

## **2. Key growth drivers**

### **2.1.1 India has the world's largest population**

As per Census 2011, India's population was approximately 1.25 billion, and comprised nearly 245 million households, is expected by CRISIL MI&A to increase to 1.52 billion by 2031, and number of households are expected to reach approximately 376 million over the same period.

### **2.1.2 Favorable demographics**

As of calendar year 2022, India has one of the largest young populations in the world, with a median age of 28 years. CRISIL MI&A estimated that approximately 90% of Indians were still below the age of 60 in calendar year 2021 and that 63% of them were between 15 and 59 years. In comparison, in calendar year 2020, the United States (US), China and Brazil had 77%, 83% and 86%, respectively, of their population below the age of 60.

### **2.1.3 Urbanization**

Urbanization is one of India's most important economic growth drivers. It is expected to drive substantial investments in infrastructure development. India's urban population has been rising consistently over the decades (*Source: World Urbanization Prospects*). As per the 2018 revision of World Urbanization Prospects, it was estimated at 34.9% for India. According to the World Urbanization Prospects, the percentage of population residing in urban areas in India is expected to increase to 37.4% by 2025.

### **2.1.4 Increasing per capita GDP to support economic growth**

In Fiscal 2024, India's per capita net national income expanded by 6.8% reflecting robust growth of Indian economy and government's continued efforts to make India an upper middle-income economy.

### **2.1.5 Rising Middle India population to help sustain growth for the country**

Proportion of Middle India (defined as households with annual income of between ₹ 0.2 to 1 million) has been on a rise over the last decade and is expected to grow further with continuous increase in the GDP and household incomes. CRISIL MI&A estimates that there were 41 million middle income households in India as of Fiscal 2012, and by Fiscal 2030, they are projected to increase to 181 million households. A large number of these households, which have entered the Middle-Income bracket in the last few years, are likely to be from semi-urban and rural areas.

CRISIL MI&A believes that the improvement in the literacy levels, increasing access to information and awareness, increases in the availability of necessities, and the improvement in road infrastructure has led to an increase in aspirations of Middle India, which is likely to translate into increased opportunities for financial service providers.

### **2.1.6 Financial Inclusion on a fast path in India**

India's financial inclusion has improved significantly over calendar years 2014 to 2021 as adult population with bank accounts increased from 53% to 78% (*Source: Global Findex Database*) due to the Indian government's concentrated efforts to promote financial inclusion and the proliferation of supporting institutions.

### **2.1.7 Financial penetration to rise with increase in awareness of financial products**

With increasing financial literacy, mobile penetration, awareness and the Prime Minister's Jan Dhan Yojana bank accounts (scheme aimed at bringing the unbanked under the formal banking system), there has been a rise in the participation of individuals from non-metro cities in banking. With more people attached to the formal banking sector, the demand for financial products in smaller cities has seen a major uptick in recent years. Going forward, CRISIL MI&A expects financial penetration to increase on account of increasing financial literacy.

## **2.2 Credit penetration in India**

### **2.2.1 Credit penetration is lower in India compared to other countries**

In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China indicating the potential that can be tapped. Similarly, in terms of credit to households as a proportion of GDP as well, India lags other markets.