

Credit feels like income until the day it disappears

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Maxim: *Credit is like oxygen — you notice it only when it's gone.* — Warren Buffett, paraphrasing his 2010 letter

Loans, credit cards and EMLs are easiest to get when you need them least. A household that plans as if credit will always be there is planning for the wrong day.

Credit is easiest to get when you do not need it, and hardest to get on the day you do.

Warren Buffett watched that happen to whole companies. In September 2008, credit that businesses had taken for granted vanished almost overnight. In his 2010 letter to Berkshire Hathaway shareholders he described what borrowers learn at such moments: "credit is like oxygen. When either is abundant, its presence goes unnoticed. When either is missing, that's all that is noticed." Even a short absence of credit, he wrote, can bring a company to its knees, and its overnight disappearance in 2008 came dangerously close to bringing the whole country to its knees ([Berkshire Hathaway](#)).

Berkshire's answer was never to depend on it. "At Berkshire, we don't rely on bank lines," Buffett wrote. The company pledged to hold at least \$10 billion of cash and customarily kept at least \$20 billion, so that it could withstand huge insurance losses and still seize opportunities even during times of financial turmoil. Others borrowed to stay alive. Berkshire kept enough of its own money that it never had to ask.

Most families will never face a frozen bond market. But they rely on credit in the same quiet way, and it can thin out for them just as suddenly.

How quickly the tap turns

Indian borrowers saw a mild version of this after November 2023. Worried by the rapid growth of unsecured lending, the Reserve Bank of India raised the risk weights that banks and NBFCs must apply to unsecured consumer credit, including credit cards, from 100% to 125%. Lending that ties up more capital becomes more expensive and less attractive to offer, as [HDFC Mutual Fund](#) explained in its analysis of the move.

The effect showed up in the numbers. Growth in credit card spending, which had run at 54.1% in 2021-22 and 47.5% in 2022-23, slowed to 27.8% in 2023-24 and 16.6% in the first part of 2024-25, according to Macquarie data reported by [Business Standard](#), which attributed the slowdown to the tighter rules and rising delinquencies. Net card additions in 2024-25 to August fell 38% after growing 41% the previous year. Growth in personal loans slowed from 18.2% to 14.2% in the year to January 2025, RBI data showed ([Business Standard](#)).

None of this was a crisis. Credit kept growing, just more slowly, and lenders became choosier. That is the point. If a regulatory nudge in calm times can make lenders noticeably more selective, imagine what a recession or a personal setback does to your own chances of borrowing.

What it means at home

For a household, credit plays the same role it plays for a company: a buffer that is invisible until it is needed. A pre-approved personal loan, a high credit-card limit and an easy top-up on the home loan all feel like money in reserve.

They are not. Every one of them depends on a lender's view of you, and that view rests mainly on your income and your repayment record. Lose your job, have a business year go badly or fall behind on one EMI, and the same lender that was sending offers last month may cut your limit or decline a fresh loan. The credit disappears precisely when the reason you wanted it arrives.

There is a second trap. Easy credit quietly becomes part of the monthly budget. EMIs for the phone, the car and the holiday each look small on their own. Together, they turn future salary into today's spending, so that a single shock leaves no room at all. The household that runs on credit in good times is the one that suffocates first in bad ones.

And for investors, borrowed money is the most dangerous oxygen of all. Leverage in shares, margin trading and loans against a portfolio work beautifully in a rising market. In a falling one, a lender can demand money back exactly when prices are lowest.

Build your own oxygen supply

Keep a real emergency fund, in your own name, in a bank deposit or liquid fund. Several months of essential expenses is a common starting point; more if your income is uncertain or you support others. This is your Berkshire cash pile: money no lender can withdraw.

Treat credit lines as a convenience, not a reserve. Use credit cards for payment and pay them in full. Do not count a pre-approved loan as part of your safety net, because the approval can vanish with your income.

Keep your total EMIs comfortably within your take-home pay, with enough left over that one unexpected bill does not force new borrowing. And keep borrowed money out of your investments. Buffett's own rule for Berkshire was not to depend on lenders; that rule works even better for a family.

Finally, protect the credit you may genuinely need later. Paying on time and keeping card balances low keeps your record clean, so that if you ever must borrow, you do it on good terms rather than desperate ones.

If you do one thing: Build an emergency fund in your own name large enough that you could lose your income for several months without borrowing a rupee, and stop counting your credit limits as savings.

Breathing easy

In calm years, nobody thinks about oxygen and nobody thinks about credit. Both simply seem to be there. Buffett's warning is that their absence is sudden, and that what matters is what you have arranged before it arrives.

A family does not need \$20 billion. It needs enough of its own money that the next tightening of credit, whether it comes from a regulator, a recession or a pink slip, is an inconvenience rather than

an emergency.

Sources

- [Berkshire Hathaway: 2010 letter to shareholders](#)
- [HDFC Mutual Fund: RBI move on consumer lending, the brake we needed](#)
- [Business Standard: Credit card spending growth declines on RBI gaze, stress build-up \(27 September 2024\)](#)
- [Business Standard: Growth in personal loans slows to 14.2% in January, RBI data \(28 February 2025\)](#)

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