

# A Study on the Increasing Growth of EMI Usage Among People and Its Socioeconomic Impact in Mumbai Suburban Region

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**Abstract:** *EMI, or Equated Monthly Installments, have been one of the best methods for Consumers to buy commodities in instalments rather than paying all the money at once. This research, therefore, reviews this recently increased tendency and impact of EMI on society. The main goal of this survey is to identify the motives for the increased use of EMI by people in the Indian context, its consequences on different income groups, and consumers' perceptions about these instalment choices. The study also explores how financial institutions assist in popularizing and administering EMI plans. The methodology used in this paper is a **quantitative approach** based on a structured **survey questionnaire** concerning the various demographic groups across India. Captured during the survey were the consumers' usage patterns toward EMI, motives for choosing an EMI, the socio-economic characteristics of the consumers, and the financial impact of EMI plans. **Descriptive statistics** were used to analyse the data to understand the essential findings regarding the adoption and consequences of EMI schemes. The findings show that the level of EMI is higher, especially in buying high-priced items such as electronic gadgets and home appliances. These schemes would enable people to buy high-priced goods and give the needed convenience in terms of payment, but could also build up household debt and monetary problems for some. This research puts into light both the positive and negative sides of EMI schemes by pointing out some benefits and possible downsides.*

**Keywords:** EMI, Socioeconomic Impact, Consumer Finance, India, Debt, Purchasing Power, Financial Behaviour

## I. INTRODUCTION

EMI or Equated Monthly Installment remains a constant amount of a loan borrowed by a borrower from lender within the same month at a previously agreed date that is pre-amount at the time of lending the loan, product or service. They are used on the interest and principal are levied against the amounts such that the borrowed loan can be repaid step by step within a specified number of years. EMI has become an important financial tool for Indian Consumers in last past years with an approach of high value purchases. In India, EMI is not new; for the past 20 years, people have been paying for large purchases like TVs, refrigerators, and cars in offline installments. Instead of paying the entire cost at once, it offers a manageable alternative by monthly installments at a fixed period, making it easy to buy products like electronics, home appliances, etc. with an accessible to a wider population. This method has changed the buying pattern of the consumers in India.

Traditional finance alternatives like EMIs are still evolving, with more merchants and shops providing zero- or low-interest-bearing EMI schemes. The rise of e-commerce platforms and digital payment systems has promoted EMI adoption, making it affordable for low-income groups which includes rural consumers.

### **1.1 Trends in EMI Adoption**

The trend of EMI Schemes has grown Rapidly in India across urban and rural area. In recent data, it has shown that more and more consumers are choosing EMI options for their purchases. This trend doesn't only about luxury items, but also day to day items like electronics, home appliances, fashion, etc. **Gen Z** are more often use EMI option in buying cloths and electronics items like phones. Since the COVID-19 pandemic, more people have been shopping online. Nowadays, more than 700 million customers use the internet to take advantage of split payment options while lounging in any part of the nation.

Internet has played an important role in spreading the EMI schemes. Previously the EMI option was only known for high-income holder, now even low-income holders can use EMI option. Reports have shown that both elders and youngsters from Mumbai are the primary drivers of this trend. Financial Institutions and Fintech companies plays an important role in promoting EMI schemes through aggressive marketing, making credit easily available to consumers. Between 2018 and 2020, EMI usage rose by 50%, with 36% of EMI transactions occurring through online channels.

### **1.2 Financial Literacy and Consumer Awareness**

There are some problems and challenges with EMI adoption and one of challenges faced is the lack of financial literacy and consumer awareness. Many people go for EMI option without knowing the **interest rates**, **hidden charges**, or **long-term repayment obligations** involved.

In recent research it has mention that many consumers get attracted with the offer of “**no- cost EMI**” without understanding and verifying that they actually save their money or get paid more by processing fees and taxes. This indicates that there is a need for consumer awareness and financial education campaigns.

### **1.3 Socioeconomic Impact of EMI Schemes**

The impact of EMI Schemes has its both **positive and negative** impact.

The **positive** side of EMI schemes is that increasing in purchasing power and making products at an affordable for all classes at a larger segment of the population. Due to this, there is a huge demand for goods.

The **negative** side of EMI schemes is that, it involves very high financial risk such as increase in debt, overspending with limited income, and so on. Even many consumers fail to complete the installments.

This Research focuses on Analyzing both positive and negative impact and providing a balanced perspective.

