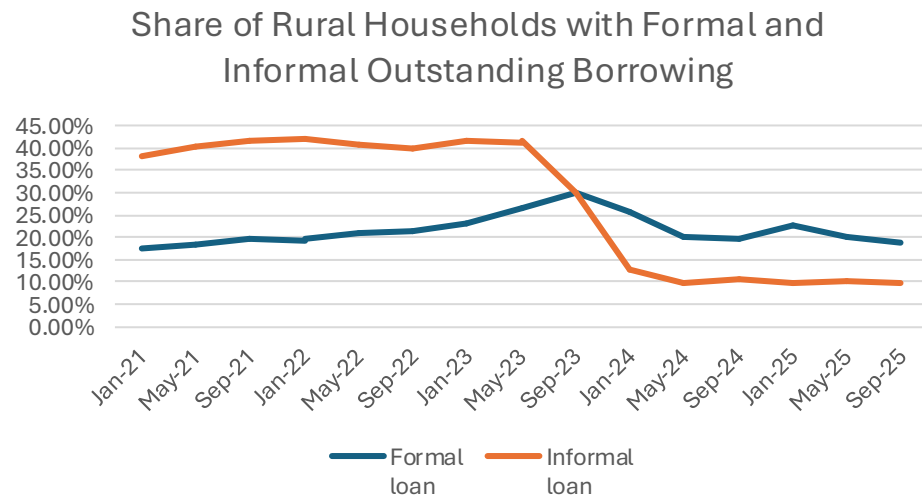
Note: Bars show source composition among households with outstanding borrowing within each income quintile; line shows the share of all households within each income quintile with outstanding borrowing.

Participation in Borrowing by Region





Similar trends appear in both rural and urban households: informal borrowing spiked around May 2023, and formal borrowing percentages are currently similar in both regions. However, rural households report participation in informal borrowing at a slightly higher rate than urban households, and the gap widens during periods of increased total borrowing. Thus, rural households played a larger role in the decline in informal borrowing after 2023.

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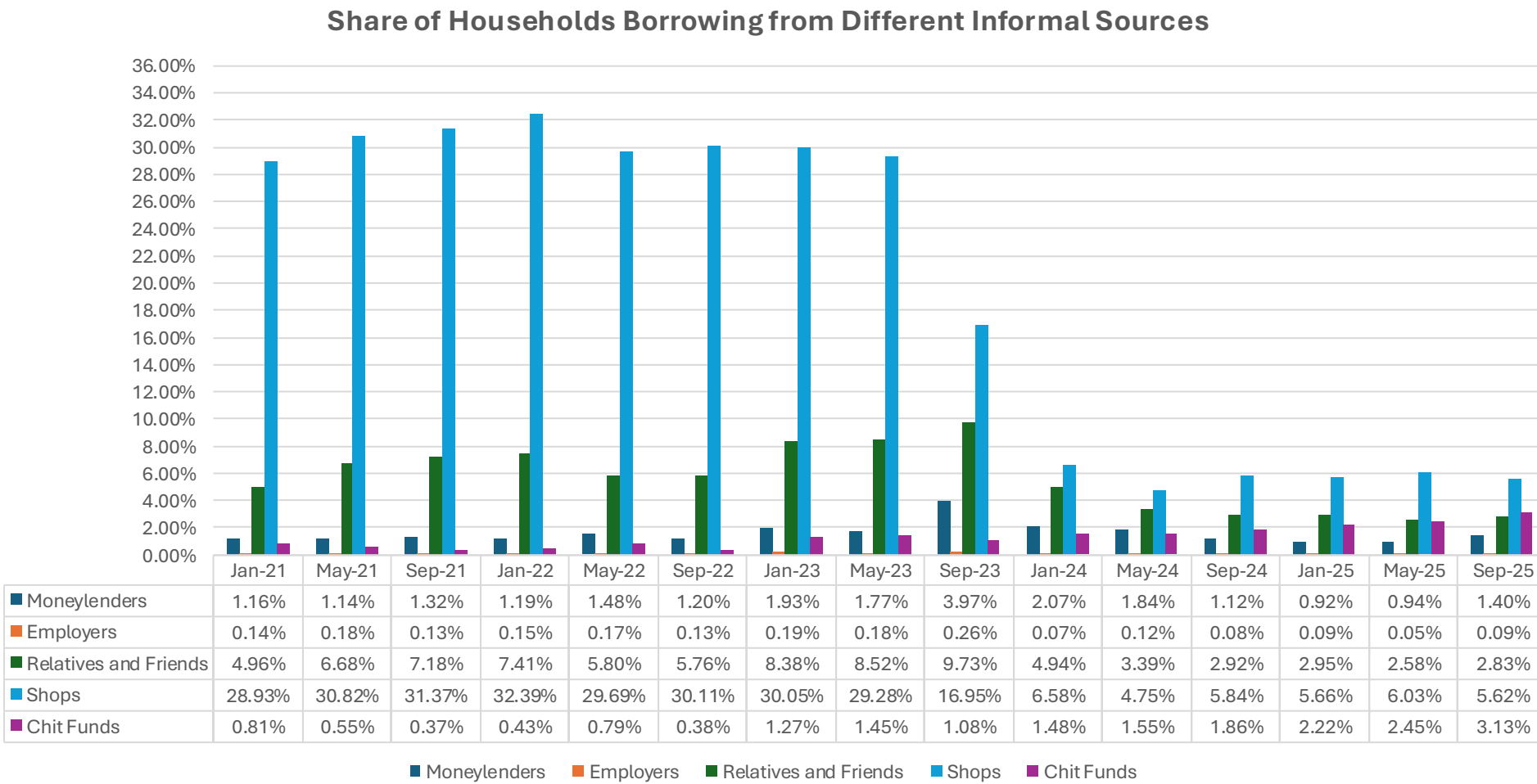
Note: Denominator is all households within the respective region

