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The Great Borrowing Boom: Why Indian Households are Taking on More Debt

By: Vivek Kaul

Household debt which is rising sharply is a cause for worry. Retail loans are growing more rapidly than for housing; loans against gold have risen and digital lending is making it easier for the working young to live beyond their means-hoping that loans can be repaid from future incomes.

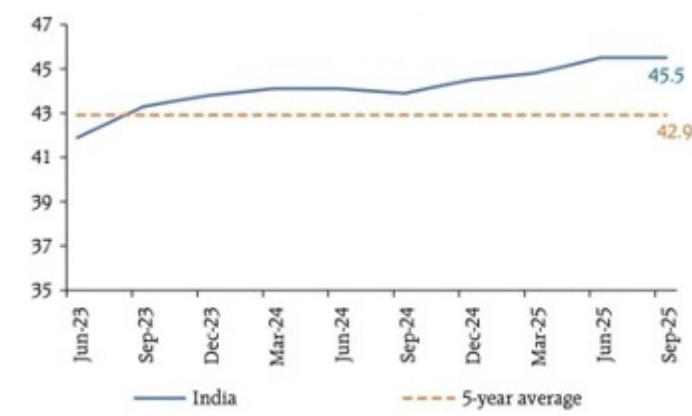
In late June, the Reserve Bank of India (RBI) released the Financial Stability Report (FSR). According to the report, as of September 2025, India's household debt stood at 45.5% of its gross domestic product (GDP). In June 2023, the debt had been around 42% of GDP. As per the December 2023 FSR, household debt had stood at 39.2% in March 2021.

What this [the data] tells us is that many individuals are taking small ticket loans to meet regular expenses. What it possibly also tells us is that newer loans are being taken on to pay off older ones.

Personal loans, gold loans and consumption financing dominate India's household debt. Behind the numbers: easier digital credit, changing attitudes toward gold and a generation more comfortable borrowing than their parents and grandparents ever were.

Take a look at Chart I, which plots the household debt over the last few years.

Chart I: India's Household Debt (as per cent of GDP)



So, why has this jump happened?

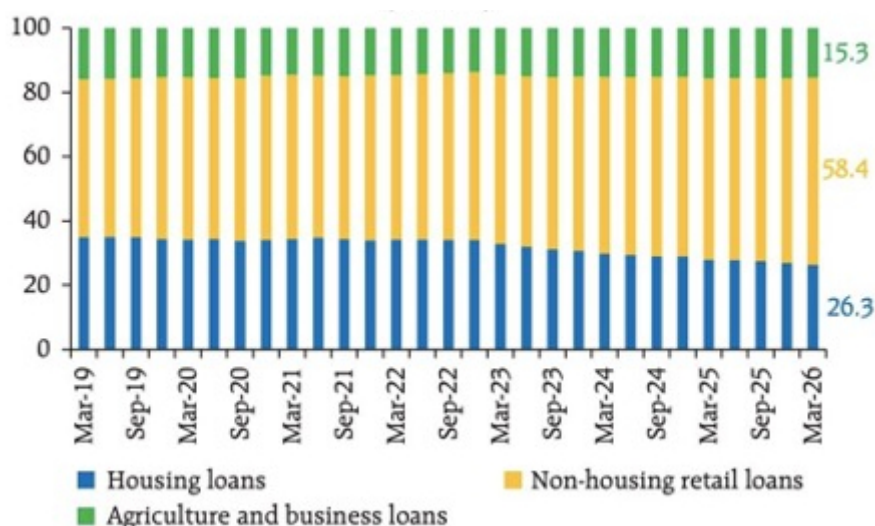
Non-housing Loans

First, as the RBI's latest FSR notes: "The increase has been driven primarily by non-housing retail loans." Non-housing retail loans constitute personal loans, vehicle loans, credit card outstandings, consumer loans, loans against gold jewellery, education loans, loans against fixed deposits and so on.

In this piece, we will concentrate on the non-housing retail loans.

Take a look at Chart II which plots the share of different kinds of loans as a part of overall household debt.