## **II. RESEARCH METHODOLOGY**

### **2.1 Methodology**

In this study, primary and secondary data were used for analysis. The questionnaire method is used to gather primary data. Through a variety of research papers, journals, and magazines, secondary data was gathered.

### **2.2 Objectives**

- To analyze the growth trend of EMI Usage
- To assess the Socioeconomic Impact of EMI Usage
- To understand consumer attitudes toward EMI Schemes
- To Investigate the role of financial institutions in promoting EMI Schemes
- To explore the regulatory and policy framework surrounding EMI Usage

### **2.3 Hypothesis**

The study is conducted to examine whether Consumers see EMI schemes as difficult or not.

**H<sub>0</sub>:** Consumers do not see EMI schemes as difficult, burdensome, or needing stricter rules.

**H<sub>1</sub>:** Consumers see EMI schemes as difficult, burdensome, and needing stricter rules.

The above idea is just an assumption, to check whether it is true or false.

#### 2.4 Significance of study

The study on Equated Monthly Installments (EMI) and its Socioeconomic Impact in the are of Mumbai suburban was to highlights the benefits and risks related with EMI schemes. It also identifies consumer spending patterns and influencing the adoption of EMI. It analyzes the financial habits of Mumbai's consumers, on how EMI schemes influence economic growth and consumer spending patterns. It aims to provide balance growth with sustainability, ensuring that EMI schemes to continue with support to economic development.

#### 2.5 Scope of study

This research targets individuals across different age groups, from **18 to 55+ years**, to understand EMI preferences among young adults, working professionals, and older age groups.

The primary data is collected approx. **60** responses

The study examines responses based on **income levels, education, occupation, and gender** to identify patterns and differences in EMI usage.

The study focuses on **consumer behaviour** related to EMI schemes, including **spending habits, purchasing preferences, and financial planning**.

#### 2.6 Limitations of Scope

The study primarily focuses on **consumer goods and services** purchased through EMIs and does not cover **large-scale loans like housing or business loans**.

It emphasizes **individual consumers** rather than **corporate or institutional buyers**.

The findings are based on **self-reported data**, which may include **personal biases** and **subjective opinions**.

#### 2.7 Data collection method

The data is collected with the hybrid mix of both primary and secondary method.

**Primary Data:** The information collected by primary data is done through using questionnaire method by the help of google from. The sample size was taken for this research was approximately 60 between the age group of 18 to 55+ was begin taken.

**Secondary Data:** For secondary data, various research paper, websites, blogs, etc. was used to collect the data.

### III. LITERATURE REVIEW

**Author Name: Sakshi Malik, Muskan Kaur, Anuj Pal Kapoor, 2020:**

As this research paper titled "Purchase Now and Pay Later: Consumer preferences towards No cost EMI's in Mumbai" states that Mumbai's e-commerce market is experiencing rapid growth, given by heavy discounts but now it's evolving to meet the change in consumer expectations. One emerging payment innovation is the **cardless EMI (Equated Monthly Installment)** option, which enables consumers to make purchases without requiring a credit card. It also states that this option of cardless EMI is provided to the consumers by calculating their credit worthiness with the help of Digital technology.

**Author Name: Amaya Kavya, Seema Yadav, 2024**

As this research paper titled "The Impact of EMI Dependency on Household Financial Stability in Mumbai: A Risk Analysis in the Face of Global Economic Uncertainty" states that dependence on **Equated Monthly Installments (EMIs)** has changed the household financial behaviour, raising concerns about **economic stability**. It also states that rise in **EMI-driven debt accumulation** and its adverse effects on **household savings** and **financial vulnerability** across demographic groups. Primary drivers of debt surge are the youth especially who are under the age of **35years**.

**Author Name: Abdul Razack K P, Dr. Jayarajan T K, 2024**

As this research paper titled "How Equated Monthly Installment (EMI) Schemes and Buy Now, Pay Later (BNPL) services fuel impulsive buying: A closer look at consumer behaviour" states that previously EMI loan was only given by **credit card companies**, but nowadays, it is also given to debit cards too. It also states that customers, particularly younger generations, are increasingly using this payment option to manage their money and lower the cost of major

purchases. However, there are a few disadvantages to using this payment method, like increased expenses and the possibility of missing payments.

**Author Name: Muthulaskhmi Raman, 2022**

In the research paper titled “A study on the perception of EMI scheme among public in Ernakulam District with special reference with Bajaj Fin-serve” states that EMI schemes had differ from variable payment plans, such as those that allow the borrower to make larger payments whenever they choose. Unlike the term loan, where principal and the interest accumulated for the month is considered as the installment and where the borrower is able to pay higher payment in the beginning at his/her discretion.

