

# From Saving to Spending: The Rise of Credit Culture among Indian Youth in a Digital Economy

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**Abstract:** *India has traditionally been a savings-oriented economy, where financial prudence and risk aversion shaped consumer behavior. However, in recent years, a significant transformation has been observed among Indian youth, who are increasingly shifting towards credit-based consumption. This study analyzes the behavioral, economic, and technological factors driving this transition. With the rise of digital financial services, fintech innovations, and easy access to credit instruments such as credit cards, personal loans, and Buy Now Pay Later (BNPL) schemes, young consumers are redefining their financial priorities. The research highlights that credit is no longer perceived merely as a liability but as a tool for lifestyle enhancement, asset creation, and career advancement. The study uses secondary data to examine trends, patterns, and implications of this shift. Findings indicate a balanced evolution where credit is used both for consumption and productive purposes, reflecting a more mature and strategic financial mindset among Indian youth. At the same time, this transition raises important concerns regarding financial literacy, debt management, and long-term financial stability. The study underscores the need for responsible credit usage and policy measures to ensure sustainable financial behavior among the younger population.*

**Keywords:** Financial Behavior, Credit Culture, Indian Youth, Consumer Finance, FinTech, Credit Cards, BNPL, Financial Inclusion, Spending Patterns

## I. INTRODUCTION

India has long been characterized as a high savings-oriented economy, where financial decisions were deeply influenced by cultural norms emphasizing security, stability, and long-term preparedness. Households traditionally prioritized capital preservation over aggressive wealth accumulation, reflecting a cautious approach to financial risk. Instruments such as bank fixed deposits, recurring deposits, gold, real estate, and government-backed savings schemes were widely preferred due to their perceived safety and reliability. Borrowing, in contrast, was generally viewed with skepticism and often associated with financial vulnerability or social stigma. Loans were typically undertaken only for essential, life-cycle needs such as purchasing a home, financing higher education, or managing medical emergencies. Informal borrowing from family networks was also common, further limiting reliance on formal credit institutions. This conservative mindset resulted in disciplined savings habits, lower levels of household debt, and a strong emphasis on financial self-reliance.

Over the past decade, multiple structural changes have significantly reshaped India's financial landscape. Globalization has exposed consumers to international lifestyles, consumption patterns, and financial products, altering traditional perceptions of spending and saving. Rapid urbanization has led to increased migration to cities, where higher living costs and exposure to modern consumption ecosystems encourage more dynamic financial behavior. Rising disposable



incomes, particularly among the middle class, have expanded purchasing power and enabled discretionary spending beyond basic necessities. At the same time, technological advancements have revolutionized financial access. The expansion of digital infrastructure, supported by affordable internet and widespread smartphone adoption, has enabled seamless integration of financial services into everyday life. Fintech innovations—including mobile banking apps, digital wallets, and instant lending platforms—have simplified complex financial processes, reduced transaction costs, and enhanced user experience, thereby lowering barriers to entry into the formal financial system.

The modern Indian youth represents a transformative force within the economy, characterized by digital connectivity, higher aspirations, and an increasingly consumption-driven outlook. Continuous engagement with social media platforms has significantly influenced lifestyle choices, aspirations, and spending patterns. Exposure to global trends has reshaped expectations regarding quality of life and personal success, encouraging a shift toward discretionary and experiential spending such as travel, dining, entertainment, and lifestyle consumption. At the same time, young consumers today are relatively more financially aware than previous generations. Easy access to online resources, financial education content, and digital tools has improved understanding of key financial concepts such as credit scores, interest rates, and financial planning. This combination of increased consumption tendencies and improved financial awareness defines the evolving financial identity of Indian youth.

A key indicator of this transformation is the earlier entry of young individuals into the formal credit ecosystem. Reports by TransUnion CIBIL highlight that individuals born in the 1990s and early 2000s are beginning their credit journeys in their mid-20s, compared to earlier generations who typically accessed credit much later in life. This shift has been facilitated by simplified onboarding processes, digital verification systems, and the availability of customized financial products tailored to young, first-time borrowers. Entry-level credit cards, small personal loans, and student financing options have made it easier for individuals to establish credit histories early. While early access to credit can be beneficial for building a strong financial profile, it also introduces potential risks if not managed responsibly.

