



DATA FOR DEVELOPMENT

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A monthly update of socio-economic developments in India by the IHDS research community

Credit Accessibility and Labour Allocation Decisions of Workers in Rural India

Gunjan Kumari, Neha Gupta, K. Narayanan

Access to Formal Credit on Labour Allocation in Rural India

Evidence from an endogenous switching regression



Increase in total labour supply

Shift from low-productive non-agricultural wage employment to farm cultivation

Who benefits the most?

- Credit-constrained workers
- Larger effects for men and land owning households

Policy implication

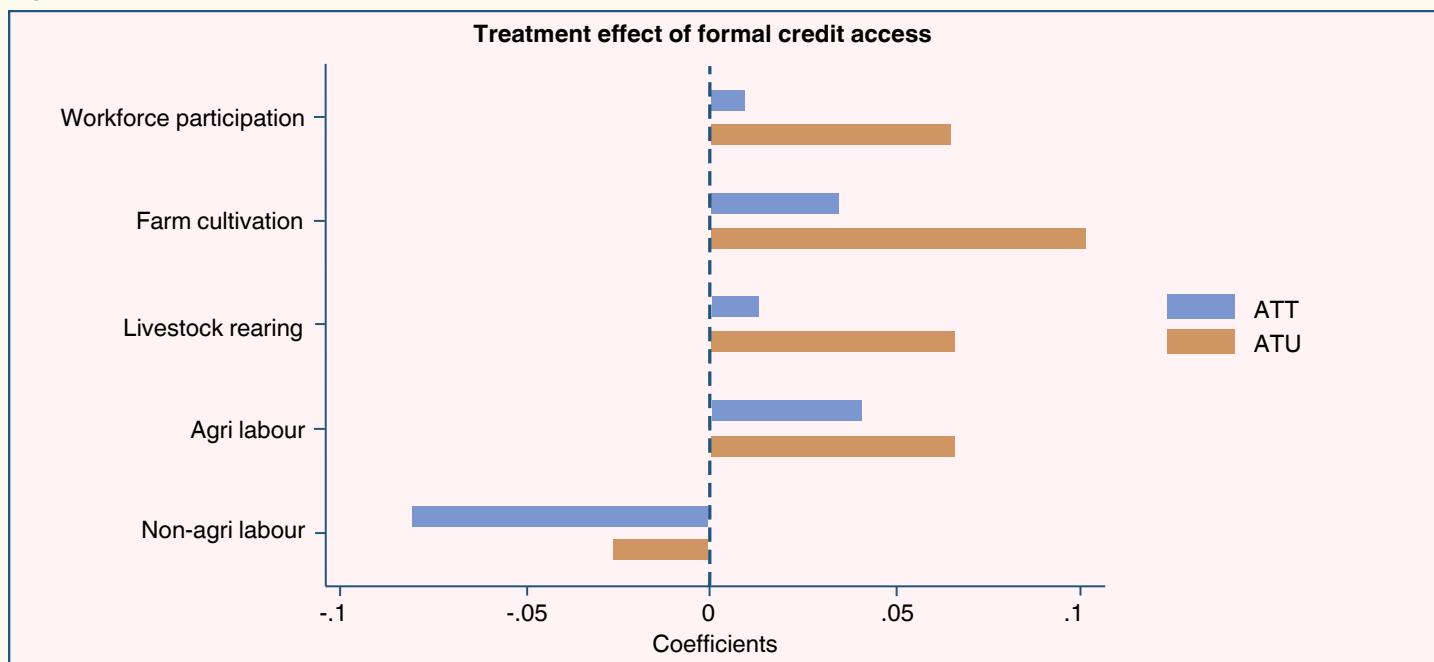
More equitable access to formal credit towards credit-constrained rural households can improve labour allocation.

The paper investigates the causal effect of formal credit access on labour allocation decisions in rural India, both at the extensive (workforce participation) and intensive (total working days) margins. It further examines heterogeneity between credit-constrained and unconstrained workers, along with variations by gender and land ownership. To address unobserved heterogeneity and selection bias arising from the non-random credit distribution and household self-selection, the authors employ an endogenous switching regression model using data from rural households in the India Human Development Survey (IHDS) Round II (2011-12).

Source: Kumari, G., Gupta, N., & Narayanan, K. (2025). Credit accessibility and labour allocation decisions of workers in rural India. Agricultural Finance Review, 85(3), 416-444.

