

Insights from the All-India Debt and Investment Survey 2019

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What is the All-India Debt and Investment Survey?



The All India Debt and Investment Survey

Nationally representative household survey

Latest round in 2019

Financial position of households as on June 30, 2018

69,455 rural households across 5,940 villages

47,006 urban households across 3,995 blocks

Information Collected

Account ownership in various financial institutions

Contributions to cooperatives, SHGs, JLGs, etc.

Possession and usage of credit/debit cards and e-wallets

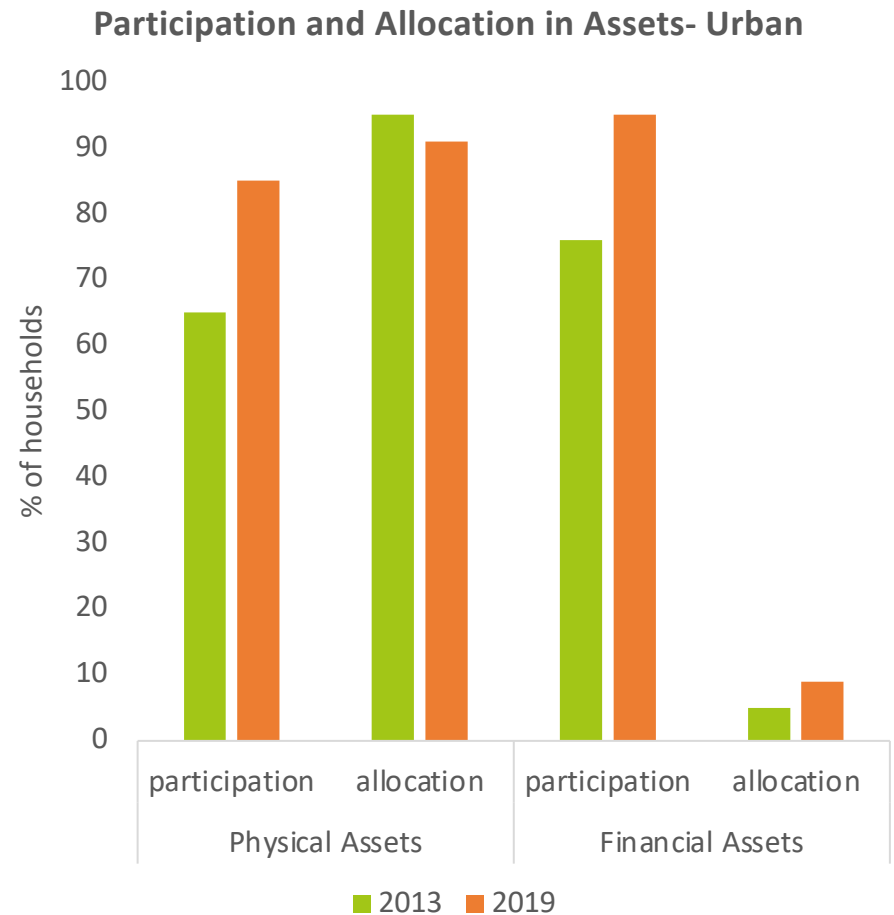
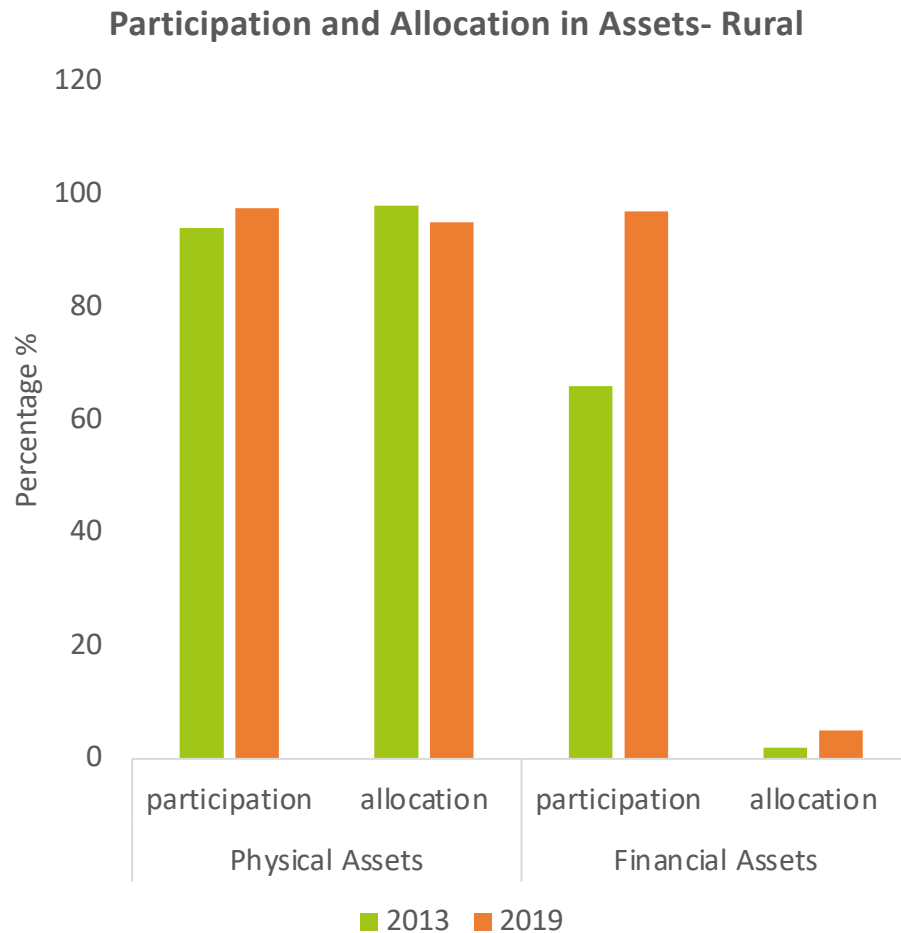
Contributions to various insurance and pension schemes

Assets, liabilities, consumption and capital expenditure

Part 1: Assets

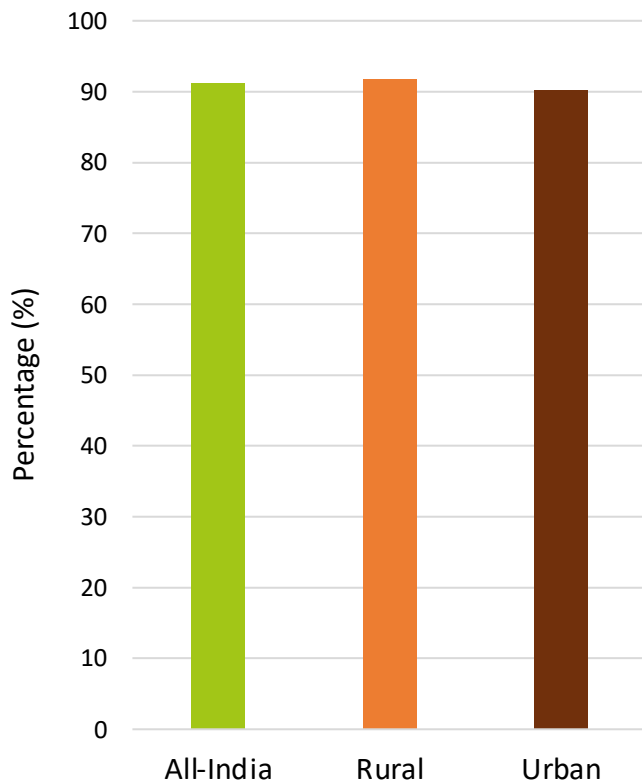
How Indian households participate in formal financial market and allocate their wealth

Significant rise in participation in financial assets, but only marginal rise in allocation

