

Debt Dossier: India's debt growth stable at ~12% YoY in 4QFY24

Household debt estimated to have hit a new high in the quarter

- India's non-financial sector (NFS) debt is estimated to have grown 11.9% YoY in 4QFY24 (quarter-ending Mar'24), similar to 11.8% a year ago and 12-13% in the previous three quarters. Outstanding NFS debt touched USD6.0t (or INR502t) in 4QFY24, equivalent to an eight-quarter high of 170% of GDP. In real terms, however, total debt (using GDP deflator) grew 9.7% YoY in 4QFY24, the slowest in four quarters.
- Within NFS debt, non-government non-financial (NGNF) debt grew at a five-quarter high rate of 12.7% YoY in 4QFY24 (vs. 9.7% YoY growth in 4QFY23), while the growth in government debt was at a 19-quarter low of 11.1% YoY (vs. 13.7% YoY growth in 4QFY23). Within the NGNF basket, household (HH) debt jumped 15.6% YoY in 4QFY24, driven by faster growth in the non-housing¹ debt. Our estimates suggest that HH debt² touched a new peak of 39.7% of GDP in 4QFY24, higher than 39.2% in 3Q and 38.6% of GDP in 4QFY21. Corporate debt³, however, rose by a six-quarter high rate of 10.1% YoY during the quarter, reaching close to a 15-year low of 43.2% of GDP⁴.
- An analysis of NGNF debt by sources/lenders suggests that NBFCs posted a strong lending growth of 19% YoY, while HFCs' outstanding loans⁵ are estimated to have contracted – led by HDFC Ltd. – in 4QFY24. Scheduled commercial banks' (SCBs) loans grew at a six-quarter high rate of 15.4% YoY in 4QFY24, with decent growth in corporate bonds (CBs), commercial papers (CPs) and external commercial borrowings (ECBs).
- A comparison of India's debt with that of other major global economies confirms that: a) India's NFS debt-to-GDP ratio at 170% of GDP in 1QCY24 (or 4QFY24) was the lowest and compared with 225-410% of GDP in other economies; b) India's debt-to-GDP ratio, along with China, in 1QCY24 was higher than a year ago, while it was lower in advanced economies; c) Compared to all-time peak in the pandemic, India's debt-to-GDP ratio was slightly lower in 1QCY24, although it was at a much lower level in many advanced nations and all-time high in China; and d) Although India's debt-to-GDP ratio is much lower than that of China and advanced economies, it is much higher than that of other emerging/developing economies.
- Overall, our estimates suggest that corporate debt growth remained sluggish, while the growth in HH and government debt was decent in India in 4QFY24. These trends have been observed in many recent quarters and broadly align with the investment growth observed by these economic participants. Further, HH debt is estimated to have reached a new peak, with non-housing loans growing faster than housing loans for the seventh successive quarter in 4QFY24.

Exhibit 1: India's domestic NFS debt estimates⁶

	USD t				As a percentage of GDP ⁷			YoY (%)	
	FY21	FY22	FY23	FY24	4QFY23	3QFY24	4QFY24	3QFY24	4QFY24
Households (HH)	1.0	1.1	1.2	1.4	37.6	39.2	39.7	16.8	15.6
Non-financial corporate (NFC)	1.4	1.5	1.4	1.5	43.0	42.6	43.2	5.7	10.1
General government	2.4	2.7	2.8	3.1	85.9	86.6	87.1	14.0	11.1
Central government	1.6	1.8	1.9	2.1	58.1	59.0	58.9	16.3	11.1
State governments ⁸	0.8	0.9	0.9	1.0	27.8	27.6	28.2	9.4	11.2
Non-financial sector (NFS)	4.8	5.3	5.5	6.0	166.6	168.4	170.0	12.4	11.9
Non-government non-financial (NGNF)	2.4	2.6	2.6	2.9	80.6	81.7	82.9	10.8	12.7

Source: Reserve Bank of India (RBI), Ministry of Finance (MoF), Comptroller and Auditor General (CAG), Bloomberg, Company reports, MOFSL

¹ Housing and mortgage debt are used synonymously in this analysis.

² The estimates of household debt in this study are slightly lower than the ones mentioned in our other research [report](#) (at 40% of GDP), since the latter includes household loans from other financial institutions (apart from SCBs, NBFCs and HFCs), as reported by the RBI (up to 4QFY23). The methodologies of the two estimates are different as the latter is more comprehensive.

