



HOUSEHOLD INDEBTEDNESS IN INDIA: EVIDENCE FROM NSSO-AIDIS

Gayathri Gopinath, Dr. Zabeena Hameed. P

Dept. of Economics, University of Calicut

ABSTRACT

DOI No: 10.36713/epra27795

Article DOI: <https://doi.org/10.36713/epra27795>

Money is an essential need for everyone's day-to-day life. The lack of sufficient funds leads to a demand for borrowing to fulfil their needs and desires. According to the 77th All India Debt Investment Survey by NSSO, 35 per cent of rural households and 22.4 per cent of urban households in India were in debt. Comparing it with the 59th and 70th rounds of the NSSO All India Debt Investment Survey shows that household debt in India has been increasing every decade. The study aims to understand the current state of household debt in India.

KEYWORDS: Incidence of indebtedness, Average amount of debt, Burden of debt, Credit agency

INTRODUCTION

The issue of household debt in India has become increasingly widespread as more people borrow money in the form of loans to be repaid later. According to the All India Debt and Investment Survey (AIDIS) 2018 data, there has been an increase in both the amount of debt and the incidence of indebtedness. The survey covered over 5,000 villages in rural areas and approximately 4,000 blocks in urban areas. Rural households are more affected by this increase in debt, with 84 per cent of them being in debt compared to 42% of urban households. The AIDIS considers "all claims against a household held by others as liabilities of the household," (NSSO-AIDIS, 2013), including cash and kind loans. Financial liabilities are rising, particularly in developing countries such as India. This paper uses NSSO data to examine the incidence

of indebtedness, the average value of assets, the average amount and burden of debt, as well as the source and purpose of debt among households in India.

Household debt in India

The Incidence of Indebtedness (IOI) is a measure of the percentage of households in debt and is also considered as an indicator of access to credit rather than distress (Basu, 2006): Rajeev M., Vani, B.P. and Bhattacharjee M (2011). According to data from India, in 1981, the IOI was nearly 20% in rural areas and 17.4% in cities. Over the course of 30 years, there has been a significant increase in the IOI to 31.4% in rural areas and 22.4% in urban areas (NSSO- AIDIS, 2013). Between the years 1981 and 1991, there was a 17% increase in household debt in rural areas, and from 2002 to 2012, there was an 18.49% increase.

Table 1
Incidence of Indebtedness in India

Year	India	
	Rural	Urban
1981	20	17.4
1991	23.4	19.3
2002	26.5	17.8
2012	31.4	22.4
2018	35	22.4

Source: National Sample Survey Organisation. (1982, 1992, 2003, 2013, 2019). *All India Debt and Investment Survey*.

Table 1 shows the trend of household indebtedness in rural and urban areas of India from 1981 to 2018. In 1981, the incidence of indebtedness (IOI) in the rural and urban sectors was 20% and 17.4%, respectively. From 1981 to 2012, both rural and urban households experienced a rise in indebtedness. After three decades, rural indebtedness increased to 31.4%, while urban indebtedness increased to 22.4%. The percent of

households with debt in rural India has increased from 31.4% in 2012 to 35% in 2018, indicating a growth of 11.46% in debt prevalence. On the other hand, the share of households with debt in urban areas has remained unchanged over the past two years.

Table 2
Incidence of Indebtedness by occupational category of the household

Year	Rural Households		Urban Households	
	Cultivators	Non-Cultivator	Self-Employed	Others
1991	25.9	18.5	19.9	18.9
2002	29.7	21.8	17.9	17.8
2012	35.0	25.6	24.7	21.3
2018	40.3	28.2	27.5	20.6

Source: National Sample Survey Organisation. (1982, 1992, 2003, 2013, 2019). *All India Debt and Investment Survey*.

Rural households can be classified into two groups based on their occupation. They are cultivator households and non-cultivator households. On the other hand, urban households include self-employed individuals and others. Between 1991 and 2018, the incidence of debt has increased in both rural and urban sectors. Indebtedness among farmer households rose from 25.9% in 1991 to 29.7% in 2002 and, during the next sixteen years, to 40.3 per cent. This demonstrates a 17.84% growth from 2002 to 2012 and a 15.14% growth in the most recent two NSSO-AIDIS data. From 1991 to 2018, the incidence of debt increased from 18.5 per cent to 28.2 per cent.

