

Workshop Report

Unpacking the Crisis: Household Indebtedness and Climate Change

Centre for Financial Accountability and Jagori Rural Charitable Trust

12-13 April 2026

Jagori Campus, Dharamshala, Himachal Pradesh

Centre for Financial Accountability (CFA) organised a two-day orientation workshop titled "Unpacking the Crisis: Household Indebtedness and Climate Change" for 26 members (21 women, 5 men) of Kangra district team of Jagori Rural on 12 and 13 April 2026 at the Jagori Campus in Dharamshala, Himachal Pradesh. The workshop was facilitated by Nancy Pathak, Joe Athialy, Anirban Bhattacharya, Amitanshu Verma, and Arjun Unnikrishnan from CFA.

The workshop was designed to familiarise participants with CFA's ongoing work on household indebtedness and climate induced financial stress in Himachal Pradesh, to



assess participants' existing understanding, and to prepare the team for active engagement in this. It also aimed to build a clearer understanding of the participants regarding credit systems and indebtedness. We also heard about the mental anxiety and stress associated with the above from the participants.

Over two days, sessions were structured to move from grounding participants in the context and concepts to applying these to field realities. Day 1 focused on unpacking credit and indebtedness. This included an introduction to CFA's work and the project, followed by exercises to capture participants' lived experiences with credit and assess their current understanding. Sessions then built a broader understanding of credit systems, including the functioning of banks and NBFCs, and mapped the credit landscape in Himachal Pradesh, with attention to formal and informal lenders and borrowing patterns. The day closed with a detailed walkthrough of CFA's proposed work in the state. Day 2 shifted to climate and its interaction with finance. Sessions surfaced participants' experiences of climate variability, examined financial resilience in eco-sensitive regions through case discussions, and explored questions of accountability and institutional response. This was followed by an analysis of disaster incidence in Himachal Pradesh and its implications for household debt. The final sessions focused on connecting these insights to practice, including identifying pathways, remedies, and approaches for engaging with households and documenting the linkages between climate shocks and indebtedness.

Abha Bhaiya of Jagori Rural opened the day by welcoming the resource persons and participants, stressing the importance of the workshop for the communities Jagori works with. Joe Athialy then introduced CFA and its work, after which Nancy Pathak outlined the objectives of the workshop and provided an overview of household debt and climate change scenarios in Himachal Pradesh, setting the context for both days.

Day 1: Understanding Credit and Indebtedness

Day 1 began with a welcome and opening remarks, where the importance of the workshop for the communities Jagori works with was highlighted. This was followed by an introduction to CFA and its work. The opening sessions then laid out the objectives of the workshop and provided an overview of household debt and the broader credit landscape, setting the context for the day. The focus remained on building a grounded understanding of credit systems and indebtedness, beginning with participants' own experiences and moving towards a more structured discussion on types of credit, sources of borrowing, and



the roles of formal and informal lenders. Subsequent sessions examined borrowing patterns, repayment pressures, and emerging distress, along with a focused mapping of the credit ecosystem in Himachal Pradesh. The day concluded with a walkthrough of the proposed centres in the state, linking the conceptual discussions to the field context.

Arjun started the session on credit and indebtedness, using a polling exercise to draw out participants' own experiences with the credit systems. The following are the findings from the exercise.

- 88.5% of respondents have taken a loan at some point, and 92.3% have been proactively contacted by a bank or moneylender with a loan offer.
- Banks are the most used source of credit (57.7%), followed by Self-Help Groups (42.3%) and friends or family (34.6%). Formal moneylenders are the least used, cited by only 7.7% of respondents.
- Home construction and repair is the most common reason for borrowing (46.2%), followed by marriage expenses (23.1%), business needs (19.2%), and debt refinancing (19.2%). Education loans are cited by 15.4%, medical borrowing by 3.8%, and none reported borrowing for agriculture.
- 38.5% of respondents have taken only one loan, and 34.6% between two and five. 42.3% typically borrow above ₹1 lakh.
- 80.8% of respondents have not faced any repayment pressure. Among those who have, phone calls were the most common form (15.4%), followed by home visits (11.5%) and contact with family members (7.7%).
- 38.5% of respondents do not know the interest rate on their loans. Among those who do, 10-20% per annum is the most common range (26.9%), followed by 5-10% (15.4%). Only 3.8% reported paying between 20-35%, and none above 35%.