**Author Name: POOJA.J, 2022**

As the author of the research paper “A study On the benefits of EMI schemes with specialized in Bajaj Finserv Ltd” stated that banks provide loans for fulfilling people’s requirements such as car loan, housing loan, business loan, etc with a periodic payment system like Equated Monthly Installments (EMI) option. It also stated that most banking institutions and other financial institutions are providing EMI loan facility with the monthly repayment system. Also, now a day the concept of EMI is familiar with different groups of product buyers in the Indian economy.

**Author Name: Luci Irawati, Muhammad Zilal Hamzah, Eleonora Sofilda, 2024**

In the research paper titled “Regulating Buy Now Pay Later (BNPL) in Asean: a Comparative Analysis on Regulatory Challenges and Opportunities” states that fintech innovation and rising customer demand for flexible payment options have caused a shift in the digital financial environment with the advent of Buy Now Pay Later (BNPL) services. Additionally, it said that this service has made it possible for customers to buy products and services with installment plans. Concerns over consumer safety, financial sustainability, and possible threats to the larger financial system have been highlighted by the quick uptake of BNPL services.

**Author Name: Tharani, 2024**

As the author of the research paper “A study on customer Satisfaction level of Purchasing a product through EMI” states that many financial institutions and banking institution provide EMI loan facility with the monthly repayments system. In specific, the loan services are mainly used by the customers of the banking institutions in India. It also mentions that loan disbursements with EMI options offered by the banks have seen

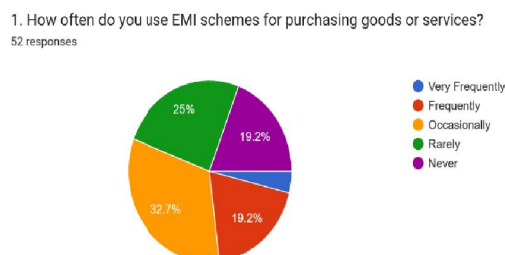
**Author Name: Yeshwanth Reddy, 2018**

As the author of the research paper “A study on Influence of EMI process on sales of bajaj electronics” states that customers are delightedly making purchases on the EMI Basis since the EMI facility's opening. The Indian market is where the newest technology and product advancements in international credit card facilities are created. Additionally, it said that a small number of businesses provide consumers with consumer durable loans that are easy to approve and have no interest after a few simple papers.

#### **IV. DATA INTERPRETATION & ANALYSIS**

To gain more insights about the increasing usage of Equated Monthly Installments (EMIs) and their socioeconomic impact in India, I conducted a survey. The aim of the survey to evaluate consumer attitudes toward EMI-based purchases, debt management strategies, and the broader financial implications for various demographics.

##### **Result of the Survey**

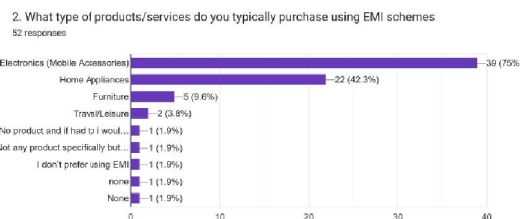


The largest portion (32.7%) uses EMI schemes occasionally, which indicates that, many consumers turn to EMIs only when making relatively larger or less frequent purchases.

The significant portion (25%) rarely uses EMIs, implying a preference for direct payments or possibly concerns about debt accumulation.

Around 19.2% of respondents frequently use EMIs, with an equal proportion (19.2%) never uses EMIs.

And a very small portion (approximately 4%) relies heavily on EMIs.

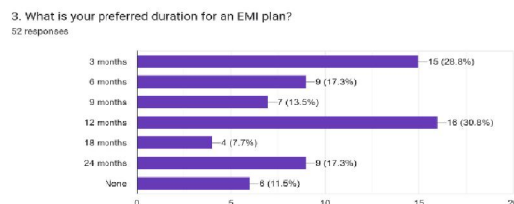


**Electronics (75%)** are the highest EMI purchases, showing that gadgets and mobile accessories are the most common items financed through installment plans.

The second most thing purchased using EMI is the **Home Appliances (42.3%)**, indicating that EMIs are preferred for household essentials.

**Furniture (9.6%)** and **Travel/Leisure (3.8%)** shows that EMIs are occasionally used for lifestyle or non-essential purposes.