In the last two reports of NSSO, there is a 10.16 per cent growth in indebted households.

From 1991 to 2018, the percentage of self-employed urban households rose from 19.9% to 27.5%. In the last two reports, there has been an increase of 11.33 per cent, while the other occupation category for families has experienced a decline of -3.28 per cent. In the most recent NSSO survey, household debt levels have increased across the board, except in the 'others' profession category. Using the latest two rounds of data from NSSO, the average value of assets, the average amount of debt, and the burden of debt in India are analysed.

Table 3
The Average Value of Assets (AVA) and the Average Amount of Debt (AOD)-Occupational category-wise

Occupational category of the household	AVA (Rs'000)		AOD (Rs'000)	
	2012	2018	2012	2018
Cultivators	1385	2207	38655	74460
Non-Cultivators	390	785	22538	40432
Self-Employed	3652	4151	102508	179765
Others	1660	2211	76456	99353

Source: National Sample Survey Organisation. (2013, 2019). *All India Debt and Investment Survey*

From 2012 to 2018, the AVA of both rural and urban households increased. Rural households had an average debt of 32522 in 2012, which rose to 59748 in 2018. In the same period, urban households' average debt increased from 84625 to 120336. (AIDIS.2013, 2019)

Examining the data by occupational category, self-employed households had the highest AVA in 2018, followed by 'others' and cultivator households. On the other hand, non-cultivator households, including those earning a regular wage or working as casual labourers, had the lowest share of asset value in the

rural sector. This trend is consistent with the previous household debt survey report, 2013. Self-employed households had the highest share of average debt in both 2012 and 2018, while non-cultivator households had the least. As per the debt data of NSSO 2019, the average household debt in India accounts for 42.68 per cent of the total income. Notably, the average outstanding debt of families with self-employed members has surged to 45.62 per cent from 2012 to 2018. The analysis further reveals that cultivator households witnessed the most significant growth among all occupational groups between the two recent NSSO surveys.

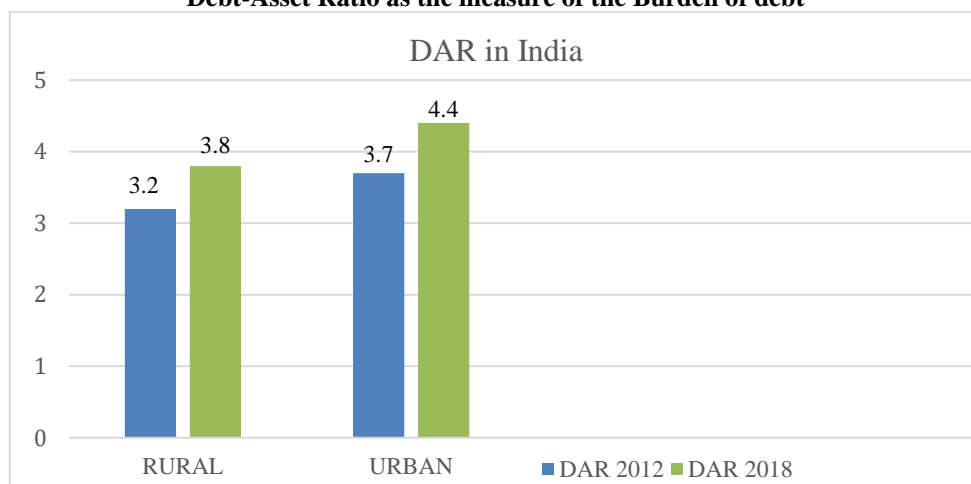
Table 4
Occupational wise Average value of asset and Average Amount of debt