Sources of Informal Borrowing

Sources of Informal Loans



	Jan-21	May-21	Sep-21	Jan-22	May-22	Sep-22	Jan-23	May-23	Sep-23	Jan-24	May-24	Sep-24	Jan-25	May-25	Sep-25
Moneylenders	1.16%	1.14%	1.32%	1.19%	1.48%	1.20%	1.93%	1.77%	3.97%	2.07%	1.84%	1.12%	0.92%	0.94%	1.40%
Employers	0.14%	0.18%	0.13%	0.15%	0.17%	0.13%	0.19%	0.18%	0.26%	0.07%	0.12%	0.08%	0.09%	0.05%	0.09%
Relatives and Friends	4.96%	6.68%	7.18%	7.41%	5.80%	5.76%	8.38%	8.52%	9.73%	4.94%	3.39%	2.92%	2.95%	2.58%	2.83%
Shops	28.93%	30.82%	31.37%	32.39%	29.69%	30.11%	30.05%	29.28%	16.95%	6.58%	4.75%	5.84%	5.66%	6.03%	5.62%
Chit Funds	0.81%	0.55%	0.37%	0.43%	0.79%	0.38%	1.27%	1.45%	1.08%	1.48%	1.55%	1.86%	2.22%	2.45%	3.13%

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Since 2024, the share of households reporting borrowings from all the informal sources except chit funds has mostly declined. Borrowing from chit funds has steadily increased with each round, even as shops' share has declined significantly.

Note: Denominator is all households

Share of Borrowers with Consumption Borrowing, by Source

Sources of Borrowing among Households with Consumption Borrowing

Round	Bank	Money Lender	Employer	Relatives and Friends	NBFC	SHGs	MFIs	Chit Funds	Credit Card	Shops	Other Sources	Unknown
Jan-21	1.52%	1.00%	0.35%	10.37%	0.13%	1.03%	0.01%	0.04%	0.10%	87.95%	1.62%	0.03%
May-21	0.29%	0.34%	0.36%	12.84%	0.08%	0.77%	0.03%	0.06%	0.02%	88.28%	0.88%	0.02%
Sep-21	0.37%	0.17%	0.24%	12.71%	0.09%	0.87%	0.04%	0.06%	0.07%	86.58%	2.35%	0.01%
Jan-22	0.49%	0.20%	0.33%	11.43%	0.00%	1.23%	0.03%	0.10%	0.06%	87.22%	1.82%	0.25%
May-22	0.70%	0.30%	0.37%	8.87%	0.05%	0.71%	0.08%	0.07%	0.09%	86.93%	5.16%	0.07%
Sep-22	1.19%	0.26%	0.23%	8.40%	0.06%	0.73%	0.18%	0.08%	0.14%	88.79%	3.44%	0.34%
Jan-23	1.44%	1.39%	0.23%	13.58%	0.06%	1.56%	0.13%	0.06%	0.18%	84.95%	3.52%	0.10%
May-23	1.52%	1.30%	0.22%	12.46%	0.08%	1.97%	0.10%	0.08%	0.08%	84.63%	2.73%	0.01%
Sep-23	4.64%	9.38%	0.31%	19.84%	0.12%	4.52%	0.39%	0.46%	0.17%	67.34%	3.31%	0.13%
Jan-24	4.92%	9.12%	0.21%	15.39%	0.91%	13.03%	1.16%	0.57%	0.25%	64.68%	1.08%	0.00%
May-24	3.10%	4.31%	0.20%	18.35%	0.72%	3.82%	0.26%	0.38%	1.14%	71.86%	1.12%	0.00%
Sep-24	1.86%	1.07%	0.19%	7.20%	0.23%	1.89%	0.40%	0.07%	0.05%	89.20%	1.02%	0.00%
Jan-25	1.92%	0.84%	0.07%	10.40%	0.03%	3.09%	2.89%	0.03%	0.10%	85.12%	0.40%	0.00%
May-25	2.45%	0.39%	0.22%	9.81%	0.14%	1.35%	0.71%	0.20%	0.24%	84.27%	1.97%	0.00%
Sep-25	2.27%	2.73%	0.65%	11.96%	0.24%	4.73%	0.72%	0.12%	1.69%	78.86%	0.82%	0.00%

The increased reliance on shops for informal borrowing appears to stem from the need to meet regular household expenses and necessities.

