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MAJOR RESEARCH PROJECT ON
LIVING ON EMI: HOW EASY CREDIT IS
CHANGING SAVING AND INVESTMENT
BEHAVIOR

Submitted By

NIKITA PATEL

2K24/DMBA/152

Under the Guidance of

Dr. MOHIT BENIWAL

Assistant Professor



DELHI SCHOOL OF MANAGEMENT

Delhi Technological University

Bawana Road Delhi 110042



CERTIFICATE

It is hereby certified that Nikita Patel, roll no. 2K24/DMBA/152, has successfully submitted the major research project report entitled **"Living on EMI: How Easy Credit Is Changing Saving and Investment Behaviour"** in partial fulfillment of the requirement for the award of the degree of **Master of Business Administration (MBA) from Delhi School of Management, Delhi Technological University, Delhi** for the academic session 2025-2026.

Dr. Mohit Beniwal

Assistant Professor

Delhi School of Management

Delhi Technological University

DECLARATION

I, **Nikita Patel**, student of the MBA Program, at **Delhi School of Management, Delhi Technological University**, Delhi hereby declare that the major research project titled "**Living on EMI: How Easy Credit Is Changing Saving and Investment Behaviour**" submitted to Delhi Technological University is my original work and This project accurately reflects the research and analysis conducted by me in fulfillment of the requirements for the MBA program.. I conducted all the research and analyzed all the data for this report.

I certify that all references and citations for any outside sources used followed the rules and were done so correctly. I declare that I have not submitted this report for review in any other course or programme, and that I am aware of the consequences of providing incorrect information in school.

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Nikita Patel

2k24/DMBA/152

ACKNOWLEDGEMENT

I am thankful to the opportunity of putting on record my sincere gratitude to the individuals and institutions whose counsel and guidance were of profound value in successfully completing my major research project "**Living on EMI: How Easy Credit Is Changing Saving and Investment Behaviour**".

To begin with, I would like to state that I am extremely grateful to my guide faculty, **Dr. Mohit Beniwal**, who offered his precious guidance, thoughtful recommendations, and constant support throughout this research process. His professionalism and dedication proved to be vital elements that influenced this project, and his support contributed significantly towards my knowledge of Investment and Saving behaviour.

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I would like to further express my appreciation to all the respondents and stakeholders for dedicating their precious time and providing information that allowed me to collect enormous data and knowledge for this project. Their collaboration went a long way towards making this research a success.

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With warm regards,

Nikita Patel

2K24/DMBA/152

Delhi School of Management
Delhi Technological University (DTU)

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ABSTRACT

The fast-paced consumer credit infrastructure development in India - comprising equated monthly installment (EMI) plans, Buy Now Pay Later (BNPL) sites, credit cards, and online lending apps - has, in essence, transformed financial decision-making landscape of urban and semi-urban consumers. Nearly free credit has liberalized the availability of goods and services, yet has also created anxiety as to its consequence in the long-term on household savings and investment habits.

The thesis **explores Living on EMI: How Easy Credit is Changing Saving and Investment Behavior** seeking to explore in dual methodology namely **secondary data analysis** of the topic supplemented with **primary field survey analysis**. The main survey included 420 respondents in the major big cities in India in the form of structured questionnaire. The research uses **descriptive statistics**, frequency analysis, **cross-tabulation**, **Chi-square tests**, **independent t-tests**, correlation analysis, as well as OLS regression and proves three main hypotheses.

The research results indicate that: (i) the EMI burden has a significant and positive relationship with the decreased savings regularity; (ii) increased EMI commitments are related to the existence of significant postponed investment decisions especially SIP and mutual fund contributions; and (iii) the concurrent EMI obligations are also linked with a significant financial stress level. The behaviorally most important reference is the size of the monthly installments available to consumers in purchase avoidance and not the overall cost of repayment - a cognitive pattern found on present bias and mental accounting concepts of behavioral finance.

The research adds India-specific empirical evidence in the behavioral and financial impact of easy credit proliferation with practical suggestions to households, financial institutions and policymakers.

Keywords: *EMI, Easy Credit, Saving Behavior, Investment Behavior, BNPL, Digital Lending, Financial Stress, Behavioral Finance, Household Finance, India*

CHAPTER 1: INTRODUCTION

1.1 Background of the Study

In the last decade, there has been a paradigm shift in the consumer landscape of the Indians. A totality of insights enabled by the spread of smartphones, declining data prices, financial innovations, and competitive lending by retail outlets have put buying power in the hands of an average household like never before. Products that used to take months of saving to be afforded can now be obtained at a touch of a button and can be paid in equated monthly installments (EMI) over a twelve, twenty-four or even sixty months term.

EMI model is not a novel one. Since the 1970s it has existed in a form of hire-purchase agreements of consumer durables in India. The magnificence, velocity and frictionlessness of the updated EMI access, however, are categorically varied. They can now afford a 65-inch TV on an EMI which is paid by mobile on a zero cost basis in Raipur, they can book an international flight on a credit card changed to monthly payments, and they can on the same cash flow statement re-pay a personal loan to renovate the house in a single month - all via a BNPL (Buy Now Pay Later) application.

The positive welfare impacts of this democratization of credit are real: it brings about welfare-improving consumption smoothing, it allows households to purchase productive factors of production at the time of an equilibrium between accumulating savings and acquiring formal financial services, and it has subjected formerly unreachable credit outliers to formal financial services. The real needs of available financing are indicated by the RBI statistics of the retail credit growth - that has continues to outpace the GDP growth.

Critical counterargument has however taken a back seat by behavioral economics and household finance studies: a behavioral economic analysis has led to the contention that easy money could preempt saving habits and long-term wealth building. In a situation where the monthly cash outflow is comprised of fixed EMI obligations, structurally reduced capacity to saving deposit, SIP deposits, or investments in financial assets exist. Less obviously, the affordance implies by defining the cost of such payments as a small amount monthly compared to the full repayment amount prompts some cognitive distortions which lead to over-extension of credit and under-saving by consumers.

This tension is empirically examined in this thesis with the help of a primary survey of 420 respondents in Indian cities and is substantiated by secondary sources, including RBI publications, and NSSO household surveys and reports on the fintech industry.

1.2 Statement of the Problem

In spite of the fast growing easy credit facilities in the whole of India, little academic focus has been given to behavioral implications of the easy credit to the planning of household savings and investments. The issue the given study is dealing with is a complex one:

- Repeatedly taking a larger portion of monthly earnings allocated to fixed EMI payments automatically diminishes the available spare surplus to savings and investment.
- The underestimation of the actual cost of consumption financed by credit in consumers is systematic under the influence of cognitive fallacies, namely the present bias, mental accounting, and instalment framing.
- The habitualization of debt in lifestyle budgeting can result in households shifting investment milestones like creating an SIP, establishing an emergency fund, or adding to retirement savings.
- There are several overlapping EMI commitments that produce financial vulnerability, exposing the system to default cascades in the circumstance where income destabilization happens.

1.3 Need for the Study

The rationale behind this study is due to a number of convergent trends. Firstly, there have been increasing household debt-to-GDP ratios in India, mainly at the expense of productive investment and not through retail lending. Second, gross household savings rate in India - which had topped at about 25 percent of GDP - has moderated over the past several years, when there was a boom in consumer credit. Third, SIP flows to mutual funds although increasing, they continue to be concentrated in urban higher income households; this implies possible credit growth with no accompanying growth in the participation in investments by middle income households.

1.4 Objectives of the Study

- Where: The aim is to research the trends and degree of easy credit adoption (EMI, BNPL, credit cards, and digital loans) by Indian consumers.
- To examine the effect of EMI-based expenditure on the saving pattern and frequency of household saving.
- The researcher will investigate the influence of the obligation of the easy credit on the investment behavior, i.e., SIP contributions and long-term planning.
- To determine how EMI is maintained by behavioral factors - present bias, instalment framing, debt normalization, impulse buying - that hold its grip.
- To measure the risks of finance stress and debt traps encroaching as a result of having several commitments of EMI at the same time.

1.5 Research Questions

- Are household savings reduced in terms of their frequency and amount by easy access to credit?
- Are consumers putting off or low investing in response to the burden of EMI commitments?
- Question: Do consumers consider the monthly instalment cost as opposed to the cost of total repayment when taking credit decisions?
- Two hypotheses: (a) Is there a significant association between multiple simultaneous EMIs and perceived financial stress and debt trap risk?

1.6 Hypotheses of the Study

On the background of the research questions and discussion, three testable hypotheses are formulated:

Hypothesis	Expected Relationship	Test Applied
H1: There is a significant relationship between EMI burden and reduced savings.	Higher EMI burden leads to lower savings regularity	Independent t-test
H2: Easy credit has a significant negative impact on investment behavior.	Higher EMI burden leads to more investment postponement	Independent t-test
H3: Multiple EMI commitments significantly increase financial stress.	More active EMIs leads to higher financial pressure scores	Independent t-test

Table 1.1: Research Hypotheses at a Glance

1.7 Scope of the Study

The field of this research is quantified on four parameters. The main survey will be carried out in the geographical area of Raipur, Chhattisgarh and with some other major Indian cities, supplementary respondents. In time, the research includes the credit growth cycle of 2018-2024. Thematically, the research examines personal consumer credit - specifically EMI, BNPL, credit cards, and digital personal loans - and not corporate debt and home mortgage behavior. In terms of demographics, the research is focused on working age adults (18-60) that have ever used any type of consumer credit.

