

Decision-Making by Women in Mortgage Repayment: Bargaining versus Tokenism

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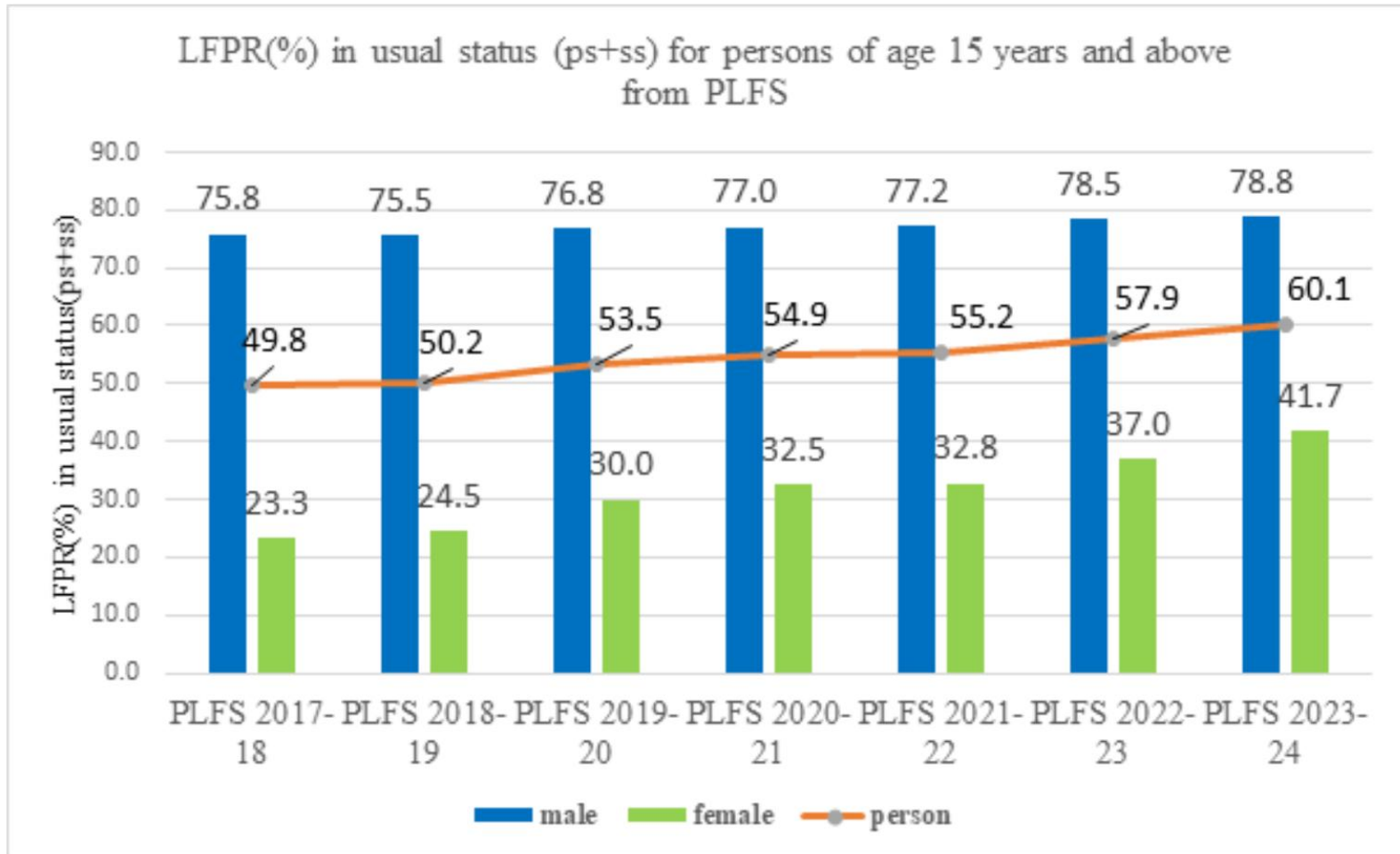
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Motivation:

Gender gap in homeownership.