³ Corporate debt is estimated as the residual, after deducting estimates of household debt from NGNF debt.

⁴ RBI has recently published Financial stocks and Flow of Funds accounts for 2021-22, updating India's sectoral debt data up to FY22.

⁵ HDFC Ltd. is included under HFCs in this analysis. For housing debt, it is suggested to look at the aggregate, rather than SCBs or HFCs separately.

⁶ Our estimates in this report are based on internal calculations, for which the methodology is shared in the Appendix at the end of the report. Bank for International Settlements (BIS) also provides India's debt estimates, which are available up to 3QFY24 and different from our estimates.

⁷ Annualized nominal GDP = Sum of the last four quarters to smoothen the sharp changes in nominal GDP on a quarterly basis

⁸ Debt estimates of state governments (based on fiscal deficit of 20 states) are prepared by us.

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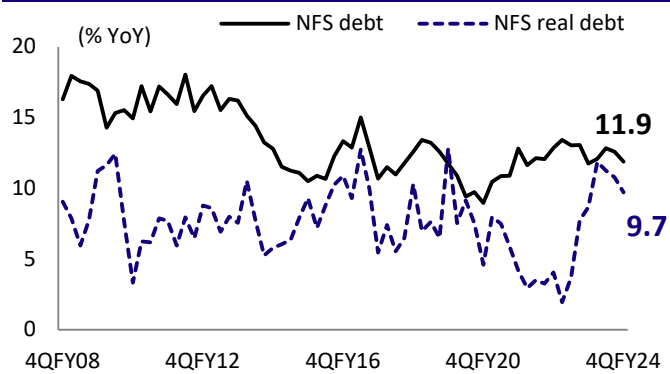
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India's NFS debt touched USD6.0t (or INR502t) for the first time ever in 4QFY24 vs. USD5.9t/USD5.5t (INR486t/INR449t) in 3QFY24/4QFY23

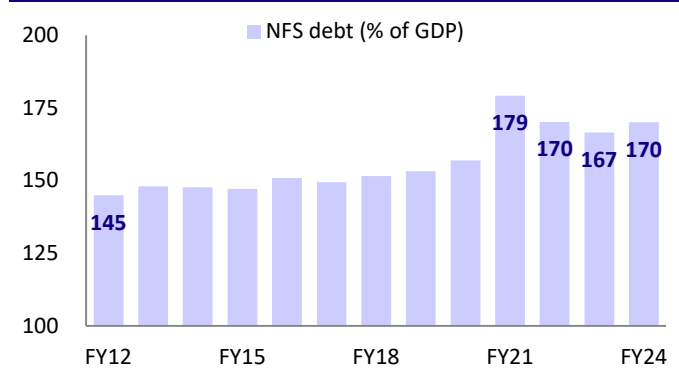
India's NFS debt grew 11.9% YoY; similar to that in the past five quarters: Our estimates suggest that India's NFS debt touched USD6.0t (or INR502t) for the first time ever in 4QFY24 vs. USD5.9t/USD5.5t (INR486t/INR449t) in 3QFY24/4QFY23 (*Exhibit 1*). NFS debt grew 11.9% YoY in 4QFY24, similar to 11.8% a year ago and 12-13% in the previous three quarters. The growth in NGNF debt picked up to a five-quarter high of 12.7% YoY in 4QFY24 (vs. 9.7% YoY growth in 4QFY23), while the growth in government debt was at a 19-quarter low of 11.1% YoY (vs. 13.7% YoY growth in 4QFY23).

Exhibit 2: Nominal/real NFS debt grew 11.9%/9.7% YoY...



NS debt deflated by GDP deflator
Please see Appendix at the end of the report for methodology

Exhibit 3: ...while debt-to-GDP ratio was 170% in 4QFY24



Source: RBI, MoF, CAG, Bloomberg, Company reports, CEIC, MOFSL

Compared to 11.9% nominal growth, NFS debt in real terms (using GDP deflator) grew 9.7% YoY in 4QFY24, which was the lowest in four quarters (*Exhibit 2*). Further, since India's annualized nominal GDP grew only 9.6% in FY24, NFS debt stood at 170% of GDP, compared to 168.7%/166.6% of GDP in 3QFY24/4QFY23 (*Exhibit 3*).

