OPINION

Why India's household savings rate should worry us more than the fiscal deficit

Families are borrowing more for consumption and saving less in financial assets. That matters for growth, investment and their own security.

By Farah Siddiqui · 8 July 2025 · 2 min read



Why India's household savings rate should worry us more than the fiscal deficit

In 60 seconds

1. Net household financial savings fell to about 5% of GDP in FY23, a 47-year low.
2. They recovered only modestly, to around 5.1-5.3% in FY24.
3. Household debt rose to about 42% of GDP by the end of 2024, from 26% in 2015.
4. More of the borrowing is for consumption, not assets.

India's fiscal deficit gets debated every budget season. A quieter number deserves just as much attention: how much Indian families are saving.

Saving less, borrowing more

Households have traditionally been India's biggest source of savings, funding investment across

the economy. But net household financial savings, what families save in bank deposits, mutual funds, insurance and pensions minus what they borrow, fell to about 5% of GDP in 2022-23, a 47-year low. They recovered only modestly, to around 5.1-5.3% in 2023-24, depending on the estimate.

At the same time, household debt has climbed. According to the RBI, it rose to about 42% of GDP by the end of 2024, up from 26% in 2015.

> *Borrowing to buy a home builds wealth. Borrowing to fund lifestyle spending does not.*

Why it matters

Some of this shift is healthy: more families are investing in property, and young people are using credit to build careers. But a growing share of borrowing is unsecured personal loans and credit card debt used for consumption. If incomes slow or jobs are lost, these loans can quickly become a burden.

Lower financial savings also mean less domestic money to fund roads, factories and businesses, leaving the economy more dependent on foreign capital.

What families can do

- Build an emergency fund of at least six months of expenses before taking on new debt.
- Avoid using personal loans or credit cards for everyday spending.
- Start small, regular investments, such as SIPs, to rebuild long-term savings.

A country's economic strength rests on the financial health of its families.

The views expressed are the author's own.