- * World Bank survey in 2016: Only 10.6% of women owned a house individually, and 15.3% of women co-owned a house.
- * Housing constitutes nearly 70% of a typical Indian household's total assets.
- * Why was female homeownership so low in India in 2016? What can be done to change it? And what will change with it?

Periodic Labour Force Survey (PLFS)



Periodic Labour Force Survey (PLFS)

**Table 1: Labour Force Participation Rate (LFPR) in usual status (ps+ss) for persons of age 15 years and above
all-India**

Survey period	Rural			Urban			Rural+Urban		
	male	female	person	male	female	person	male	female	person
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2023-24	80.2	47.6	63.7	75.6	28.0	52.0	78.8	41.7	60.1
2022-23	80.2	41.5	60.8	74.5	25.4	50.4	78.5	37.0	57.9
2021-22	78.2	36.6	57.5	74.7	23.8	49.7	77.2	32.8	55.2
2020-21	78.1	36.5	57.4	74.6	23.2	49.1	77.0	32.5	54.9
2019-20	77.9	33.0	55.5	74.6	23.3	49.3	76.8	30.0	53.5
2018-19	76.4	26.4	51.5	73.7	20.4	47.5	75.5	24.5	50.2
2017-18	76.4	24.6	50.7	74.5	20.4	47.6	75.8	23.3	49.8

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

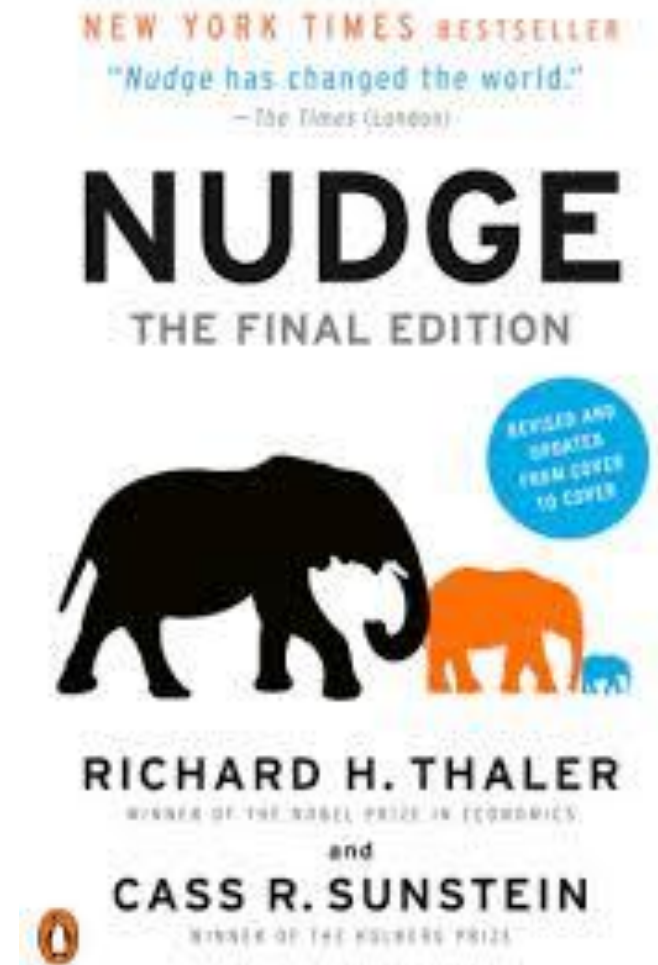
An idea

- * The social norms discourage women from taking part in economic decision-making.
- * And it might be difficult to change social norms in a short period of time.
- * So let's increase female bargaining power within the household by some policy nudges.
- * The gender gap in economic decision-making might then be shrunk, resulting in a positive social multiplier effect.



Policy nudges

- * Nudge is designed to alter people's behavior without restricting their freedom of choice or imposing heavy financial penalties.
- * Policy nudges can produce effects that last for years or fade within days.



Long-lasting nudges

- * Automatic-enrollment retirement savings.
 - * Employees are enrolled by default in pension plans.
- * Opt-out (presumed consent) organ-donor systems.
 - * Switch from “opt-in” to “opt-out” organ-donation registration induces large increases in donor rates.
- * Healthy-default meal choices in school cafeterias.

