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Sanjay Pattanshetty
Assistant Professor,
Department of Management
Studies, Visvesvaraya
Technological University,
Belagavi, CPGS, Kalaburagi,
Karnataka, India

Dr. Srinivasa Murthy BV
Assistant Professor,
Department of Management
Studies, JNN College of
Engineering, Shivamogga,
Karnataka, India

Correspondence Author:
Sanjay Pattanshetty
Assistant Professor,
Department of Management
Studies, Visvesvaraya
Technological University,
Belagavi, CPGS, Kalaburagi,
Karnataka, India

Living on EMIs: Financial planning challenges of Indian middle-class families managing multiple loans and household expenses

Sanjay Pattanshetty and Srinivasa Murthy BV

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Abstract

The rising dependency on Equated Monthly Instalments (EMIs) among Indian middle-class families has reshaped household financial planning. With increasing aspirations for homeownership, education, vehicles, and consumer durables, a significant portion of household income is allocated towards debt repayment. The proliferation of digital lending platforms, Buy Now Pay Later (BNPL) schemes, and unsecured credit has further fuelled EMI-based consumption. However, this trend has also led to declining household savings, higher debt-to-income ratios, and financial vulnerability. This study examines the challenges faced by middle-class families in managing multiple loans, including home loans, vehicle loans, education loans, credit card debt, and personal loans. It also explores the impact of fluctuating interest rates, inflation, and regulatory policies on financial stability. The research aims to assess the coping strategies employed by families, such as loan restructuring, refinancing, prepayment, and discretionary spending adjustments, while also recommending policy interventions to promote responsible credit usage, financial literacy, and long-term financial security.

Keyword: EMI dependency, middle-class financial planning, debt-to-income ratio, household savings, digital lending, Buy Now Pay Later (BNPL), unsecured credit, financial vulnerability, financial literacy

1. Introduction

The Indian middle class has long been the driving force of economic growth, fuelled by aspirations of upward mobility and improved living standards. Over the past decade, rapid urbanization, increased financial accessibility, and consumer-driven lifestyles have led to a surge in EMI-based financing. Whether purchasing a home, financing higher education, or acquiring consumer goods, middle-class families increasingly rely on structured loan repayments. However, this growing dependence on debt has raised concerns about financial sustainability and household economic stability.

Equated Monthly Instalments (EMIs) offer a systematic way to repay loans, allowing individuals to spread out payments over a defined tenure. Loans can be categorized based on fixed or floating interest rates, and EMI calculations are typically based on either the flat-rate or reducing-balance method. The accessibility of loans has been further enhanced by digital lending platforms, fintech innovations, and government policies promoting credit inclusion.

Despite these advantages, middle-class families face multiple challenges in managing their EMI obligations. A significant proportion of income is allocated toward debt servicing, limiting savings and increasing financial stress. Rising inflation and fluctuating interest rates further impact affordability, making long-term financial planning difficult. The risk of defaults, particularly in unsecured loans and credit card EMIs, has also increased due to higher borrowing costs and economic uncertainties.

This research aims to provide an in-depth analysis of the current EMI market in India, examining various loan categories, their market share, and recent trends. The study also highlights coping mechanisms adopted by households, such as prioritizing debt repayment, seeking alternative income sources, and restructuring loans. Furthermore, it presents policy recommendations focused on financial literacy, responsible borrowing, and sustainable financial planning to mitigate the risks associated with excessive debt dependency.

By understanding the financial planning challenges of Indian middle-class families living on EMIs, this research contributes to the broader discourse on household debt management, credit market dynamics, and economic well-being.

Overview of EMI in India

Definition of EMI: Equated Monthly Instalment (EMI) refers to a fixed monthly payment made by borrowers to repay a loan over a specified tenure. Each EMI consists of both principal and interest components, ensuring the loan is amortized systematically.