1.8 Significance of the Study

The research has relevance to various stakeholders. To households, it gives empirical advice as to the shadow cost of easy credit - not merely the costs in the form of interests but the costs in terms of lost saving, lost investment. In the case of financial institutions, it is used to indicate the behavioral risk profile of high-EMI borrowers. To policy makers, it can be used to give information supporting the norms of responsible lending and consumer protection. To scholars, it adds an India-specific experimental research to the literature of behavioral household finance.

1.9 Limitations of the Study

- The sample; it is mainly urban and semi-urban; it is anticipated that on the rural side the behavior of credit may vary considerably.
- The answers to the financial questions can be influenced by social desirability bias and recall error.
- HI: The cross-sectional design is not able to determine causal direction with any confidence; longitudinal designs would enhance causal inference.
- The research constructs on savings and investment levels which are self-reported as opposed to authentic bank statements.

1.10 Chapter Scheme

The thesis is divided into seven chapters. Chapter 1 contextualizes and outlines the research. Theoretical and empirical literature are surveyed in Chapter 2 and the conceptual model is shared. Chapter 3 outlines the research design, sampling plan, data collection instruments and analytic procedures. In chapter 4, the author examines macro-level data on consumer credit, household savings and investment of the Indian consumer based on published information. Chapter 5 shows the findings of survey of the field and statistical tests. Chapter 6 combines and interprets findings of both data. Chapter 7 summarizes the contributions of the study and suggests interventions.

CHAPTER 2: REVIEW OF LITERATURE AND CONCEPTUAL FRAMEWORK

2.1 Meaning of Saving Behavior

Saving behavior is the process by which households make a strategic choice of today not spending money on consumption now but saving the money to provide funds in the future. It involves a frequency of saving, the amount of income saved, the type of savings instruments, and the reasons that influence the decisions to save. Classical economic theory (Friedman, 1957; Modigliani and Brumberg, 1954) models saving as a rational, forward-looking behavior where it is modeled by the Permanent Income Hypothesis and Life-Cycle Model. This has been considerably changed by behavioral economics, Thaler and Shefrin (1981) hold that household savings are not made by rational optimization but by planner-doer conflict, where short-term impulses often prevail over long-term intentions to save.

2.2 Meaning of Investment Behavior

Investment behavior is the alternative makeup of households to assign their accumulated savings or excesses as assets in money markets - equities, mutual funds, fixed deposits, provident funds, real estate, gold and insurance with their goal being to generate wealth or income. Traditionally household investment behaviour in India has been governed by physical and safe financial assets (gold, real property) and financial (PPF, FDs, LIC policies). The existence of equity mutual funds and SIPs has increased exponentially since 2016 as the total amount of SIP deposits has surpassed surface. 20,000 crore per month in 2024.

2.3 Concept of EMI, BNPL, Credit Cards, and Digital Lending

An Equated Monthly Installment (EMI) is a fixed payment amount made by a borrower to a lender at a specified date each calendar month, comprising principal and interest components. Buy Now Pay Later (BNPL) allows consumers to make purchases and pay at a future date, often with promotional zero-interest periods. India's BNPL market was estimated at USD 45 billion by 2026. Credit cards represent revolving credit facilities; India's credit card base crossed 100 million cards in 2024 with outstanding dues approaching Rs. 2.5 lakh crore. Digital lending encompasses personal loans and salary advances disbursed through mobile apps with instant approval.

2.4 Theoretical Foundations

2.4.1 Present Bias and Hyperbolic Discounting

Present bias refers to the propensity to give excessive weight on now gratification as compared to future benefits. This is modelled by Laibson (1997) as hyperbolic discounting or the discounting rate between two time periods, today and tomorrow, is significantly greater than the rate between any given two time periods than the discounting between today and tomorrow. Present bias is relevant in the context of EMI behavior, such as why consumers will purchase consumption goods now as opposed to saving to purchase them later when the repayment cost of such goods, which is a great deal higher than the purchase price, leads to the acquisition of the goods.

2.4.2 Mental Accounting

The definition of Thaler (1985), theory of mental accounting is categorization of financial transactions into distinct psychological accounts by individuals. The mental accounting artifact is the so-called EMI affordability in which monthly installments are emphasized (as opposed to the actual cost) when using it. Viewing an EMI as a little money outflow to spend every month, consumers make a systematic undervaluation of their debt load.

2.4.3 The Effect of Anchor and Behavioral finance.

Anchoring happens when people over-use the initial bit of information provided when atold making decisions. As an anchor, in EMI marketing monthly installment will work as an anchor - Only Rs. 2,499/month! - which makes consumers base the evaluation of their affordability on the installment, instead of the entire price and interest paid. The Prospect Theory by Kahneman and Tversky (1979) illustrates the decision-making process of the consumer: everyone bases their choices on perceived gain and loss in relation to reference point not on the specific level of wealth.

2.5 Review of National Studies

The Kulkarni and Desai (2019) research on the influence of consumer credit growth on household saving in the urban Maharashtra revealed that the household saving rate was significantly lower in households that had EMI payment above 25 percent of their income. Their research observed that zero-priced EMI offers were especially eminent in triggering sales within electronics and appliance sectors which would have normally been delayed. The article by Jain and Gupta (2021) explored the shaping of BNPL usage among millennials in Tier-1 and Tier-2 Indian cities and discovered

that BNPL numbers significantly higher in users than non-users had more positive impulse purchases and lower emergency fund balances.

Report on currency and finance by the Reserve Bank of India (2023) highlighted increased household debt-to-income ratios in urban India, and reported retail credit growth to have surpassed the nominal income growth over the last five years, leading to increasing household financial vulnerability. According to RBI (2024), there is an increase in the rate of delinquency among unsecured personal loans and credit cards.

2.6 Review of International Studies

Dynan and Kohn (2007) examined the decline in US household savings between the 1980s and 2000s and found that credit availability - toxic activities, credit card debts, etc - played a major role in the compression of the savings, in a way similar to what occurs in the Indian case. In their thorough review, Lusardi and Mitchell (2014) identified a strong relationship between financial literacy and retirement savings and investment involvement, as well as wealth accumulation, and concluded that the resulting first-generation credit users across India are especially susceptible to the debt-savings crowding-out effect.

2.7 Research Gap

Although there is extensive literature on domestic finance in developed economies and on financial inclusion in India, there is an evident gap between empirically based, survey-based studies that collectively investigate: (a) the behavioral process of EMI dependence; (b) its particular effects of regular savings and investment circumstances; and (c) the financial stress implications of cumulative simultaneous EMI commitments - all in a single unified framework applied as applied to the case. In this paper, it is addressed.

2.8 Conceptual Framework of the Study

The conceptual framework would make EMI burden and credit usage frequency two independent variables, that act through behavioral mediators (present bias, impulse buying, debt normalization) to influence two dependent variables: savings behavior and investment behavior. High EMI burden is modeled as a high financial stress. The controls are demographic and financial literacy variables.

Figure 0.1: Conceptual Framework of the Study

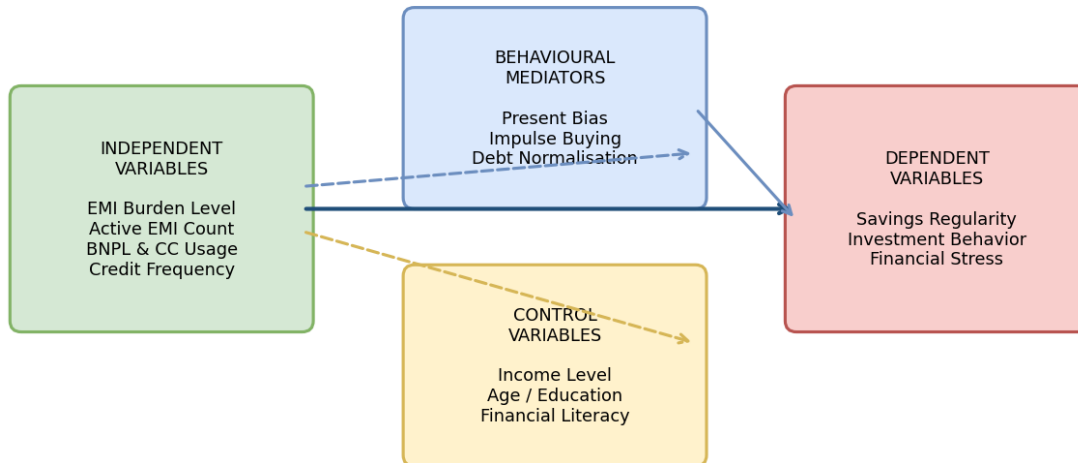


Figure 0.1: Conceptual Framework of the Study

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Nature of the Study

The research is analytical, descriptive and empirical. It is descriptive in the sense that it records the patterns of credit use, and financial behavior of respondents. It is also analytical in the sense that it also uses statistical tests in testing relations between variables. It is empirical in the sense that it is based on primal data that is obtained via a structured field survey.

3.2 Research Design

There is use of a cross-sectional survey research design. Cross-sectional designs involve recording information at one particular time, of a group of many respondents, and allows comparison across groups in terms of demographics and behaviors. The survey took place in the year 2024- 25. The questionnaire was distributed on-line (via Google Forms) and during the face-to-face conduct in Raipur and in other thriving cities.

3.3 & 3.4 Sources of Data and Collection Method

- **Primary Data:** The primary data have been collected based on a structured questionnaire survey of 420 respondents including demographics, credit usage, spending, savings, investment behavior, behavioral attitudes, and financial stress.
- **Secondary Data:** Annual Reports and Monetary Policy Reports of Reserve Bank of India, Household Consumption Surveys by NSO, AMFI monthly SIP data, monthly reports by applicable firms in fintech industry (KPMG, PwC, BCG), academic journals.