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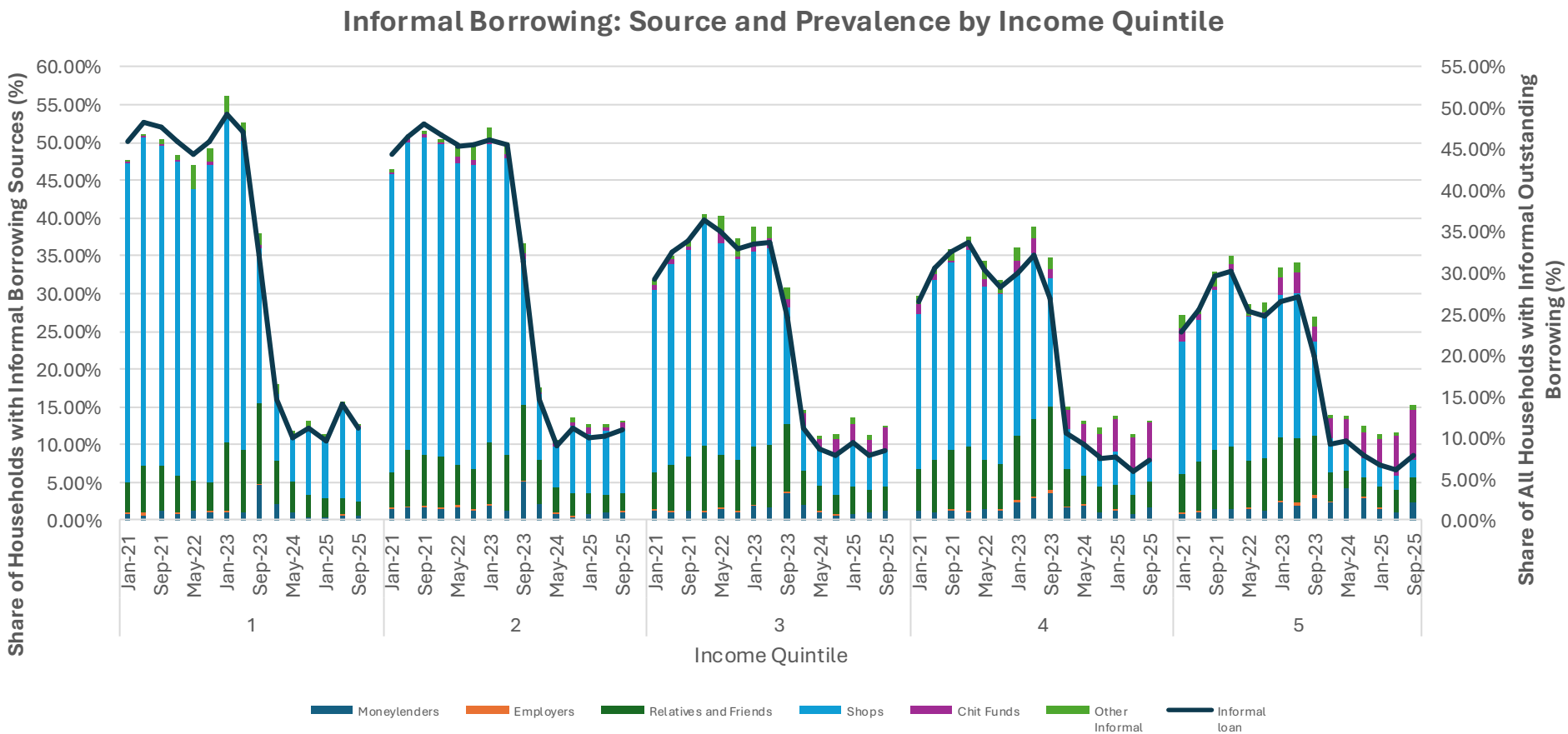
Note: Denominator is households with outstanding borrowing for consumption purpose

Informal Loan sources by Income Quintile



Shops emerge as the most prominent source of informal borrowing across all quintiles, though chit funds are more prominent among households with higher income levels

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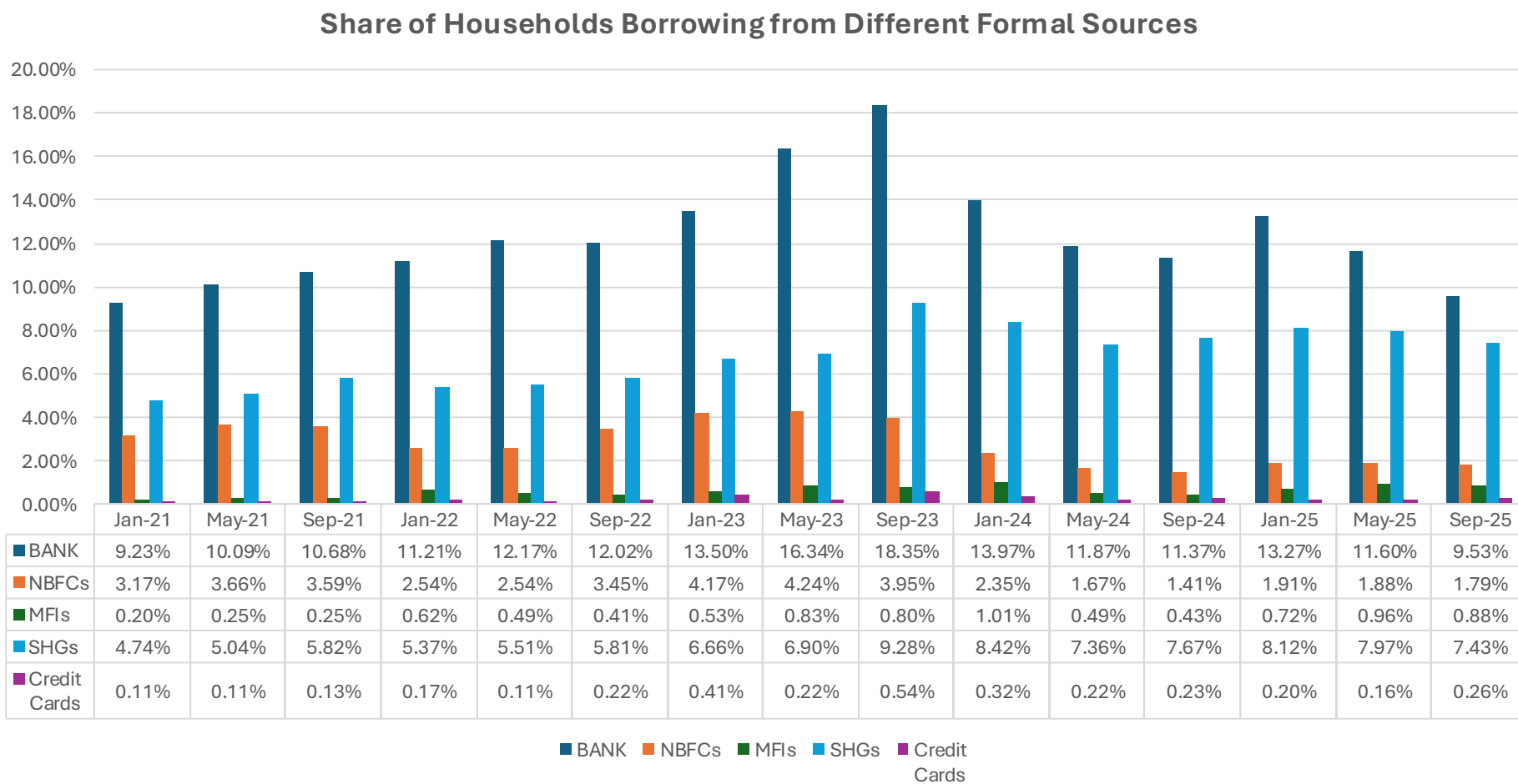
Note: Bars show the share of all households within each income quintile with borrowing from each informal source; line shows the share of all households within each income quintile with any informal outstanding borrowing.