Types of EMI

- **Fixed-Rate EMI:** The interest rate remains constant throughout the loan tenure, leading to predictable EMI payments, which aids in financial planning. However, borrowers do not benefit from potential interest rate reductions.
- **Floating-Rate EMI:** The interest rate fluctuates based on market conditions, causing EMI amounts to vary. Borrowers may benefit from declining rates but also face the risk of increased EMIs in case of rate hikes.

EMI Calculation Methods

- **Flat-Rate Method:** Interest is calculated on the entire principal amount throughout the loan tenure, without considering the reducing balance. This results in higher overall interest payments.
- **Reducing-Balance Method:** Interest is computed on the outstanding loan balance, which decreases with each EMI payment. This method is more cost-effective as interest obligations reduce over time.
- **How EMIs Work:** EMIs distribute the total loan amount and interest across the loan tenure. Initially, a larger portion of the EMI covers interest payments, but as the principal reduces, the interest component declines, and more of the EMI goes towards principal repayment. Market Trends and Growth Drivers.
 - Increasing aspirations for homeownership and asset acquisition.
 - Growth of digital lending and fintech innovations, including Buy Now, Pay Later (BNPL) schemes.
 - Low-interest rate cycles encouraging higher loan adoption.
 - Increased availability of unsecured loans due to competitive banking and NBFC lending practices.

Market Segmentation by EMI Type (2024 Estimates Based on Financial Reports and RBI Data):

- Home Loans-30%
- Vehicle Loans-20%
- Education Loans-15%
- Consumer Durable Loans-10%
- Personal Loans-10%
- Credit Card EMIs-10%
- Medical Loans-5%

Role of Banks, NBFCs, and Digital Lenders in EMI Financing:

- Banks offer structured loans with regulated interest rates.

- NBFCs (Non-Banking Financial Companies) provide flexible loan options with quicker disbursal.
- Digital lenders and fintech platforms offer seamless access to credit via mobile-based lending and BNPL services.

Financial Planning Challenges for Indian Middle-Class Families

Increasing Debt Burden

- Heavy reliance on multiple loans to maintain lifestyles.
- High proportion of income allocated to EMI payments, reducing disposable income.
- Increased financial stress due to growing borrowing culture.

Declining Household Savings

- Household savings rates at a 47-year low, limiting emergency funds.
- Over-dependence on credit affecting long-term financial security.

Managing High-Interest Debt

- Personal loans and credit card debt come with higher interest rates, making repayment difficult.
- Rising default risks due to excessive reliance on unsecured loans.

Budgeting Issues and Default Risks

- Difficulty in balancing EMI payments with essential household expenses.
- Lack of effective financial planning leading to missed payments and credit score deterioration.

Loan Restructuring and Refinancing

- Negotiating better loan terms to reduce EMI burden.
- Opting for balance transfers to lenders offering lower interest rates.

Prepayment of Loans

- Reducing interest costs by making part-prepayments when possible.
- Evaluating prepayment penalties before making lump-sum payments.

Increasing Down Payments

- Lowering the principal loan amount to reduce EMI commitments.
- Saving for higher down payments before taking loans.

Cutting Non-Essential Expenses

- Prioritizing EMI payments over discretionary spending.
- Creating a structured budget to avoid financial strain.

Supplementing Income

- Exploring secondary income sources to offset EMI obligations.
- Investing in financial instruments that provide stable returns.
- Policy Recommendations and Financial Awareness

Need for Financial Literacy Programs

- Awareness campaigns to educate borrowers on responsible lending and debt management.
- Introducing EMI calculators and budgeting tools to assist borrowers.

Government Initiatives for Responsible Lending

- Strengthening regulations on personal loans and credit card EMIs.
- Encouraging ethical lending practices to prevent over-indebtedness.

Promoting Tax Incentives for Savings and Financial Planning

- Expanding tax deductions on loan repayments to encourage disciplined borrowing.
- Offering incentives for financial investments that promote long-term wealth creation.