Chart II: Share of Broad Categories of Household Borrowings (in percentages)



The share of non-housing retail loans has been going up over the years. As of March 2026, these loans amounted to around three-fifths - 58.4% to be exact - of total household debt. They were at 54.9% as of March 2025. The share of non-housing retail loans in total household debt was only around 50% during 2019 and 2020, and has increased by more than 800 basis points in six years. (One basis point is one hundredth of a percentage.) These loans have been growing at a faster pace than housing loans as well as agriculture and business loans.

So, an increasing proportion of these loans are being taken for consumption.

Bank and NBFC Lending

Second, personal loans given by banks and non-banking finance companies (NBFCs) have gone up majorly over the years. Take the case of personal loans given by banks. They had stood to Rs 5.53 lakh crore as of March 2019. By March 2026, they had zoomed to Rs 17.32 lakh crore, an increase of 17.7% per year on average.

Of course, personal loans given by NBFCs are over and above this. In the case of NBFCs, the RBI doesn't provide data as regularly as is the case with banks. Also, the way data is reported, other retail loans given by NBFCs are the closest equivalent of what we in general parlance refer to as personal loans. These loans stood at Rs 5.45 lakh crore as of September 2025. They were Rs 2.13 lakh crore as of March 2019, growing by 15.5% per year on average between then and September 2025.

Fintech Disbursal

Clearly, the unsecured personal loans have grown at a very fast pace. Multiple reasons can be attributed to this. The rise of the digital medium is one, making it easier to disburse loans than ever before. In fact, a bulk of small ticket personal loans of less than Rs 50,000 are being given out digitally by fintech firms. Their market share in that line of lending as of March 2026 stood was 56.8%.

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Their loan book has grown at a very strong pace of 41.6% in comparison to March 2025.

Around half of these loans have been given to people under the age of 35. In fact, credit bureau CRIF High Mark in a September 2025 [report](#) had pointed out: "Fintechs continue to serve a younger borrower base, with 65% of customers under the age of 35 as of June 2025."

As often happens when loans are given out at a very fast pace, the rate of delinquencies rises. It has risen to 6.4% as of March 2026, against around 4.5% in March 2024. As per a May 2026 [CRIF High Mark](#) report, loans of less than Rs 1 lakh have the highest delinquency rates.

A May 2026 report in [Business Today](#) quotes a very interesting data point from a debt resolution platform called FREED. The typical borrower seeking help from FREED owes about Rs 5 lakh in unsecured loans across three or four lenders, with loan repayments

absorbing 40-60% of their monthly income. What this tells us is that many individuals are taking small ticket loans to meet regular expenses. What it possibly also tells us is that newer loans are being taken on to pay off older ones. Or as RBI's December 2025 FSR pointed out: "The impairment among borrowers who have availed unsecured loans from five or more lenders was also elevated."

What this means in simple English is that you can only continue the Ponzi scheme of borrowing from one borrower to pay off another for a small period of time. As pointed out earlier, many such individuals are youngsters.

In fact, as per CRIF High Mark, loans of less than Rs 1 lakh formed nearly 90% of personal loans originations volume. In value terms they stood at 19%. This implies that many Indians are borrowing smaller amounts. In fact, data shows this very clearly. A [report](#) by FinTech Association for Consumer Empowerment (FACE) points out that between April 2022 and March 2026, fintechs - which they refer to as digital NBFCs - gave out a total of 13.2 crore loans amounting to Rs 2.15 lakh crore. This amounts to an average loan size of just Rs 16,238.

The point to remember here is that Rs 16,238 is the average ticket size of a loan given out by fintechs, implying that many loans will be smaller than even this amount. The [average](#) had stood at Rs 14,500 between April 2022 and March 2025. What this clearly tells us is that many individuals are taking on small ticket loans to meet their regular expenditure.

Also, with a lot of retail payments being made through the unified payments interface (UPI) mechanism, it has become easier for lenders to figure out the repayment capability of many individuals working in the informal sector, which wasn't the case earlier. With payments made over UPI, the lender is able to get some idea of the regular income and repayment capacity of the borrower working in the informal space and then lend accordingly.

