

# **Labour Market Shocks and Evolution of Dowry Payments: Evidence from India**

## **Abstract:**

This paper examines whether current economic changes can influence traditional marriage institutions in India. I study if labour market shocks influence the size of bride-to groom marriage payments, or dowries, in India. I exploit the 1991 trade liberalization reforms to investigate changes in female employment and earnings across districts in India and measure its impact on the size of marriage payments using a difference-in-difference identification strategy. Dowry payments decrease faster relative to the national trend in districts that are more exposed to trade reforms. The decline in dowry is explained by an improvement in economic position of women relative to men. I do not find evidence of other channels such as income effects of trade or changes in marriage market matching patterns as the operative force driving the decrease in dowry. By causally linking the economic potential of women to the size of marriage payments, this paper shows that changes in economic environment can affect cultural customs. It suggests a useful alternative to legislative ban on dowry which remains ineffective even today.