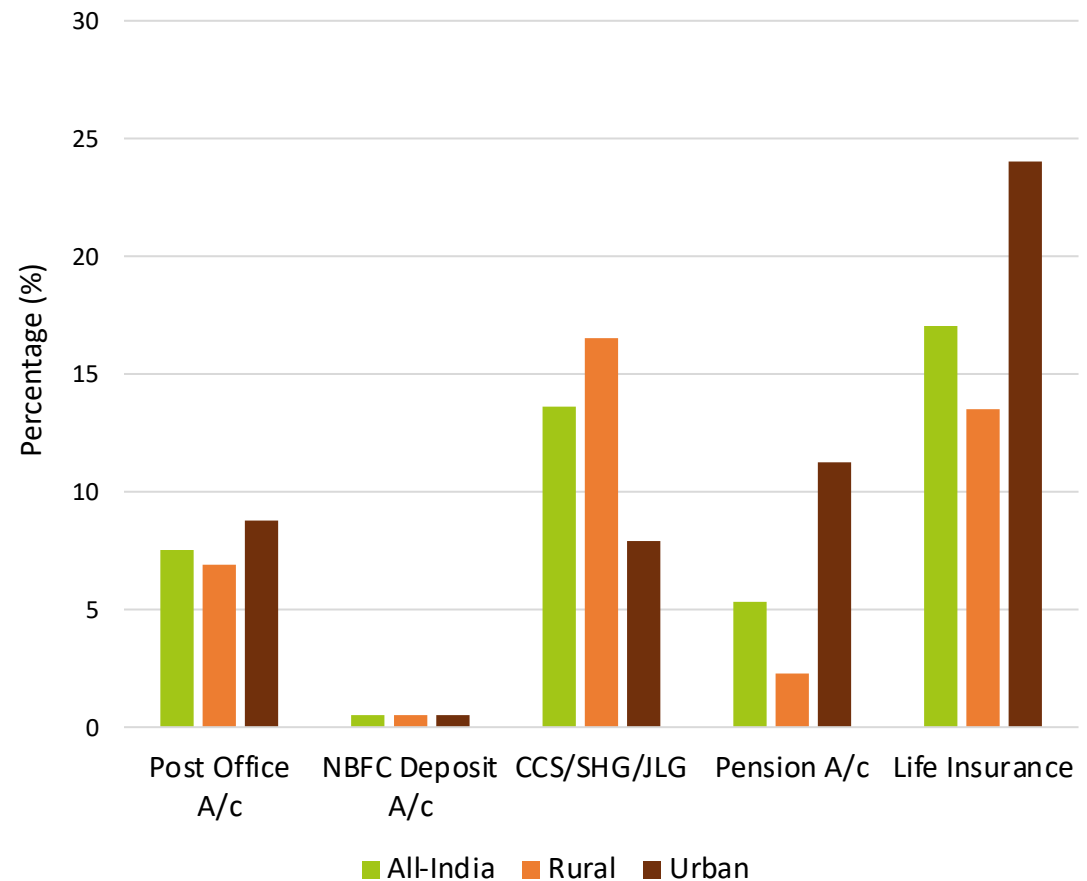


Nine in ten households own bank accounts, but ownership of other financial products remains low

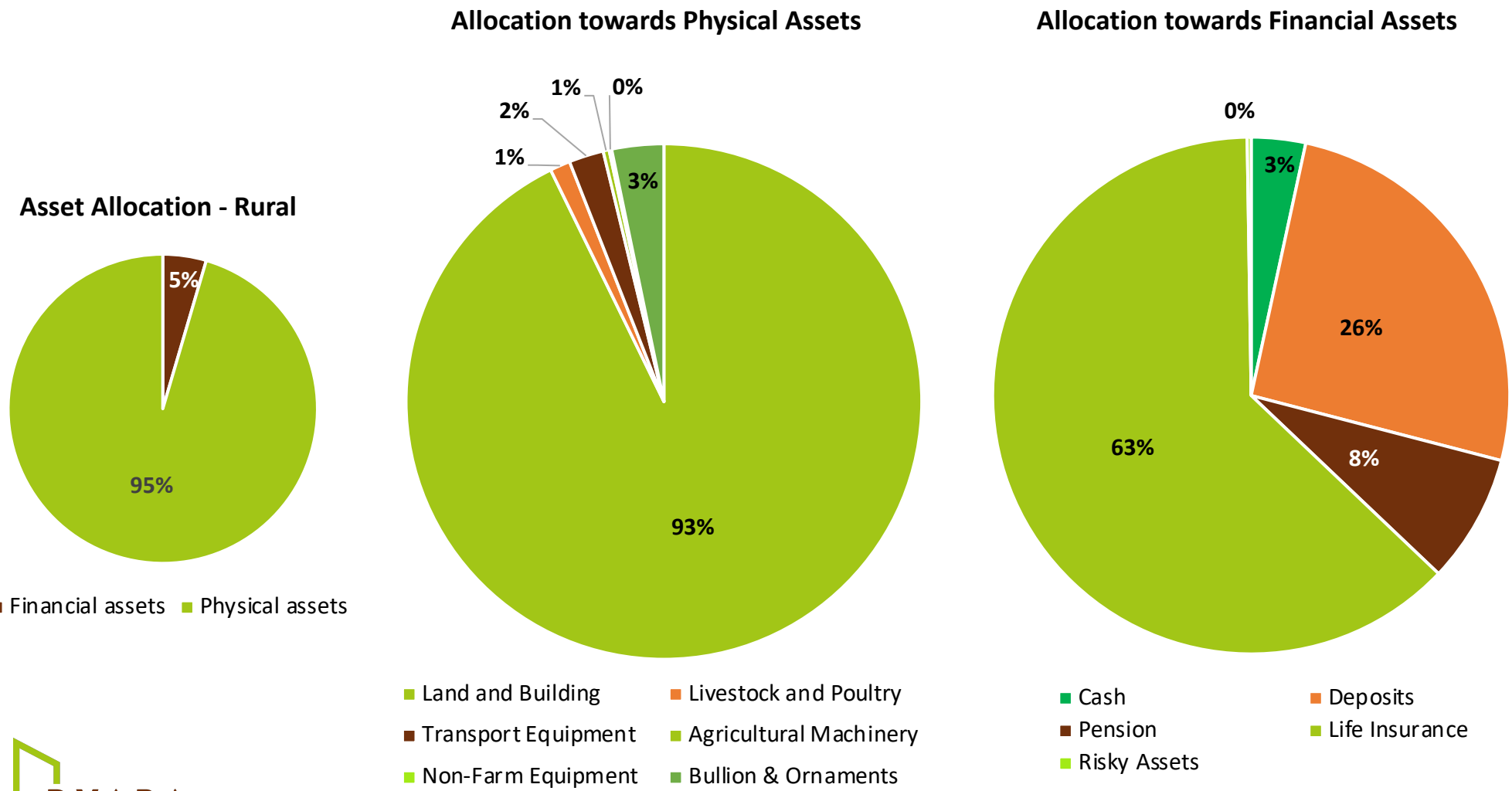
Share of households owning bank accounts



