

BEHAVIOURAL NUDGES IN THE ARENA OF MACROECONOMICS IN INDIA: MAKING A DIFFERENCE IN HEALTH AND EDUCATION

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ABSTRACT

Nudge theory in economics is Richard Thaler's Nobel Prize-winning insightful research along with Cass R Sunstein's Holberg prize. This entrenched the idea in social science. It is an interdisciplinary interphase bordering on social and psychological aspects of economics. Nudge theory does not harm the civil liberty of the people it is meant for, it gives them a choice to change for their own benefit and for the nation as a whole. Nudge in policies has been mostly successful in engineering the desired change.

Macroeconomics policy relies in ensuring the development and growth of the nation as a whole and has been silently relying on the Nudge or the soft push to align people with what the policy desires to achieve, the intended goals. Nudge theory has been used for generations, but it took Thaler in 2008 to look into it from the economics point of view and explain and bring it into the policy discussion table in the theoretical studies. This paper explores the Nudge theory used in the Indian economy in the political arena through the various policies rolled out. The Research Design here is to include India as the study area is based on secondary sources and is analyzed through charts and other statistical tools. This research paper will guide those who are interested in the functioning of Nudge in policy and planning in Indian economics.

Keywords: Interdisciplinary, Nudge, Macroeconomics, Economy, policy

INTRODUCTION

Behavioral economics uses Nudge, which is "to push something or someone gently" (Cambridge, 2022) for better outcomes. Richard H Thaler and Cass R Sunstein introduced the concept of Nudge Theory in 2008 by publishing the book 'Nudge- Improving Decisions about Health, Wealth, and Happiness.' According to them, Nudge Theory is a great way to gently push people towards certain behavioural changes which are important for them and the society as a whole, while giving them a free will (Thaler & Sunstein, 2008).

Nudge Theory focuses on indirect encouragement rather than enforcement. Forcing change can be extreme, confrontational, and can lead to resistance, whereas, Nudging changes can be less confrontational, relatively smooth, pleasurable, and manageable. It believes in the philosophy of the need to preserve an individual's free choice rather than forcing decisions on them. Nudging people

into proper behaviour for economic growth is one of the best ways to achieve the country's desired development goals. Policies designed to nudge people ultimately bring more benefits for the individual and the nation. Due to the work of psychologists Daniel Kahneman, Amos Tversky, and American Academics

Richard H Thaler and Cass R Sunstein Nudge, is now an application in behavioural economics (CBSB 2022, HLS 2022). Nudging people into implementing the policies and other macroeconomic activities which help in the economic growth led to the setting up of Nudge Units or Behavioural Insights teams in countries like Germany, Singapore, and Ireland.

India's policy-making has used Nudge with cautiousness. The economic survey (GOI, 2019), chapter titled "Policy for Homo Sapiens, Not Homo Economicus: Leveraging the Behavioural Economics of Nudge" provides the policy makers a behavioural reasoning platform for nudging people toward desirable behaviour. The Nudge theory uses the concepts of human psychology and how it can be used to change people's behaviour toward a desirable demeanour. National Institution for Transforming India (NITI) Aayog has a Nudge Unit or a Behavioural Insights team in India (Gaurav, 2019).

Macroeconomic scenario has been indulging in the policies of Nudge as they are rising in popularity. Therefore, this research paper explores the policies of nudge. NITI Aayog's Nudge Unit is explored and so are various policies that have and are being rolled out based on behavioural economics. Secondary data has been collected from research undertaken in social sciences with respect to India and through the policies being followed by the various ministries, NITI Aayog. Policies which have and are making a difference are explored through the "Nudge" lens. The study's focus is Health and Education aspects in policy and achievements since these two areas capture the crux of economic development of the nation.

Macroeconomics Nudges are becoming intrinsic to behavioural economics and policy-making in India. This research explores possible behavioural pathways are changes desired through policies. This research paper will guide those interested in the functioning of policy and planning Nudges in Indian Economics. The paper shows that nudges that softly push the homo economicus results into them behaving in a more human- homosapien way.

REVIEW OF LITERATURE

Understanding that humans do not behave rationally, as certain biases cloud their judgment, behavioural economics understands it and gives in to the importance of human psychology. Nudging people between "Laissez faire" and "Incentives" pushes people gently towards desirable behaviour, successfully implementing the policies while giving the individual the freedom to opt for their choice (GOI, 2019). The drift in an individual's choice of what he does instead of what he should is due to the Cognitive biases (Cherry, 2020). Amos Tversky and Daniel Kahneman (1972) described the concept, which states the error in an individual's thinking during interpretation. Nudging can help people overcome these cognitive biases Sharma et al., (2017).

The concept of Nudging developed years before it was named. Psychologists try to find the reasons that explain an individual's behaviour and alter them. Maslow's Need of Hierarchy is such an example. Abraham Maslow, in his theory of Motivation, describes the five needs of humans which motivate human behaviour. The needs start from the lowest level, that is, physiological, and step up to the next level when an individual fulfils his needs. (Cherry, 2022). These needs nudge people to behave in a way to fulfil them. Importance of Nudging people into implementing the policies and other macroeconomic activities which help in the economic growth led to the setting up of 'Nudge Units' or 'Behavioural Insights' teams in countries like Germany, Singapore, and Ireland. Following these steps towards development, NITI Aayog announced the setting up of a nudge unit in India (Gaurav, 2019).