Occupational category of household	% share of AOD to Total AOD			% share of AVA to Total AVA	
	2012	2018	Growth rate	2012	Growth rate
Cultivators	16.09	18.89	17.40	19.54	20.72
Non-Cultivators	9.38	10.26	9.38	5.50	52.54
Self-Employed	42.68	45.62	6.88	51.53	-13.89
Others	31.83	25.21	-20.79	23.42	0.89

*Calculated by the researcher based on NSSO AIDIS, 2013 and 2019

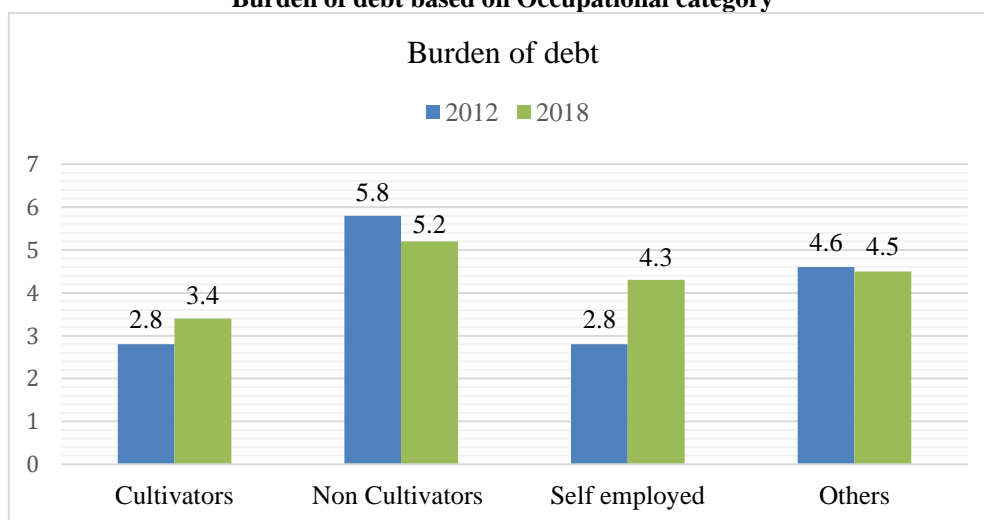
From 2012 to 2018, the Asset Value of Asset (AVA) of households in AOD rose by 0.89%. However, the 'other' group of households in AOD experienced a negative growth of -20.79%. Among households that do not cultivate, the highest growth in AVA was observed, with an increase of 9.38% in their Asset Ownership Distribution (AOD), which is more than 8% higher than the growth of the 'other' group. Meanwhile, households with self-employed individuals saw a decline of -13.89% in their average asset worth, but their AOD grew by 6.88% during the same period.

Figure 1
Debt-Asset Ratio as the measure of the Burden of debt



Source: NSSO- AIDIS. 2013, 2019

Figure 2
Burden of debt based on Occupational category



Source: NSSO AIDIS.2013, 2019

In Figure 1 and Figure 2, the DAR explains the debt burden among rural and urban households. The urban sector carries a greater debt load than their rural counterparts in 2012 and 2018 NSSO surveys. Within the rural demographic, non-cultivator households shoulder a heftier debt burden, whereas in urban

households, the 'others' occupational category experiences a higher level of debt. Additionally, the comparison of the debt-to-asset ratio reveals that cultivator households in rural regions and self-employed urban households have a higher percentage of debt burden.

Table 5
Average Amount of Debt and Debt-Asset Ratio among Indian States (2012-2018 percentage change)

State	Average Amount of Debt		Debt- Asset Ratio	
	Rural	Urban	Rural	Urban
	% Change	% Change	Change (in bps)	Change (in bps)
Andhra Pradesh	118	53	-504	-123
Arunachal Pradesh	244	37	60	-107
Assam	204	109	126	171
Bihar	16	69	-119	-3
Chhattisgarh	28	277	10	287
Delhi	159	-15	6	-64
Goa	-30	75	-677	123
Gujarat	96	68	151	10
Haryana	104	39	110	243
Himachal Pradesh	56	25	-26	-78
J&K	175	-5	16	-109
Jharkhand	56	203	3	100