Short-term nudges

- * Energy-use reports with “how-you-compare” feedback.
 - * Households that receive monthly reports showing how their energy use **compares to neighbors** often cut consumption for only a few days or weeks.
- * One-off reminders to get vaccinated or pay taxes.
 - * Prompts such as letters or texts **reminding** people to schedule a vaccination or pay overdue taxes can sharply increase compliance in the short term.



Two factors determine durability

- * Habit and environmental change.
 - * Nudges that embed a new default, layout, or routine into the system tend to last because they align with inertia and repeated exposure.
- * Underlying incentives and barriers.
 - * If a nudge conflicts with strong economic incentives or significant barriers, its effect tends to fade.

The policy nudge in this paper

- * A small monetary nudge: 0.57 USD savings in mortgage interest per month.
- * A **big difference**: the share of female home loans at SBI increased from 19% to 24% within one year of its introduction.
- * How? And why is it an interesting policy nudge?

Her Ghar (Her Home)

- * Empowering women
 - * “We are actively trying to empower women through the ‘Her Ghar’ (Her House) scheme by offering lower interest rates on loans granted to wives.” [Arundhati Bhattacharya](#), Chairman of SBI.
- * Five bps discount in the interest rate for home loans for which
 - * A woman was the first applicant, or the sole borrower, for the loan.
 - * The first owner of the property

Legality and practices

- * First applicant
 - * The primary person the lender assesses and **communicates with**.
 - * Holds mainly responsible for repayment.
- * First owner
 - * The first-named legal owner on the sale deed or title record.
 - * **Decision power** over minor repairs, renting, usage, or sales.

Why female loans?

- * Female loans are less likely to default
 - * Women exhibit higher “innate trustworthiness” in laboratory games linked to microloan repayment.
 - * Females are more risk-averse in general.
 - * Default carries greater stigma for women.
 - * **Positively selected on unobservables** by lenders, such as reliability and compliance.
- * Women who reach the formal credit market are typically a subset with higher financial discipline and social reputational stakes.



The benefits of female participation



If Lehman Brothers had been a bit more Lehman Sisters... we would not have had the degree of tragedy that we had as a result of what happened.

— *Christine Lagarde* —

AZ QUOTES

Mechanisms: Selection

- * What is the role of selection in female loans?
 - * Do females with strong bargaining power tend to own female loans before Her Ghar?
- * What if only females with a strong bargaining power (financially savvy or resourceful) can convince husbands to join Her Ghar?
 - * No tokenism, but empowerment can be limited too
 - * Consistent with female borrowers being less likely to stop repayments during the Covid moratorium.

Selection matters in finance

- * “In contrast to common beliefs, women in finance may be *less* risk-averse than men in finance. This “atypical” gender difference can occur because of the choices that lead women and men to end up in finance.”

[Adams \(2025 WP\)](#)

Mechanisms: Empowerment

- * Empowerment through “control” and “information advantage?”
 - * The primary borrower needs to sign various documents.
 - * The loan-repayment deduction is usually made through the primary borrower’s banking account.
 - * SMS messages are sent to the phone number of the primary borrower.
- * Would be nice to have more evidence on this.

Mechanisms: Empowerment

- * Empower which type of women?
 - * Not housewives, who arguably need the power most.
 - * Not those with lower education or relative income
- * On the one hand, the nudge works for women with better resources to gain decision power; on the other hand, the weaker ones are not “empowered.”

Mechanisms: Ownership

- * Heath and Tan (2020): a woman's unearned income (Hindu Succession Act) improves her **autonomy** within the household (control over decisions, bank account access, etc.)
- * Although India's divorce rate is one of the lowest in the world, it does not mandate a 50-50 property split in divorce.
 - * Does ownership title matter? Do they divorce more?
 - * Does the effect differ under the Hindu Marriage Act and Muslims Sharia?