GG debt stood at 87.1% of GDP in 4QFY24, same as in 3QFY24, but much higher than 85.9% of GDP a year ago

Government debt growth was 19-quarter low: NFS includes three major domestic economic sectors – Households (HH), non-financial companies (NFCs) and general government (GG, Center + States). The former two sectors together are termed as the non-government non-financial (NGNF) sector. GG debt grew 11.1% YoY, marking the slowest growth in 19 quarters and compared to 13.7% a year ago (*Exhibit 4*). Our estimates suggest that GG debt stood at 87.1% of GDP in 4QFY24, same as in 3QFY24, but much higher than 85.9% of GDP a year ago.

Exhibit 4: NGNF debt grew faster than government debt for the first time in five quarters

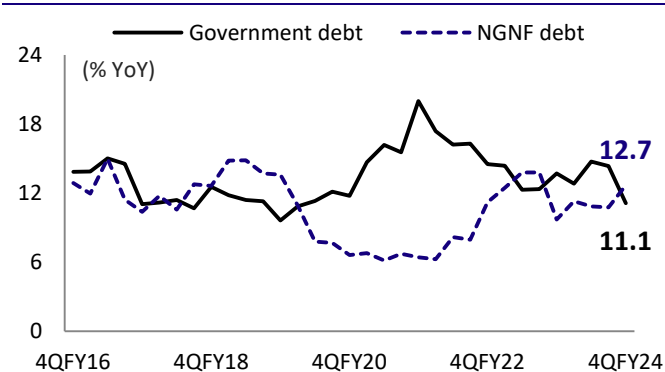
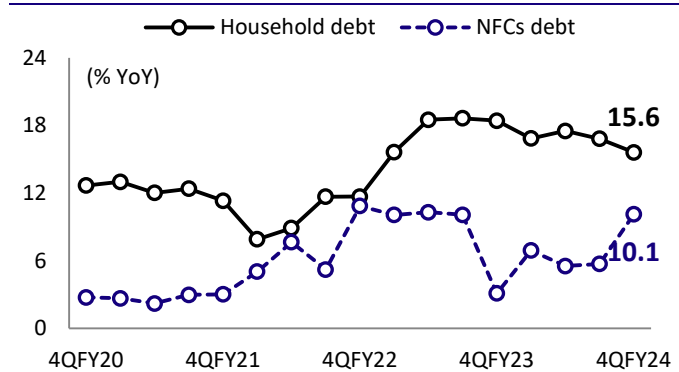


Exhibit 5: HH debt continued to grow much faster than corporate debt



Source: RBI, MoF, CAG, Bloomberg, Company reports, CEIC, MOFSL

The Center and state governments' debt jumped 11.1% each in 4QFY24 vs. 16.1%/9.0% a year ago. Accordingly, the center's debt stood at 58.9% of GDP in 4QFY24, almost unchanged in the past four quarters (and up from 58.1% of GDP in 4QFY23). In contrast, states' debt, at 28.2% of GDP, was the highest in eight quarters.

NGNF debt growth was 12.7% YoY in 4QFY24, the highest in five quarters and compared to 9.7% growth in 4QFY23

HH debt continued to grow strongly: In contrast, NGNF debt growth was 12.7% YoY in 4QFY24, the highest in five quarters and compared to 9.7% growth in 4QFY23. As a percentage of GDP, NGNF debt is estimated at 82.9% in 4QFY24, the highest in eight quarters, but lower than its all-time peak of 90% in 3QFY21. For almost a decade, between FY12 and FY21, NGNF debt (as percentage of GDP) was higher than the government debt in India, which has reversed since FY22. Now the government debt is higher than NGNF debt in India, just like in the pre-FY12 period.

Within the NGNF basket, HH debt inched up 15.6% YoY in 4QFY24, marking the slowest pace in seven quarters. In contrast, corporate debt grew 10.1% YoY during the quarter, the fastest in five quarters and partly supported by a low base of 3.1% YoY growth in 4QFY23 (*Exhibit 5*). HH sector accounted for almost 57% of the growth in NGNF debt in 4QFY24.

HH debt inched up 15.6% YoY in 4QFY24, marking the slowest pace in seven quarters

Since HH debt grew faster than nominal GDP, it surged to 39.7% of GDP in 4QFY24, marking its new high and beating its previous peak of 38.6% of GDP in 4QFY21 (*Exhibit 6*). NFCs debt, according to our estimates, was broadly unchanged at ~43% of GDP in 4QFY23, only slightly better than the 15-year low of 42.6% of GDP in 3QFY24. Interestingly, HH debt now accounts for about 48% of NGNF debt, compared to 41% in FY20.