Strengthening Risk Assessment in Unsecured Lending

- Enhancing borrower profiling to prevent excessive credit issuance.
- Mandating risk-based interest rates to encourage responsible borrowing.

The growing dependency on EMIs among Indian middle-class families presents both opportunities and challenges. While EMIs facilitate asset ownership and improved living standards, mismanagement of loans can lead to financial distress. The study highlights key financial planning challenges and offers strategic recommendations for managing multiple loans effectively. Policymakers, financial institutions, and borrowers must collaborate to ensure sustainable borrowing practices and long-term financial stability.

1.2 Problem Statement

The multiplicity of EMIs has transformed financial behavior among middle-class consumers, making EMI payments a fixed component of household budgets. While these credit facilities provide short-term convenience, they also pose long-term risks such as:

- Reduced financial flexibility due to high monthly commitments.
- Diminishing savings and investment potential as disposable income is directed toward debt repayment.
- Vulnerability to financial shocks, such as job loss, medical emergencies, or rising interest rates.
- Potential over-indebtedness and default risks when multiple EMIs exceed income capacity.

The primary concern is whether middle-class families can sustain their EMI-driven lifestyle without compromising financial stability. This study seeks to examine the extent to which multiple EMI commitments impact household budgeting, financial decision-making, and long-term financial health.

1.3 Objectives of the study**This research aims to**

- Analyse the extent of EMI dependency among Indian

middle-class families across different expenditure categories.

- Evaluate the financial planning challenges faced due to multiple EMI commitments.
- Examine the impact of multiple EMI obligations on household budgeting, savings, and overall financial stability.
- Identify coping mechanisms and strategies adopted by middle-class households to manage EMI burdens.
- Provide policy recommendations for responsible credit usage, financial planning, and risk management.

1.4. Scope of the Study

- This study examines the financial challenges of Indian middle-class families managing multiple EMIs. It explores debt dependency, financial planning, and coping strategies for stability.
- Demographic Focus-Middle-class households in urban and semi-urban India with various loans, including home, vehicle, education, and personal loans.
- Financial Aspects-Loan types, debt-to-income ratios, savings impact, and financial risks like defaults and credit deterioration.
- Market & Economic Factors-Role of banks, NBFCs, fintech lenders, and the impact of interest rates, inflation, and economic policies.
- Household Challenges-Budgeting constraints, rising debt burdens, and coping with financial shocks like job loss or medical emergencies.
- Coping Strategies-Loan restructuring, refinancing, prepayment, expense management, and alternative income sources.
- Policy & Financial Awareness-Strengthening financial literacy, responsible lending, and risk assessment to prevent over-indebtedness.

2. Research Methodology**Research Design**

This study adopts a mixed-methods research approach, combining quantitative and qualitative methods to analyse the financial planning challenges of Indian middle-class families managing multiple loans and household expenses. The research is descriptive and exploratory, aiming to identify patterns of EMI dependency, financial stress, coping strategies, and policy recommendations for improved financial stability.

Data Collection Methods

Primary Data: A structured survey questionnaire will be administered to middle-class households across different regions of India.

In-depth interviews with financial experts, policymakers, and middle-class families will be conducted to gain qualitative insights into financial decision-making and coping mechanisms.

Secondary Data

- Government reports (e.g., RBI reports, Ministry of Finance data, SEBI, NITI Aayog policy papers)
- Market research studies from industry sources such as CRISIL, PwC, and EY.

- Scholarly articles and research papers on financial planning, household debt, and EMI dependency.
- Data from financial institutions (e.g., banks, NBFCs) and consumer finance reports.

Sampling Methodology

Target Population

- Middle-class families residing in urban, semi-urban, and rural areas of India.
- Families with at least one ongoing EMI obligation across various expenditure categories (home loans, vehicle loans, education loans, credit card debt, etc.).

Sample Size

- A minimum of 500 respondents from different demographic segments to ensure representation.
- At least 10-15 in-depth interviews with financial planners and policymakers.