These findings informed the sessions that followed and helped build a grounded understanding of patterns of indebtedness among the participants. We also found out that women are usually not the primary borrowers, but are involved in repayment, often sharing

the burden with their husbands/fathers/male members in the family. Loans in many cases were taken without their involvement or prior knowledge.

Macro Landscape of Credit and Indebtedness

Anirban led the session on the macro landscape of credit and indebtedness. Drawing on data and case studies, the session examined how banks and financial institutions operate, who benefits from the formal credit system, and the structural conditions that push households, particularly in rural and low-income contexts, into debt. The session also looked at how interest rates on deposits have declined over the years while borrowing costs for ordinary households remain high, and how credit is disproportionately extended on favourable terms to large borrowers while small borrowers, MSMEs, and farming



households bear higher rates and greater scrutiny. The role of Non-banking Financial Companies (NBFCs) and microfinance institutions was discussed, including how regulatory changes have expanded their reach among vulnerable populations without adequate safeguards. The human cost of coercive recovery practices was also examined, with case examples illustrating the pressure households face when unable to repay.

The presentation was followed by a discussion with participants, where they drew on their own experiences and field contexts to reflect on how these dynamics play out on the ground. Several participants shared instances of “*kurki*”, referring to the confiscation of houses and property by banks in cases of non-payment, often leaving households with little recourse. Others spoke about more routine but equally coercive practices, such as the discontinuation of mobile services when EMIs are missed, which directly disrupts daily life and access to communication.

Participants also spoke about the stigma that comes with default. They shared that indebtedness often becomes publicly known, leading to strained relationships within the community and added social pressure on households. In some cases, this affects their ability to participate in community spaces and leads to a sense of isolation. The conversation also brought out the mental health dimension, with participants describing stress, anxiety, and constant pressure linked to repayment. A few participants referred to instances of severe distress, including suicides, in their areas. They also noted that these pressures tend to worsen in the context of climate stress and disasters, where loss of income or assets makes repayment more difficult. Participants further highlighted how recovery practices extend into everyday life through repeated calls, visits, and pressure on family members, making the stress continuous. Overall, what emerged from the discussion was how indebtedness is experienced not just as a financial issue, but as a social and psychological burden.

Tackling Credit and Indebtedness

The third session was a group activity in which participants were asked to deliberate on what kind of information, good practices, and awareness are needed when borrowing a

loan. Participants worked in groups to collectively reflect on gaps in current borrowing practices and what could help households make more informed financial decisions. Based on these deliberations, the following points emerged from the three groups:

- Simplify loan processes and ensure borrowers receive clear information before taking a loan.
- Borrow from public sector banks; avoid private finance companies, informal sources, and online loan apps.
- Read loan terms carefully, be wary of agents, and borrow only for purposes that generate income.
- Regulate unsolicited approaches by lenders and prevent harassment during repayment.
- Strengthen complaint redressal mechanisms and make RBI guidelines publicly available, including within bank premises.
- Build community awareness on safe loan channels, borrower rights, and the differences between public and private sector banks.
- Reduce stigma around debt and encourage open community discussion.
- Introduce a five-day relaxation window around loan repayment deadlines.



Following this session, Arjun introduced the concept of Financial Resilience Centres and used it to tie together the discussions from the day. He explained that credit and indebtedness form a key focus area of the centre, and outlined how support would be provided on different fronts, including improving awareness, strengthening decision making, and addressing challenges faced by households in accessing and managing credit. He also briefly introduced the second core area of the centre's work, the linkages between climate and indebtedness, which would be taken up on Day 2. The day concluded with an outline of what participants could expect in the sessions to follow.