Exhibit 6: HH debt-to-GDP increased to a new peak of 39.7% of GDP in 4QFY24...

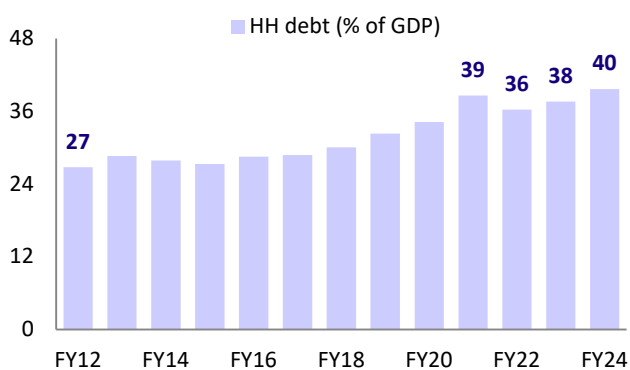
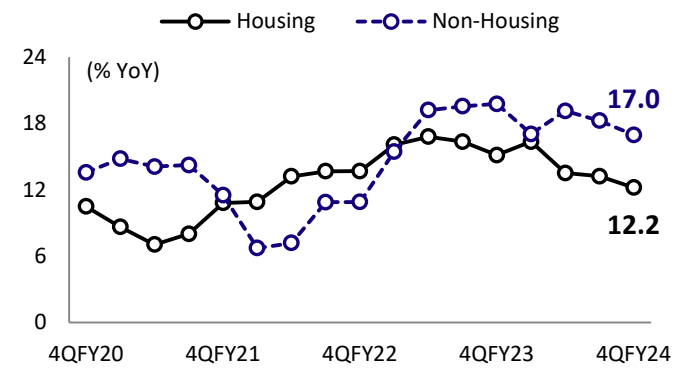


Exhibit 7: ...and non-housing debt surged faster than housing debt



Source: RBI, MoF, CAG, Bloomberg, Company reports, CEIC, MOFSL

Non-housing debt increased 17% YoY, while housing debt grew 12.2% YoY in 4QFY24

Importantly, within HH debt, non-housing debt continued to grow much faster than housing debt (*Exhibit 7*). Non-housing debt increased 17% YoY, while housing debt grew 12.2% YoY in 4QFY24. Accordingly, non-housing debt accounted for 73% of HH total debt. As highlighted in our [recent report](#), while housing debt is very low in India compared with other economies, the non-mortgage HH debt is the same as in Australia and Japan, and higher than in the world's several other major nations.

Sources of borrowings for the NGNF sector

There are six major official sources from where a company or an individual can borrow in the country – scheduled commercial banks (SCBs), non-banking finance companies (NBFCs), housing finance companies (HFCs), corporate bonds (CBs), commercial papers, and foreign borrowings (also known as ECBs). An individual can borrow from the first three sources, while NFCs can raise borrowings through any of these six sources. To estimate the true extent of India's debt, we have adjusted the intra-financial sector lending (SCBs to NBFC/HFCs, etc.). Please refer to *Appendices 1 and 2* at the end of the report for further details.

Bank lending to the NGNF sector rose 15.4% YoY in 4QFY24, the highest in six quarters and much faster than 9.9% YoY growth in 4QFY23

An analysis of NGNF debt by sources/lenders suggests that bank lending (excluding HDFC Ltd.) to the NGNF sector (after adjusting for intra-financial sector loans) rose 15.4% YoY in 4QFY24, the highest in six quarters and much faster than 9.9% YoY growth in 4QFY23 (*Exhibit 8*). This is in stark contrast to unadjusted loan book of banks, since a larger portion (as much as 12.5% now) is directed toward other financial companies. Corporate bond issuances (after adjusting for the financial sector) grew 6.1% YoY last quarter (weaker than 7.7%/4.1% growth in 3QFY24/4QFY23), ECBs recorded a growth of 7.2%, and CPs also grew strongly at 11.5% YoY in 4QFY24 (on the base of -10.5% YoY in 4QFY23).