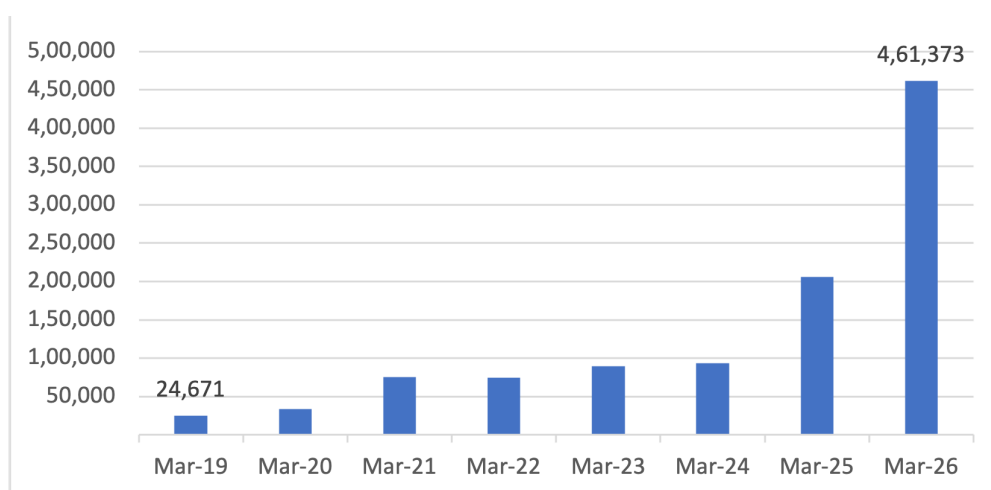
Of course, the taboos associated with taking loans in order to meet consumption needs seem to have come down considerably as well.

Finally, it is important to clarify here that while fintech firms have become a very big part of small-ticket size personal loans space, as a proportion of the overall lending carried out by banks and NBFCs, they remain miniscule. So, there is really no risk at the systemic level. Of course, a lot of individual borrowers are borrowing more than their capacity to repay.

Gold Jewellery Loans

Third, loans against gold jewellery have simply taken off in the last few years. Chart III shows the year-wise loans outstanding against gold jewellery given by banks.

Chart III: Bank Loans Against Gold Jewellery (in Rs crore)



These loans have gone up from Rs 24,671 crore as of March 2019 to Rs 4.61 lakh crore as of March 2026. In fact, the outstanding loans against gold jewellery have gone up by Rs 27,388 crore just between March 2026 and April 2026. When it comes to NBFCs, the loans given against gold have gone up from Rs 75,451 crore as of March 2020 - the earliest data available - to Rs 2.62 lakh crore as of September 2025, an average growth of more than 25% per year.

The main reason for this surge is the rise in the price of gold, telling us that attitudes towards using gold to borrow money seem to be gradually changing. The younger lot isn't as emotionally attached to gold as their parents and grandparents once were. Of course, for lenders it's always better to lend against an asset than give out unsecured loans.

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The interesting thing is that as of March 2024, the outstanding loans against gold jewellery given by banks stood at Rs 93,301 crore. It jumped to Rs 4.61 lakh crore as of March 2026, a jump of Rs 3.68 lakh crore in just two years.

In comparison, personal loans and credit card outstandings of banks have grown by Rs 3.41 lakh crore during the same period on a much bigger base. As RBI's FSR points out: "The rapid growth in gold loans has coincided with a moderation in the growth of outstanding personal loans for borrowers who have both personal loans and gold loans." So, people are taking on gold loans instead of personal loans.

For NBFCs, the gold loans have jumped from Rs 1.41 lakh crore to Rs 2.62 lakh crore between September 2023 and September 2025. Indeed, as the RBI's FSR points out: "Both banks and NBFCs have significantly expanded their gold loan portfolios in 2025-26, outpacing growth in other retail loan categories, including housing loans."

When one kind of lending grows at a significantly faster pace than the overall lending, there are always reasons to worry. As of September 2025, the outstanding gold loans given by banks stood at Rs 3.16 lakh crore. They grew by 55% to reach Rs 4.89 lakh crore by April 2026, in a matter of just seven months. And this is only for banks. The NBFCs would have given out gold loans over and above this. The RBI's FSR points out the recent surge in gold loans has been driven largely by existing borrowers. Higher gold prices have allowed them to borrow more against the same collateral, often to roll over existing loans rather than take on fresh borrowing. So, people are taking on newer loans to pay off older ones, cashing in on the high price of gold. This suggests some economic stress too.