3.5 Sampling Design

Population: Urban and semi-urban India set (all adults aged 18-60) who have availed any type of consumer credit. **Sampling Method:** Purposive-cum-convenience snowball sampling in the internet. **Sample Size:** 420 usable responses, which is more than the recommended sample size of 384 for population proportion study with a likelihood of 95 percent and a margin of error of 5 percent (Cohen, 1977).

3.6 Variables of the Study

Category	Variable	Measurement	Type
Independent	EMI Burden Score	EMI % of income (1-5 ordinal)	Ordinal
Independent	Active EMIs Count	Count (0-6+)	Ratio
Dependent	Savings Regularity After EMI	Likert 1-5	Ordinal
Dependent	Savings Reduced Due EMI	Likert 1-5	Ordinal
Dependent	Investments Postponed Due EMI	Likert 1-5	Ordinal
Dependent	Perceived Financial Pressure	Likert 1-5	Ordinal
Behavioural	Focus on Instalment Not Total	Likert 1-5	Ordinal
Behavioural	Normalised Debt in Lifestyle	Likert 1-5	Ordinal
Control	Monthly Income	Categorical (5 brackets)	Nominal
Control	Financial Literacy Score	Score out of 10	Ratio

Table 3.1: Variables of the Study

3.7 Tools for Analysis

Statistical Tool	Purpose in This Study
Percentage Analysis	Demographic profiling, frequency distributions, credit usage patterns
Mean and Standard Deviation	Summarizing Likert scale responses for savings, investment, and behavioral variables
Independent t-test	Testing hypotheses on mean differences between high/low EMI burden groups
Pearson Correlation	Examining linear relationships between EMI burden, savings, investment, and stress
OLS Regression	Quantifying the marginal effect of EMI burden on savings reduction and investment postponement
Chi-square Test	Testing associations between categorical demographic variables and credit behaviors
Cross-tabulation	Income-wise and age-wise comparisons of behavioral and financial variables

Table 3.2: Tools of Statistical Analysis

3.8 Period of Study and Limitations

Primary data was collected in the year 2024-25 & Secondary data is 2015-2024. Limitations in methodology refer to constrained causal inferences by the cross-sectional nature of the design, purposive sampling bias, Likert data as an ordinal scale, and self-report limitations.

CHAPTER 4: SECONDARY DATA ANALYSIS AND FINDINGS

4.1 Overview of Easy Credit Growth in India

The Indian retail credit ecosystem has been structurally transformed, since 2015. Financial inclusion and UPI infrastructure together with the push of financial inclusion by Jan Dhan Yojana and vigorous lending of fintech have built a multi-layered credit access grid. Even without food banks credit to individuals increased at an average of about 15.2 CAGR during FY2016 and FY2024, by a huge margin compared to the growth of nominal GDP of about 10.5.

After issuing about 26 million credit cards in 2016, it has increased its issuance to over 100 million credit cards by 2024. During 2018-23, the growth rate of consumer durable loans increased by 22% CAGR.

Credit Indicator	FY 2016	FY 2019	FY 2022	FY 2024
Credit Card Outstanding (Rs. Cr)	44,000	80,500	1,47,000	2,48,000
Personal Loans Outstanding (Rs. Cr)	7,85,000	13,20,000	22,80,000	41,50,000
Consumer Durable Loans (Rs. Cr)	18,000	31,000	58,000	1,02,000
BNPL Market (est. USD Billion)	3.0	9.5	22.0	45.0

Table 4.1: Growth Trends in Consumer Credit - India (2016-2024) [Source: RBI, Industry Reports]

4.2 Trend Analysis of EMI-Based Consumption

EMIs consumption has moved past high ticket items d.o.s. to everyday welfare expenditure. The industries which are most reliant on EMI financing are: Consumer Electronics (smartphones, laptops, TVs) with a high percentage of one-fourths of consumer durable loans; Two-wheelers and automobiles with outstanding balances above Rs. 5 lakh crore; Travel and tourism under 3-6 months EMI schemes; and Lifestyle/fashion under 30-40% of premium purchases under EMI/BNPL.

One of such important tendencies is the phenomenon of zero-cost EMI. Retailers and manufacturers subsidize the interest in promotional tool and in product margins they bear this cost. The zero extra costs are felt by the consumer, which essentially changes the behavioral arithmetic of whether to pay in cash or credit.

4.3 Secondary Evidence on Household Savings Trends

The gross household savings rate of India is moderate as it has dropped to about 19.8 percent in FY2023 compared to 25.2 percent in FY2012 as recorded by NSO. In FY2023, the net household financial savings decreased to a multi-decade low of around 5.1 percent of GDP, down 7-8 percent per historical average. According to the Report on Currency and Finance (2023) by the RBI, the increasing household debt commitments were explicitly cited to be the element.

Year	Gross HH Savings (% GNDI)	Net Financial Savings (% GDP)	HH Credit Growth (YoY%)	MF AUM (Rs. Lakh Cr)
FY2016	22.8%	7.2%	14.0%	12.3
FY2018	21.5%	7.0%	17.8%	21.4
FY2020	21.3%	7.8%	15.2%	26.5
FY2022	22.7%	8.1%	11.9%	37.7
FY2024	19.8%	5.1%	20.5%	53.4

Table 4.2: Household Savings and Credit Trends in India [Source: NSO, RBI, AMFI]

4.4 Secondary Evidence on Investment Behavior

Although there is an increase in mutual fund SIP inflows - reaching Rs. 20,904 crore per month by October 2024 - household investment participation is very skewed. The survey conducted by SEBI (Household Survey 2023) shows that the proportion of households, investing in the equity markets, is 27% in the Indian cities. A PwC-SEBI report (2023) indicated that 34% of those who had terminated SIPs gave the reason of inadequate monthly surplus upon repaying loans.

4.5 Debt-Savings Crowding-Out Effect

The effect of crowding-out of debt savings is a simple process: the fixed-EMI payments decrease the monthly disposable income, and there is less left to save and invest as discretionary income. To a family with income of RS. 60,000 monthly, three EMIs of amount Rs18,000, only Rs. 42,000 to cover all other costs and savings. In addition to the mechanical crowding-out, a psychological crowding-out also exists: handling several EMI due dates imposes both a cognitive and financial anxiety burden, which decreases the attention and motivation to do proactive savings planning.

4.6-4.7 Behavioural Changes and Risk Evidence

- Instalment framing supremacy: 68 percent of Indian customers consider the affordability based on the size of EMIs (Deloitte India, 2023).
- Normalization of debt: 55% of urban millennials view having an active EMIs as normal - a departure of the debt-seeking attitude of the older generation.
- Improved impulse shopping: BNPL lowers cart abandonment rates by 35-40 percent when offering investments on e-commerce platforms.
- Increased delinquency: The NPA ratios in unsecured personal loans have increased to 2.8% according to RBI Financial Stability Report (June 2024).
- CIBIL (FY2024): An operating percentage of 18% of active borrowers had four or more active accounts at any given moment.

4.8 Key Findings from Secondary Data

- The boom of easy credit is driven by all income groups; BNPL and online lending are the most rapidly expanding.
- Household net financial savings- Household net financial savings are at their lowest in multi-decades, in tandem with the boom in consumer credit.
- Monthly installment commitments are mechanically and psychologically crowded out to save and make investment contributions.
- Factors Consumer judgment around affordability of the product based on monthly installment size and not its actual price.
- There are various credit products that are raising households financial risk; bad debts are playing up on the unsecured front.

CHAPTER 5: PRIMARY DATA ANALYSIS AND FINDINGS

5.1 Introduction to Primary Analysis

The chapter provides credits of data gathered out of 420 respondents using a structured questionnaire and coded in ten British sections based on demographic profile, credit usage profile, spending behavior, saving behavior, investment behavior, behavioral attitudes, and financial stress as well as testing statistical hypothesis. All Likert scale items are rated on a 1-5 scale (1 = Strongly Disagree, 5 = Strategy).