NBFCs loan book, on the other hand, grew 19% YoY in 4QFY24, higher than 16.1% YoY in 4QFY23, but slower than 22%+ growth in the first three quarters of FY24

NBFCs loan book, on the other hand, grew 19% YoY in 4QFY24, higher than 16.1% YoY in 4QFY23, but slower than 22%+ growth in the first three quarters of FY24. With such strong growth, their share in NGNF debt jumped to 16.7% in 4QFY24, the highest on record, and 15.8% a year ago.

HFCs loan book (including HDFC Ltd.) contracted 5.3% YoY during the quarter, as HDFC Ltd. is running down its book, along with Indiabulls Housing Finance. The combined loan book of NBFCs and HFCs – about 22% of NGNF debt – grew 11.8% YoY in 4QFY24, the slowest pace in five quarters and compared to 13.7% a year ago. This implies that NGNF debt, excluding NBFCs/HFCs, increased at a five-quarter high rate of 12.9% YoY in 4QFY24.

Exhibit 8: Drivers of NGNF debt growth

	INR t				YoY (%)				
	FY21	FY22	FY23	FY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Banks*	99.8	109.8	120.6	139.2	9.9	10.2	10.1	11.3	15.4
NBFCs	27.0	29.5	34.3	40.8	16.1	22.3	25.8	23.4	19.0
HFCs~	12.9	13.4	14.6	13.8	8.6	11.9	0.4	-2.9	-5.3
Corporate bonds#	21.6	25.7	26.7	28.3	4.1	10.3	10.0	7.7	6.1
Commercial paper@	2.4	2.3	2.1	2.3	-10.5	9.9	-11.9	-5.6	11.5
ECBs^	14.4	17.4	19.1	20.4	9.8	1.8	4.7	3.2	7.2
NGNF debt	178.1	198.1	217.3	244.9	9.7	11.3	10.8	10.8	12.7
Memo: NBFCs + HFCs	40.0	42.9	48.8	54.6	13.7	19.0	17.4	15.0	11.8
Total excl. NBFCs + HFCs	138.1	155.1	168.5	190.3	8.6	9.2	9.1	9.6	12.9
Non-bank lenders	78.3	88.3	96.7	105.7	9.5	12.7	11.8	10.1	9.3

*Excludes loans to the financial sector

~HDFC Ltd. included in HFCs, not Banks, for comparison purposes

#Excludes corporate bonds issued by SCBs, NBFCs, and Banks

@Excludes commercial paper issued by NBFCs

^Excluding FII investments in corporate bonds

Source: RBI, Company reports, Bloomberg, CEIC, MOFSL

Comparison of India’s debt with other major nations

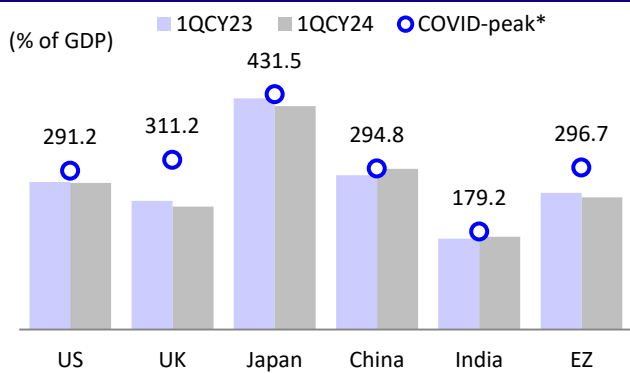
A comparison of India’s NGNF debt with a few other major economies (the US, the UK, Japan, Eurozone (EZ) and China) confirms that while India’s debt is growing at the fastest pace among these nations, its debt-to-GDP ratio remains significantly lower. India’s NGNF debt grew 12.7% YoY in 4QFY24, compared to 7.5% growth in China, 1.0% growth each in the UK and EZ, 2.4% growth in the US, and 3.6% growth in Japan. While India’s debt has grown faster than compared with most rich nations (because of the size, base, and potential), it has outpaced the growth in China’s debt during the past nine quarters as well.