Day 2: Climate Change and Institutional Accountability

Day two opened with a recap of day one. It was followed by Amitanshu's session on examining how climate events translate into household financial crises, using the Wayanad landslide of July 2024 as a case study. The disaster which displaced around 10,000 people, destroyed livelihoods, and caused losses estimated at over Rs. 1,000 crore illustrated how a climate event can rapidly push already indebted households into deeper financial distress. The case of "Women for Loan Relief," a collective formed by affected women in Wayanad

demanding full debt waiver, brought into focus the intersection of climate disaster, debt, and the inadequacy of institutional response. The session also touched on the distinctions between loan write-offs, waivers, and moratoriums, and what each means in practice for borrowers.



This was followed by a discussion on institutions of accountability in the context of climate-induced debt. The session mapped the structure of financial oversight from the Union Government and RBI down to district-level mechanisms, including the District Credit Committee (DCC) and the District Level Review Committee (DLRC). Participants were introduced to the kinds of data and proceedings these bodies

maintain, and how communities can engage with these institutions to assert their rights and demand accountability.

Participants found the discussion very useful because they learnt about the fact that their credit related woes can be raised in forums where public representatives, such as the MLA and MP, have a say. The public representatives are part of the DLRC and the State Level Bankers Committee. Having their representatives on board these committees potentially gives people a chance to get their grievances heard. The participants felt this provided them with an avenue to take up personal and collective grievances, using their existing collectives.

Understanding Climate-Induced Household Debt

Following this Nancy facilitated a group activity in which participants mapped the impact of climate change in Himachal Pradesh. Three groups worked through a set of questions covering the forms of climate-related disaster in the region, how these affect households, the coping mechanisms communities rely on, and possible solutions to climate-induced debt. The following points emerged:



- Himachal Pradesh faces a range of climate-related hazards including cloudbursts, landslides, forest fires, earthquakes, lightning strikes, and flash floods, affecting districts including Mandi, Kullu, Kangra, and Shimla. These have led to crop loss, displacement, damage to infrastructure, loss of livelihoods, and health and mental health consequences, with daily wage labourers and farming households bearing the greatest burden.

- Communities cope primarily through seasonal migration for work, limited crop insurance, and increased dependence on loans, pointing to the absence of adequate institutional support during and after disasters.
- On solutions, participants called for revised compensation policies covering property, farming, and livestock, unemployment compensation, debt waivers or moratoriums scaled to the extent of loss, special provisions for tribal communities, and free medical treatment during disasters.

Understanding Development Projects and Finance

Joe led a session on development projects and finance, situating hydropower expansion in Himachal Pradesh within the larger political economy of infrastructure-led development.



The session examined how large projects, financed by public institutions, commercial banks, and multilateral development bodies, treat natural resources as financial assets, with profits flowing outward while the costs of displacement, environmental damage, and increased disaster risk are borne by mountain communities. This helped participants understand that many of the

disasters and livelihood disruptions they witnessed in the field are not purely natural events, but are shaped by development and financing decisions made far removed from the communities affected.

Conclusion

Day two ended with a session on the other focus area of the centre that is climate change and indebtedness and outlined the kind of support centre would be providing to tackle the issue at hand. It was followed by a feedback session in which participants reflected on their experience of the workshop. Abha Bhaiya offered her remarks, underscoring the significance of the themes covered and stressing the particular relevance of household indebtedness and climate change for mountain communities like those Jagori works with in Kangra. She spoke to the role Jagori can play in bridging field-level realities with the structural and policy dimensions discussed over the two days, and affirmed the organisation's commitment to continued cooperation on future action emerging from this work.

Participants expressed that the workshop had deepened their understanding of credit systems, debt patterns, and the intersection of climate change with household financial vulnerability. The sessions had moved from building foundational knowledge to engaging with lived experience and practical analysis, equipping the team with a clearer framework for their field engagement.