Karnataka	75	29	-160	-119
Kerala	63	34	430	297
Madhya Pradesh	191	56	214	160
Maharashtra	163	120	128	291
Manipur	199	216	48	39
Meghalaya	143	-15	-15	-9
Mizoram	397	171	56	86
Nagaland	210	280	24	51
Odisha	127	-54	95	-1070
Punjab	52	93	100	205
Rajasthan	119	142	107	42
Sikkim	-5	33	-345	267
Tamil Nadu	16	-12	-121	-65
Telangana	93	12	-175	-98
Tripura	362	77	118	-59
Uttarakhand	190	-2	-141	-42
Uttar Pradesh	80	-30	7	-229
West Bengal	60	90	-46	153
All-India	84	42	57	70

Source: AIDIS Reports; SBI Research, 2021(sbi.co.in)

Over six years, the average debt of rural households climbed by more than double in 18 states, while urban households experienced similar growth in debt in seven states. The household debt in Maharashtra, Rajasthan, and Assam has doubled in both urban and rural areas. Except for Goa and Sikkim, the rural household debt has increased by more than 200% in all other states. However, the trend in urban areas is not as alarming. Seven states have recorded a decrease in the average debt, while four states have seen an increase of over 200%. (SBI Research, 2021 sbi.co.in)

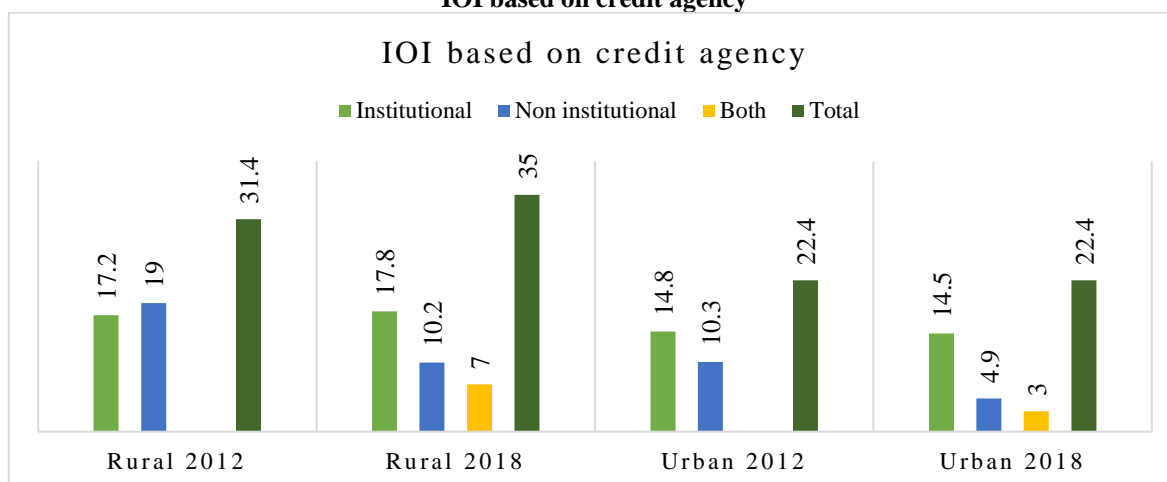
The debt-asset ratio (DAR) is a measure of household indebtedness. It is calculated as the average amount of debt outstanding on a given date for a group of households expressed as a percentage of the average amount of assets they owned on that given date. The debt-asset ratio (DAR) for rural households increased from 3.2 per cent to 3.8 per cent between 2012 and 2018, while for urban households it increased from 3.7 per cent to 4.4 per cent. Looking at the trend state-wise for rural households, 11 states reported a decrease in DAR in 2012, but it remains high in states like Kerala (9.7%), Andhra Pradesh

(9.1%), and Telangana (6.7%). On the other hand, the trend for urban households is more positive, with 14 states reporting a decrease in DAR in 2018, indicating low levels of indebtedness. (SBI Research, 2021 sbi.co.in)

Credit agency

According to NSSO-AIDIS, credit sources are institutional and non-institutional agencies. Credit availability with agreeable terms and conditions depends on the lender. Generally, formal lending institutions offer more favourable terms and conditions, while informal lenders often provide less desirable options for borrowers (Bhaduri 1977). Institutional credit agencies comprise banks, cooperative societies, insurance companies, provident funds, employers, financial cooperation/ institutions, non-banking financial companies, bank-linked and non-bank-linked self-help groups/ joint liability groups, and other institutional agencies. Non-institutional credit agencies, on the other hand, include landlords, agricultural moneylenders, professional moneylenders, input suppliers, relatives and friends, chit funds, market commission agents/ traders, and others.