Sources of Formal Borrowing

Sources of Formal loans



	Jan-21	May-21	Sep-21	Jan-22	May-22	Sep-22	Jan-23	May-23	Sep-23	Jan-24	May-24	Sep-24	Jan-25	May-25	Sep-25
BANK	9.23%	10.09%	10.68%	11.21%	12.17%	12.02%	13.50%	16.34%	18.35%	13.97%	11.87%	11.37%	13.27%	11.60%	9.53%
NBFCs	3.17%	3.66%	3.59%	2.54%	2.54%	3.45%	4.17%	4.24%	3.95%	2.35%	1.67%	1.41%	1.91%	1.88%	1.79%
MFIs	0.20%	0.25%	0.25%	0.62%	0.49%	0.41%	0.53%	0.83%	0.80%	1.01%	0.49%	0.43%	0.72%	0.96%	0.88%
SHGs	4.74%	5.04%	5.82%	5.37%	5.51%	5.81%	6.66%	6.90%	9.28%	8.42%	7.36%	7.67%	8.12%	7.97%	7.43%
Credit Cards	0.11%	0.11%	0.13%	0.17%	0.11%	0.22%	0.41%	0.22%	0.54%	0.32%	0.22%	0.23%	0.20%	0.16%	0.26%

From 2021 to 2025, banks remained the leading source of formal loans, followed by SHGs. The slowdown in lending by NBFCs and MFIs witnessed in 2024, partly attributable to regulatory action increasing risk weights on unsecured consumer credit, appears to have been arrested in 2025, and this can be corroborated by the slow but steady uptick in disbursements reported in the 56th edition of MFIN's Micrometer.

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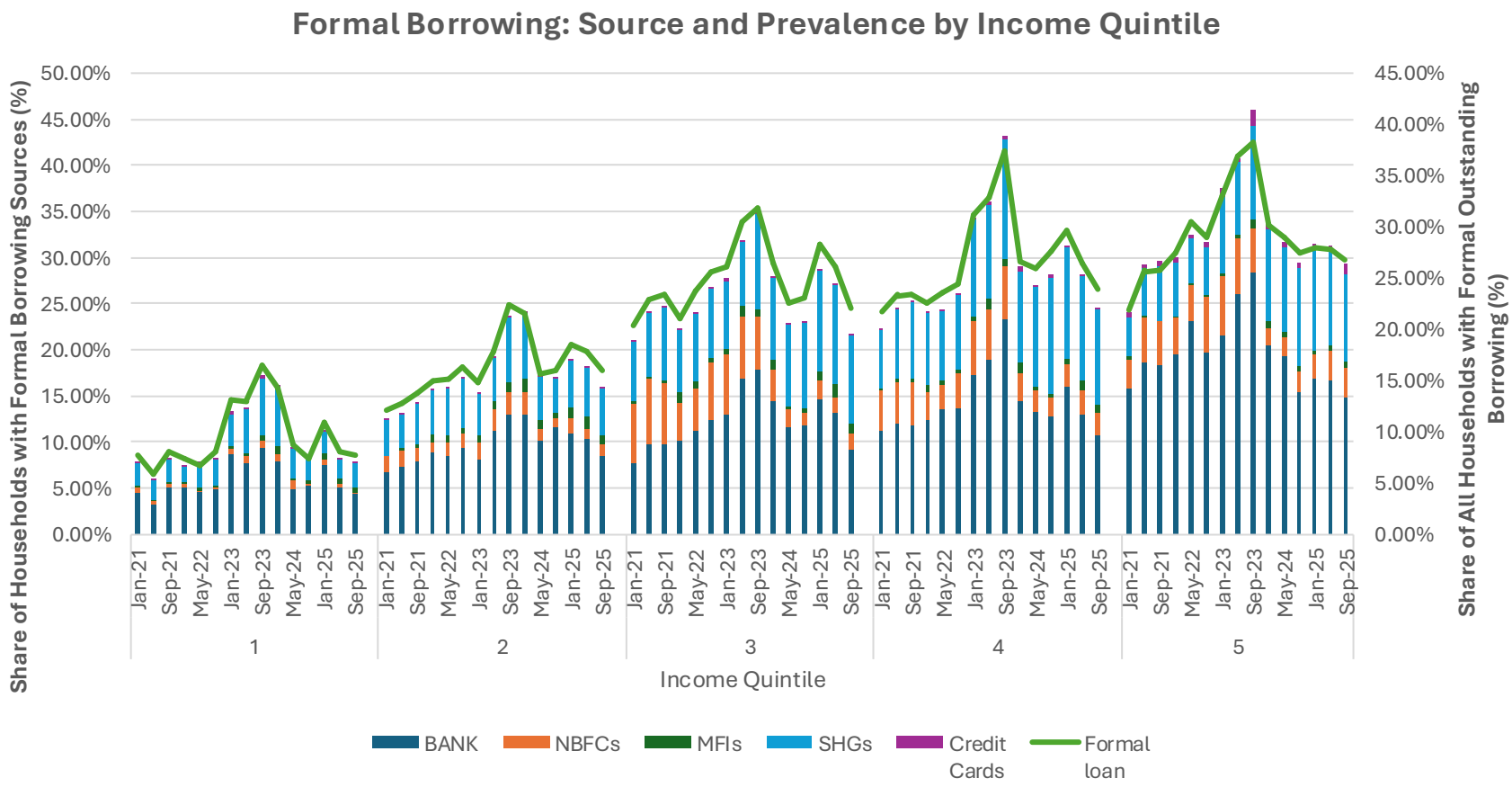
Note: Denominator is all households