Share of households owning accounts across various instruments

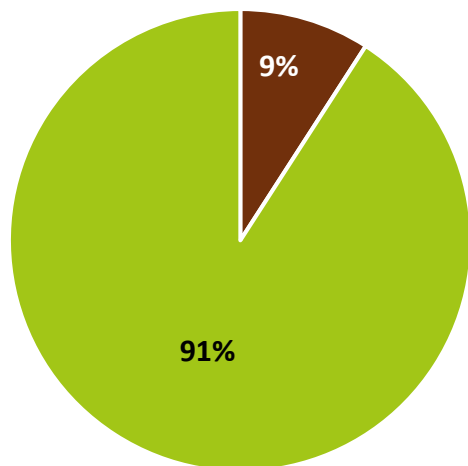


Rural households largely invest in real estate

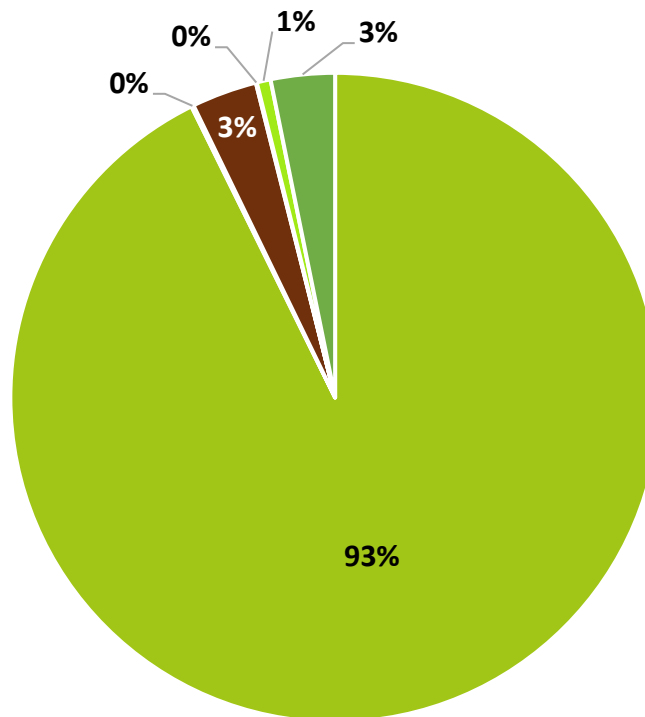


Urban households have greater diversification in their portfolios

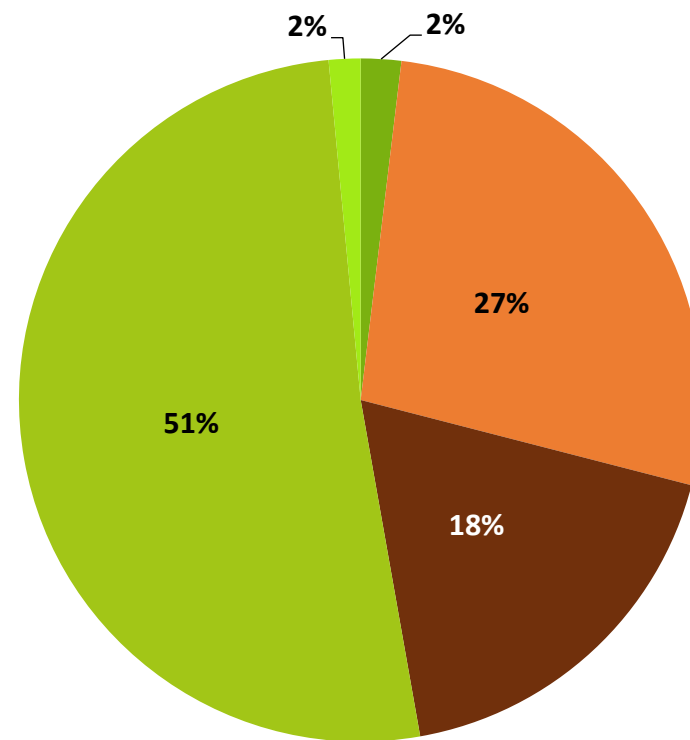
Asset Allocation - Urban



Allocation towards Physical Assets



Allocation towards Financial Assets

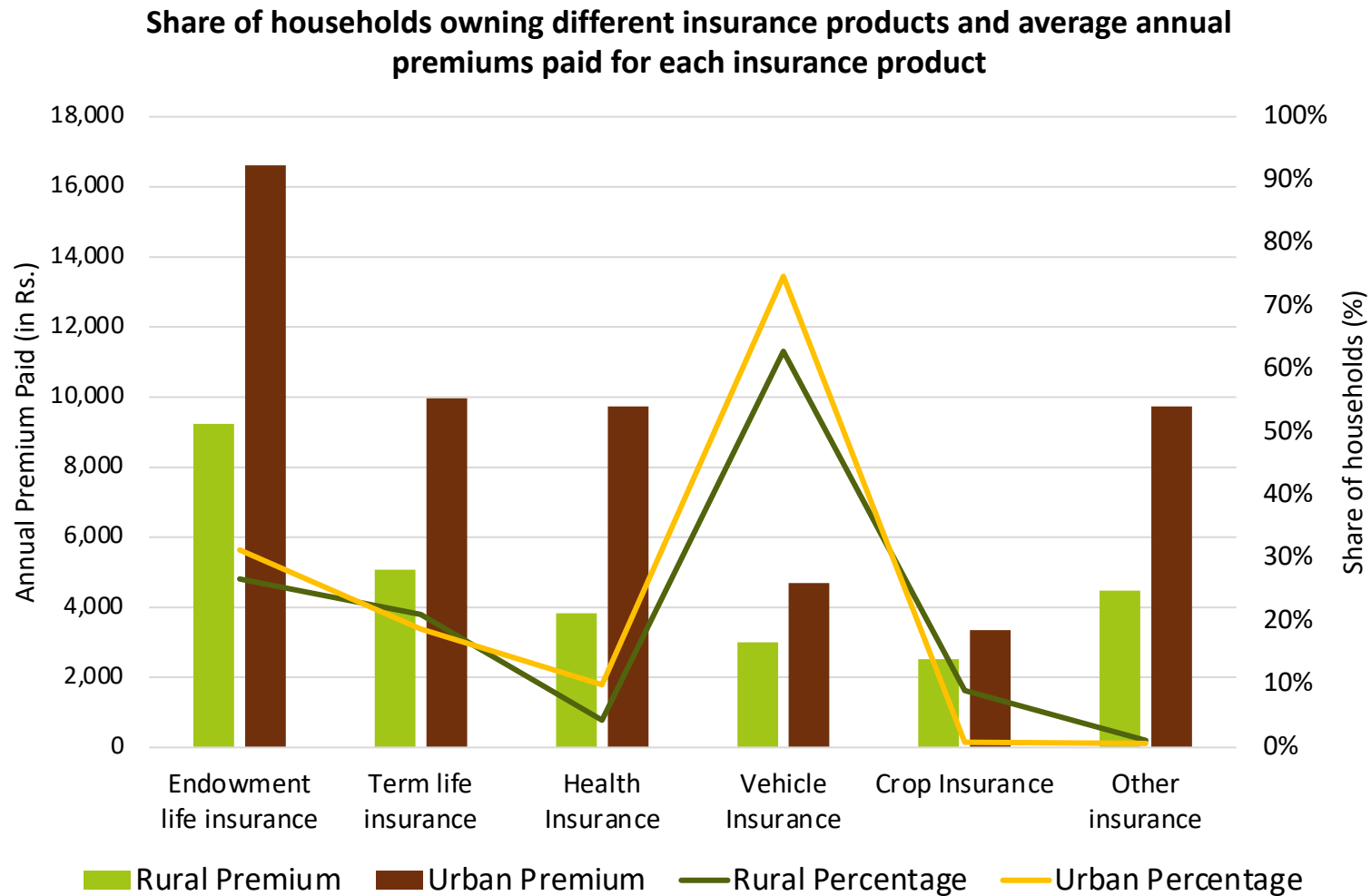


■ Financial assets ■ Physical assets

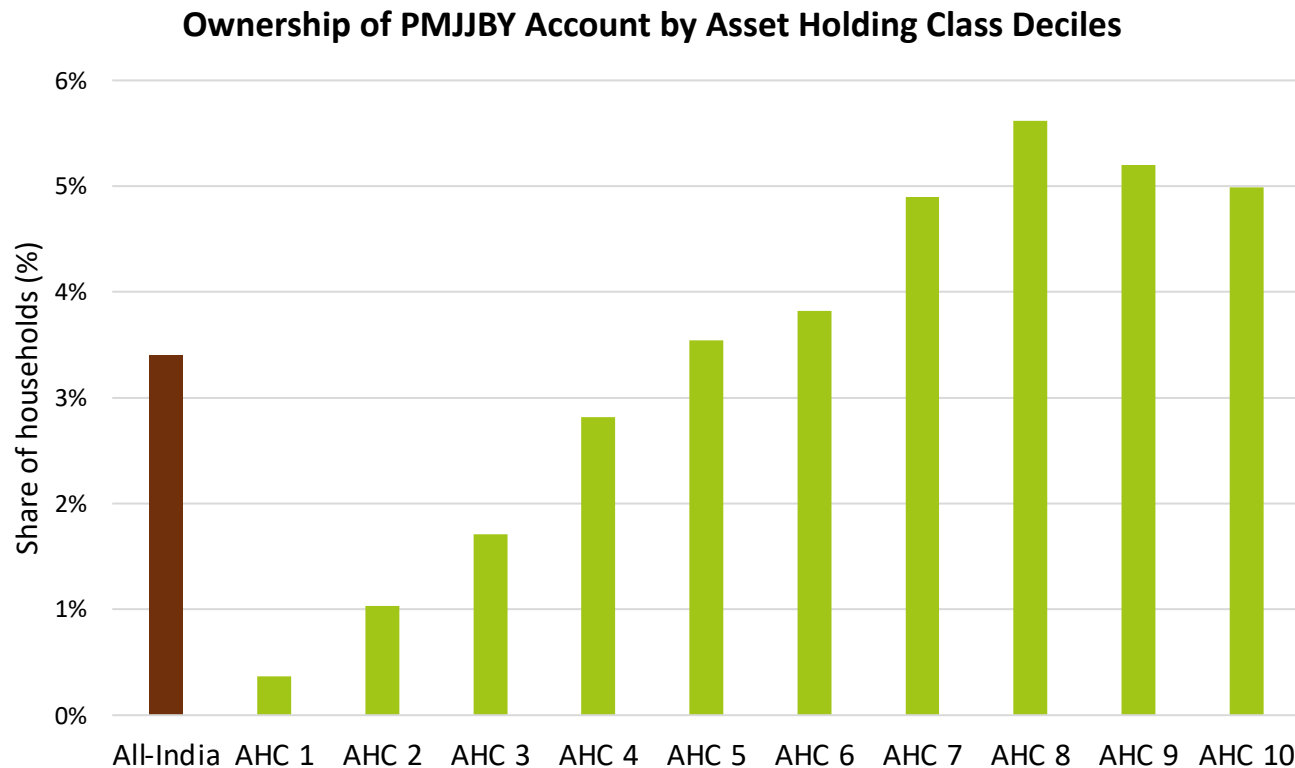
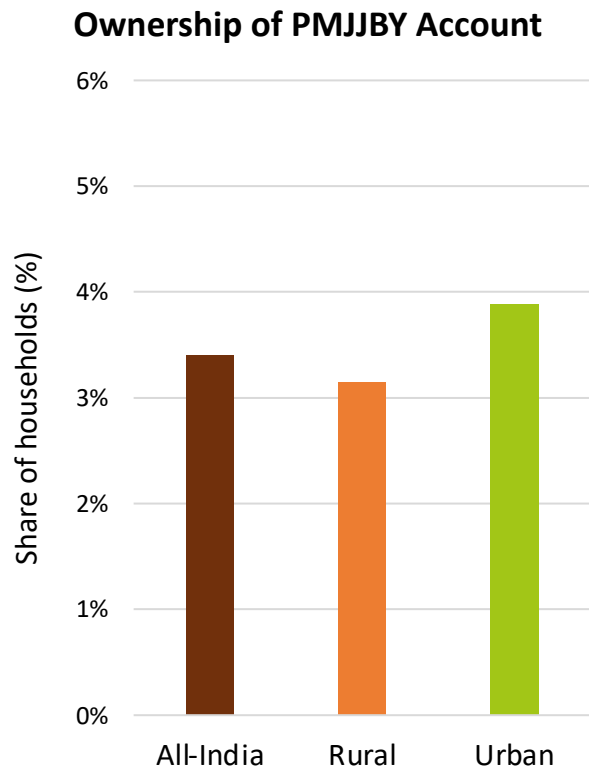
■ Land and Building ■ Livestock and Poultry
 ■ Transport Equipment ■ Agricultural Machinery
 ■ Non-Farm Equipment ■ Bullion & Ornaments