Figure 3
IOI based on credit agency



Source: National Sample Survey Organisation. (2013, 2019). *All India Debt and Investment Survey*

According to the All India Debt Investment Survey 2018 survey conducted by NSSO, 14.5% of urban households and 17.8% of rural households in India relied on institutional credit agencies. This shows a minor decrease from 2012 when 14.8% of urban households and 17.2% of rural households relied on such

agencies. The survey also found that the use of non-institutional credit agencies has significantly decreased, particularly in urban areas, where only 4.9% of households still rely on them. In rural areas, 10.2% of households continue to use non-institutional institutions.

Table 6

Incidence of indebtedness (IOI) to institutional and non-institutional credit agencies by occupational category of household (2018)

Occupational category of household	IOI (%)			
	Institutional only	Non-Institutional Only	Both	All
Cultivator	21.2	10.3	8.8	40.3
Non-cultivator	13.5	10.0	4.7	28.2
All	17.8	10.2	7.0	35.0
Self-employed	18.0	5.2	4.3	27.5
Others	13.3	4.8	2.5	20.6
All	14.5	4.9	3.0	22.4

(Source: National Sample Survey Organisation. (2019). *All India Debt and Investment Survey*)

In 2012, 14.8% of urban households and 17.2% of rural households in the Indian sample relied on institutional credit agencies. Meanwhile, 10.3% of urban households and 19.0% of rural sample households relied on non-institutional credit agencies. According to the 2018 survey, 14.5% of urban

households and 17.8% of rural households depend on institutional agencies, whereas 10.2% of rural and 4.9% of urban households still rely on non-institutional organisations. The reliance on non-institutional credit agencies decreased between 2012 and 2018, particularly in the urban sector.

Table 7

Incidence of indebtedness (IOI) to Institutional and Non-institutional credit agencies by household Asset Holding Class

AHC	RURAL				URBAN			
	Institutional	Non- institutional		Institutional	Non-institutional		Institutional	Non-institutional
		2018	2012		2018	2012		
1	5.6	12.1	11.6	12.3	2.9	4.4	5.9	5
2	5.2	14.3	15	13.5	4.5	8.5	8.4	6.4
3	8	16.7	16.3	16.3	8.3	13.8	9.6	7.5
4	9.2	18.2	15.2	16.4	9.8	16.9	11.7	10.1
5	9.1	21.2	17.8	17.3	9.1	18.7	9.6	10.4
6	11.4	26.4	16	19.1	10.7	18.8	9.4	9.4
7	13.4	28.6	13.6	20.7	12.2	21.9	8.1	10.1
8	15.8	30.3	15.1	18.5	15.4	21.1	6.5	8
9	20.5	37.2	13.4	19.4	22.3	23.8	3.8	6.4
10	26	43.4	8.7	18	26	27.2	2.7	5.4

Source: National Sample Survey Organisation. (2013, 2019). *All India Debt and Investment Survey*

Table 7 presents data on debt prevalence in rural areas, categorized by credit agencies' reliance on asset-holding classes. From 2012 to 2018, there was a noticeable shift towards non-institutional credit agencies being relied upon more heavily, particularly among the lower decile classes. The first three decile groups showed an equal reliance on both types of credit institutions, while the eighth asset-holding class also experienced a similar increase to that seen in 2012.

Purpose of debt

The reason behind a household loan is determined by the purpose for which it was taken. In both 2012 and 2018 surveys, a variety of reasons for borrowing were identified. These included capital expenditures for farm or non-farm businesses, current expenditures for the same, expenses related to litigation, debt repayment, financial investments, education, medical treatment, housing, other household expenses, and miscellaneous expenses.