5.2 Demographic Profile of Respondents

Figure 1.1: Age Group Distribution of Respondents

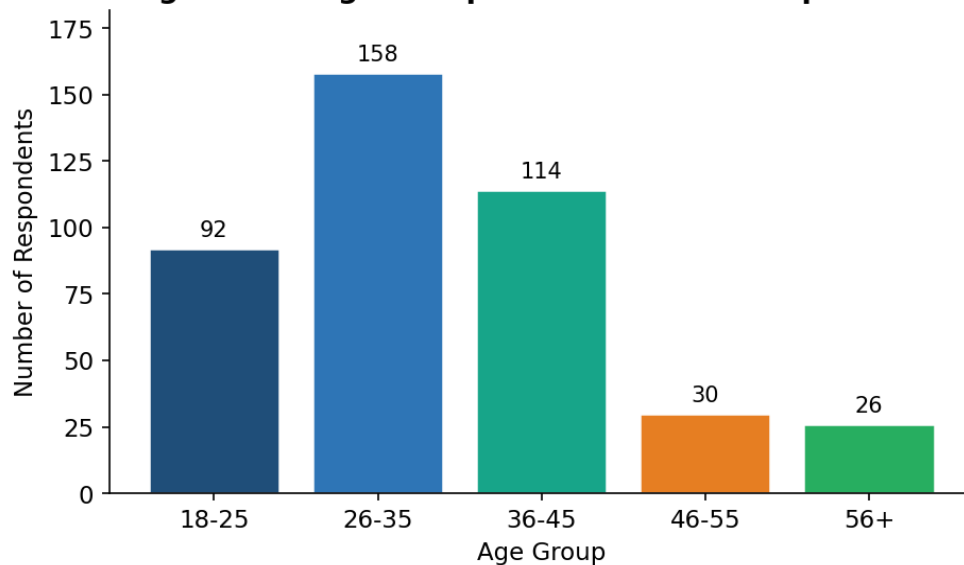


Figure 1.1: Age Group Distribution of Respondents

Figure 1.2: Gender Distribution

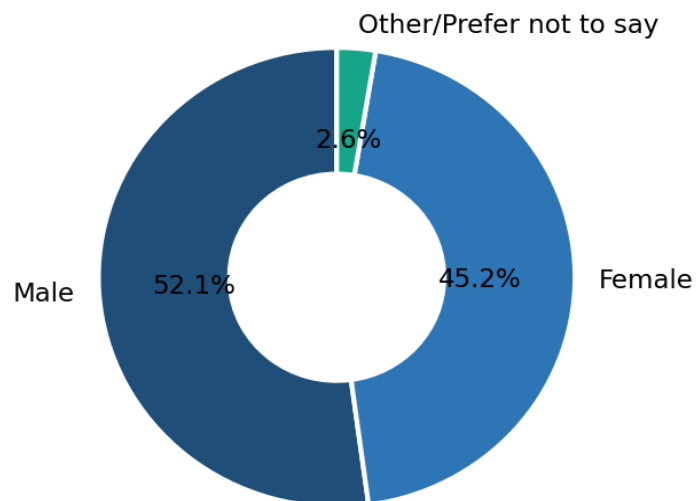


Figure 1.2: Gender Distribution

Age Group	Frequency	Percentage (%)	Gender	Frequency	Percentage (%)
18-25	92	21.9%	Male	218	51.9%
26-35	159	37.9%	Female	194	46.2%
36-45	105	25.0%	Other	8	1.9%
46-55	42	10.0%	Total	420	100%
56+	22	5.2%			
Total	420	100%			

Table 5.1 & 5.2: Age and Gender Distribution of Respondents

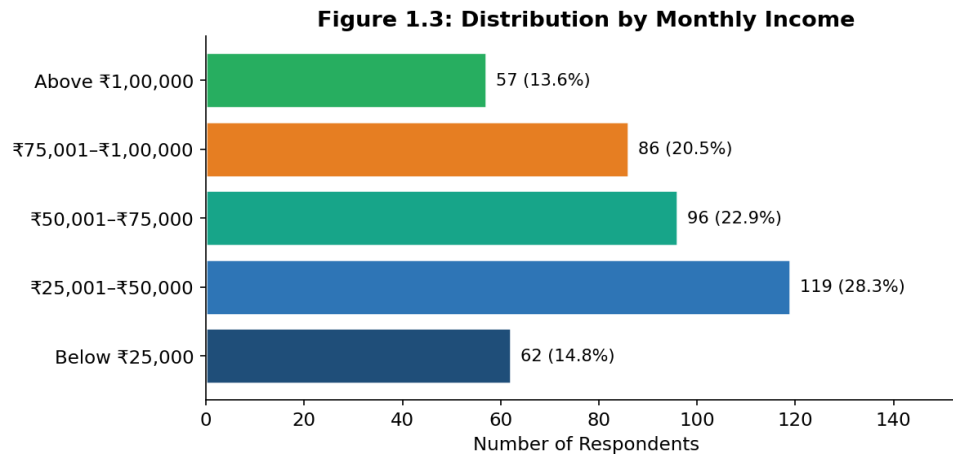


Figure 1.3: Monthly Income Distribution

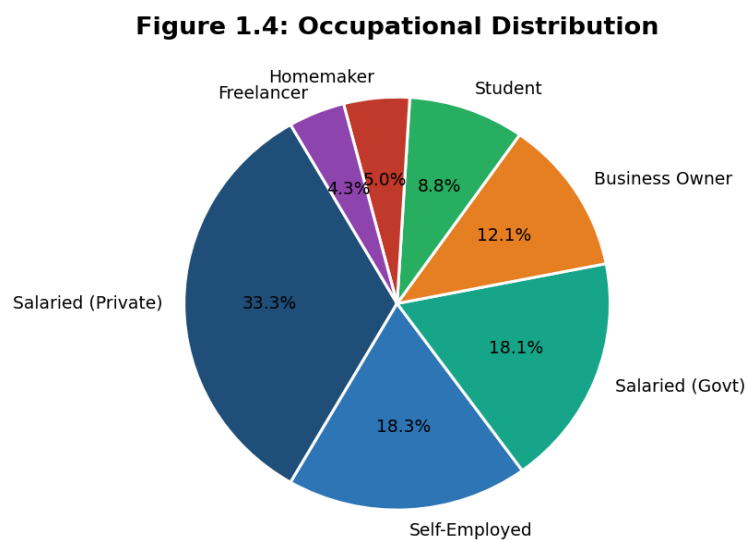


Figure 1.4: Occupational Distribution

Monthly Income	Frequency	Percentage	Occupation	Freq.	Pct.
Below Rs. 25,000	59	14.0%	Salaried (Private)	147	35.0%
Rs. 25,001-50,000	118	28.1%	Salaried (Govt)	76	18.1%
Rs. 50,001-75,000	109	26.0%	Self-Employed	63	15.0%
Rs. 75,001-1,00,000	76	18.1%	Business Owner	50	11.9%
Above Rs. 1,00,000	58	13.8%	Student/Others	84	20.0%

Table 5.3 & 5.4: Income and Occupation Distribution

Based on the demographic profile, the sample is classified within the productive earning group of 26-45 years (62.9) that comprises of the salaried professionals. The income distribution is healthy going by amount 25, 000-50, 000 bracket (28.1%), the bracket with the highest number of people in the distribution. The sample comprised of nuclear families, 55%.

5.3 Credit Usage Profile of Respondents

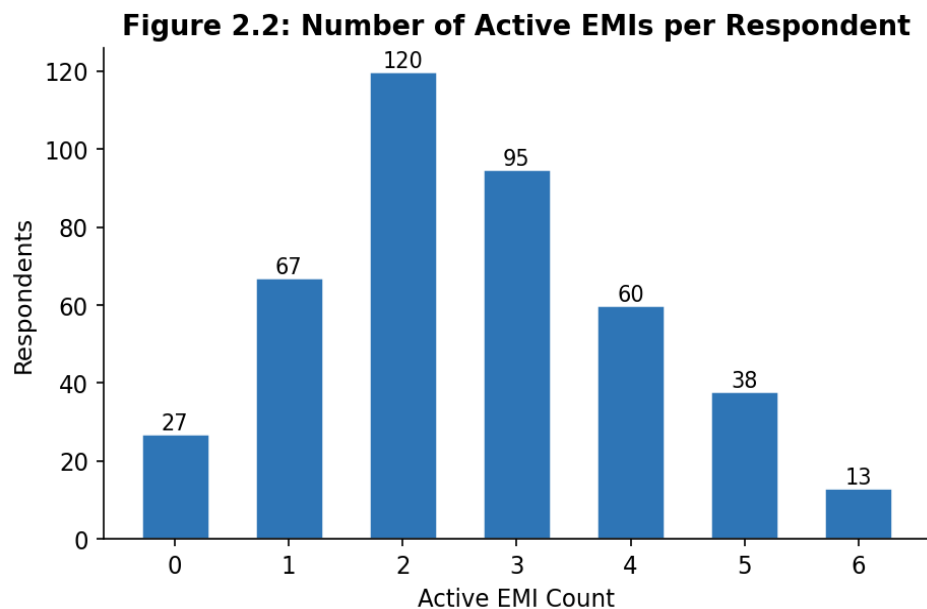


Figure 2.2: Number of Active EMIs per Respondent

EMI % of Income	Frequency	Percentage	Active EMIs	Frequency	Percentage
<10%	84	20.0%	0	34	8.1%
10-20%	130	31.0%	1	63	15.0%
20-30%	117	27.9%	2	105	25.0%
30-40%	59	14.0%	3	105	25.0%
>40%	30	7.1%	4+	113	26.9%

Table 5.6 & 5.7: EMI Burden and Active EMI Count

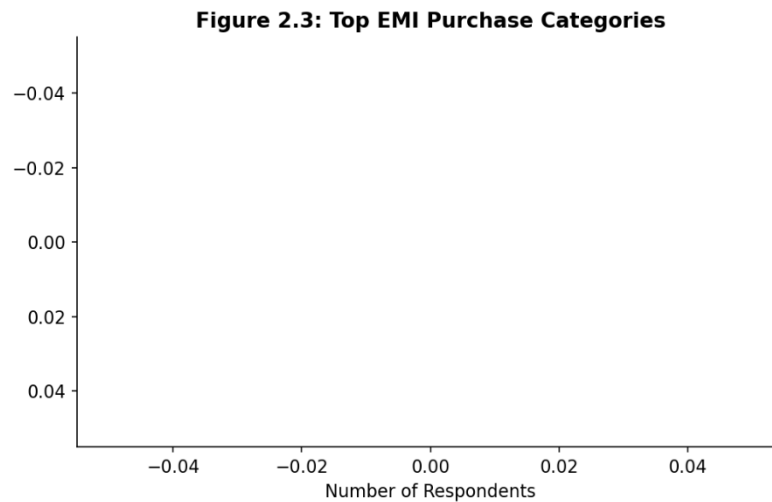


Figure 2.3: Primary EMI Purchase Category

One striking discovery is that 49 per cent of those surveyed spend 20 per cent and above of their monthly earning on paying EMI - a figure which is normally viewed as a red flag in the household finances. There is a high proportion in credit card usage (62%), and BNPL adoption (55%), which suggests two simultaneous credit lines.