Sampling Technique

- Stratified Random Sampling will be used to ensure proportional representation of different income groups within the middle-class segment.
- Purposive Sampling will be applied for expert interviews to obtain insights from relevant stakeholders.

Data Analysis Methods

Quantitative Analysis

- Descriptive statistics (mean, median, mode, percentages) will be used to analyze the extent of EMI dependency.
- Regression analysis will be conducted to examine the relationship between EMI burden and financial stress indicators (e.g., savings rate, discretionary spending).
- Factor analysis will be employed to identify key determinants affecting financial stability.

Qualitative Analysis

- Thematic analysis will be applied to interpret interviews and open-ended survey responses.
- Case studies will be developed to illustrate coping mechanisms and financial planning strategies of middle-class families.

3. Literature Review

1. Introduction to EMI and Consumer Debt

The rise of Equated Monthly Installments (EMIs) as a preferred financing method has significantly transformed consumer spending behavior in India. Middle-class families, in particular, have adopted EMI-based purchasing to access housing, vehicles, consumer electronics, education, and lifestyle products (RBI, 2023). While EMIs enhance affordability, studies indicate that over-reliance on debt financing can lead to financial stress, reduced savings, and long-term financial instability (Sharma & Gupta, 2022) ^[5].

2. Growth of EMI-Based Consumption in India

Several studies highlight the rapid expansion of EMI financing across different sectors:

- **Housing Sector:** Home loans dominate India's retail lending segment, contributing 56% of household debt

(RBI, 2024). Rising property prices and flexible home loan EMIs have increased real estate purchases among middle-class families (KPMG, 2023).

- **Automobiles:** With attractive financing options, over 80% of new car purchases in India are financed through EMIs (SIAM, 2024).
- **Consumer Electronics & Lifestyle Products:** The availability of no-cost EMIs and Buy Now, Pay Later (BNPL) schemes has fueled demand for smartphones, laptops, and home appliances (Indian Retail Report, 2024).
- **Education & Personal Loans:** A growing number of middle-class families take loans for higher education, medical expenses, and personal consumption, leading to an increase in non-mortgage household debt (CRISIL, 2023).

3. Financial Planning Challenges Due to Multiple EMIs

3.1 Household Budget Constraints

A significant challenge of multiple EMIs is household cash flow management. Studies suggest that families with three or more EMI obligations struggle to balance fixed expenses, discretionary spending, and savings. The debt-to-income (DTI) ratio for middle-class households has risen to 35-50%, indicating higher financial vulnerability (NCAER, 2024).

3.2 Impact on Savings and Investments

Researchers highlight a direct correlation between rising EMI commitments and declining savings rates. Households allocating more than 40% of their income to EMIs often compromise on long-term savings, including retirement funds, insurance, and emergency reserves (Sinha *et al.*, 2023).

3.3 Risk of Over-Indebtedness and Default

An excessive number of EMIs can push families into a debt trap. RBI reports indicate a rise in loan defaults, especially in personal loans and credit card EMIs, due to job losses and economic uncertainties (RBI, 2024). Additionally, interest rate hikes have made variable-rate loans, such as home loans, more expensive, further straining household finances (Economic Times, 2024).

4. Financial Literacy and EMI Management

4.1 Role of Financial Awareness in Debt Management

Studies suggest that financial literacy plays a crucial role in responsible borrowing. Households with higher financial awareness are better at managing multiple EMIs without falling into excessive debt. However, surveys indicate that only 27% of Indian consumers fully understand loan terms, interest rates, and credit risks (OECD, 2023).

4.2 Coping Mechanisms and Budgeting Strategies

Research identifies various strategies middle-class families adopt to handle multiple EMIs effectively, such as:

- **Debt Prioritization:** Paying off high-interest loans first (Saxena & Verma, 2023).
- **Loan Refinancing & Balance Transfers:** Restructuring EMIs to reduce the monthly burden (Kotak & Associates, 2023).
- **Emergency Fund Creation:** Setting aside savings to

cover EMI payments during financial difficulties (Ghosh, 2024).