Questions

- * Why is “choosing not to stop repayments” during the Covid moratorium a better financial decision-making?
 - * Many tests rely on this presumption.
 - * The cost: a borrower would incur additional interest for the remaining life of the loan.
 - * The benefit: during the onset of COVID, having more cash for precautionary savings provides a positive liquidity buffer even for households without immediate financial distress.

Questions

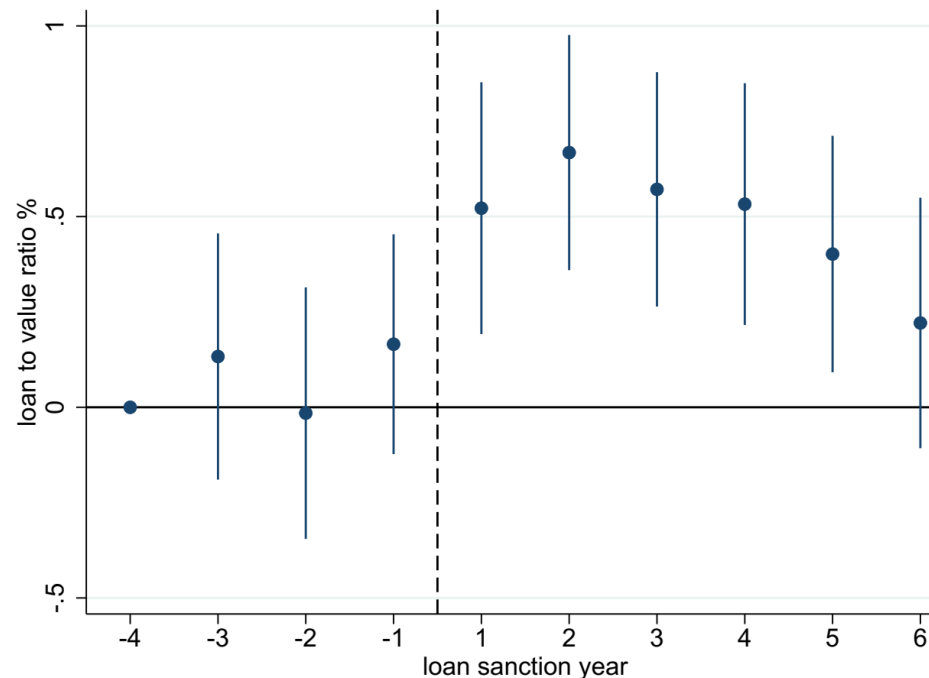
- * Why do female loans have a 1 bps higher interest rate before the introduction of the Her Ghar scheme, despite they have lower default rates (Table 3)?

	Female		Male		Diff(female-male)	t-stat
	N	Mean	N	Mean		
2016	404491	0.29%	1397340	0.40%	-0.11%***	-9.71
2017	504741	0.74%	1815706	0.98%	-0.24%***	-15.61
2018	551388	0.56%	2007060	0.82%	-0.26%***	-19.26
2019	551388	0.56%	2007060	0.89%	-0.32%***	-23.67
2020	275694	0.56%	1003530	0.92%	-0.36%***	-18.31
2021	532877	0.81%	1939742	1.26%	-0.45%***	-26.84
2022	540432	0.78%	1967004	1.16%	-0.38%***	-24.24
2023	137847	0.78%	501761	1.10%	-0.32%***	-10.5

Does SBI make more money from female borrowers?

- * The loan amount and LTV of female loans increase after the Her Ghar.
- * Maybe, other banks followed in the end.

	Female	
	Diff (14-13)	t-stat
Age	-0.06	-0.98
Interest rate	-0.08***	-12.02
Loan tenure	3.07***	6.98
Loan amount (lakh)	1.9***	21.45
Collateral value (lakh)	3.17***	12.72
EMI (000)	1.5***	19.94
Loan-to-Value ratio	0.01***	4.65



Overall

- * Women are better, or at least more responsible, decision makers in loan repayments.
- * But in India, due to the social norms, most of them do not get to decide on loan repayments.
- * Via a policy nudge, households are incentivized to make wives the first applicant and owner of a mortgage loan, hopefully empowering them.
- * Now women can make loan repayment and other financial decisions, probably in a better way.



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