**1.9% prefer EMIs only if needed, and 1.9% avoid them entirely**, reflecting more cautious financial attitudes.



**12 months (30.8%)** and **3 months (28.8%)** are the most preferred by people, indicating two different patterns:

Short-term plans where people want quick repayment cycles, which mean they don't want to carry the repayment burdens.

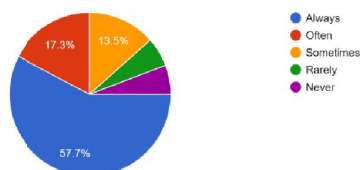
Medium-term plans (12 months) are the consumers who seeks with affordable payment managements

**6 months (17.3%)** and **24 months (17.3%)** also show demand for flexible options.

**Longer durations (18 months - 7.7%)** have lower preference, likely due to higher cumulative interest rates.

**11.5% choose 'None'**, implying a segment that avoids EMI plans entirely.

4. Do you usually consider the interest rate before opting for an EMI scheme?  
52 responses

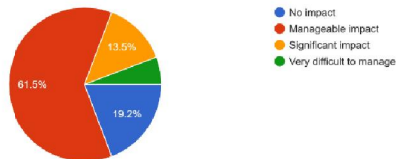


There are **67.7%** of them who '**Always**' checks the interest rates, before opting for any EMI schemes.

**17.3%** do '**Often**' checks the interest rates, where **13.5%** say that they check the rates '**Sometimes**', showing occasional consideration, possibly among less experienced borrowers.

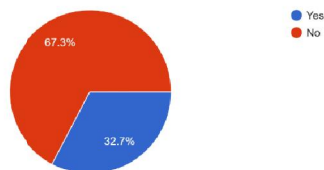
And **5.8%** of them who '**Never**' or '**Rarely**' check it which suggests a very small segment may lack financial awareness or prioritize convenience over costs.

5. How do EMI schemes affect your monthly budget?  
52 responses



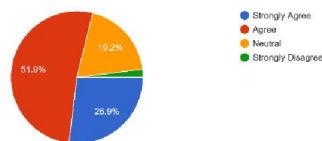
The above chart show that,  
**61.5%** shows a manageable impact, which indicates that they can use EMI schemes with a manageable budget.  
**19.2%** shows that there is no impact in their monthly budget, which suggest they may have high income or they use EMI with proper budget planning.  
**13.5%** of them experience a **significant impact**, indicating that for some, EMI payments pose financial strain.  
Lastly **5.8%** finds difficult to manage their monthly budgets, which indicates a risk of debt distress.

6. Have you ever faced financial difficulties due to EMI commitments?  
52 responses



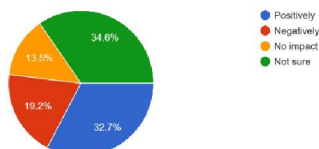
The above chart shows that,  
**67.3%** say '**No**', which means that the majority can handle their EMI payments effectively.  
**32.7%** say '**Yes**', which indicates that, there is a lack of **Financial Literacy and Consumer Awareness**.

7. Do you believe that EMI schemes make it easier to access goods/services that would otherwise be unaffordable?  
52 responses



The above chart shows that,  
**51.9%** Agree and **26.9%** Strongly Agree, a combined of **78.8%** believe that EMI schemes make it easier in accessibility to goods and services.  
**19.2%** remain Neutral, indicating mixed views about the necessity of EMIs.  
**1.9%** Strongly Disagree, suggesting a very small percentage might prefer saving up or avoiding debt.

8. How do you think EMI schemes influence the overall financial health of a household?  
52 responses





This chart show that,

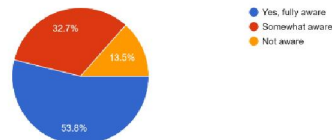
**34.6% are unsure**, showing a lack of Financial Literacy and Consumer Awareness.

**32.7% believe EMI schemes positively impact financial health**, indicating that respondents view EMIs as tools for managing cash flow and improving accessibility.

**19.2% view them negatively**, suggesting concerns about debt burdens.

**13.5% thinks there is no impact**, reflecting neutrality, which indicates they have manageable budge.

9. Are you aware of the total interest and additional costs associated with your EMI purchases?  
52 responses



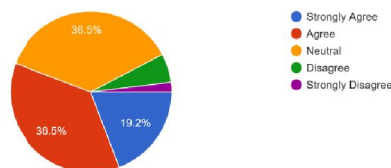
This chart shows that,

53.8% are fully aware of EMI interest and additional costs.