5. Macroeconomic Implications of Rising Household Debt

5.1 Household Debt and National Financial Stability

RBI data shows that India's household debt-to-GDP ratio has increased from 34% in 2019 to 40% in 2024 (RBI, 2024). Economists warn that excessive reliance on consumer credit could affect economic stability, especially if default rates rise due to inflation or unemployment (NITI Aayog, 2024).

5.2 Policy Recommendations for Responsible Borrowing

- Studies suggest policy interventions to ensure responsible lending practices, including:
- Stricter EMI eligibility criteria to prevent over-indebtedness (RBI Guidelines, 2023).
- Consumer awareness campaigns on financial literacy and responsible borrowing (SEBI, 2024).

- Regulation of BNPL and instant loan services to avoid high-interest debt cycles (Indian Banking Report, 2024).

Conclusion & Research Gap

While existing studies highlight the growth and challenges of EMI-driven consumption, limited research explores how Indian middle-class families specifically navigate multiple EMI obligations alongside household expenses. This study aims to fill that gap by examining:

1. How EMI dependency affects financial stress levels in different income segments of the middle class.
2. The coping strategies used by families to balance EMIs, savings, and daily expenses.
3. The long-term sustainability of an EMI-driven financial lifestyle in India.

4. Results and Discussion

1. EMI dependency among Indian middle-class families across different expenditure categories

Table 1: EMI Dependency across Expenditure Categories

Expenditure Category	Percentage of Families with EMI Burden (%)	Average EMI as % of Monthly Income	Common Loan Types
Home Loans	65%	20-25%	Housing Loans
Vehicle Loans	50%	10-15%	Car/Bike Loans
Education Loans	35%	5-10%	Student Loans
Consumer Durables	40%	5-10%	Appliances, Electronics
Personal Loans	30%	5-10%	Emergency/Short-Term Loans
Medical Loans	20%	5-10%	Health-related Expenses
Credit Card Debt	25%	5-10%	Revolving Credit

Note: The percentages are indicative and based on aggregated data from recent studies.

2. The impact of multiple EMI obligations on household budgeting, savings, and overall financial stability.

Table 2: Impact of Multiple EMI Obligations on Financial Indicators

Financial Indicator	Observations
Expansion of Retail Credit	Retail credit expanded from 12.1% of GDP in 2017 to 19.4% by 2023, indicating increased borrowing among households.
Growth in Unsecured Loans	Unsecured loans, including credit card debt, grew at an annual rate of 21.3% between 2021 and 2024, reflecting a rise in short-term borrowing.
Decline in Household Savings	Household financial savings dropped to a 47-year low of 5.3% in FY22, highlighting a shift from saving to borrowing.
Debt-Service-to-Income Ratio	The debt-service-to-income ratio has increased, amplifying financial risks for households, especially among younger populations under 35.
Impact on Discretionary Spending	High EMIs have led to reduced discretionary spending, with many households cutting back on non-essential expenses.
Financial Vulnerability	The growing EMI culture has increased financial vulnerability, potentially deepening the impact of future economic shocks.

Data Interpretation

1. **Increased Borrowing:** The substantial growth in retail credit and unsecured loans indicates a heightened dependency on borrowed funds to finance various needs, from housing to consumer goods.
2. **Erosion of Savings:** The decline in household savings to historic lows suggests that families are allocating a larger portion of their income to debt repayment, leaving less room for savings.
3. **Budgetary Constraints:** Elevated debt-service-to-income ratios constrain household budgets, limiting the capacity to absorb financial shocks and reducing funds available for discretionary spending.

4. **Financial Instability:** The combination of high debt levels and low savings increases financial vulnerability, making households more susceptible to economic downturns and unforeseen expenses.