The expansion of credit instruments has further accelerated this behavioral shift. Credit cards have emerged as a popular payment tool due to their convenience, rewards, and short-term liquidity benefits. In addition, the rise of buy-now-pay-later (BNPL) services has normalized deferred payment mechanisms, allowing consumers to make purchases without immediate financial outflow. According to data from the Reserve Bank of India, credit card transactions have grown rapidly, with total annual spending exceeding ₹21 lakh crore by 2025. This growth reflects both increased adoption and higher spending levels among users, particularly in urban areas. While such financial tools enable consumption smoothing and enhance purchasing flexibility, they also contribute to changing attitudes toward affordability and financial discipline. These developments collectively point to a broader shift in financial mindset—from the traditional “save first, spend later” approach to a more flexible “spend now and repay later” model. Credit is increasingly perceived as an enabler of lifestyle enhancement and financial convenience rather than merely a liability. Younger consumers are more willing to leverage credit to meet aspirations and manage short-term financial needs. Although this shift supports economic growth by stimulating demand, it also necessitates greater financial discipline to prevent excessive borrowing and long-term financial stress.

The implications of this transformation are significant for both individual financial stability and the broader economy. Increased reliance on credit can drive economic expansion by boosting consumption across sectors such as retail, travel, and technology, while also promoting financial inclusion. However, it also raises concerns about rising household debt, potential defaults, and financial vulnerability among young consumers. The long-term sustainability of this trend depends on how effectively individuals manage their credit obligations and balance consumption with savings.

Financial literacy plays a crucial role in shaping responsible credit behavior in this evolving landscape. Although access to financial information has improved, a gap often remains between knowledge and practical application. Awareness of financial concepts does not always translate into disciplined borrowing or timely repayment practices. Strengthening financial education through formal systems and digital platforms is therefore essential to ensure that young consumers can make informed and responsible financial decisions. Furthermore, early exposure to credit has lasting implications



for savings patterns, investment behavior, and overall financial well-being. It may reduce the immediate emphasis on saving before spending, potentially affecting long-term wealth accumulation. At the same time, responsible credit usage can support financial growth by enabling asset creation and improving creditworthiness. The challenge lies in maintaining a balance between leveraging credit for opportunities and preserving disciplined financial habits.

In conclusion, the evolving financial behavior of Indian youth reflects a fundamental shift in the country's economic and social dynamics. While increased access to credit and digital financial services offers significant opportunities for growth and inclusion, it also introduces new risks related to debt management and financial sustainability. This study aims to analyze these changing patterns, identify key drivers of credit-based spending, and assess their broader implications. By providing insights for policymakers, financial institutions, and educators, it seeks to promote a balanced approach that integrates modern credit practices with traditional financial prudence, ensuring sustainable financial well-being for future generations.

## **II. RESEARCH METHODOLOGY**

### **2.1 Objectives of the Study**

1. To examine the shift from savings-driven to credit-driven behavior among Indian youth
2. To analyze factors influencing credit-based spending
3. To evaluate usage patterns of credit instruments
4. To assess the impact of fintech and digitalization
5. To understand the implications of this shift on financial stability

### **2.2 Research Design**

The present study adopts a descriptive and analytical research design to examine the changing mindset of Indian youth towards credit-based spending. The descriptive aspect of the study focuses on identifying and explaining existing trends, patterns, and behaviors related to the use of credit among young consumers. It helps in presenting a clear picture of how financial attitudes have evolved from a savings-oriented approach to a more credit-driven approach.

At the same time, the analytical component enables a deeper examination of the underlying factors influencing this shift, such as technological advancements, increased financial accessibility, and changing lifestyle preferences. The study is primarily based on secondary data, which has been collected from various reliable sources including published reports, research articles, surveys, and data released by financial institutions such as the Reserve Bank of India (RBI).

