
Impact of Financial Inclusion on Women's Agency and Household Decision-Making

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Abstract

Extant research shows that women use bank accounts very differently compared to men and often face barriers to frequently using the accounts – in terms of physical distance, gender norms related to access, among others. Thus, incentivizing women to access and own bank accounts can lead to changes in intra-household decision-making and ultimately household welfare outcomes such as the pattern and quantity of consumption. We use large-scale household and individual data on financial inclusion of women to examine the role of ownership of bank accounts on women's decision-making within the household, and subsequently its impact on consumption expenditures in India. We also include variables that represent policy levers such as the distance to nearest bank branch, lending rate differentials between the formal and informal sectors, and availability of banking correspondents in the village to explain bank account ownership. We find that a 1% increase in the likelihood of owning and operating the bank account by women members of the household will increase their share of participation in household decision-making by 0.34%. For a 1% increase in the share of decisions taken by women in rural households, there is a Rs. 2,096 increase on average in per capita terms (as compared to Rs. 630 in the absence of female agency effects). We discuss these findings in the context of research and policy in financial literacy, enabling institutions, and household welfare.