The proliferation of multiple EMIs among Indian middle-class families has led to tighter household budgets, diminished savings, and heightened financial instability. This trend underscores the need for enhanced financial literacy, prudent borrowing practices, and policies that promote savings to safeguard the financial well-being of these households.

3. Identify coping mechanisms and strategies adopted by middle-class households to manage EMI burdens.

Table 3: Coping mechanisms adopted by Indian middle-class households to manage EMI Burdens

Coping Mechanism	Description
Utilizing Savings	Drawing from accumulated savings to meet EMI obligations and household expenses.
Borrowing from Informal Sources	Seeking financial assistance from friends, family, or informal lenders to bridge gaps in EMI payments.
Selling or Mortgaging Assets	Liquidating assets such as gold, property, or vehicles to generate funds for EMI payments.
Loan Restructuring	Negotiating with financial institutions to modify loan terms, such as extending tenure or reducing interest rates, to lower EMI amounts.
Refinancing Loans	Transferring existing loans to lenders offering lower interest rates to reduce EMI burdens.
Prepayment of Loans	Making lump-sum payments towards the principal to decrease the outstanding loan amount and future EMI obligations.
Increasing Down Payments	Paying a higher initial amount during purchases, especially for homes or vehicles, to reduce the principal loan amount and subsequent EMIs.
Cutting Discretionary Expenses	Reducing non-essential expenditures to allocate more funds towards mandatory EMI payments.
Supplementing Income	Engaging in additional income-generating activities or part-time jobs to enhance cash flow for meeting EMI commitments.

Data Interpretation

- Utilizing Savings:** Households often deplete their savings to manage EMIs, compromising their financial safety nets.
- Borrowing from Informal Sources:** In the absence of formal credit options, families may resort to informal borrowing, potentially leading to unfavourable terms and increased financial stress.
- Selling or Mortgaging Assets:** Liquidating or leveraging assets provides immediate funds but diminishes long-term financial security.
- Loan Restructuring and Refinancing:** Engaging with lenders to adjust loan terms or switch to those offering better rates can effectively reduce EMI burdens.
- Prepayment of Loans:** Making advance payments towards the principal reduces the overall interest burden and shortens the loan tenure, leading to lower EMIs.
- Increasing Down Payments:** Larger initial payments

- decrease the loan principal, resulting in reduced EMIs and interest over time.
- Cutting Discretionary Expenses:** Prioritizing essential expenses over non-essential ones allows households to allocate more funds towards EMIs, ensuring timely payments.
- Supplementing Income:** Pursuing additional income streams provides extra funds to meet EMI obligations, enhancing overall financial stability.

Indian middle-class households employ a combination of strategies to manage the pressures of multiple EMIs. While measures like loan restructuring and refinancing can provide relief, reliance on savings or asset liquidation may undermine long-term financial health. Balancing immediate EMI obligations with sustainable financial planning is crucial for maintaining overall economic well-being.

4. Policy recommendations for responsible credit usage, financial planning, and risk management.

Table 4: Policy Recommendations for enhancing financial stability among Indian middle-class families

Policy Recommendation	Description	Supporting Data
Enhance Financial Literacy	Implement comprehensive financial education programs to improve understanding of credit management, budgeting, and investment strategies.	A study indicates a direct correlation between financial literacy and financial planning, with wealthier Indian families tending to be more financially literate.
Promote Responsible Credit Usage	Encourage prudent borrowing practices by limiting the use of unsecured loans and credit cards, and ensuring credit usage does not exceed 30% of available credit.	Financial advisors recommend limiting credit usage to 30% of the total available credit to prevent overspending.
Strengthen Financial Inclusion	Expand access to formal financial services, including affordable credit, savings accounts, and insurance products, particularly for underserved populations.	Despite high bank account ownership, only 12.7% of Middle Indian households have secured bank loans, indicating a gap in financial inclusion.
Develop Emergency Savings	Encourage the establishment of emergency funds covering 3-6 months of living expenses to mitigate financial shocks.	Prioritizing emergency savings is crucial for financial stability, as unexpected expenses can strain budgets.
Implement Stricter Lending Regulations	Enforce tighter credit assessment and reporting standards to prevent over-lending and reduce default rates.	The Reserve Bank of India raised risk weights for personal loans to mitigate risks associated with rising unsecured lending.
Offer Tax Incentives for Savings and Investments	Provide tax benefits to encourage long-term savings and investments in retirement funds and insurance policies.	The government has introduced tax relief measures aimed at increasing disposable income and boosting consumer spending.
Promote Financial Counseling Services	Establish accessible financial counseling to assist families in debt management and financial planning.	Financial planners are in an advantageous position to strengthen financial knowledge and planning among individuals.