The findings reveal that access to formal credit increases aggregate labour supply and enables reallocation of labour from low-productive non-agricultural wage employment to farm cultivation, where expected returns are higher. Credit-constrained workers would have gained the most had they been able to access formal credit. The results suggest that the current pattern of credit distribution has distorted labour market outcomes by confining workers to low-productivity casual employment. The study recommends a more equitable distribution of formal credit, with a particular focus on credit-constrained households.

Figure 1: Impact of formal credit access on participation in overall workforce and various activities



Source: Kumari, G., Gupta, N., & Narayanan, K. (2025). Credit accessibility and labour allocation decisions of workers in rural India. Agricultural Finance Review, 85(3), 416-444.

Notes: This figure presents the average treatment effect of credit access separately for treated (ATT) and untreated (ATU) units across different employment types. Estimates are derived from the endogenous switching regression model.

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About the Authors



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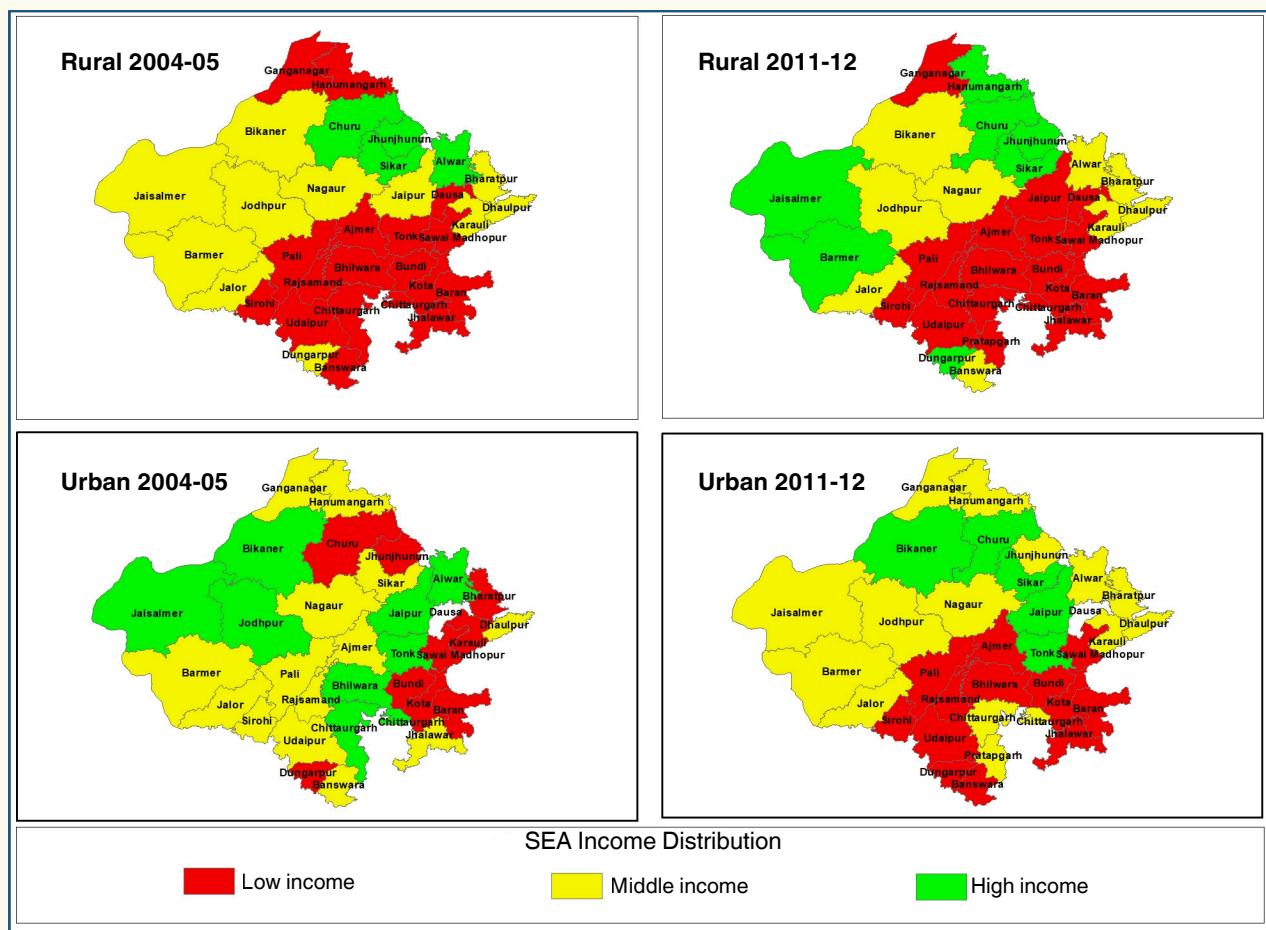
Spatial Income Inequality in Rajasthan Using Small Area Estimation Model

