

TECHNICAL SESSION-7: DEBT MANAGEMENT AND SUSTAINABILITY

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Paper Title: The Economics of Household Debt

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Abstract: We explore the economics of household debt in Pakistan using the Household Integrated Economic Survey (HIES) 2018-19. Our findings show that approximately 22.1 percent of households acquired loans for diverse purposes, amounting to an average per capita household debt of PKR 33,461. Initial estimates project the total stock of household debt to reach PKR 1,283 billion in 2023. Analysing demographic and economic factors, our empirical analysis indicates the determinants influencing the likelihood of households taking loans and the amounts borrowed. We find a robust positive association between climate change, as indicated by rainfall patterns, and both the likelihood and magnitude of loans. Our empirical analysis uncovers a significant and positive impact of household loans on poverty levels. Indicating a noteworthy increase in poverty due to indebtedness, these findings underline the socio-economic ramifications of household debt. This study yields valuable insights for policymakers, emphasising the imperative need for a comprehensive framework to address the escalating challenges posed by household debt, thus paving the way for enduring solutions.

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