■ Cash ■ Deposits ■ Pension
 ■ Life Insurance ■ Risky Assets

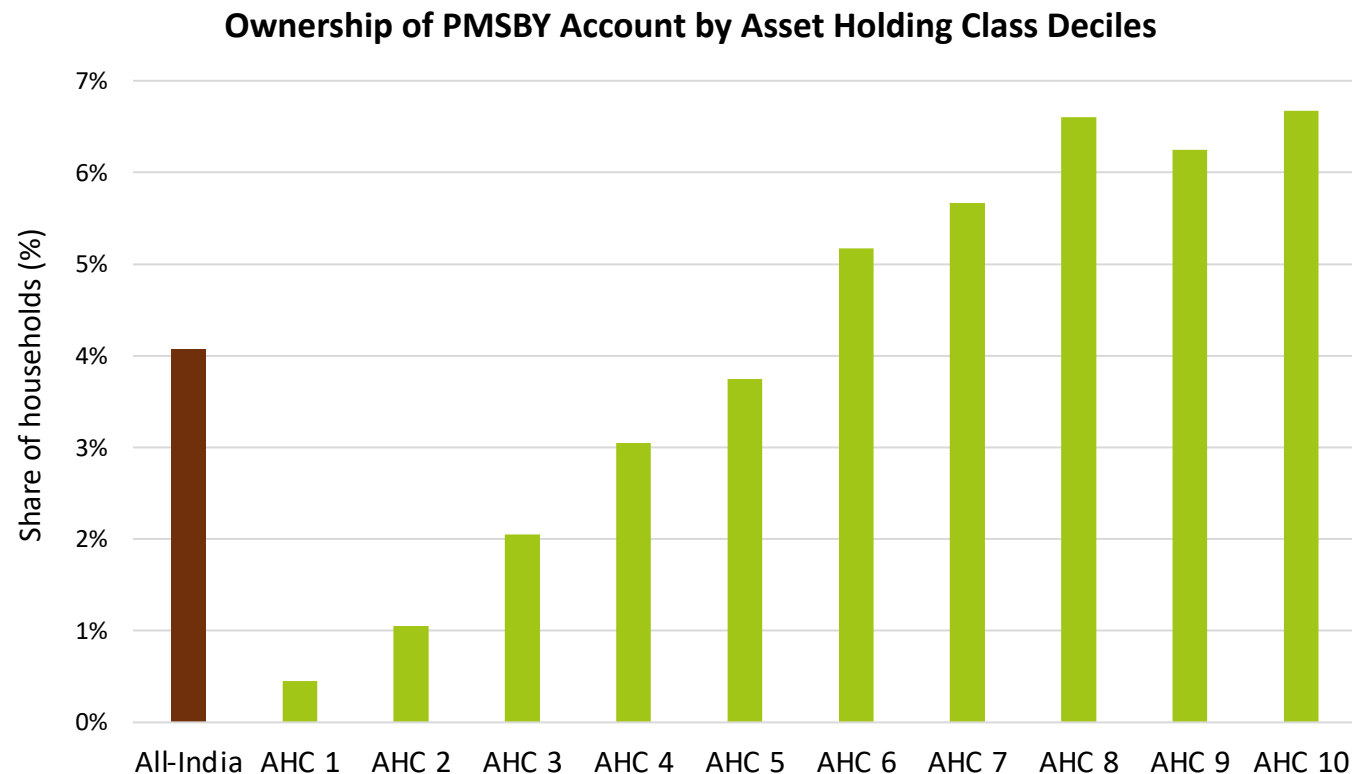
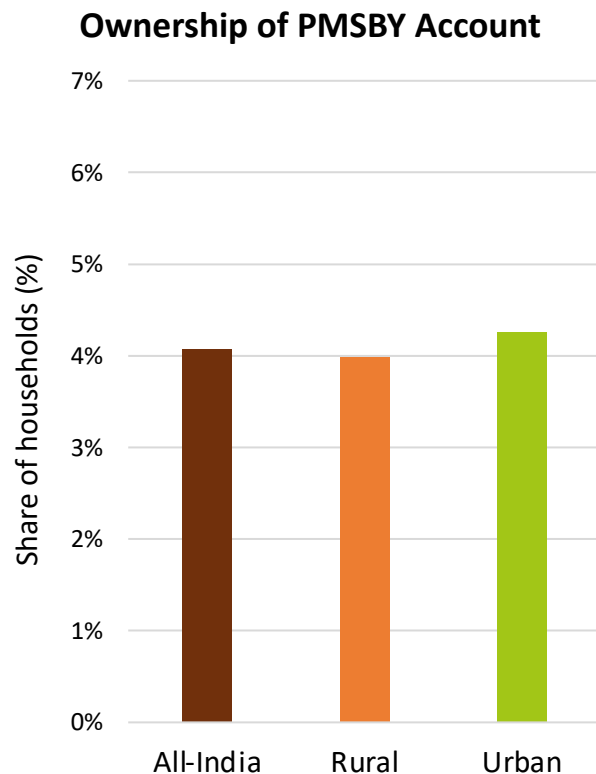
Endowment is considerably costlier than term-life insurance yet owned by a larger share of households



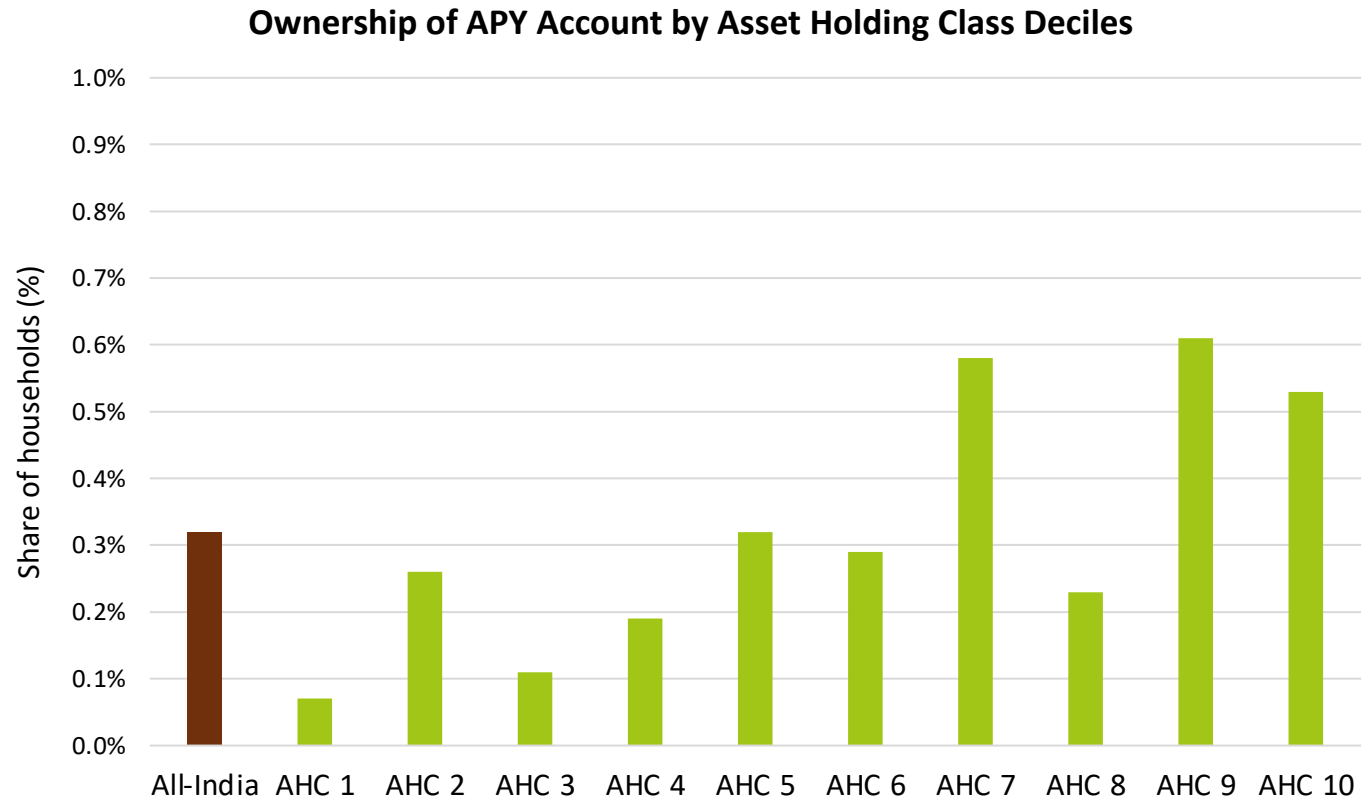
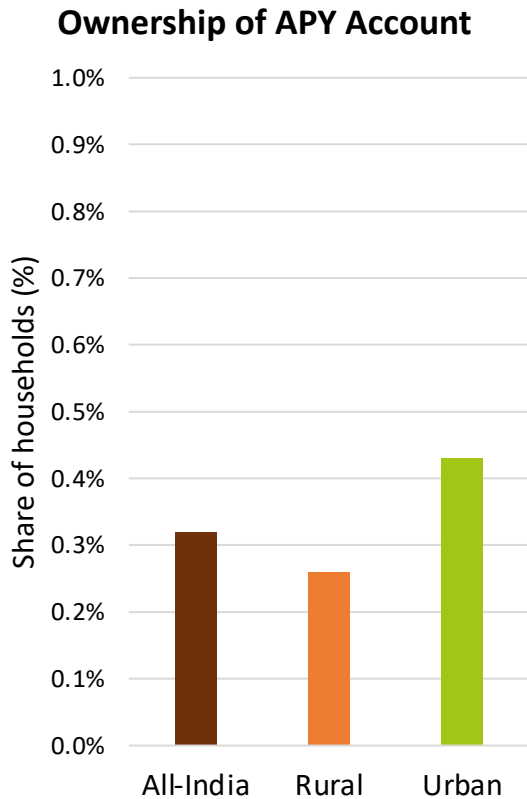
Low overall take-up of PMJJBY accounts, even lower among the poorest households