Formal Loan sources by Income Quintile



Households with higher incomes report greater participation in borrowing from banks and NBFCs, whereas borrowing from SHGs appears consistently across all quintiles.

Note: Bars show the share of all households within each income quintile with borrowing from each formal source; line shows the share of all households within each income quintile with any formal outstanding borrowing.

Borrowing by Purpose

Outstanding Borrowing by Purpose

Percentage of households with outstanding borrowings for different purposes

Round	Housing	Education	Medical Expenses	Wedding	Consumptin Expenditure	Consumer Durables	Business	Investments	Repayment	Vehicle	Other Purposes
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	4.80%	0.32%	0.48%	2.09%	71.50%	3.47%	15.13%	0.80%	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%	1.90%	65.48%	4.60%	15.35%	0.43%	14.30%	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%	15.70%	0.41%	14.14%	15.36%	4.59%
Sep-23	7.88%	0.96%	1.58%	3.52%	46.57%	9.40%	20.52%	0.39%	17.01%	18.98%	6.65%
Jan-24	6.14%	0.71%	1.72%	3.31%	27.18%	7.86%	28.87%	0.26%	21.04%	19.41%	9.35%
May-24	5.40%	0.86%	1.00%	2.37%	19.91%	7.74%	25.84%	0.41%	26.77%	22.52%	10.49%
Sep-24	6.08%	0.77%	0.86%	2.53%	21.57%	6.22%	27.40%	0.21%	25.75%	19.11%	12.97%
Jan-25	6.29%	0.98%	0.59%	2.52%	19.29%	6.68%	25.04%	0.09%	24.48%	23.68%	16.39%
May-25	6.85%	1.12%	0.77%	2.34%	22.58%	6.38%	18.20%	0.55%	24.86%	22.03%	16.98%
Sep-25	7.17%	1.38%	0.43%	2.12%	24.81%	4.99%	22.66%	0.87%	27.50%	15.70%	18.28%

Borrowing for repayment purposes has consistently increased since 2021. Despite the decline from the Jan-22 peak, consumption expenditure remains a major borrowing purpose, reported by almost a quarter of households.

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Note: Percentages don't add up to 100 as households borrow from multiple purposes. Denominator is all borrowing households

Loan Purpose: Rural & Urban Cohorts

Percentage of households with outstanding borrowings for different purposes - Rural

Round	Housing	Education	Medical Expenses	Wedding	Consumptin Expenditure	Consumer Durables	Business	Investments	Repayment	Vehicle	Other Purposes
Jan-21	4.18%	0.31%	0.61%	1.58%	73.92%	3.44%	15.39%	0.38%	9.91%	5.78%	2.59%
May-21	3.82%	0.26%	0.63%	1.81%	70.76%	3.12%	17.89%	0.33%	10.14%	5.10%	3.21%
Sep-21	4.46%	0.25%	0.63%	1.92%	72.25%	3.27%	17.69%	0.28%	11.80%	6.06%	2.39%
Jan-22	4.27%	0.28%	0.48%	2.06%	73.73%	2.88%	17.74%	0.58%	12.41%	6.49%	2.56%
May-22	3.83%	0.22%	0.43%	1.79%	69.96%	2.16%	17.87%	0.27%	14.00%	7.38%	4.19%
Sep-22	4.04%	0.45%	0.61%	2.00%	69.74%	3.71%	17.42%	0.41%	13.12%	8.65%	3.56%
Jan-23	4.02%	0.43%	0.75%	2.18%	68.24%	4.09%	16.67%	0.56%	12.78%	9.87%	5.12%
May-23	4.65%	0.32%	1.10%	2.78%	64.99%	5.03%	18.12%	0.25%	13.03%	11.55%	5.11%
Sep-23	7.01%	0.73%	1.63%	3.65%	51.88%	7.26%	25.35%	0.38%	15.73%	14.66%	6.70%
Jan-24	5.48%	0.49%	1.51%	3.16%	29.43%	5.91%	35.50%	0.09%	19.85%	16.29%	9.84%
May-24	3.99%	0.61%	0.88%	2.36%	22.54%	6.61%	32.92%	0.21%	25.40%	18.70%	10.09%
Sep-24	5.26%	0.44%	0.98%	2.45%	25.52%	4.65%	35.18%	0.14%	24.08%	15.20%	11.72%
Jan-25	5.72%	0.51%	0.65%	2.64%	22.66%	5.39%	32.03%	0.01%	22.79%	21.05%	14.44%
May-25	6.34%	0.86%	0.89%	2.70%	28.40%	5.37%	22.54%	0.31%	21.36%	18.04%	14.95%
Sep-25	6.84%	1.49%	0.51%	2.24%	29.53%	3.60%	27.81%	0.75%	24.59%	11.11%	15.67%

Percentage of households with outstanding borrowings for different purposes - Urban