Table 8
Percentage distribution of amount of cash dues by the purpose for different AIDIS s

Purpose of loan	% distribution of amount of cash dues by purpose in 2012							
	Rural				Urban			
	1981	1991	2002	2012	1981	1991	2002	2012
Productive purposes	69	23	53	40	42	17	25	18
Farm business								
Capital Expenditure	43	12	27	13	6	3	3	1
Current Expenditure	18	3	14	15	4	0	2	1
Non-Farm Business								
Capital Expenditure	7	6	9	9	23	11	17	8
Current Expenditure	2	2	3	3	8	4	3	8
Other Purposes	31	78	47	60	56	83	75	82
All Purposes	100	100	100	100	100	100	100	100

Source: National Sample Survey Organisation. (1981-2012). *All India Debt and Investment Survey*

The data in the table outlines the percentage distribution of cash debt for various purposes at four different points in time: June 30th, 1981, June 30th, 1991, June 30th, 2002, and June 30th, 2012. The information was sourced from AIDIS and was used to analyse changes in the allocation of cash debt for different purposes between 1981 and 2012. To create the "productive purposes" category, capital and current expenditures for farm

and non-farm businesses were combined. The results indicate that Indian households had a negative investment outlook during this period. There was a significant surge in the use of loan amounts for other purposes, with 82% of loans taken for expenses such as litigation, debt repayment, financial investments, education, medical treatment, housing, and household expenses.

Table 9
Percentage distribution of amount of cash dues by the purpose in 2018

Percentage distribution of cash debt outstanding by the purpose of loan for different credit agencies 2018				
Purpose of loan	Rural		Urban	
	Institutional	Non-institutional	Institutional	Non-institutional
Capital expenditure in farm business	19.5	9.1	2.0	3.1
Revenue expenditure in farm business	25.0	12.0	1.8	1.3
Capital expenditure in the non-farm business	6.5	3.8	9.0	6.7
Revenue expenditure in the non-farm business	2.2	1.2	2.7	6.8
Expenditure on litigation	0.0	0.3	0.0	0.1
Repayment of debt	1.1	2.2	1.1	5.9
investment expenditure	0.1	0.1	0.2	0.2
For education	2.3	2.4	2.6	5.7
For medical treatment	1.8	10.1	1.7	11.0
For housing	22.2	17.2	61.9	25.3
For other household expenditure	11.6	31.3	10.3	26.8
Others	7.7	10.3	6.62	7.2

Source: National Sample Survey Organisation. (2019). *All India Debt and Investment Survey*

In 2018, both urban and rural households relied heavily on institutional credit agencies to obtain credit. However, when it comes to repaying debts, financing education, medical treatments, and other household expenses, non-institutional credit agencies are the primary source for most people. In rural areas, 73.9% of the total non-institutional debt is used for various purposes, while only 26.1% is used for productive purposes. Conversely, 46.8% of the total institutional debt in rural areas is used for other purposes, with 53.2% used for productive purposes. In India, institutional debt is mainly utilized for productive purposes, while non-institutional credit

in the urban sector is largely used for non-productive purposes. Out of the non-institutional credit, only 17.9 per cent is utilized for productive purposes, whereas 82.1 per cent is used for other purposes. Similarly, only 15.5 per cent of the institutional debt is used for productive purposes, while 84.5 per cent is utilized for other purposes, particularly for housing. Indian households are primarily using debt to meet their basic needs such as housing, education, and healthcare.

CONCLUSION

The All India Debt & Investment Survey reports covered a concerning trend of increasing debt among rural and urban households. Over six years, rural households saw an 84% rise in average debt, while urban households experienced a 42% increase. However, the share of cash debt from non-institutional credit agencies in rural India has decreased by 10% over the same period, providing a silver lining. Unfortunately, the trend of indebtedness has been on the rise, with most households borrowing for non-productive purposes, according to various NSSO reports. While the dependence on non-institutional credit agencies has decreased, the lowest decile of asset-holding households still rely on these agencies, which only adds to their financial burden. Research conducted by SBI in 2021 revealed that the debt of rural households is expected to rise to Rs 1.16 lakh and urban households to Rs 2.33 lakh, they found out that indicates the significant impact of COVID-19 on households.