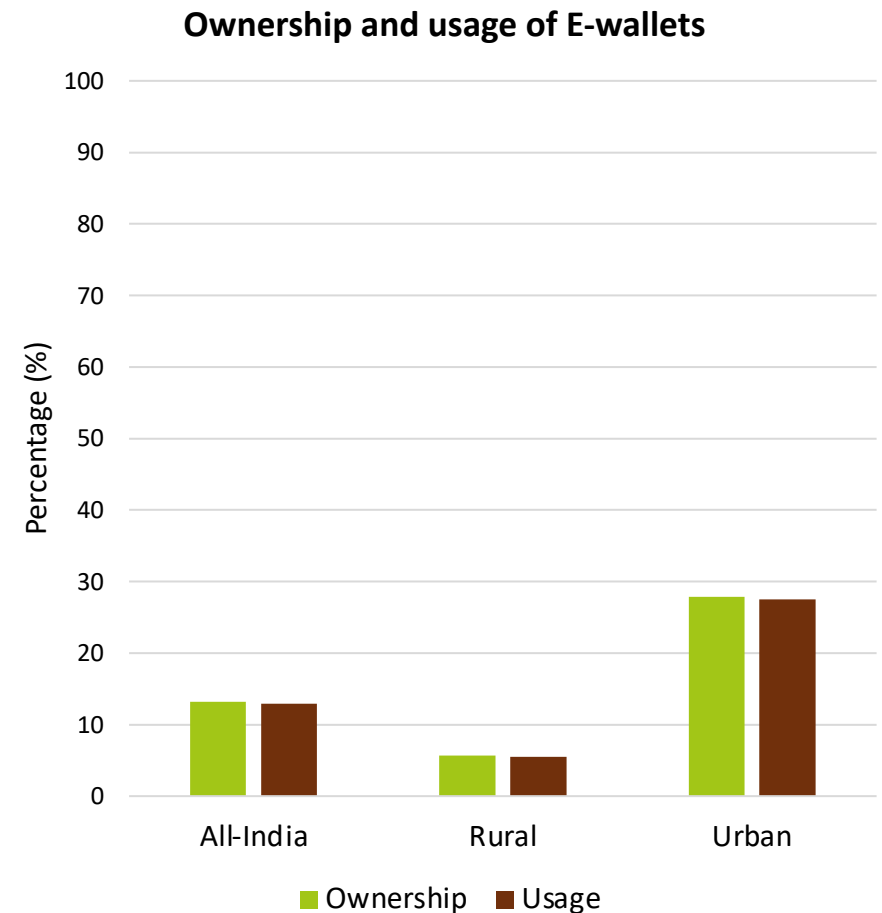
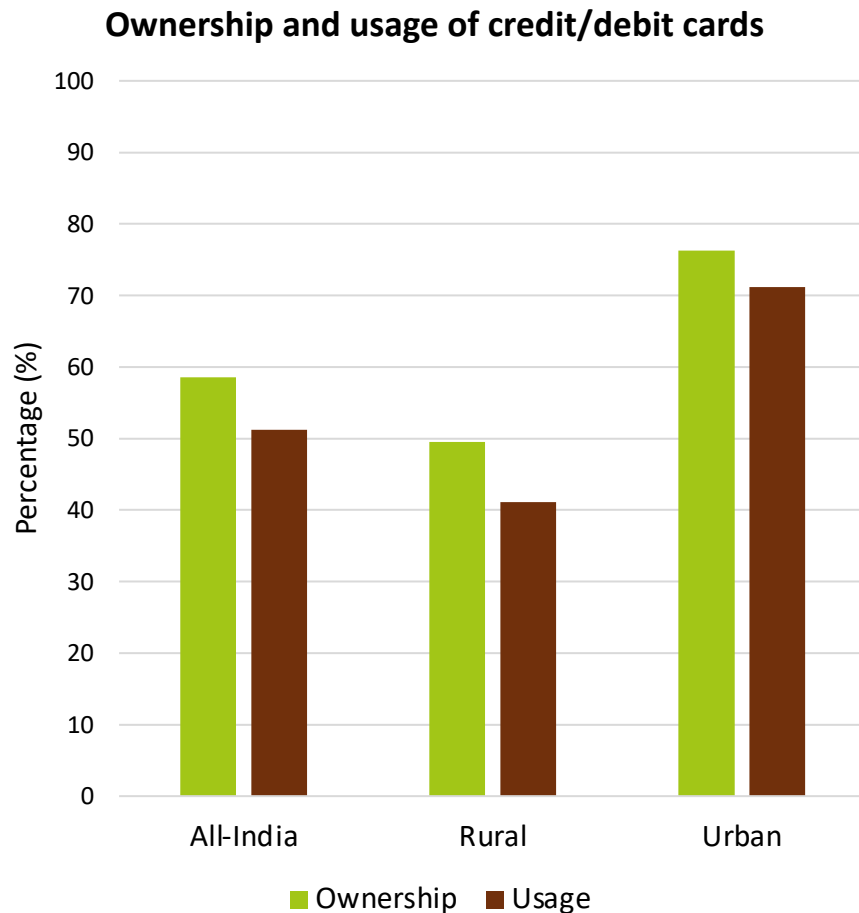
Low overall take-up of PMSBY accounts, even lower among the poorest households



Less than 1 per cent of households own APY accounts



Urban households own and use credit/debit cards and e-wallets more



Part 2: Liabilities

How Indian households seek credit

Increased access to formal credit a positive development

- Increase in take-up of formal credit both among rural and urban households
- A higher share of households owning more assets have taken formal credit
- Low ownership of assets however is not a constraint for securing non-institutional credit

Participation	Rural		Urban	
	2013	2019	2013	2019
Institutional debt	17%	25%	15%	17.5%
Non-institutional debt	19%	17%	10%	7.9%

Allocation	Rural		Urban	
	2013	2019	2013	2019
Institutional debt	56% →	66%	84% →	87%
Non-institutional debt	44%	34%	16%	13%

Informal credit continues to fill certain gaps yet to be covered by formal credit

Predominant purposes for informal loans

- Sizeable share of loans are interest-free: 1 in 5 loans in rural, and 1 in 3 loans in urban areas
- However, majority of informal loans have a high interest in the range of 20-25%
- Informal lenders can provide more flexible loans without asking the borrowers for collateral
- Major gap in availability of formal credit to cater to medical emergencies and fund household-based micro-enterprises



Consumption expenditure
(about 30%)



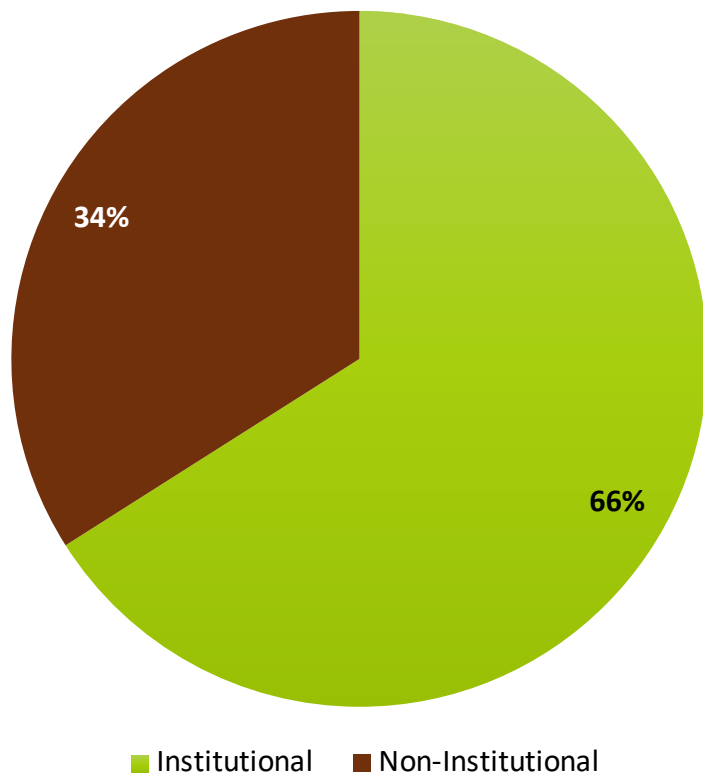
Out-of-pocket health expenditure
(about 10%)