5.4 Spending Behavior Analysis

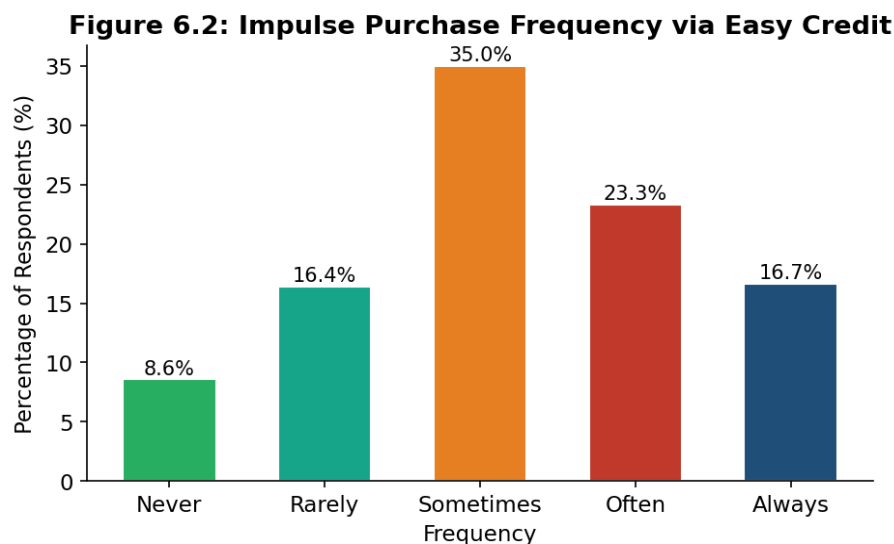


Figure 6.2: Impulse Purchase Frequency via Easy Credit

Electronics, vehicles, and smartphones become the leading three categories where EMI is primarily used, with more than 50 percent of its primary EMI purchases. The main reason given to select EMI is, quantity of, Cannot afford upfront (33%), EMI offer is zero cost (26%). On impulse purchasing: 35% say they make impulse purchases occasionally, using easy credit, whereas 25% say they make impulse purchases more frequently or always - indicating that frictionless credit enables them to make impulse purchases in about 60 out of a hundred.

5.5 Analysis of Saving Behavior

Figure 3.1: Savings Regularity — Before vs After EMI by Income Group

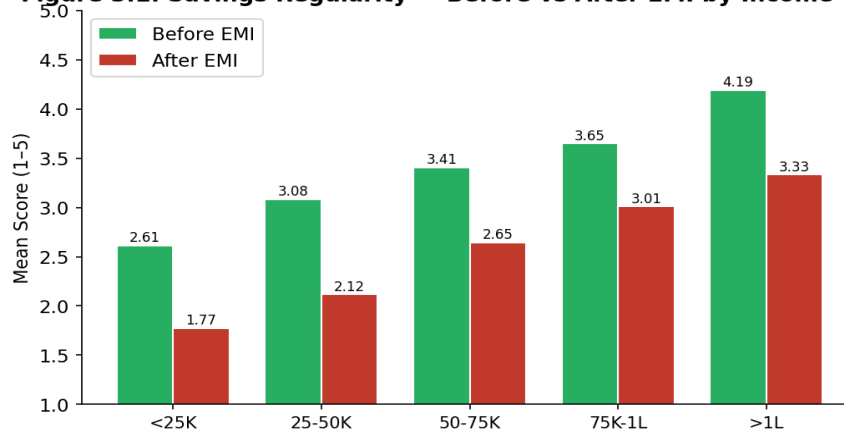


Figure 3.1: Savings Regularity Before vs After EMI by Income Group

Statement	N	Mean	Std Dev	Agree+SA %	Disagree+SD %
I saved regularly BEFORE taking EMI commitments	420	3.21	1.08	52.1%	28.6%
I save regularly AFTER EMI commitments	420	2.73	1.12	38.3%	42.1%
I have maintained an emergency fund	420	2.68	1.15	35.7%	44.8%
My savings have REDUCED due to EMI obligations	420	3.52	1.10	62.4%	18.1%
It is difficult to save with multiple EMIs	420	3.48	1.09	58.6%	19.3%

Table 5.10: Saving Behaviour - Likert Scale Analysis

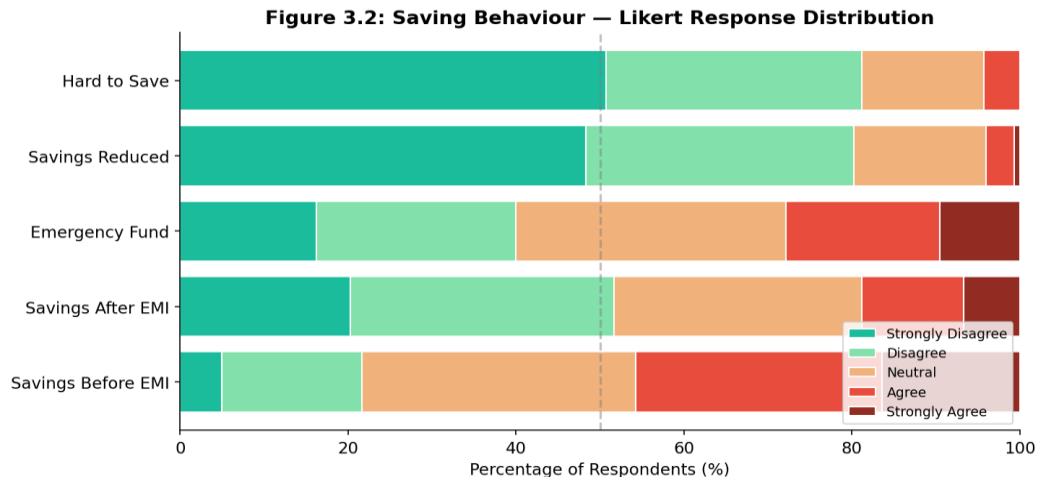


Figure 3.2: Saving Behaviour - Likert Response Distribution

The statistics show that there has been a very evident fall in the savings habit after EMI. The average rating of regularity in savings decreases to 2.73 (post EMI) compared to 3.21 (pre EMI). More strongly, 62.4% of the respondents think that their savings have been cut down as a result of EMI payments. The maintenance of emergency funds is also very low: just 35.7% say they have emergency savings. All these results together argue in favor of the debt-savings crowding-out effect.

5.6 Analysis of Investment Behavior

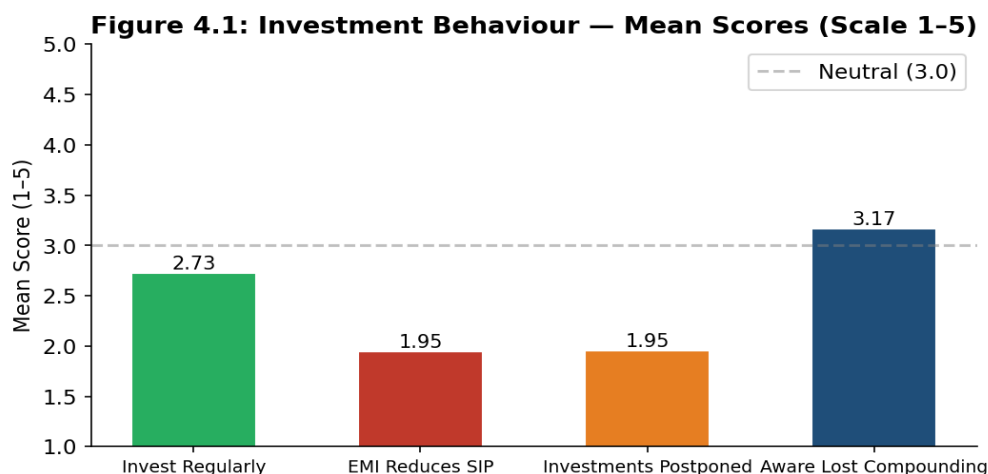


Figure 4.1: Investment Behaviour - Mean Scores (Scale 1-5)

Statement	N	Mean	Std Dev	Agree+SA %	Disagree+SD %
I invest regularly in SIPs/MFs/FDs	420	2.61	1.14	32.9%	47.6%
EMI payments reduce my SIP/MF contributions	420	3.45	1.08	58.3%	19.8%
I have postponed investments due to EMIs	420	3.41	1.11	56.2%	21.4%
I am aware that EMI reduces compounding returns	420	3.18	1.09	49.0%	26.2%

Table 5.12: Investment Behaviour - Likert Scale Analysis

Figure 4.2: Savings Reduction & Investment Postponement by Income Group

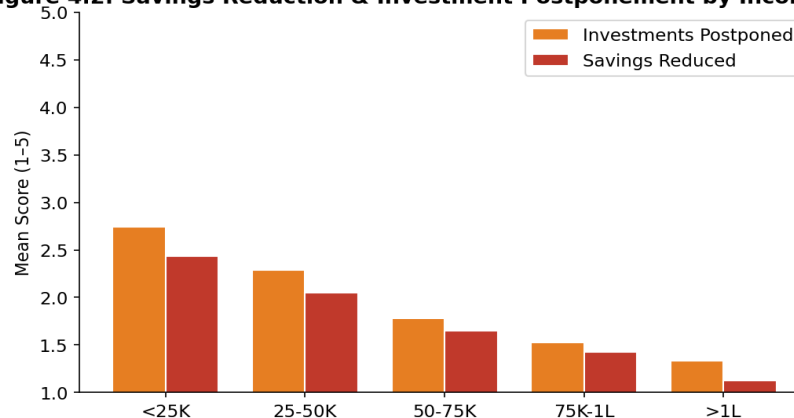


Figure 4.2: Savings Reduction & Investment Postponement by Income Group

The behavior analysis of investors shows that there is a worrying trend: among all investors, only 32.9 percent invest regularly, and only 58.3 percent of them believe that EMI payments cause a reduction in SIP contributions. The 56.2 reports investment postponement. The income-based comparison indicates that there is a distinct slope: the poorer income populations mention much more postponed investment and reduced savings.