Round	Housing	Education	Medical Expenses	Wedding	Consumptin Expenditure	Consumer Durables	Business	Investments	Repayment	Vehicle	Other Purposes
Jan-21	6.50%	0.35%	0.45%	1.71%	63.44%	5.28%	7.72%	0.50%	13.35%	13.35%	1.56%
May-21	6.04%	0.34%	0.47%	1.86%	64.01%	5.04%	8.37%	0.78%	12.11%	14.84%	1.52%
Sep-21	6.43%	0.40%	0.65%	2.28%	64.49%	4.65%	8.39%	1.27%	13.84%	15.05%	1.06%
Jan-22	6.15%	0.41%	0.48%	2.15%	65.85%	4.97%	8.55%	1.35%	13.72%	14.20%	0.89%
May-22	7.61%	0.68%	1.10%	1.63%	58.32%	5.37%	9.54%	1.13%	15.70%	17.92%	2.65%
Sep-22	7.65%	0.75%	0.65%	1.61%	54.00%	6.99%	9.78%	0.46%	17.48%	19.30%	2.49%
Jan-23	7.36%	0.80%	0.98%	1.78%	50.66%	9.92%	8.80%	0.80%	16.41%	23.07%	4.32%
May-23	8.20%	1.02%	0.87%	2.68%	46.94%	12.15%	10.04%	0.79%	16.76%	24.29%	3.37%
Sep-23	9.80%	1.45%	1.46%	3.22%	34.89%	14.10%	9.91%	0.43%	19.82%	28.45%	6.52%
Jan-24	7.69%	1.21%	2.23%	3.64%	21.95%	12.41%	13.47%	0.65%	23.80%	26.68%	8.21%
May-24	8.13%	1.33%	1.24%	2.39%	14.84%	9.91%	12.21%	0.79%	29.40%	29.87%	11.27%
Sep-24	7.72%	1.44%	0.62%	2.68%	13.67%	9.37%	11.83%	0.35%	29.09%	26.91%	15.48%
Jan-25	7.40%	1.89%	0.47%	2.27%	12.77%	9.18%	11.50%	0.23%	27.77%	28.77%	20.18%
May-25	7.84%	1.63%	0.54%	1.63%	11.46%	8.32%	9.90%	1.01%	31.55%	29.65%	20.85%
Sep-25	7.80%	1.16%	0.28%	1.89%	15.86%	7.63%	12.90%	1.10%	33.01%	24.40%	23.25%

Rural areas report higher participation in borrowing for the purposes of meeting day-to-day expenses and business needs, while urban areas report borrowing mainly for debt repayment and purchase of vehicles.

Note: Percentages don't add up to 100 as households borrow for multiple purposes.
The denominator is all borrowing households within the respective region

Loan Purpose: NBFCs

Purpose of Borrowing among NBFC Borrowers

Round	Housing	Education	Medical Expenses	Wedding	Consumptin Expenditure	Consumer Durables	Business	Investments	Repayment	Vehicle	Other Purposes
Jan-21	0.59%	0.04%	0.00%	0.00%	1.36%	38.62%	1.46%	0.00%	0.16%	64.15%	0.04%
May-21	0.83%	0.04%	0.00%	0.10%	0.76%	38.02%	3.57%	0.01%	0.57%	62.97%	0.09%
Sep-21	0.73%	0.00%	0.07%	0.05%	0.89%	35.68%	3.58%	0.06%	0.11%	64.08%	1.01%
Jan-22	0.48%	0.00%	0.01%	0.01%	0.07%	35.05%	2.01%	0.08%	0.13%	70.02%	0.36%
May-22	1.33%	0.03%	0.05%	0.20%	0.63%	29.58%	0.74%	0.03%	0.58%	71.89%	0.14%
Sep-22	1.30%	0.02%	0.01%	0.02%	0.59%	24.25%	1.55%	0.02%	1.53%	73.30%	0.00%
Jan-23	1.08%	0.02%	0.00%	0.03%	0.46%	26.94%	2.69%	0.07%	1.06%	69.26%	0.81%
May-23	0.90%	0.04%	0.01%	0.13%	0.65%	30.88%	1.72%	0.06%	1.09%	65.83%	1.20%
Sep-23	1.47%	0.08%	0.06%	0.16%	0.66%	30.36%	2.39%	0.29%	3.15%	61.60%	0.03%
Jan-24	0.50%	0.05%	0.35%	0.07%	3.36%	29.23%	15.67%	0.15%	0.19%	52.50%	0.60%
May-24	1.53%	0.07%	0.19%	0.58%	2.33%	29.81%	3.14%	0.15%	1.41%	64.51%	1.01%
Sep-24	1.15%	0.76%	0.83%	0.01%	0.95%	23.02%	3.63%	0.05%	1.51%	71.33%	0.02%
Jan-25	1.26%	0.08%	0.11%	0.17%	0.09%	24.33%	1.48%	0.00%	0.21%	76.56%	0.01%
May-25	1.53%	0.00%	0.05%	0.30%	0.45%	27.80%	3.55%	0.60%	2.00%	70.16%	0.02%
Sep-25	0.87%	0.05%	0.04%	0.44%	0.84%	27.75%	3.70%	0.10%	1.09%	71.58%	0.02%