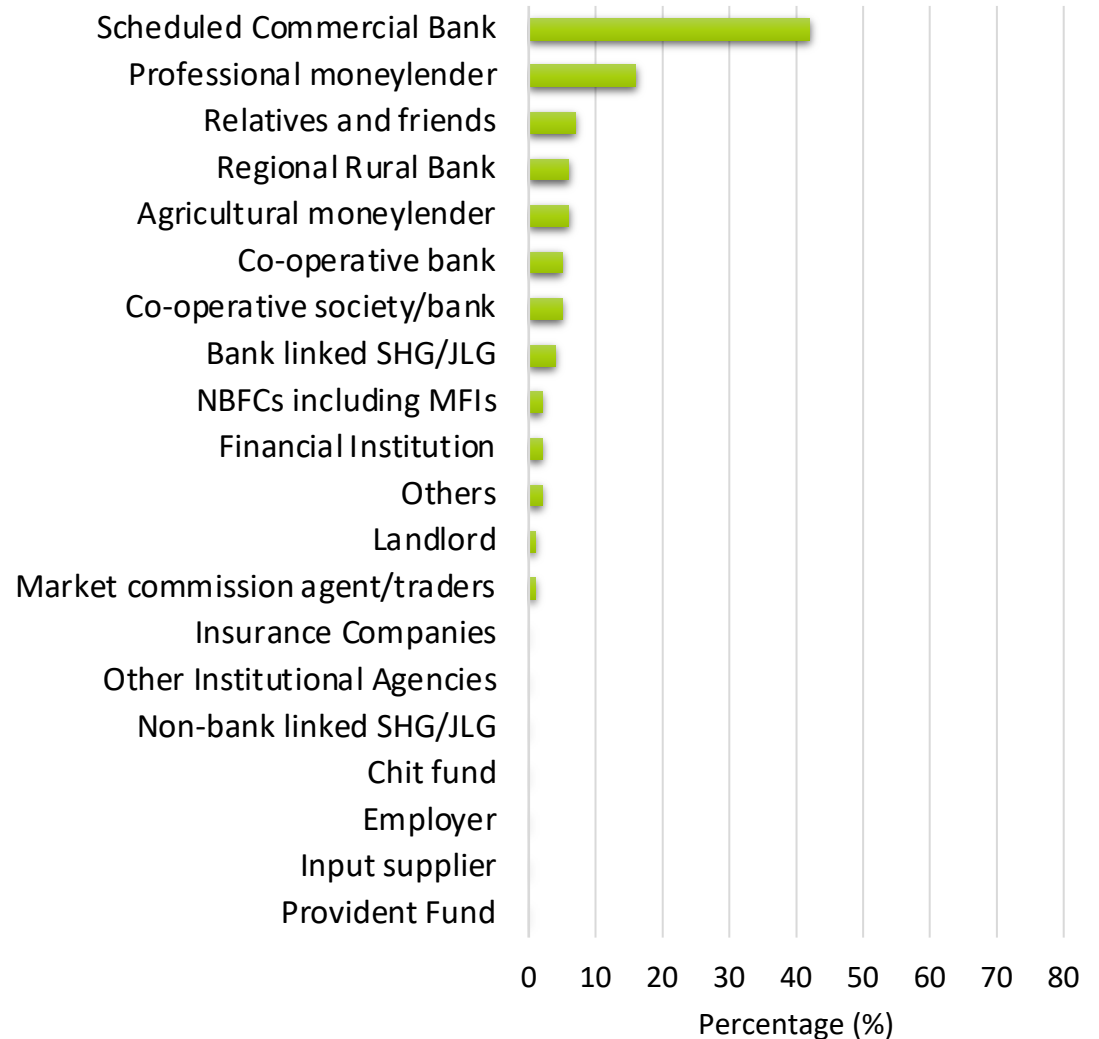
Farm and non-farm enterprise financing
(22% rural, 13% urban)

Rural households rely more on commercial banks and informal networks than microcredit institutions

Reliance on formal and informal credit: Rural

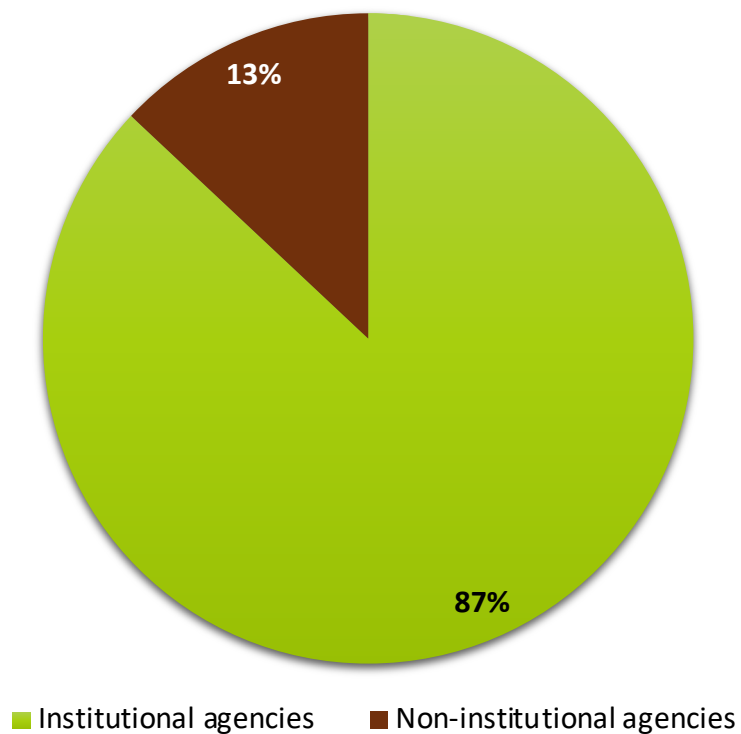


Share of different sources of credit: Rural

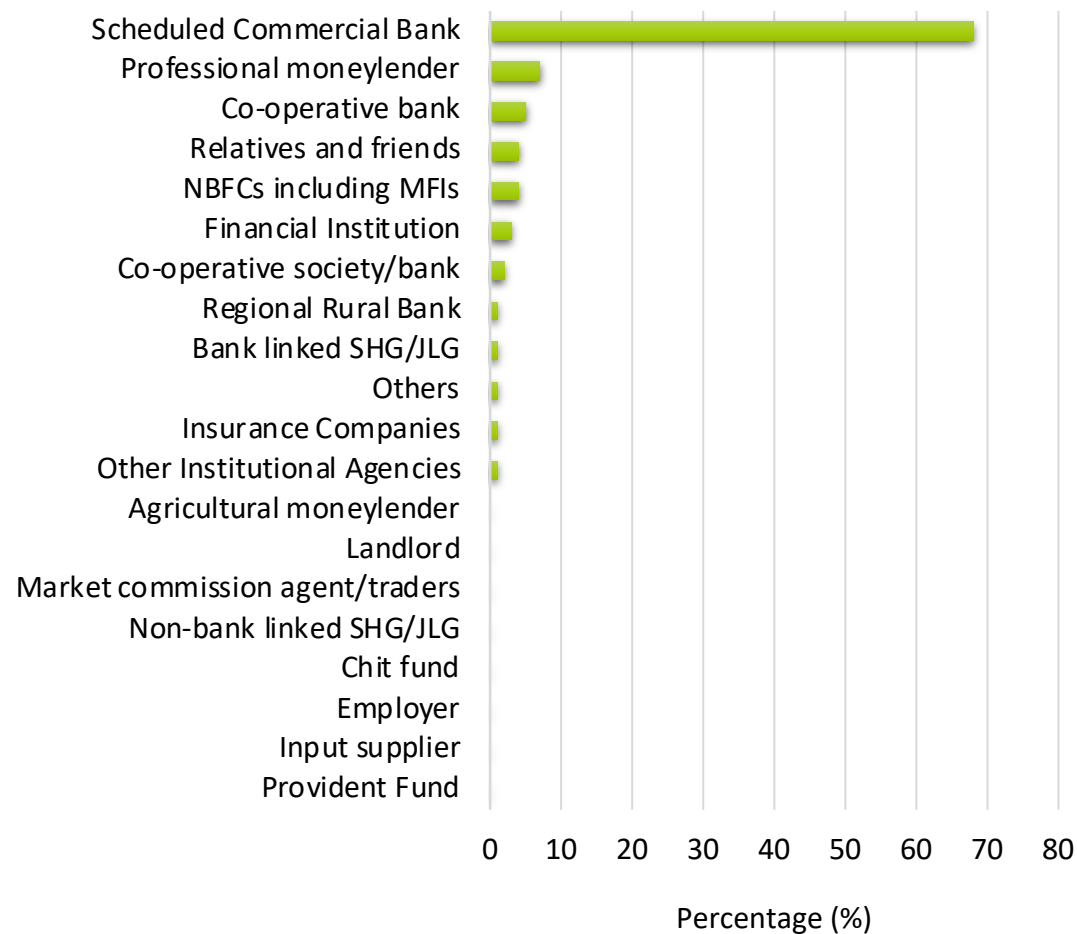


Urban households rely mostly on formal credit, predominantly from commercial banks

Reliance on formal and informal sources of credit: Urban



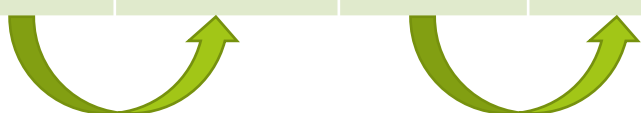
Share of different sources of credit: Urban