Policy proposals and policies have ridden on behavioural economics. In the article 'Industrial Growth in the 1980's' Kelkar & Kumar (2019) emphasise the use of incentives for policy reforms through "the long-term fiscal policy needs to be modified so as to encourage savings by a further sharpening of incentives" and requirement of "an urgent reform of the export incentives structure so as to link imports of capital goods and intermediate inputs more strongly to actual export performance and export obligation and also 'providing free trade like regime to domestic manufacturers of capital goods and intermediate products to source their inputs either domestically or through imports in industries which are facing competitive pressure from imports in their competitive markets'" Leading people towards sustainable development is a joint work of intrinsic, extrinsic, and societal rules (Agarwal, 2020). The use of nudging in policies is a valuable tool, but several challenges also narrow its scope. The article "Policies Need a Cautious Nudge" (Gaurav, 2019) states the worries about the lawfulness of Nudge and argues that the basis of behavioural economics are the biased judgment made by the people and questions how can people decide what is beneficial for themselves and thus nudge themselves into rationalization

OBJECTIVE OF STUDY

- This research paper tries to analyse the various policies in the Indian macroeconomic arena and provides the reasoning behind the policies of nudge.
- The study also tries to analyse the impact of such policies on Health and Education

RESEARCH DESIGN

The study is based on the policy and planning at the macroeconomic level in India. The data is sourced as secondary data from the Government of India websites such as those of the various ministries, the economic survey and NITI Aayog. The data has been analysed statistically through tables and graphs. The study's focus is Health and Education aspects in policy and achievements.

HYPOTHESIS

H1 = Policies have been engineered with the aspect of 'Nudging' in India

H01 = Policies have not been engineered with the aspect of 'Nudging' in India

H2= Nudging aspect in Indian macroeconomic policies has helped in achieving desired goals

H02= Nudging aspect in Indian macroeconomic policies has helped in achieving desired goals

Analysing the Policies of Nudge in Economics

The macroeconomic policies for India which are trying to use behavioural economics for the benefit the people and of the nation are analysed under the following

- Health and Nutrition and the macroeconomic policies that use nudging
- Education and the macroeconomic policies that use nudging

The tables below present the impact of nudging and it also presents analysis of the usage of nudging with regard to the achievement

Table 1: Health and Nutrition and the macroeconomic policies that use nudging

Year	Policy	Aim	Nudges
1995	Mid-Day Meal	Eliminate hunger during the education	Nudges students to eat healthy and nourishing food
2014	Swatchh Bharat Mission	Focus on Sanitation	Attracts citizens to schools and other areas with cleanliness and toilets and gives a positive push
2015	Pradhan Mantri Jeevan Beema Yojna	Increase in the coverage of insurance amongst the citizens	Nudging people towards taking health insurance
2018	Ayushman Bharat Programme	Coverage for each family upto 5 lakh per year	A slight push for the people who are below poverty line to get proper treatment

Author's own (reference:Yojna, 2016; Ministry of Jal Shakti, 2022; MoF, 2022 &NHPM, 2018)

Here it is nudge that is inbuilt in the policies regarding Health and Nutrition, thus the nudges are an important part of the working of these policies. An opportunity for people to choose healthy meals, thus attracting students as well as health insurance and free treatment for the ones below poverty line.

Table 2: Education and the macroeconomic policies that use nudging

Year	Policy	Aim	Nudges
1995	Mid-Day Meal	Increase in the enrolment and attendance of the students	Nudging students to attend classes by offering them nourishing meals on a daily basis
2009	Rashtriya Madhyamik Shiksha Abhiyan	Improving the quality and accessibility to secondary education	Quality attracts students
2015	Sukanya SamridhiYojna	Saving funds for girl child education or marriage	Nudging for reducing gender bias withhigher studies fund and savings
2015	Beti Bacho BetiPadhao	Gender ratio and women education	Nudging for increasing girl child ratio and school enrolment

Author's own (reference:Yojna, 2016; NIC, 2021; NSI, 2022;BBBP, 2019)

Analysis of the impact of the macroeconomic policies through Health and Education Index in the larger states of India has been undertaken. The data makes it clear that nudging has had a positive impact but the change has been slow. This could be due to the fact that nudging itself leaves the choice to the consumer to take the benefit the way they seem fit. Education for all and a special focus on the girl child's education could push the nation towards a higher level of development achievement.