32.7% says that they are somewhat aware, which indicates they may have partial knowledge of interest rate and may not be aware of hidden costs.

13.5% are unaware, which means there is a lack of financial awareness.

10. Do you feel that EMI schemes encourage overspending?  
52 responses



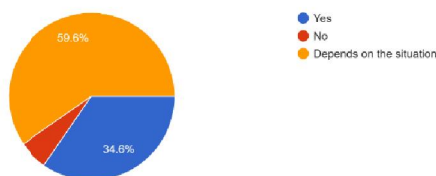
The above chart shows that,

**38.5% agree and 19.2% strongly agree** that, EMI schemes encourage overspending.

While **21.2% are Neutral**, indicating uncertainty about the behavioural impact of EMIs.

Whereas **5.8% disagree and 1.9% Strongly disagree**, showing some believe EMI schemes do not necessarily lead to poor spending habits.

11. Would you prefer an upfront discount over an EMI option?  
52 responses



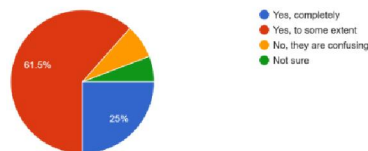
The above chart shows that,

**59.6% do prefer upfront discount** depending on the situation, which shows flexibility based on circumstances like purchase amount or urgency.

Whereas, **34.6% prefer upfront discounts**, indicating a preference for immediate savings rather than deferred payments.

And **5.8% say no** on upfront discount, favouring EMI options for affordability and spreading costs.

12. Do you find the terms and conditions of EMI schemes clear and easy to understand?  
52 responses



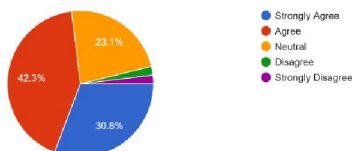
This chart shows that,

**61.5%** can understand the terms and condition of EMI schemes at some Extent.

Whereas **25% find them completely clear**, suggesting a significant minority understands EMI terms without difficulty.

And **7.7% find them confusing** and **5.8% are unsure**, which highlights the lack of awareness

13. Do you believe that there should be stricter regulations on EMI schemes to protect consumers?  
52 responses



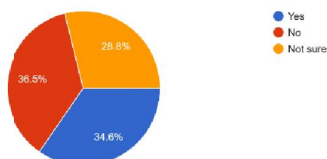
This chart shows that,

**30.8% Strongly Agree** and **42.3% Agree**, totalling **73.1%** supporting stricter regulations.

Whereas **23.1% are Neutral**, indicating some uncertainty about the need for further rules.

And 1.9% disagree and 1.9% strongly disagree, reflecting minimal opposition.

14. Have you ever felt misled by promotional offers related to EMI schemes?  
52 responses



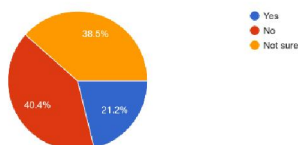
This chart shows that,

36.5% says that they never felt like misled by promotional offers related to EMI schemes

And 28.8% says that they are not sure about it.

Whereas 34.6% agrees, that they felt of misled by promotional offers related to EMI schemes.

15. Do you think that financial institutions do enough to educate consumers about the risks of EMI usage?  
52 responses



The above chart shows that,

Only 21.2% a small portion agrees, that the financial institutions do enough to educate consumers about the risks to EMI usage.



A significant percentage (40.4%) of respondents think that financial institutions are not doing enough to educate consumers about EMI risks.

Whereas, 38.5% are not sure, which suggest a lack of visibility in the educational efforts provided.

### **V. CONCLUSION**

In this research, I came to know that the growing usage of Equated Monthly Installments (EMI) in India has become a widely accepted financial tool, especially among Gen Z and middle-income groups. EMI schemes have made people to afford high-value goods and services without paying the full amount upfront.

The socioeconomic impact of EMI schemes had increased the purchasing power, at the same time it also come with certain **risks**. Even many consumers face financial stress and debt burdens, especially those with lower incomes, suggest shows they may lack with proper financial literacy to manage repayments effectively. This study highlights that there is both benefits and challenges in EMI adoption, show how it can enhance lifestyles but also can lead to financial problem if not managed carefully.

As with the research paper, it has proven that Consumers face some difficulties with the EMI schemes and needs a strict rules and regulations which has been assumed in  $H_1$  hypothesis

Thus, hypothesis  $H_0$  is rejected.

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