To interpret the data effectively, the study uses trend analysis and interpretative analysis. Trend analysis helps in understanding the growth and changes in credit usage over a period of time, while interpretative analysis aids in drawing meaningful conclusions about the behavioral and economic implications of these trends.

### **2.3 Data Sources**

The study relies entirely on secondary sources of data, which have been carefully selected to ensure reliability and relevance. These sources include industry reports and financial surveys, which provide detailed insights into consumer behavior, credit usage patterns, and market trends. Such reports often include statistical data and expert analysis that are essential for understanding the evolving financial landscape.

In addition, government and institutional data form a significant part of the research. Data published by regulatory bodies and institutions offers authentic and standardized information on financial inclusion, credit growth, and economic indicators. These sources enhance the credibility of the study and provide a strong empirical foundation.

The research also incorporates information from news articles and financial platforms, which help capture recent developments, emerging trends, and real-time changes in consumer behavior. These sources are particularly useful in understanding the current scenario and the dynamic nature of credit usage among Indian youth.



### **III. DATA ANALYSIS AND INTERPRETATION**

The analysis of recent reports and datasets highlights a clear transformation in the credit behavior of Indian youth. The following sections present key data-driven observations along with their interpretations.

#### **3.1 Early Entry into Credit Market**

A key trend in recent years is the early entry of Indian youth into the formal credit ecosystem. According to a joint report by TransUnion CIBIL and Google (2022), nearly 40–50% of new-to-credit consumers belong to the 18–25 age group. Furthermore, the report estimates that India will have over 200 million new-to-credit individuals by 2030, a majority of whom are expected to be young and digitally active.

This marks a significant shift compared to earlier generations, where individuals typically entered the credit market in their late 30s or 40s. The average age of first-time borrowers has effectively declined by 10–15 years.

#### **Interpretation:**

This shift reflects increased financial awareness, higher aspirations, and growing confidence among youth in using formal financial systems. It is also strongly driven by digital onboarding processes, instant approvals, and fintech-based credit scoring models that reduce traditional entry barriers.

#### **3.2 Growth in Credit Card Usage**

Credit card penetration and usage in India have expanded rapidly. According to data from the Reserve Bank of India, the total number of credit cards increased from approximately 52 million in 2019 to over 100 million by 2024–25, representing nearly a 90–100% growth within five years.

In terms of spending, total credit card transactions have surged dramatically, crossing ₹21 lakh crore annually by 2025, compared to around ₹6–7 lakh crore in 2019. This indicates a more than threefold increase in transaction value over a relatively short period.

#### **Interpretation:**

This sharp rise reflects India's transition toward a cashless and credit-driven economy. Credit cards are increasingly used not only for convenience but also for short-term financing, rewards optimization, and credit history building. The adoption is particularly strong among urban youth, who are more integrated into digital payment ecosystems.

#### **3.3 Shift from Consumption to Strategic Borrowing**

The nature of credit usage is also evolving. Reports by TransUnion CIBIL indicate that nearly one-third (30–35%) of new credit card users are below the age of 30. Additionally, there has been a notable increase in secured credit cards, particularly among first-time users who aim to build or improve their credit profiles.

#### **Interpretation:**

This data suggests a gradual shift toward more strategic and disciplined borrowing behavior. Young consumers are not only using credit for consumption but are also consciously leveraging it to establish creditworthiness, improve credit scores, and reduce financial risk in the long term. The growing preference for secured instruments indicates cautious entry into the credit system.

#### **3.4 Rise in Short-Term and Small-Ticket Loans**

Another significant trend is the rise in short-term and small-value loans. According to studies by CRIF High Mark, personal loans under ₹50,000 have seen some of the fastest growth rates, particularly among borrowers aged 21–35. In recent years, small-ticket loans have grown at double-digit rates annually, with a large share driven by digital lending platforms.



Additionally, the share of young borrowers (below 35) in personal loan originations has increased to over 60% in some segments, indicating strong participation from this demographic.

**Interpretation:**

This trend reflects a shift toward need-based and cash-flow-driven borrowing. Rather than relying solely on savings, young individuals are increasingly using short-term credit to manage immediate financial requirements, emergencies, or temporary liquidity gaps. This indicates a more practical and flexible approach to financial management, although it also raises concerns about dependency on frequent borrowing.