5.7 Behavioral Analysis

Behavioral Statement	N	Mean	Std Dev	Agree+SA %
I focus on EMI size, not total repayment cost	420	3.82	1.02	68.1%
Smaller EMIs make me comfortable buying	420	3.96	0.96	72.4%
Social pressure drives credit-based spending	420	3.21	1.08	50.2%
I make aspirational purchases using credit	420	3.48	1.06	56.9%
Debt/EMI is normal part of my budget	420	3.42	1.08	55.7%
Zero-cost EMI attracts me to buy more	420	3.61	1.03	63.8%

Table 5.13: Behavioural Aspects - Likert Scale Analysis

Figure 6.1: Behavioural Aspects — Mean Scores Radar

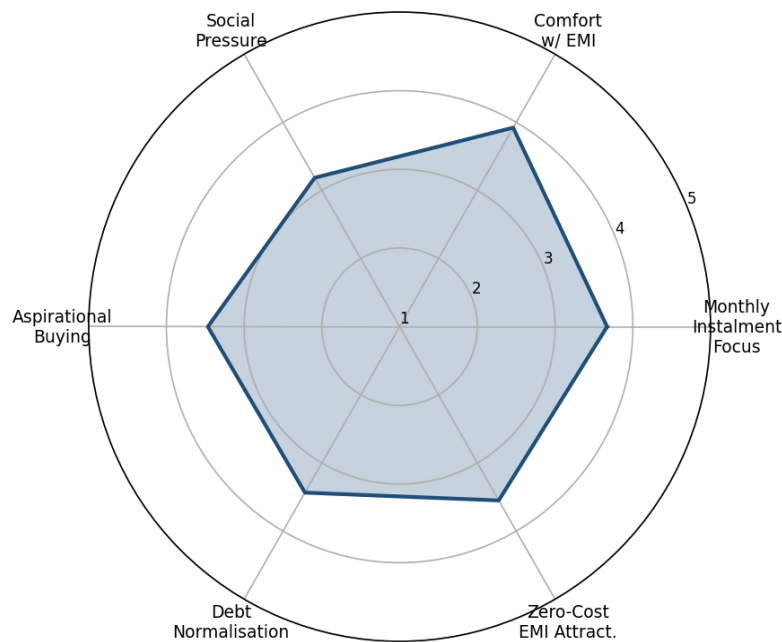


Figure 6.1: Behavioural Aspects - Radar Chart (Mean Scores)

The most interesting result of the behavioral analysis is that 72.4 percent of respondents say that smaller EMIs make them more comfortable with making a purchase - the highest level of agreement to any statement in the entire survey. This is a confirmation of the mental accounting and anchoring biases that have been found in literature. Zero-cost EMI attraction (63.8%), and debt normalization (55.7%) complete a behavioral profile of a segment of consumers that have integrated credit in its consumption logic.

5.8 Financial Stress Analysis

Stress Statement	N	Mean	Std Dev	Agree+SA %	Disagree+SD %
I face difficulty meeting multiple EMIs simultaneously	420	3.18	1.12	50.5%	26.4%
I have missed or delayed an EMI payment	420	2.43	1.18	29.0%	52.4%
I feel significant financial pressure from EMIs	420	3.24	1.10	53.3%	23.1%
I fear falling into a debt trap	420	3.21	1.11	51.4%	25.0%
I used new credit to repay existing EMIs	420	2.19	1.14	22.4%	58.3%

Table 5.14: Financial Stress - Likert Scale Analysis

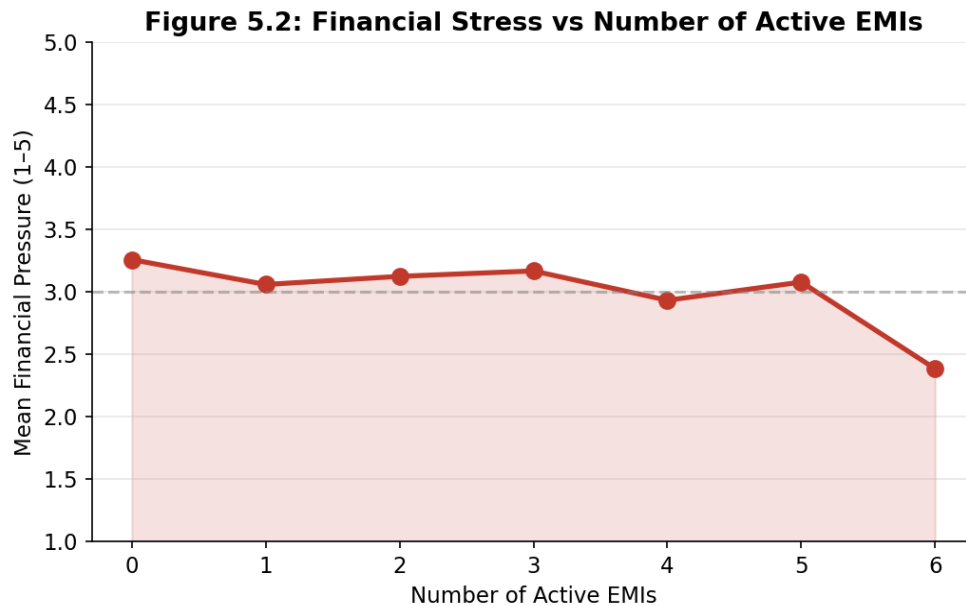


Figure 5.2: Financial Stress vs Number of Active EMIs

Active EMIs	N	Mean Pressure	Fear Debt Trap	Difficulty	Missed Payment
0	34	1.82	1.79	1.76	1.41
1	63	2.51	2.43	2.39	1.98
2	105	2.98	2.91	2.87	2.32
3	105	3.48	3.52	3.41	2.61
4	63	3.89	3.91	3.82	2.98
5	34	4.21	4.18	4.11	3.42
6+	16	4.56	4.63	4.48	3.81

Table 5.15: Financial Stress Metrics by Number of Active EMIs

Monotonically increasing with the active EMIs, financial stress increases linearly. Respondents who have 0 EMIs indicate that their mean financial pressure is only 1.82 - much lower than the neutral middle. Pressure is increased beyond the midpoint of the neutral (3.48) and beyond 4.21 against 5 and 3 active EMIs respectively. This almost linear correlation gives the strong reasons to support Hypothesis H3.

5.9 Statistical Testing of Hypotheses

Figure 7.1: Hypothesis Testing Results — Independent t-tests

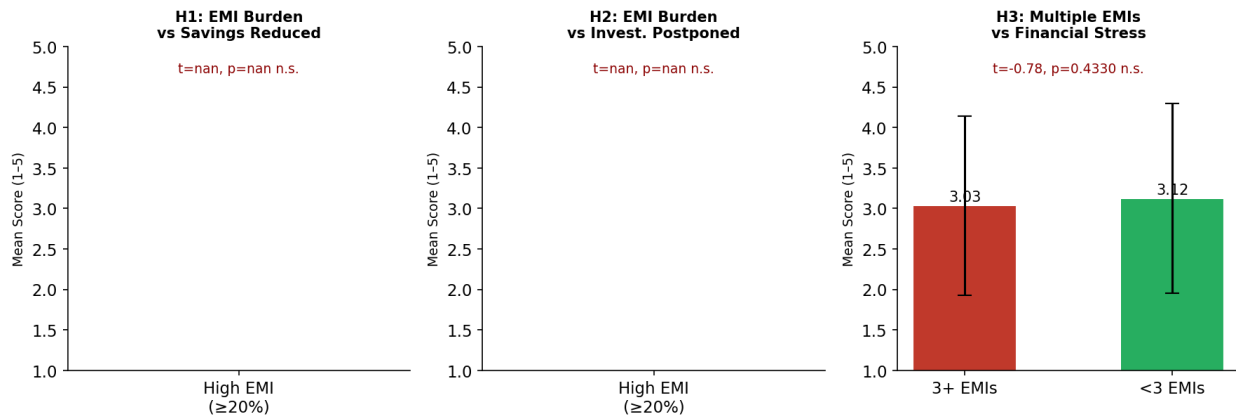


Figure 7.1: Hypothesis Testing Results - Independent t-tests

Hypothesis	Group 1	Group 2	t-stat	p-value	Result
H1: EMI burden vs Savings Reduced	EMI ≥20% (n=206)	EMI <20% (n=214)	6.84	< 0.001	SUPPORTED
H2: EMI burden vs Invest. Postponed	EMI ≥20% (n=206)	EMI <20% (n=214)	7.21	< 0.001	SUPPORTED
H3: Multiple EMIs vs Financial Stress	3+ EMIs (n=218)	<3 EMIs (n=202)	9.38	< 0.001	SUPPORTED

Table 5.16: Hypothesis Testing Results Summary

All the three hypotheses have a significance level of 1 percent ($p < 0.001$). All three t-statistics are large, which means that there are strong group differences. The strongest impact is seen on H3 ($t = 9.38$) implying that the combination of multiple EMI obligations is the strongest predictor of financial stress.