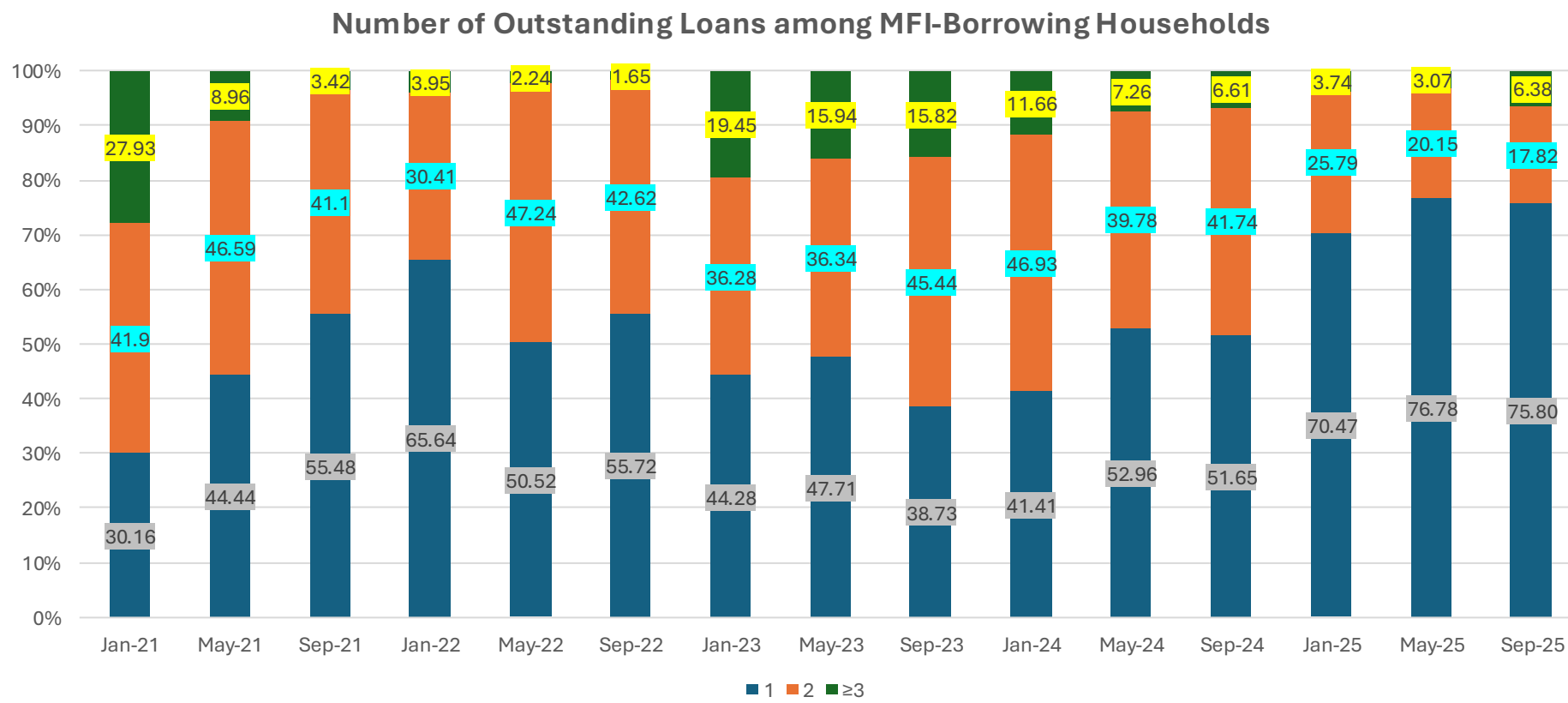
Households report relying on NBFCs overwhelmingly for funding the purchase of vehicles and other consumer durables.

DVARA Research

Note: Denominator is borrowing households from NBFC

MFIs & SHGs

MFIs: Number of Loans availed by Households



Almost two-thirds of MFI borrowing households reported having only one loan as of Sept '25. However, this is accompanied by a doubling of the percentage of households with three or more loans in Sep 2025.

DVARA Research

Note: Denominator is households with outstanding MFI borrowing

Loan Purpose: MFIs

Purpose of Borrowing among MFI Borrowers

Round	Housing	Education	Medical Expenses	Wedding	Consumptin Expenditure	Consumer Durables	Business	Investments	Repayment	Vehicle	Other Purposes
Jan-21	5.29%	0.30%	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	2.10%	0.99%	1.46%	1.77%	6.31%	3.04%	17.84%	0.00%	0.47%	0.01%	18.84%
Jan-22	3.45%	0.01%	0.08%	0.05%	1.53%	0.56%	26.42%	0.00%	37.41%	25.37%	5.61%
May-22	13.03%	0.00%	0.40%	0.35%	5.11%	0.78%	31.68%	0.04%	36.22%	5.70%	7.20%
Sep-22	17.20%	0.10%	0.71%	1.33%	14.50%	2.37%	33.44%	0.00%	0.03%	0.14%	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%	30.90%	2.84%	2.53%	13.31%	20.21%
Sep-23	14.25%	1.04%	2.07%	4.44%	10.95%	12.20%	19.49%	1.01%	0.03%	0.14%	19.72%
Jan-24	8.43%	0.06%	0.24%	6.64%	9.95%	14.17%	22.82%	1.51%	9.44%	20.40%	7.33%
May-24	8.68%	0.35%	1.36%	1.29%	2.84%	25.01%	24.19%	6.94%	10.38%	10.97%	10.35%
Sep-24	12.57%	2.31%	5.63%	1.82%	5.43%	19.50%	18.69%	2.69%	0.13%	0.15%	8.01%
Jan-25	8.62%	0.61%	2.60%	2.04%	22.42%	9.32%	23.59%	0.87%	0.04%	0.09%	19.20%
May-25	8.20%	0.43%	1.13%	0.86%	4.66%	11.08%	19.85%	0.00%	0.01%	0.08%	46.82%
Sep-25	9.91%	0.20%	1.02%	1.15%	5.20%	12.72%	19.32%	0.41%	0.01%	0.11%	44.19%

DVARA Research

As of September 2025, MFI-borrowing households reported taking loans for a variety of purposes, including housing, business, consumer durables, and other purposes. The shift away from borrowing to fund consumption (observed periodically from late 2023 to early 2025) and debt repayment (observed in early 2022 and to a lesser degree in early 2024) could be explained by the emphasis laid by MFIs on high-value lending to creditworthy borrowers (Micrometer, Issue 56)