Sharper rise in rural indebtedness

- Incidence of indebtedness has increased by 4 percentage points among rural households
- Outstanding debt has risen by 84% among rural and 42% among urban households, on average

Metric of indebtedness	Rural		Urban	
	2013	2019	2013	2019
Incidence of indebtedness	31%	35%	22%	22%
Average outstanding debt per household	₹32.5k	₹59.7k	₹84.6k	₹1.2L


84% **42%**
26% after adjusting for inflation 1-2% after adjusting for inflation

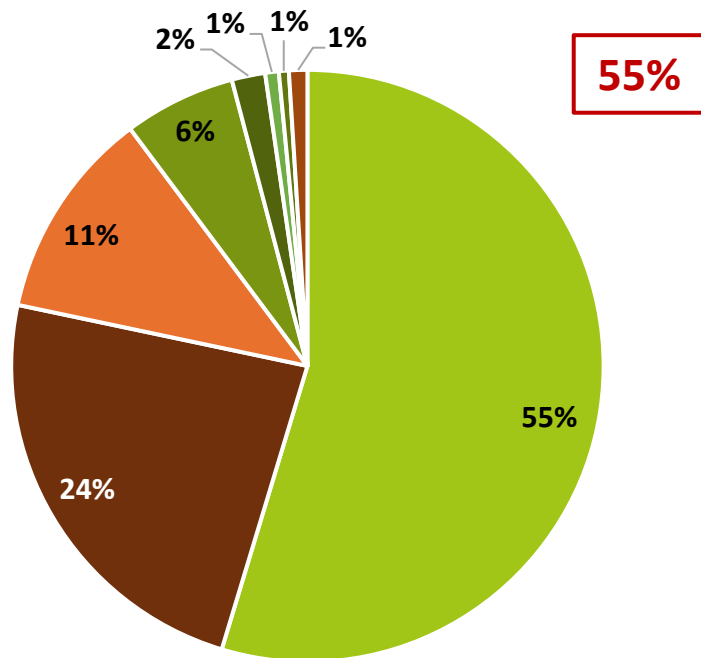
But the urban poor are more vulnerable

- Debt-to-asset ratio has increased marginally both in rural (**3.2%** to **3.8%**) and urban (**3.7%** to **4.4%**) areas
- Rise in debt-to-asset ratio driven by households owning more assets
- Debt-to-asset ratio has reduced among households owning fewer assets
- However, debt-to-asset ratio among the lowest rural asset holding class and the lowest two urban asset holding classes is high

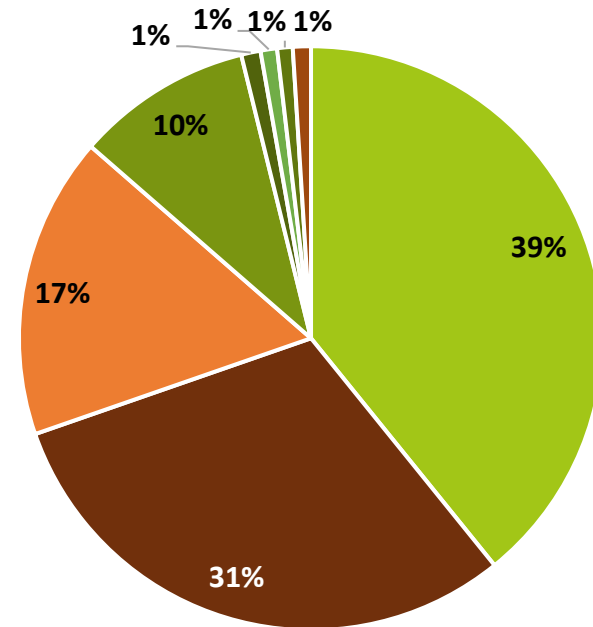
Debt to Asset Ratio	Rural		Urban	
	2013	2019	2013	2019
AHC 1	38.7%	39.1%	1920.3%	549.7%
AHC 2	9.8%	9.4%	124.8%	75.4%
Overall	3.2%	3.8%	3.7%	4.4%

Unlike the rural poor, urban poor do not own land

Asset Composition of Lowest **Rural** Asset Holding Class



Asset Composition of Lowest **Urban** Asset Holding Class



- Land & Building
- Bullion & Ornaments
- Other Assets
- Savings A/c
- Value (Rs.)-Cash
- Life Insurance
- SHG/JLG/CCS
- PF A/c

- Savings A/c
- Bullion & Ornaments
- Value (Rs.)-Cash
- Other Assets
- Current A/c
- PF A/c
- Land & Building
- SHG/JLG/CCS/Co-Op

Low debt-to-asset ratio mostly because of illiquid assets

- Household assets mostly comprise illiquid assets; land and building make up 89% and 84% of household asset value in rural and urban areas respectively
- Difficult to use illiquid assets to service debt, therefore debt-to-liquid-asset ratio (DLAR) a more realistic measure than debt-to-asset ratio (DAR)

Asset Holding Class	Rural		Urban	
	DAR	DLAR	DAR	DLAR
AHC 1	39.1%	58%	549.7%	60.3%
AHC 2	9.4%	55.3%	75.4%	34.4%
AHC 3	6.8%	48.7%	24.1%	28.2%
AHC 4	6.1%	47%	10.4%	25%
AHC 5	5.8%	47.9%	7.2%	31.4%
AHC 6	5.4%	45.4%	6.3%	36.3%
AHC 7	4.6%	40%	5.6%	42.4%
AHC 8	4.5%	43%	4.9%	40.7%
AHC 9	3.8%	45.6%	5.1%	45.6%
AHC 10	2.6%	54.5%	3.2%	32.6%

Higher indebtedness in the south, lower indebtedness in the north-east

Southern states



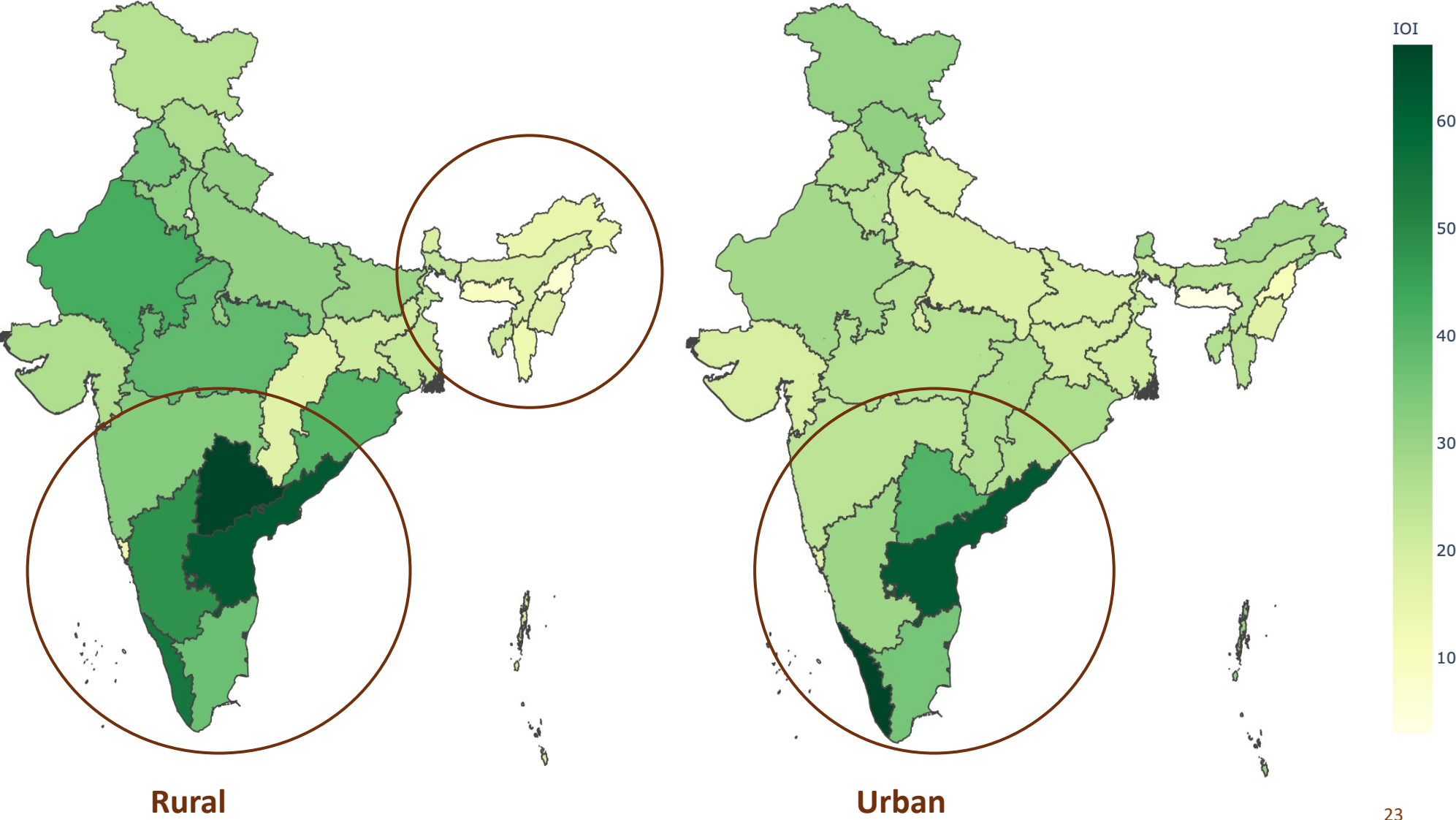
- ↳ Especially high in Andhra Pradesh, Telangana and Kerala
- ↳ Assets grew faster in Andhra Pradesh and Telangana; debt faster in Kerala
- ↳ Reliance on non-institutional debt higher than national average in Andhra Pradesh and Telangana
- ↳ Agricultural households from southern states also more indebted, as per Situational Assessment of Agricultural Households