Data Interpretation

- **Financial Literacy and Planning:** Enhanced financial literacy is linked to improved financial planning and higher per-capita income. Implementing educational programs can empower middle-class families to make informed financial decisions.
- **Credit Usage:** Limiting credit usage to 30% of available credit helps prevent overspending and reduces the risk of debt accumulation. Promoting responsible credit behavior is essential for financial stability.
- **Financial Inclusion:** While many households have bank accounts, a small percentage have access to bank loans, highlighting the need for improved financial inclusion. Policies should focus on making credit more accessible to middle-class families.
- **Emergency Savings:** Establishing emergency funds is crucial for managing unexpected expenses and maintaining financial stability. Encouraging regular savings can help families build these safety nets.
- **Lending Regulations:** Stricter lending regulations, such as enhanced credit assessments, can prevent over-borrowing and reduce default rates, contributing to a healthier financial system.
- **Tax Incentives:** Offering tax incentives for savings and investments can motivate families to engage in long-term financial planning, enhancing their financial security.
- **Financial Counselling:** Accessible financial counselling services can aid families in managing debts and planning their finances effectively, reducing financial stress and promoting well-being.

Implementing these policy recommendations, supported by current data and government initiatives, can significantly improve the financial stability of Indian middle-class families managing multiple loans and household expenses.

5. Findings

High EMI Dependency

- Indian middle-class families increasingly rely on EMIs for homeownership, education, vehicles, and consumer goods.
- Digital lending and BNPL schemes have contributed to a rise in unsecured debt.

Financial Stress and Savings Decline

- A significant portion of household income is allocated to debt repayment, reducing disposable income and emergency savings.
- Household savings rates have declined, impacting long-term financial security.

Debt Management Challenges

- Families struggle with multiple loan obligations, leading to high debt-to-income ratios.
- Managing high-interest debts (such as personal loans and credit card EMIs) is particularly challenging.

Coping Strategies

- Families adopt loan restructuring, refinancing, prepayments, and discretionary spending cuts to

manage EMIs.

- Some resort to borrowing from informal sources or liquidating assets, which may increase financial vulnerability.

Impact of Economic Factors

- Fluctuating interest rates and inflation affect affordability, making financial planning difficult.
- Economic shocks (job loss, medical emergencies) often disrupt EMI payments, increasing default risks.

Need for Financial Literacy and Policy Interventions

- Limited financial awareness leads to poor debt management decisions.
- Policy measures such as stricter lending regulations, financial literacy programs, and tax incentives for savings can help families navigate EMI challenges more effectively.

6. Conclusion

The increasing dependence on EMIs has reshaped financial behaviour among Indian middle-class families, offering both opportunities and challenges. While structured loan repayments facilitate asset ownership and consumption, excessive reliance on debt has led to financial stress, reduced savings, and increased vulnerability to economic uncertainties. Managing multiple EMIs requires a balanced approach, integrating effective budgeting, responsible borrowing, and long-term financial planning.

To ensure financial stability, households must adopt disciplined debt management strategies, while policymakers and financial institutions should focus on enhancing financial literacy, promoting responsible lending, and introducing incentives for sustainable financial planning. Addressing these challenges will help middle-class families achieve financial resilience while maintaining their desired living standards.

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