India’s NFS debt-to-GDP ratio at 170% of GDP in 1QCY24 (or 4QFY24) was the lowest and compared to 225-410% of GDP in other economies

A comparison of India’s debt with world’s other major economies confirm that:
 a) India’s NFS debt-to-GDP ratio at 170% of GDP in 1QCY24 (or 4QFY24) was the lowest and compared to 225-410% of GDP in other economies;
 b) India’s debt-to-GDP ratio, along with China, in 1QCY24 was higher than a year ago, while it was lower in the advanced economies;
 c) Compared to all-time peak in the pandemic, India’s debt-to-GDP ratio is slightly lower in 1QCY24, although it is at a much lower level in many advanced nations and all-time high in China (*Exhibit 9*);
 d) Although India’s debt-to-GDP ratio is much lower than that of China and advanced economies, it is much higher than that of other emerging and developing economies (*Exhibit 10*).

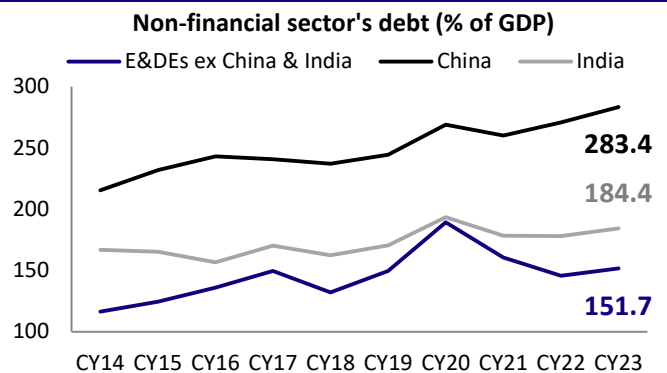
Due to the pandemic, China’s debt-to-GDP ratio also jumped to 271.2% in 3QCY20 from 247% in late-CY19. Like in other nations, the ratio started falling in CY21 and stood at 262.8% at end-CY21. However, it started rising once again in CY22 and stood at its all-time peak of 294.8% in 1QCY24.

Exhibit 9: India’s debt is lower than other major nations...



* 3QFY21 in the UK/Japan, 4QFY21 in the US/India/EA

Exhibit 10: ...but it is still much higher than other E&DEs



Source: Various national sources, Bank for International Settlements (BIS), CEIC, MOFSL

Overall, our estimates suggest that corporate debt growth remained sluggish, while the growth in HH and government debt remained decent in India in 4QFY24. These trends have been observed in the many recent quarters and broadly align with the investment growth observed by these economic participants. Further, HH debt is estimated to have reached a new peak, with non-housing loans growing faster than housing loans for the seventh successive quarter in 4QFY24.

An analysis of India’s various debt estimates

After observing and re-evaluating our estimates/calculations for some time, we published a note titled *Fathoming the ‘Depths of Debt’* in Feb’19, wherein we used various official sources to prepare and present our estimates of India’s NFS debt for the first time ever. Our estimates suggested India’s HH debt stood at ~33% of GDP in FY18, which was popularly believed to be only ~10-11% of GDP then. We have continued with our estimates since then, which were vindicated by the first-ever publication of outstanding financial position of each sector in India by the RBI in Jul’19.

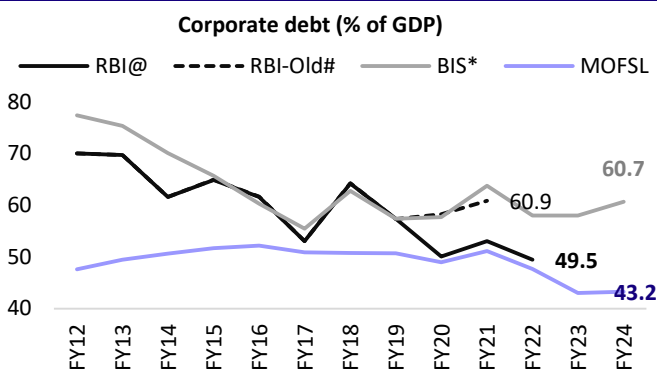
The RBI has been compiling and publishing flow of funds (FOF) accounts of the Indian economy broadly in accordance with the System of National Accounts (SNA, 2008). The data on FoF accounts of the Indian economy are available from 1951-52. For the first time in Jul’19, the RBI augmented FoF accounts with outstanding positions, i.e., financial stocks, of each sector in the economy with data from 2011-12 to 2017-18. The latest version of “*Financial Stocks and Flow of Funds of the Indian economy, 2021-22*” was published in the RBI Bulletin in Jun’24, and the previous version (with data up to 2020-21) was published in Mar’23.