Table 3: Analysing Health and Education Index

States of India	Health Index 2018-2019	Health Index 2019-2020	Education Index 2015-2016	Education Index 2016-2017
Kerala	81.60	82.20	77.64	82.17
Tamil Nadu	70.79	72.42	63.16	73.35
Haryana	49.81	49.26	51.04	69.54
Maharashtra	65.54	69.14	58.64	62.55
Rajasthan	41.57	41.33	51.25	59.43
Punjab	56.33	58.08	50.74	59.06
Uttar Pradesh	25.06	30.57	32.81	46.45
Bihar	30.24	31.00	30	37.3
Madhya Pradesh	33.37	36.72	44.42	47.24
Andhra Pradesh	68.88	69.95	48.42	56.08

Table is authors own (data source: NITI 2016, 2017a, 2017b, 2019 & 2020)

There are some slow-moving states and some high moving states in terms of Health Index and Education Index. States of Kerala and Tamil Nadu are leading states while Uttar Pradesh and Bihar and Madhya Pradesh have much to achieve in terms of these indices.

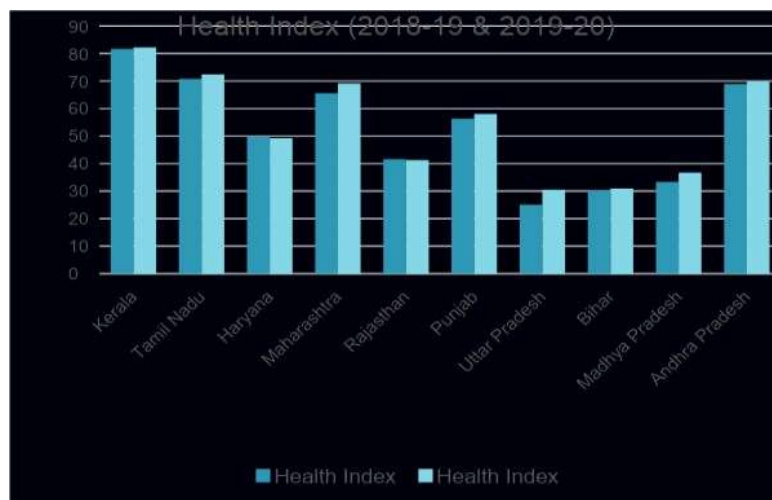


Chart 1: Health Index for larger states for 2018-19 and 2019-20

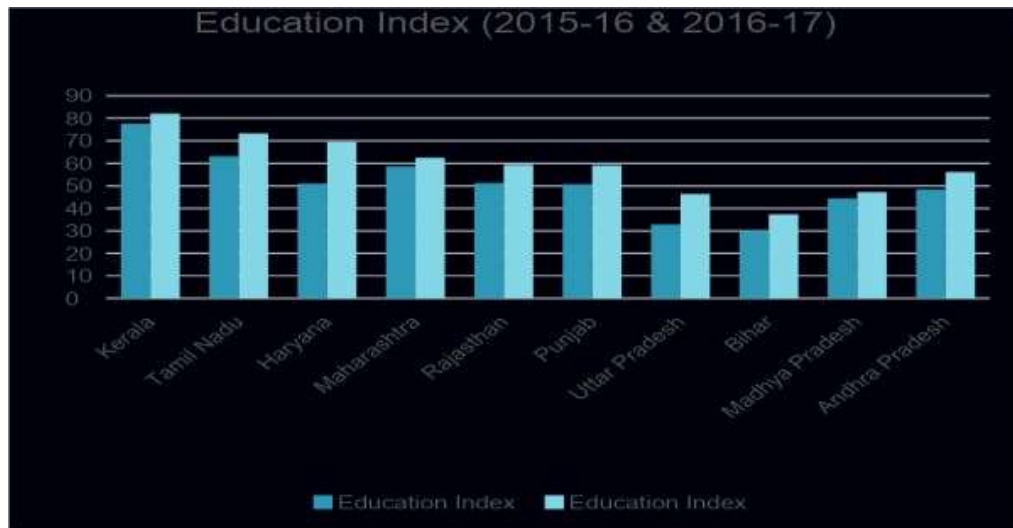


Chart 2: Education Index for larger states for 2015-16 and 2016-17

In terms of health and Education Index all the larger states of India shown here have progressed, this itself is an achievement as the states are making the scenario better for the people concerned and rising on the development scale. The charts show a steady change in the various states; some have been achievers but the ones who are lagging behind because of many macroeconomic factors are also working hard through the policies of nudge to improve their standing.

CONCLUSION AND RECOMMENDATION

Nudges in various forms in policies have made a change globally and in India. Macroeconomics has used nudging in various spheres including health and education, the two basic and very important criterions of development for any economy. The term Nudging in Behavioural Economics raised itself on to a platform much later but the usage of nudging in policies subtle form did exist.

In India the path of behavioural economics is being lighted by the government through the Economic Survey (GOI, 2019) thus successfully introducing the concept of "Nudge" in relation to the public policies and shows the successful outcomes of Nudging in policies like "Beti Bacho Beti Padhao, Swachh Bharat Mission, and Give it Up." Thus, nudging can be put to use in various ways as there are different types of nudging as explained by Thaler and Sunstein in their book 'Nudge the final edition'. These can be further explored to find out which would work for which of the Indian states

better and they should accordingly be incorporated into the system of macroeconomic policy making. These should be protected so that on the basis of visible changes the policies should be reformulated.

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