Note: Denominator is borrowing households from MFI

Loan Purpose: SHGs

Purpose of Borrowing among SHG Borrowers

Round	Housing	Education	Medical Expenses	Wedding	Consumptin Expenditure	Consumer Durables	Business	Investments	Repayment	Vehicle	Other Purposes
Jan-21	7.13%	0.82%	0.58%	1.16%	7.04%	0.83%	9.45%	0.07%	71.05%	0.33%	2.64%
May-21	3.94%	0.74%	0.80%	1.15%	5.26%	0.96%	7.15%	0.20%	80.70%	0.48%	1.94%
Sep-21	4.45%	0.64%	0.25%	1.23%	5.34%	0.31%	9.46%	0.02%	78.32%	0.73%	1.15%
Jan-22	3.81%	0.93%	0.57%	1.79%	8.36%	2.89%	7.70%	1.03%	76.56%	3.06%	0.89%
May-22	3.00%	0.53%	0.54%	2.03%	4.35%	0.67%	11.62%	0.45%	77.22%	1.27%	3.61%
Sep-22	3.35%	1.46%	0.62%	1.31%	4.16%	0.19%	11.72%	0.10%	75.61%	0.34%	2.41%
Jan-23	3.15%	1.39%	0.58%	1.73%	8.00%	0.52%	6.71%	0.27%	71.34%	1.16%	6.65%
May-23	4.63%	0.59%	0.58%	1.81%	9.44%	0.50%	5.99%	0.21%	71.27%	2.03%	5.82%
Sep-23	3.89%	0.47%	0.76%	2.71%	10.97%	3.66%	10.20%	0.22%	58.83%	2.57%	8.07%
Jan-24	2.69%	0.30%	0.46%	1.35%	13.43%	3.84%	7.85%	0.08%	57.74%	2.71%	11.31%
May-24	1.37%	0.26%	0.58%	0.55%	2.81%	3.70%	4.32%	0.07%	72.90%	1.99%	12.84%
Sep-24	1.63%	0.17%	0.29%	0.66%	1.44%	2.43%	4.21%	0.06%	73.61%	2.29%	14.31%
Jan-25	3.16%	0.17%	0.29%	0.58%	2.13%	2.99%	3.23%	0.03%	71.16%	2.73%	16.95%
May-25	2.07%	0.13%	0.51%	0.50%	1.07%	2.31%	2.22%	0.04%	75.93%	3.45%	14.31%
Sep-25	1.60%	0.24%	0.09%	0.31%	4.03%	1.77%	3.79%	0.06%	77.79%	3.49%	9.80%

Households appear to prefer using SHGs to service pre-existing debts, with smaller percentages of loans being directed toward meeting consumption and business needs.

DVARA Research

Note: Denominator is borrowing households from SHG

Borrowing for Debt Repayment

Percentage of sources for the Borrowing for Repayment

Round	Bank	Money Lender	Employer	Relatives and Friends	NBFC	SHGs	MFIs	Chit Funds	Credit Card	Shops	Other Sources	Unknown
Jan-21	3.86%	3.89%	0.20%	9.25%	0.10%	68.20%	0.26%	14.48%	0.72%	0.06%	0.05%	0.00%
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%	72.00%	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	7.40%	5.37%	0.11%	20.37%	0.20%	58.51%	2.46%	7.53%	0.06%	1.95%	1.60%	0.03%
Sep-22	4.49%	1.35%	0.07%	22.97%	0.73%	60.90%	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%	1.70%	0.52%
Jan-24	1.73%	6.79%	0.20%	20.65%	0.07%	72.43%	1.42%	10.01%	0.06%	0.11%	0.31%	0.07%
May-24	3.88%	9.16%	0.05%	11.94%	0.32%	73.64%	0.69%	12.23%	0.04%	0.14%	0.61%	0.00%
Sep-24	2.58%	4.98%	0.19%	11.36%	0.31%	81.08%	0.78%	11.77%	0.06%	0.13%	0.17%	0.01%
Jan-25	2.88%	4.41%	0.29%	12.13%	0.06%	81.48%	0.36%	12.91%	0.17%	0.12%	0.08%	0.01%
May-25	3.12%	1.05%	0.09%	7.52%	0.54%	87.16%	0.10%	19.84%	0.03%	0.03%	0.26%	0.00%
Sep-25	2.14%	2.91%	0.09%	10.20%	0.28%	82.51%	0.10%	22.62%	1.23%	0.26%	0.09%	0.02%

The earlier finding that loans from SHGs fund debt repayment can be seen here from a different perspective - SHGs remain the major source for debt repayment, even as chit funds and relatives/funds emerge as other sources funding repayment.

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Note: Denominator is households with outstanding borrowing for debt repayment

Relationship between MFI Borrowing and Loans from Informal Sources

Hypothesis : Households borrowing from MFIs (MFIs, SHGs and NBFCs) are more likely to subsequently close their outstanding loans from shopkeepers and relatives/friends.

Empirical approach : Household fixed-effects panel logit model | CMIE-CPHS panel data (2021–2025)

Shopkeeper loan closure

73.2% ***

Higher odds of subsequent loan closure

3,30,739 observations | 31,643 households

Relative/Friend loan closure

23.5% ***

Higher odds of subsequent loan closure

1,91,002 observations | 22,413 households

*** p < 0.001 ** p < 0.01 * p < 0.05

Interpretation : Microfinance borrowing is associated with higher odds of subsequent closure of loans from shopkeepers and relatives/friends.

This analysis builds on the empirical investigation in Dvara Research's India's Most Recent Microfinance Crisis: Theory, Empirics & Learnings (2026), extending the CMIE-CPHS analysis from 2021–2024 to 2021–2025.

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