Besides the RBI, the Bank for International Settlements (BIS) also publishes data on outstanding credit of each sector in the world’s major economies (for more than 40 nations, including many developing countries). BIS interpolates and extrapolates the RBI’s estimates to update India’s debt data on a quarterly basis with a lag of about six months (recent data is available up to Dec’23).

Comparison different data estimates, the broad trends are unmistakable: India’s corporate sector is de-leveraging notably, and HH debt is at all-time high

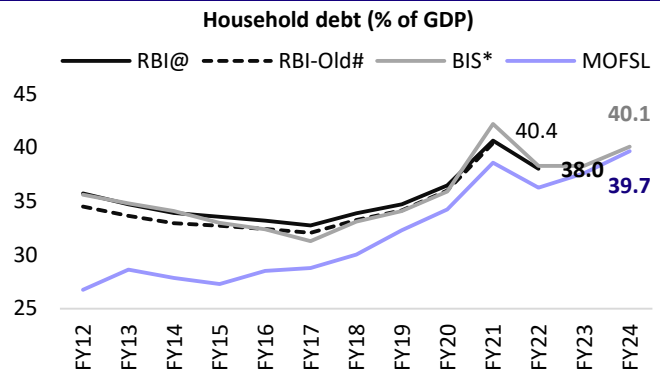
For interested readers, we provide a comparison of India’s household and corporate debt estimates by the RBI, BIS and MOFSL (*Exhibits 11 and 12*). Interestingly, the RBI revised down its estimate of India’s corporate debt rather dramatically from ~60% of GDP each in FY20 and FY21 (published in Mar’23) to ~50% and down to 49.5% of GDP in FY22 (published in Jun’24). All these estimates are still open to revisions. However, the broad trends are unmistakable: India’s corporate sector is de-leveraging significantly, and HH debt is at all-time high.

Exhibit 11: India’s corporate debt eased to 49.5% of GDP in FY22, as per the RBI...



@RBI’s data from “*Financial Stocks and Flow of Funds of the Indian Economy 2021-22*” published in Jun’24 (#Mar’23)