**3.5 Changing Purpose of Credit Usage**

The purpose behind credit utilization is also undergoing a transformation. Reports from Experian suggest that a growing proportion of young borrowers are using credit for education financing, skill development programs, online certifications, and entrepreneurial activities.

For instance, education and personal development-related loans among young consumers have shown steady growth, particularly in urban regions where access to such opportunities is higher.

**Interpretation:**

This shift indicates that credit is increasingly being viewed as an investment tool rather than merely a consumption enabler. By financing education and skill acquisition, young individuals are using credit to enhance their earning potential and long-term financial prospects. This reflects a more forward-looking and growth-oriented financial mindset.

The data collectively highlights a multi-dimensional shift in the financial behavior of Indian youth. Early credit adoption, rapid growth in credit card usage, increased reliance on small-ticket loans, and the evolving purpose of borrowing all point toward a more dynamic and integrated financial ecosystem. While there is clear evidence of improved financial awareness and strategic usage in certain areas, the increasing accessibility of credit also necessitates stronger financial discipline to avoid over-leveraging.

These findings underscore the importance of balancing credit expansion with financial literacy initiatives and responsible lending practices to ensure sustainable financial inclusion and long-term economic stability.

**IV. FINDINGS**

The analysis of the data reveals several important and nuanced findings regarding the evolving financial behavior of Indian youth. Firstly, there is a clear and sustained shift from a traditional savings-oriented mindset to a more credit-oriented approach. Unlike earlier generations that prioritized deferred consumption, young individuals today increasingly view credit as an integral component of financial planning. Credit is no longer perceived solely as a last resort but rather as a tool that enables flexibility, liquidity management, and lifestyle enhancement. This attitudinal shift reflects changing perceptions of risk, financial independence, and consumption priorities.

Secondly, entry into the formal credit market is occurring at a significantly younger age. Young individuals are beginning their credit journeys in their early to mid-20s, indicating early financial engagement and familiarity with structured financial systems. This early exposure allows them to build credit histories sooner, which can be advantageous for future financial opportunities such as home loans or business financing. However, it also increases the importance of developing responsible credit habits at an early stage, as poor financial decisions can have long-term consequences on creditworthiness.

Thirdly, the purpose of credit usage has expanded beyond mere consumption. While discretionary spending remains a major driver, there is a noticeable increase in the use of credit for productive and self-enhancing purposes. Young consumers are increasingly leveraging credit for education, professional certifications, skill development, and



entrepreneurial activities. This indicates a more strategic approach to borrowing, where credit is used as an investment in future earning potential rather than solely for immediate gratification.

Another significant finding is the transformative role of financial technology (FinTech) in reshaping access to and usage of credit. Digital platforms have streamlined application processes, enabled instant approvals, and reduced the need for extensive documentation. Features such as digital KYC, AI-based credit assessment, and user-friendly mobile interfaces have made credit more accessible than ever before. As a result, financial inclusion has improved, particularly among first-time borrowers who may not have had access to traditional banking channels. The convenience and speed offered by FinTech solutions have also contributed to the normalization of credit usage in everyday transactions.

In addition, there is evidence of a growing trend toward responsible borrowing behavior among a segment of young consumers. The increasing use of secured credit instruments, along with small-ticket loans, suggests a cautious and planned approach to building credit profiles. Many young individuals appear to be aware of the importance of maintaining good credit scores and are making efforts to repay on time and manage their credit limits effectively. This indicates a gradual maturation of financial behavior, supported by improved access to financial information and monitoring tools.

However, this positive trend coexists with strong influences of lifestyle and aspirational spending. Social media exposure, peer comparison, and the desire for an enhanced standard of living continue to drive demand for credit, particularly in categories such as travel, electronics, fashion, and entertainment. This duality—responsible borrowing on one hand and aspirational consumption on the other—highlights the complexity of financial decision-making among youth.