Preeti, Bharat Diwakar

The paper examines district-level income distribution in Rajasthan by addressing the limitations of small sample sizes in conventional surveys, which restrict policymakers from obtaining reliable micro-level estimates. To overcome this challenge, the authors apply small area estimation (SAE), a method that improves precision by integrating survey data with external administrative sources. Using SAE, the analysis combines the India Human Development Survey (IHDS) of 2004 and 2011 with the Population Census of 2001 and 2011 to generate detailed income estimates for both rural and urban areas.

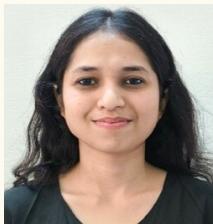


Diagnostic tests confirm that the SAE estimates are more reliable than direct survey estimates. The findings show rising income levels across districts between 2004 and 2011, along with marked spatial disparities—low-income districts are concentrated in the southern and some northern regions. Rural areas exhibit higher inequality than urban areas, with within-district disparities contributing the most to overall inequality. These micro-level insights can support policymakers in designing targeted, area-specific development strategies.



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Publications List

Recent Publications Using IHDS Data

Ahsan, M. N., Emran, M. S., Mohammed, A. R. S., Murphy, O. A., & Shilpi, F. (2025). When Ranks Fail: New Evidence on Intergenerational Educational Mobility. ResearchGate (Preprint). [Link](#).

Barik, D. (2025). Risk of Developing NCDs in Later Life among the Overweight and Obese Women in India: Insights from a Nationally Representative Longitudinal Study. *Margin: The Journal of Applied Economic Research*, OnlineFirst version. [Link](#).

Biswas, S., & Bhattacharya, K. (2025). Gender heterogeneity in secondary school dropout due to financial shocks: Evidence from India. *International Journal of Educational Development*, 119, 103452. [Link](#).

Das, M. (2025). The association between parents' height and sons' height: findings from India Human Development Survey (IHDS), 2011–12. *Journal of Health, Population and Nutrition*, 44, 419. [Link](#).

Das, M., & Kumar, M. (2025). Poverty due to Noncommunicable Diseases among Indian States using Human Development Survey Data. Research Square (Preprint). [Link](#).

Deshmukh, N. (2025). Weathering the Drought: Risks and Resilience Patterns in Functional Health of Older Adults Across Rural India. Research Square (Preprint). [Link](#).

Jahan, N. (2025). Three essays on environmental economics. [Thesis, University of Manitoba, FGP - Electronic Theses and Practica]. [Link](#).

Kaur, S., & Sharma, N. (2025). Insights into economic inequality and economic mobility: a longitudinal analysis of agricultural and non-agricultural household income in Punjab, India. *Indian Growth and Development Review*, 1-16. [Link](#).

Pandoh, A., & Singh, A. (2025). The Inequality Within: Why Women's Wages Reveal India's Next Growth Test. *The Policy Edge: Opinion*. [Link](#).

Rafi, M., Prasad, S., & Naseef, M. (2026). Socioeconomic Impacts of India's Rural Job Guarantee Program: Evidence From MGNREGA. *Journal of Public Affairs*, 26(1): e70100. [Link](#).

Sedai, A. K., Yasar, M., Crowder, W., & Bhukta, R. (2025). Banks and Inequality: Evidence from a Nationwide Branch Expansion Policy. *Journal of Money, Credit and Banking*. [Link](#).

Sabet, S., & Gathen, J. (2025). The Unproductive Wealth of Nations. The Case of Gold in India. *Working Paper*, London School of Economics. [Link](#).

About IHDS

The India Human Development Survey (IHDS) began as a nationally representative, multi-topic survey of 41,554 households in 1,503 villages and 971 urban neighbourhoods across India. The first round of interviews were completed in 2004-05; the Data is publicly available via ICPSR. The second round re-interviewed most of these households in 2011-12 (N = 42,152), and data for the same are available via ICPSR. Fieldwork for IHDS-III was undertaken in 2022-24, and data is currently being cleaned and processed.

The IHDS-III has been jointly conducted by researchers from the University of Maryland, the National Council of Applied Economic Research, Indiana University and the University of Michigan.

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