North-eastern states

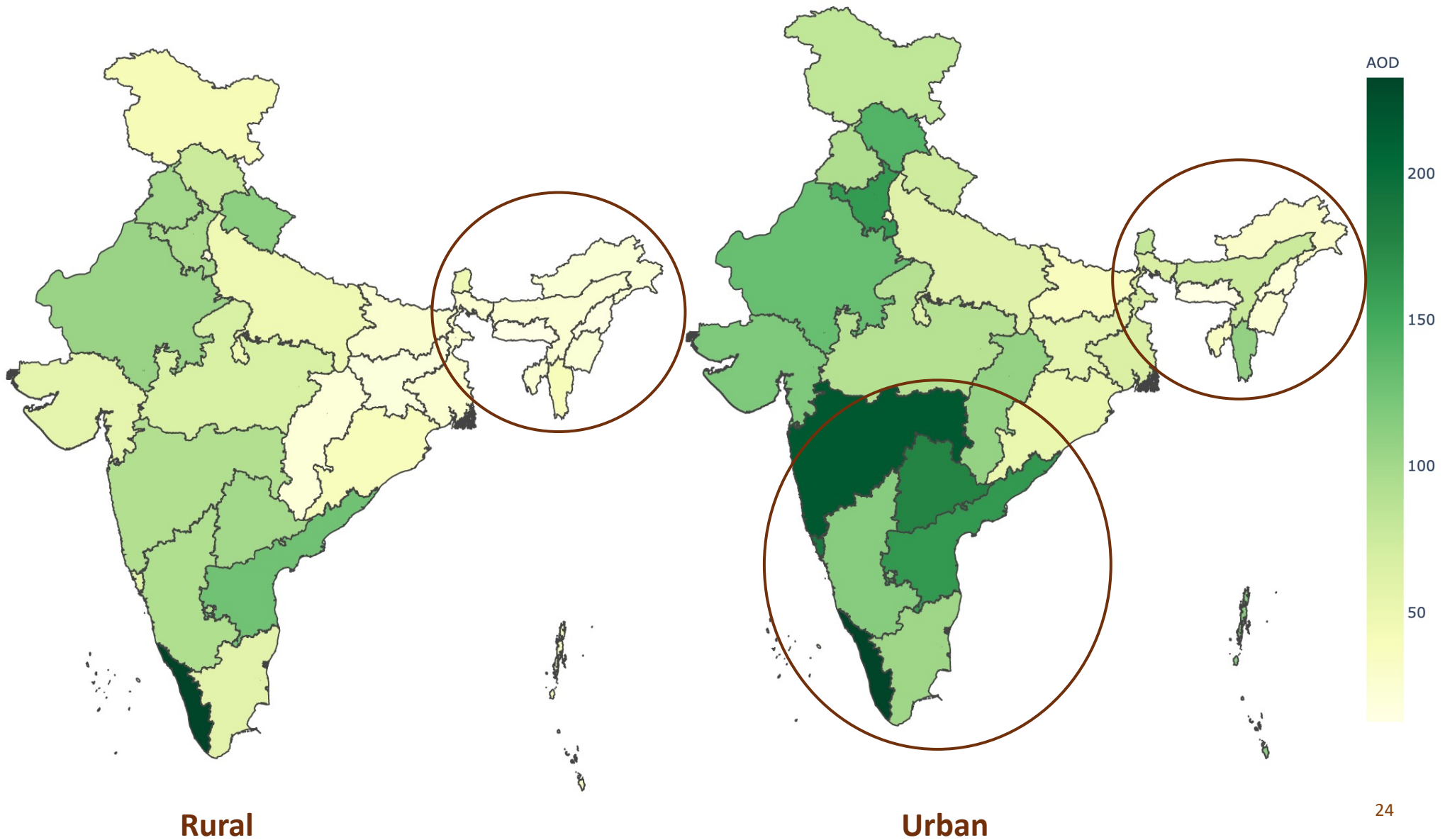


- ↳ Households own lesser value of assets on average
- ↳ Lesser incidence of indebtedness, outstanding loan and debt-to-asset ratio than national average
- ↳ Low credit-to-deposit ratio - RBI Report
- ↳ Penetration of formal financial institutions in the region remains low - CRISIL Inclusix Report
- ↳ Need for further exploration of financial behaviour, and region and state specific policies

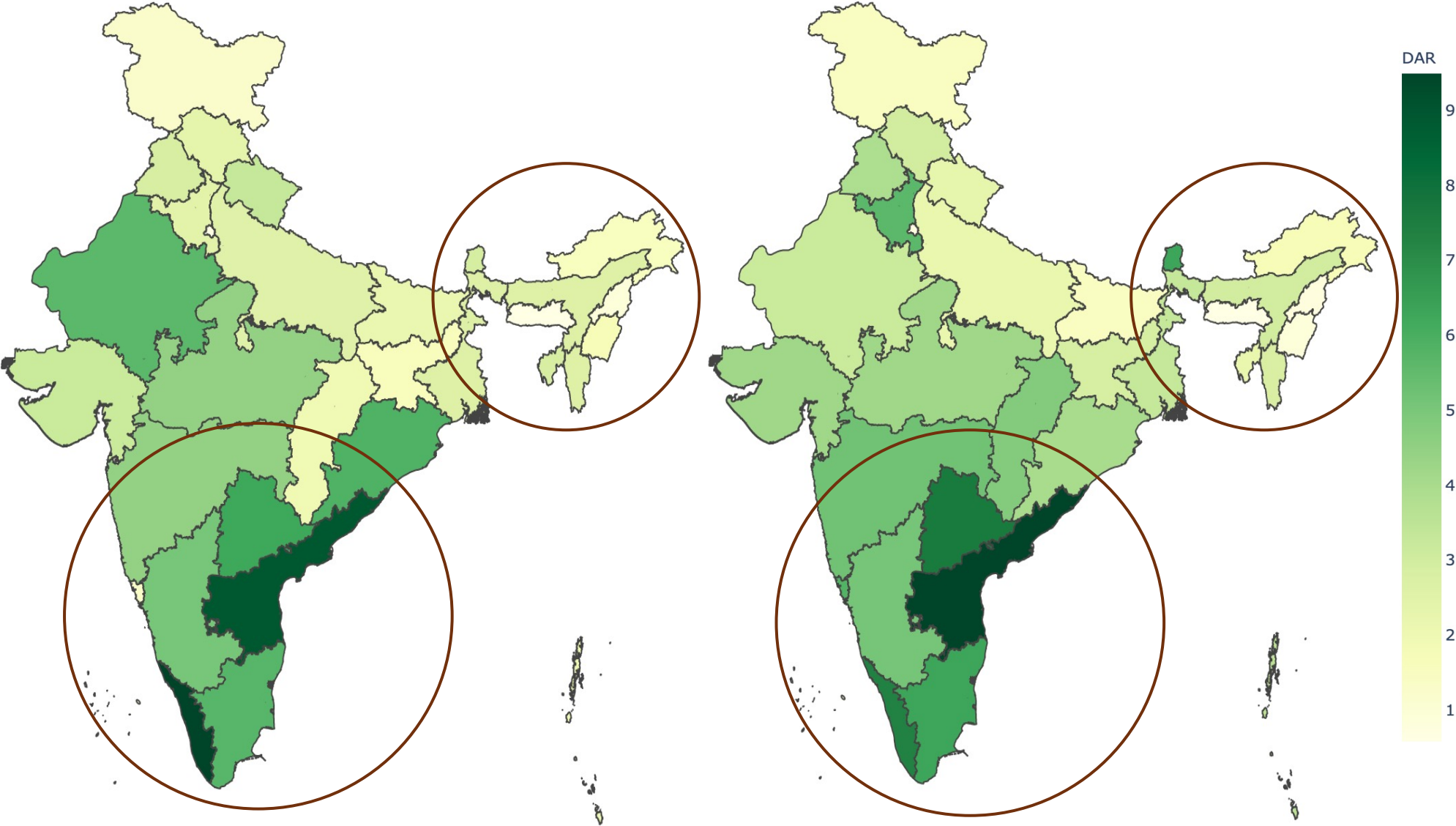
Incidence of Household Indebtedness (%)



Average Outstanding Debt (₹1000s)



Debt to Asset Ratio (%)



Rural

Urban

Key Takeaways

Household interaction with formal financial market continues to remain low

More impetus needed to provide access to a basic suite of formal financial services to all

Formal credit has made significant inroads in household balance sheets

Regional disparities in penetration of formal financial services needs region specific policy

Rural indebtedness has risen more, but urban poor more vulnerable with fewer resources and coping mechanisms

THANK YOU!