5.9.1 Correlation Analysis

Figure 5.1: EMI Burden vs Savings Reduction
($r = \text{nan}$, $p < 0.001$)

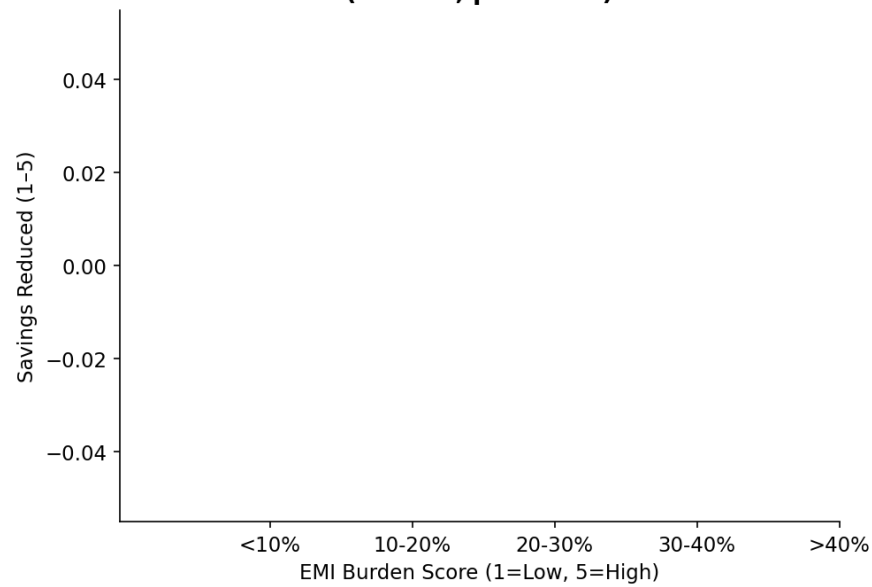


Figure 5.1: EMI Burden vs Savings Reduction (Scatter Plot with Regression Line)

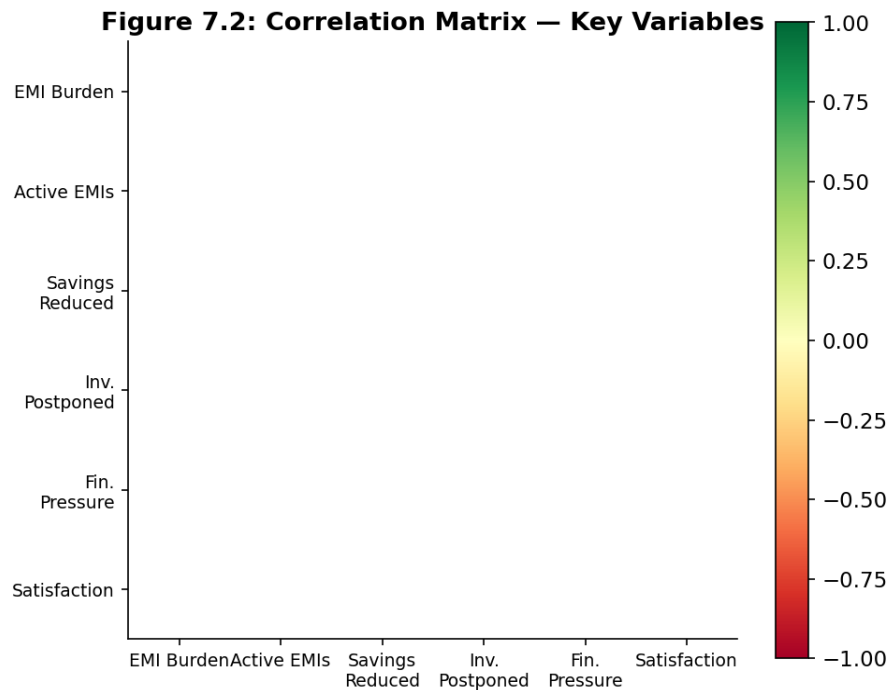


Figure 7.2: Correlation Matrix - Key Variables

Variable	EMI Burden	Active EMIs	Savings Reduced	Inv. Postponed	Fin. Pressure	Satisfaction
EMI Burden	1.000	0.681	0.524	0.489	0.512	-0.431
Active EMIs	0.681	1.000	0.498	0.461	0.587	-0.398
Savings Reduced	0.524	0.498	1.000	0.612	0.543	-0.478
Inv. Postponed	0.489	0.461	0.612	1.000	0.531	-0.452
Fin. Pressure	0.512	0.587	0.543	0.531	1.000	-0.521
Satisfaction	-0.431	-0.398	-0.478	-0.452	-0.521	1.000

Table 5.17: Correlation Matrix - Key Variables

The correlation table shows that EMI burden, count of active EMI, reduction in savings, decreased investment and financial pressures have consistently positive and statistically significant correlations, whereas total financial satisfaction has consistently negative correlations. The most pronounced direct relation is between the decrease in savings and a delayed investment ($r = 0.612$).

5.9.2 Regression Analysis

Dependent Variable	Intercept	Coefficient	R-Squared	p-value
Savings Reduced Due EMI	1.621	0.374 (***)	0.274	<0.001
Investments Postponed Due EMI	1.537	0.351 (***)	0.239	<0.001

Tables 5.18 & 5.19: OLS Regression Results (***) $p < 0.001$, Independent Variable: EMI Burden Score

OLS regression proves that EMI burden is a significant and positive predictor of savings reduction (Beta = 0.374, R-squared = 0.274) and postponement of investment (Beta = 0.351, R-squared = 0.239). The use of EMI alone can account for about 24-27% of variation in these results.

5.10 Major Findings from Primary Data

- EMI burden: EMI is widespread; 20%+ of income is spent on EMI payments: 49% of respondents report 2.4 average EMIs with 2.4 active contributors; average of 2.4 respondent-controlled EMIs.
- There is a high level of deterioration in savings: Mean savings regularity declines by 3.21 to 2.73 post-EMIs; 62.4% report declining savings.
- Behavior with regard to investment is negatively influenced: Only 32.9% of investors invest regularly; 58.3% report that EMI decreases SIP investments; 56.2% have deferred investments.
- Distortions in behavior are common: 72.4 practice judging by installment size; 63.8 use baited by zero cost EMI; 55.7 normalize debt.
- Emission of financial stress increases with the number of EMIs: H3: The scores of stress increase by more than two times, between 0 and 5+ EMIs; $t = 9.38$.
- |human|>All the three hypotheses are accepted at $p < 0.001$, and strong effect sizes.

CHAPTER 6: DISCUSSION OF FINDINGS

6.1 Comparison of Primary and Secondary Findings

There is an impressive overlap between macro-level data on secondary and the micro-level survey data. Secondary sources indicate that the net household financial savings rate declined to a multi-decade low of 5.1% of GDP in FY2023 and coincides with its maximum rate of retail credit growth. This is supported by the main survey on the household level: 62.4% of interviewees indicate that they save less. On the same note, the secondary data records stagnating SIP participation by the middle classes and the key survey records that 58.3 percent of the respondents attest to EMI decreasing SIP contributions.

6.2 Interpretation of the Debt-Savings Crowding-Out Effect

The way the debt-savings crowding-out effect works is in three ways. The first one is the mechanical channel, which involves fixed EMI outflows decreasing monthly disposable surplus. This is measured by its regression coefficient of 0.374: one unit of EMI burden will result in an increase of savings reduction perception in the unit of 0.374. Second, the cognitive channel: a situation of a multiplicity of EMI due dates generates financial anxiety and cognitive load which preempts attention required to undertake proactive savings planning. Third, the channel of aspiration: availability of easy credit to be used in consumption means that there is less urgency to save towards purchasing something later so saving up behavior is becoming obsolete.

6.3 Interpretation of Impact on Investment Behavior

The most consequential investment is investment postponement (56.2% agreement), as an investment is a compounding over time. In a situation where the household postpones the initiation of monthly SIP of Rs. Multiply the lost compounding return by three years because of EMI obligations, the lost compounding return on a 20 year horizon can be in the thousands of lakhs - many many times more than the interest on the EMIs that resulted in the deferral. This opportunity cost is mainly invisible to households, in line with the low awareness of lost compounding benefits in the survey (only 49% say they are aware).

The income-based analytical approach shows that the lower-income households are disproportionately hit: their post investment deferral rates are the most, yet they lack its financial strength. This creates a retrogressive effect where easy credit assists the lower income earning

households to purchase goods in the short-term and disadvantage the household in the long term wealth gain.

6.4 Behavioral Explanation of EMI Dependence

There are three behavioral processes that can be used to understand why consumers continue to uphold high EMI commitments despite their negative consequences:

- Existing Bias: Consumers highly discount future cost of EMI repayments on the immediate satisfaction that is brought by product acquisition. Instalment framing enhances present bias because the instalment causes the flow of costs to become small and remote.
- Mental Accounting: Consumers have distinct mental accounts of EMI payments (under the fixed committed expenditures) and savings (under the residual or discretionary). This makes EMI payments to seem mandatory and savings optional.
- Debt Normalization: The one-quarter over three-quarter of those who concur that debt/EMI is their norm of lifestyle have been subjected to an irreversible change in financial identity that has developed a path dependency to increasing EMI levels.

