

**RESEARCH**
**BOB ECONOMICS RESEARCH | HOUSEHOLD CREDIT**

A stimulus to growth?

**Daily macro indicators**

Indicator	8-Jan	9-Jan	Chg (%)
US 10Y yield (%)	4.03	4.01	(2bps)
India 10Y yield (%)	7.20	7.19	(1bps)
USD/INR	83.14	83.12	0.0
Brent Crude (US\$/bbl)	76.1	77.6	1.9
Dow	37,683	37,525	(0.4)
Hang Seng	16,224	16,190	(0.2)
Sensex	71,355	71,386	0.0
India FII (US\$ mn)	5-Jan	8-Jan	Chg (\$ mn)
FII-D	200.2	11.7	(188.5)
FII-E	212.7	34.3	(178.4)

Source: Bank of Baroda Economics Research

**SUMMARY**
**INDIA ECONOMICS: HOUSEHOLD CREDIT**

Recently, in India's context, credit to households has been under the radar. With overall personal loan growth rate far outpacing aggregate credit demand (currently overall personal loan growth on YoY basis is at 30.1% and aggregate credit demand run rate is at ~20%) and higher delinquency rates in certain products of household loans such as credit card and 'other personal loan' segments (small valued loans without collateral); red flags have been raised by the regulator. As a regulatory response the risk weights in respect of consumer credit exposure (except housing, vehicle and loans secured by gold) was increased by 25% points to 125%. In fact, consumer credit exposure of NBFCs for such segments have also attracted a higher capital charge. RBI's recent Financial Stability report has also expressed concerns about risks to consumer credit regarding risk profiling, declining standards of underwriting and rolling over of debt.

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## HOUSEHOLD CREDIT

10 January 2024

### A stimulus to growth?

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Dipanwita Mazumdar  
Economist

At the same time it is a well-known fact that growth in several developed countries has been fostered by consumerism that has been aided by leverage. Against this backdrop, it is interesting to see how overall household credit in India has grown compared to major peers. Is the pace of growth alarming relative to other markets? Have savings grown at the same pace as overall growth in credit? The response to these questions will give us some idea about the assets-liability mismatches of households. Towards the end, we have conducted an exercise to see whether the increase in household credit is contributing to stimulating private consumption demand.

#### Key findings:

- India's credit to GDP ratio of household sector has been increasing at a steady pace.
- The ratio is higher compared to major EMs.
- In absolute terms as well, India's household credit figure is reflective of the fact that households have increased borrowing in tune with rising consumption demand.
- However, when compared to other advanced economies such as US, UK, the ratio of household credit to GDP in India still shows there is room for further increase.
- Savings on the other hand have shown some degree of moderation. This is true for India as well as other economies. Hence there is a gap between assets and liabilities portfolio of households.



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