REFERENCES

- Aswini Kumar Mishra, & Bhardwaj, V. (2022). *Financial access and household's borrowing: Policy perspectives of an emerging economy*. *Journal of Policy Modeling*, 44(5), 981–999. <https://doi.org/10.1016/j.jpolmod.2022.09.018>
- Basu, P. (2006). *Improving access to finance for India's rural poor*. The World Bank.
- Bhaduri, A. (1977). *On the formation of usurious interest rates in backward agriculture*. *Cambridge Journal of Economics*, 1(4), 341–352.
- Datta, S., Tiwari, A. K., & Shylajan, C. S. (2018). *An empirical analysis of nature, magnitude and determinants of farmers' indebtedness in India*. *International Journal of Social Economics*, 45(6), 888–908. <https://doi.org/10.1108/IJSE-11-2016-0319>
- Directorate of Economics and Statistics, Delhi. (n.d.). *Census round report*. https://des.delhi.gov.in/sites/default/files/inline-files/cround_ceun77.pdf
- India Today. (2021, September 15). *Covid led to a spike in household debt between 2019–2020 and 2020–2021*. <https://www.indiatoday.in/business/story/covid-led-to-a-spike-in-household-debt-between-2019-2020-and-2020-2021-1853215-2021-09-15>
- Kaur, S., & Kapuria, C. (2020). *Determinants of financial inclusion in rural India: Does gender matter?* *International Journal of Social Economics*, 47(6), 747–767. <https://doi.org/10.1108/IJSE-07-2019-0439>
- Meenakshi Rajeev, & Vani, B. P. (2017). *Financial access of the urban poor in India: A story of exclusion*. Springer. <https://doi.org/10.1007/978-81-322-3712-9>
- Ministry of Statistics and Programme Implementation. (2014). *Key indicators of debt and investment in India: NSS 70th round (2013)*. Government of India. https://www.mospi.gov.in/sites/default/files/publication_reports/KI_70_18.2_19dec14.pdf
- Ministry of Statistics and Programme Implementation. (2021). *All India Debt and Investment Survey: NSS 77th round report*. Government of India. <https://mospi.gov.in/documents/213904/301563/Report+no.577+%281%291625208819838.pdf/79a811c2-4c7e-4ea4-3486-57ff143e1e56>
- National Sample Survey Organisation. (1992). *Debt and investment survey, January–December 1992: Household assets and indebtedness of social groups (48th round)*. Government of India.
- National Sample Survey Organisation. (2003). *Debt and investment survey, January–December 2003 (59th round)*. Government of India.
- National Sample Survey Organisation. (2013). *All India Debt and Investment Survey, January–December 2013*. Government of India.
- National Sample Survey Organisation. (2019). *All India Debt and Investment Survey report: 77th round*. Government of India.
- Rajeev, M., Vani, B. P., & Bhattacharjee, M. (2011). *Credibility of equal access to credit: Does gender matter?* *Economic and Political Weekly*, 46(33), 76–79.
- Saibal Ghosh, & Vinod, D. (2017). *What constrains financial inclusion for women? Evidence from Indian microdata*. *World Development*, 92, 60–81. <https://doi.org/10.1016/j.worlddev.2016.11.011>
- Shigemochi Hirashima, Oda, H., et al. (2011). *Inclusiveness in India: A strategy for growth and equality*. Palgrave Macmillan. <https://doi.org/10.1057/9780230304956>
- SBI Research. (2021). *Household debt increased on an average by 1.5x between 2012 & 2018: Benefits of formalisation evident with non-institutional credit share declining precipitously* (Ecowrap Issue No. 39, FY22). State Bank of India https://sbi.co.in/documents/13958/10990811/150921-Ecowrap_20210915.pdf/58b316c8-9f60-a119-65d0-bb89c41fd561?t=1631765892649