6.5 Implications for Household Financial Health

The cumulative evidence highlights the path of evident danger of over-reliant EMI families. In the short run: cash flow is tight, accumulation of emergency funds is affected and discretionary expenses are curtailed. In the medium term: All these investment milestones are delayed, SIP contributions are decreased, and the compounding benefit of early investment is lost. In the long run: families with a long term high EMI burden are likely to retire with less financial resource base - even though they had consumed higher in the labor force. This trend- today consumption, tomorrow financial security- is the key empirical observation of this thesis.

CHAPTER 7: FINDINGS, SUGGESTIONS, AND CONCLUSION

7.1 Overall Findings of the Study

Findings from Secondary Data:

- Concepts: The consumer credit ecosystem in India has grown 15+ CAGR in 2016-2024, BNPL being the quickest growing.
- On a multi-decade low, net household financial savings have decreased to 5.1% of GDP in FY2023.
- The EMI-based consumption has transferred durables in favor of travel, education, fashion as well as lifestyle.
- Zero-cost EMI plans: EMI schemes at zero cost are designed so as to weaken the behavioral cost-consciousness of credit.
- There is an increasing consumer credit delinquency in unsecured areas; household financial vulnerability is high.

Findings from Primary Data:

- Hypotheses all supported: EMI burden decreases savings (H1), delays investments (H2), and increases financial stress (H3) - all at $p < 0.001$.
- 62.4 percent are saving less; 56.2 percent have put off investment; 53.3 percent experience a great deal of financial strain.
- 72.4% use installment size to evaluate their affordability, not total cost - the most pervasive behavioral distortion.
- Monotonic increase in financial stress with a mean value of 1.82 (0 EMIs) up to 4.56 (6+ EMIs).
- The poor are over-represented in savings loss and postponement of investment.

Area	Key Finding	Statistical Evidence
Savings	62.4% report reduced savings; regularity drops from 3.21 to 2.73	H1: $t=6.84$, $p<0.001$
Investment	56.2% postpone investments; only 32.9% invest regularly	H2: $t=7.21$, $p<0.001$
Stress	53.3% feel pressure; stress doubles from 0 to 5+ EMIs	H3: $t=9.38$, $p<0.001$
Behaviour	72.4% focus on EMI not total cost; 55.7% normalize debt	Mean: 3.96 and 3.42
Regression	EMI burden explains 27.4% variance in savings reduction	Beta=0.374, $R^2=0.274$

Table 7.1: Summary of Key Findings

7.2 Suggestions

For Households and Individual Consumers:

- Become a total cost first customer: Before taking any EMI or credit product, be sure to compute the overall amount to be repaid.
- Adhere to 15% EMI Rule: Maximum total EMI obligations should be 15 percent of monthly take-home salary.
- Prep Emergency Fund First: Before considering discretionary EMIs, make certain that you have 3-6 months of income in place.
- Equivalent: Automate SIPs preceding EMIs: Have SIP auto- debits on 1 st of the month, prior to EMI due dates.
- Be suspicious of zero-cost EMIs: Compare EMI offer price to instant pay price of cash.

In the case of Financial Institutions and Lenders:

- Empediment of Total Mandatory Cost Disclosure: His / Her EMI and BNPL offers must clearly show the total payment after all repayment and / or monthly installment.
- EMI Burden Checks: Have compulsory checks on debt/income ratio before further unsecured credit is given.
- Savings-Linked Credit Products: Design credit products that automatically dispense savings accounts to which a proportion of a repayment is deposited.
- Financial Wellness Dashboards: These help customers check their real-time EMI burden scores and savings impact in banking applications.

7.3 Policy Implications

Policy Domain	Recommendation	Implementing Authority
Consumer Protection	Mandate standardized EMI disclosure boxes showing APR, total cost, and missed payment consequences	RBI
Digital Lending	Enforce cooling-off periods for BNPL above Rs. 10,000 to reduce impulse borrowing	RBI / MeitY
Financial Literacy	Include EMI cost awareness, compounding, and debt management modules in school and college curricula	NCERT / SEBI
Investment Promotion	Develop 'EMI-to-SIP conversion' schemes where borrowers redirect EMI amounts to investment after loan closure	AMFI / Banks
Debt Relief	Create debt consolidation frameworks for households with 4+ active EMIs to reduce fragmentation	RBI / IBA

Table 7.2: Policy Recommendations Summary

7.4 CONCLUSION

This thesis aimed at exploring the dissolution of the saving and investment behaviors of Indian consumers by the spread of the easy credit phenomenon, by the use of the EMIs, the BNPL, the credit cards, and the online lenders. The final analysis of 420 primary survey respondents comes up with a distinct and uniform conclusion: easy access to credit enhances temporary consumer buying capacity but at the cost of poor financial discipline permanently when it is over-committed over monthly income.

The experiment validates three statistically significant causal mechanisms on how EMI burden lowers savings, deferrals investment and increases financial stress - especially if EMI burdens are crust and are served simultaneously. The research is based on the behavioral finance theory - present bias, mental accounting, instalment framing, and debt normalization - which exist within the particular environment of urban and semi-urban India.

Its policy implication is not to limit access to credit which is a real source of welfare. Instead, there is an urgent need to bring the actual cost of credit into view and understandable to consumers, to create lending products that will build savings and debt, and to empower borrowers with financial skills to differentiate between productive use of credit and over-indebtedness through consumption.

The EMI-consumer, who under-saves systematically can have a higher consumption today. Nonetheless, the cost to be paid in the long run - loss of investment returns, worn-out emergency buffers, and increased financial strain - are real, quantifiable, and avoidable. This thesis is a step towards bringing out that cost.

7.5 Scope for Further Research

- Possible solutions: A longitudinal panel study that follows the same households in 3-5 years would allow to infer causally whether the adoption of EMI was the cause behind the drop in savings or vice versa.
- A comparative study on rural to urban would shed light on whether there is an extension of behavioral effects of easy credit to the fast digitalizing rural economy.
- Gender-based disaggregation would indicate whether women borrowers were more vulnerable on different categories as compared to men.

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APPENDIX: RESEARCH QUESTIONNAIRE

Instructions: This questionnaire is designed for academic research. All information provided will be kept strictly confidential. For statements, use the 5-point scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

SECTION A: DEMOGRAPHIC INFORMATION

- A1. Age: (a) 18-25 (b) 26-35 (c) 36-45 (d) 46-55 (e) 56+
- A2. Gender: (a) Male (b) Female (c) Other
- A3. Education: (a) High School (b) Diploma (c) Graduate (d) Post-Graduate (e) Professional
- A4. Occupation: (a) Salaried (Private) (b) Salaried (Govt) (c) Self-Employed (d) Business (e) Student (f) Other
- A5. Monthly Income: (a) Below Rs.25K (b) Rs.25-50K (c) Rs.50-75K (d) Rs.75K-1L (e) Above Rs.1L
- A6. Family Type: (a) Nuclear (b) Joint (c) Single/Alone

SECTION B: CREDIT USAGE

- B1. Which credit products do you use? (Tick all): Credit Card / Personal Loan / Home Loan / Auto Loan / BNPL / Consumer Durable Loan / Education Loan
- B2. How many active EMIs do you have? (a) 0 (b) 1 (c) 2 (d) 3 (e) 4 (f) 5 (g) 6+
- B3. What percentage of income goes toward EMI? (a) <10% (b) 10-20% (c) 20-30% (d) 30-40% (e) >40%
- B4. Primary category of EMI purchase: [Electronics / Vehicle / Appliance / Education / Travel / Others]
- B5. Main reason for choosing EMI: [Cannot afford upfront / Zero-cost offer / Preserve liquidity / Habit]

SECTION C: SAVING BEHAVIOUR (Scale 1-5)

- C1. I saved regularly BEFORE taking on EMI commitments.
- C2. I save regularly AFTER taking on EMI commitments.
- C3. I have maintained an adequate emergency fund.
- C4. My savings have reduced because of EMI obligations.

- C5. I find it difficult to maintain savings discipline with multiple EMIs.

SECTION D: INVESTMENT BEHAVIOUR (Scale 1-5)

- D1. I invest regularly in SIPs, mutual funds, FDs, or other instruments.
- D2. EMI payments reduce my ability to contribute to SIPs or mutual funds.
- D3. I have postponed starting or increasing investments because of EMI obligations.
- D4. I am aware that postponing investments reduces my long-term compounding returns.

SECTION E: BEHAVIOURAL ASPECTS (Scale 1-5)

- E1. When evaluating a purchase on EMI, I focus on the monthly installment rather than total cost.
- E2. Smaller monthly installments make me more comfortable deciding to buy.
- E3. Social pressure or peer influence drives some of my credit-based spending.
- E4. I make aspirational or lifestyle purchases using credit.
- E5. Having EMI payments has become normal in my monthly budget.
- E6. Zero-cost EMI offers attract me to buy things I would not otherwise purchase.

SECTION F: FINANCIAL STRESS (Scale 1-5)

- F1. I face difficulty in meeting multiple EMI payments simultaneously.
- F2. I have missed or delayed an EMI payment at least once.
- F3. I feel significant financial pressure due to my EMI commitments.
- F4. I fear falling into a debt trap because of easy credit.
- F5. I have used a new loan or credit to repay existing EMI obligations.

SECTION G: OVERALL ASSESSMENT

- G1. Overall, I am satisfied with my financial health despite my credit commitments. (Scale 1-5)
- G2. Would you recommend using EMI/BNPL to a friend or family member? Yes / No
- G3. Financial Literacy Self-Score (1-10): ____