**Proposed Solution Model: Responsible Credit Behaviour Framework (RCBF)**

The Responsible Credit Behaviour Framework (RCBF) aims to ensure that the growing use of credit among Indian youth remains sustainable and well-managed. The model is based on four key components: financial literacy, responsible credit access, behavioural regulation, and policy intervention.

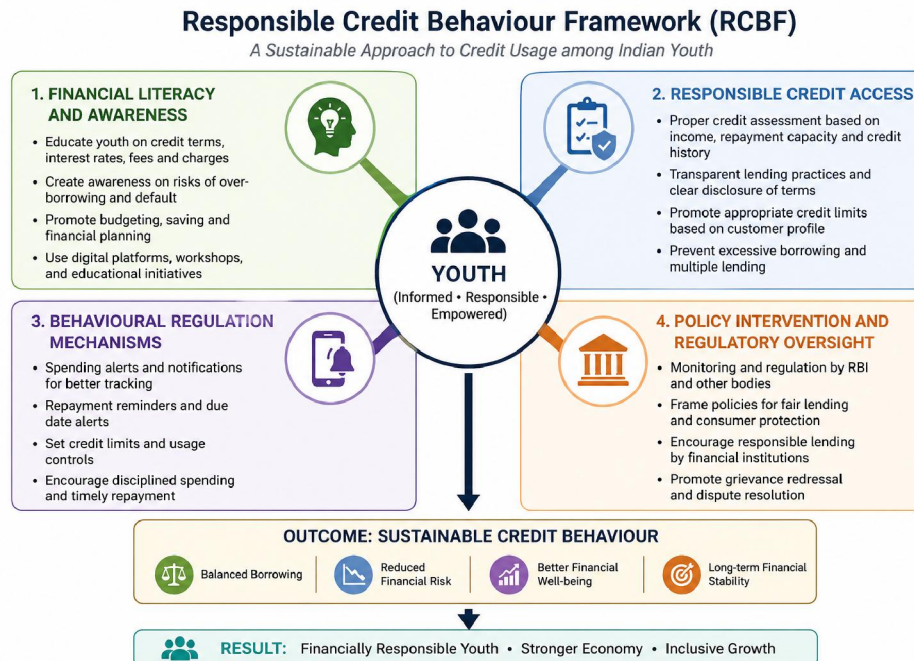


Fig 1: RCBF Model



At the foundation, financial literacy and awareness enable young consumers to understand credit terms, risks, and repayment responsibilities, leading to more informed decisions. The second component, responsible credit access, emphasizes proper assessment by financial institutions and transparent lending practices to prevent excessive borrowing.

The model also highlights behavioural regulation mechanisms, such as spending alerts, repayment reminders, and credit limits, which encourage disciplined financial habits. Additionally, monitoring and policy intervention by institutions like the Reserve Bank of India ensure regulation of lending practices and protection of consumers.

Overall, this framework promotes sustainable credit behaviour, characterized by balanced borrowing, reduced financial risk, and improved financial well-being among youth.

#### **IV. CONCLUSION**

The transition from a savings-oriented to a credit-driven mindset among Indian youth represents a significant socio-economic shift in financial behavior. Traditionally, financial decisions in India were guided by risk aversion and long-term security through savings. In contrast, the present generation of youth demonstrates a greater inclination towards financial flexibility, consumption smoothing, and the pursuit of lifestyle and career advancement opportunities.

Importantly, this shift does not necessarily indicate imprudent financial behavior. Emerging evidence suggests that young consumers are increasingly adopting a more structured and informed approach to credit usage. Credit is being utilized not only for immediate consumption but also for strategic purposes such as skill development, asset creation, and financial planning. This indicates a gradual evolution towards a more mature and rational financial outlook.

However, the growing reliance on credit also presents certain challenges. The need for enhanced financial literacy, responsible borrowing practices, and effective regulatory oversight becomes crucial to prevent risks such as over-indebtedness and financial vulnerability. Policymakers and financial institutions must therefore focus on strengthening consumer awareness and ensuring sustainable credit growth. Overall, if supported by appropriate regulatory frameworks and financial education, this transition has the potential to contribute positively to economic development, promote financial inclusion, and stimulate consumer demand, thereby supporting broader economic expansion.

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