This trend is reflected in the widening gap between fresh loan originations and the total outstanding loan book. It is particularly evident in NBFC loan originations, which have grown much faster than those of public and private sector banks.

The risk in this case is that the price of gold can fall at a very rapid rate. This could weaken collateral protection, increase borrower stress and result in higher defaults.

Digital Borrowing and Spending

Fourth, there is a whole new generation of Indians who have started working, who are very comfortable with the idea of using money digitally and borrowing to finance consumption.

When it comes to premium smartphones (Rs 30,000 and higher), nearly two in three phones are financed through loans. Clearly, many youngsters are buying phones they can't afford.

Or as RBI's FSR puts it: "Consumer segment loans continued to be a key driver of credit growth across banks and NBFCs, expanding at a faster pace than overall advances." The thing about spending money digitally is that you don't feel the same pain as spending cash. And that typically leads to overspending either through borrowing digitally or even otherwise.

In 2026, [Counterpoint Research](#) expects that 42% of total smartphones sold in India to be bought on a loan, against 35% in 2025. When it comes to premium smartphones (Rs 30,000 and higher), nearly [two in three phones](#) are financed through loans. Clearly, many youngsters are buying phones they can't afford.

As more and more youngsters grow up rarely using physical cash, this tendency to borrow money to buy stuff one can't afford is only going to become stronger. And that's not necessarily a good thing.

Of course, with reels and shorts as ubiquitous as they are, the ability to delay a purchase is also likely to diminish. The point being that household aspirations have risen and will keep rising much faster than incomes. Taking on a loan increasingly bridges the gap between what people want today and what they can actually afford.

Further, credit is no longer something people actively have to seek. Increasingly, it is something that is offered at the very moment they are making a purchase. Whether it is a smartphone, an airline ticket or an online purchase, financing is only a click away. These nudges borrow are all around us.

Household Debt in Global Comparison

Fifth, the household debt figure of 45.5% of the GDP is as of September 2025. Given that, between then and now, gold loans have grown by more than 50%, the current household debt figure would be higher than that in September 2025.

Sixth, the increase in household debt has led to a fall in net household financial savings, given that people are using larger portions of their income to repay loans. For 2018-19, the household savings rate had stood at 7.2% of the GDP. For 2019-20 they had jumped to 8%. They fell to 4.9% of the GDP in 2022-23 and they stood at 5.3% and 6% in 2023-24 and 2024-25, respectively. The savings had declined during the pandemic, and haven't recovered to pre-pandemic levels.

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Seventh, the RBI's latest FSR points out that India's household debt is higher than other emerging market economies like Chile, Brazil and South Africa, but it's lower than that of China, Malaysia and Thailand. There are two things that need to be kept in mind here. As RBI's FSR for June 2024 had pointed out: "The stock of household debt in India is relatively low when compared to other emerging market economies, but in relation to GDP per capita [per capita income], it is comparatively high."

Further, as Motilal Oswal Financial Services had pointed out in a January 2025 report: "non-housing household debt in India is among the highest compared to other major nations."

There is no reason for these aspects to have changed two years later.

Eight, in the June 2025 FSR, the RBI had said that at an aggregate level, the per capita debt of individual borrowers had grown from Rs 3.9 lakh in March 2023 to Rs 4.8 lakh in March 2025. It's safe to say that by March 2026, this figure would be higher, though the RBI makes no mention of it in its latest FSR.

Summing up

To conclude, rising household debt, by itself, is not necessarily a problem. Richer economies typically have much higher household debt than India does. The real question is what people are borrowing for and whether they can repay it. A growing share of India's borrowing is financing consumption rather than the creation of long-term assets.

At the same time, digital payments, instant credit and soaring gold prices have made borrowing easier than ever before. If incomes continue to grow, much of this debt will remain manageable. But if they don't, today's convenience could become tomorrow's financial stress. And that is the risk policymakers should worry about.

Vivek Kaul is an economic commentator and a writer.