Exhibit 12: ...and HH debt was 38% of GDP in FY22 vs. 35.7%/32.7% in FY12/FY17



* Recent data is as of Dec’23

Source: RBI, BIS, CSO, MOFSL

Appendix: Estimating total debt in the domestic NGNF sector

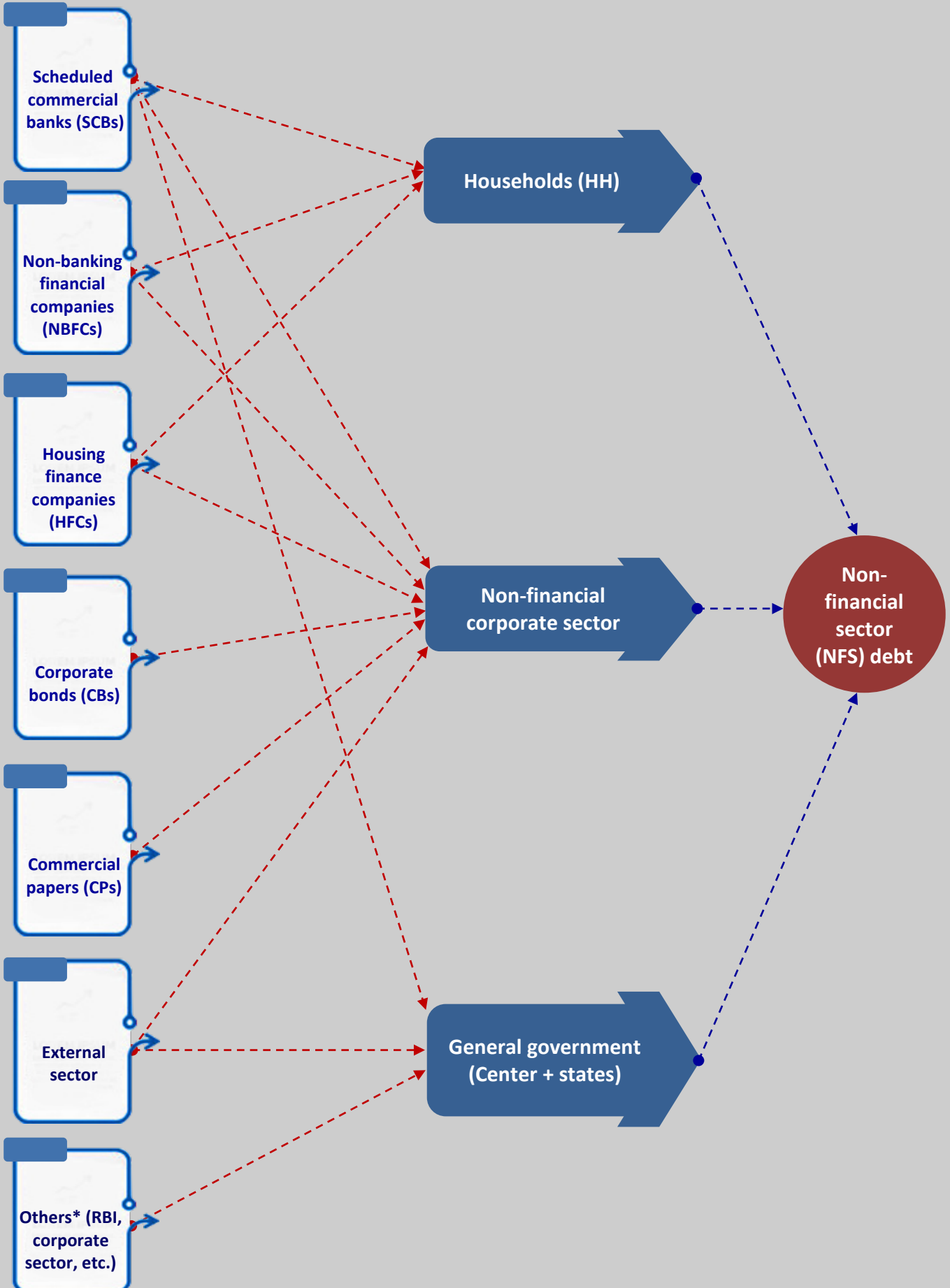
SCBs, NBFCs, and HFCs are the three major institutional sources of lending available to the HH and corporate sectors, which together constitute the NGNF sector. We use loans and advances data from these financial companies to estimate the total debt of the NGNF sector. Apart from these three sources, the NGNF sector borrows through CPs, CBs, and ECBs. We gather data on the following six relevant parameters, making suitable adjustments to avoid double counting:

- SCBs' loans and advances, excluding their lending to the financial sector. We have excluded HDFC Ltd from the SCBs' data for comparison purposes.
- Loan book data for NBFCs from the RBI's annual/bi-annual publications (titled: 'Report on Trend and Progress of Banking in India', 'Financial Stability Report') – available up to 1HFY24. For quarterly data, we have compiled the data of 17 NBFCs, accounting for about three-fifths of the entire industry (*list of NBFCs is provided in Exhibit 9*).
- The loan book for HFCs that is also available from the RBI's *Report on Trend and Progress of Banking in India and National Housing Bank Report*, which provides data up to FY23. For quarterly data, we have compiled the data of nine HFCs (including HDFC Ltd), accounting for ~80% of the entire industry (*list of HFCs is provided in Exhibit 13*).
- Outstanding corporate bonds, adjusted for debentures, issued by NBFCs, HFCs, and Tier II capital of SCBs (assumed at 2% of Banks' loan books).
- Outstanding CPs, adjusted for NBFC/HFC issuances.
- Long- and short-term external debt (ECBs + INR debt) raised by the NGNF sector, adjusted for Foreign Institutional Investor (FII) exposure to corporate bonds.

Exhibit 13: List of 17 NBFCs and 9 HFCs used for quarterly analysis

NBFCs (~60% of the industry)	HFCs (~83% of the industry)
1. Bajaj Finance	1. HDFC
2. Cholamandalam Investment and Finance Co	2. HUDCO
3. IIFL Finance	3. LIC Housing
4. JM Financial	4. Indiabulls Housing
5. L&T Financial	5. Sundaram BNP Finance
6. Mahindra & Mahindra Finance	6. PNB Housing Finance
7. Magma Finance	7. Canara Home Finance
8. Manappuram Finance	8. Reliance Home Finance
9. Muthoot Finance	9. Repco Home Finance
10. Reliance Capital	
11. Shriram Finance	
12. Sundaram Finance	
13. Power Finance	
14. REC	
15. PTC India financial services Ltd.	
16. Piramal Finance	
17. Aditya Birla Capital	

The methodology used for estimating the total debt in the country



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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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