

A STUDY OF THE NUDGE THEORY IN INDIAN CONTEXT

Balaji Mudholkar, Ph. D.

Assistant Professor, School of Commerce and Management Science, SRTM University, Nanded

Abstract

This paper has provided an explanation on nudge theory; Nudge theory has great importance in changing the economic and social behavior of the people. This research paper is based on secondary data from various authorized government sites with comparing the theory of Nudge. Researcher will try to take present stock of Nudge theory in Indian context.

Key words: *Nudge, Economic, social behaviour, theory, policy.*



Scholarly Research Journal's is licensed Based on a work at www.srjis.com

Introduction: Nudge theory was popularized by Richard Thaler and Cass Sunstein both the behavioral economics researchers. This theory written in the books of Nudge: Improving decisions about Health, Wealth and Happiness. Nudge theory focuses on the design of choices, which affecting the decisions we take. The theory is based on heuristics --- a Greek word that now means self discovery which are mental shortcuts that people take to solve problem or make fast decision. The nudge theory related to behavioral science, political theory and behavioral economics which affect the positive impact of the economy and country. Outcomes of the nudge theory of the Indian contexts related to economic, social, wealth and welfare. After the 2015 Indian government is trying to implement the nudge. Nudge also involves the advertising the old products and schemes with new design and forms. Now we saw the some important examples of the nudge in the Indian contexts and its outcomes like in financial inclusion, sanitary, taxation, black money, corruption.

What exactly is a nudge? Nudge is the idea that subtle suggestions, choices and positive reinforcement often accomplish more influence than commands, rules and punishment. It has implication for government, education, marketing, leadership and any other domain that relies on social influence. It is behavioral science. In this theory government select one person as icon for promoting any policy for drastic changes the behavior of the people in India like Prime Minister of India Work as a ambassador of Swatch Bharat Yojana with framing new name. in this types of nudge government uses the road block advertisement in the economy. Advertisement will force to people to adopt the culture of new policy. In the

Indian perspective people not aware to how nudge theory applying to society. They should try to focus with micro level changes of the policy and its implication.

An objective of this paper is:

1. To study the basic concepts of Nudge theory.
2. To study the Nudge theory in Indian Context.

Types of Study: This is purely descriptive research study based on secondary data gathered from various websites.

Types of Data: for this study secondary has been used. Data gathered from various source like research articles and government websites.

Initiatives of nudges in the Indian context:

Sr. No.	Initiatives	Alteration of the initiatives	Reference
1.	Give it up	“Direct Benefit transfer of LPG scheme PAHAL (Pratyaksh Hanstantrit Labh)”	https://pib.gov.in/newsite/PrintRelease.aspx?relid=114245
2.	Swatch Bharat	“Swachata hi seva” “ek kadam swachata ki aur”	pmindia.gov.in
4.	Atal pension scheme	Swavalamban	https://www.pfrda.org.in/index1.cshtml?lsid=247
5.	Beti Bachavo Beti Padhavo; and BADLAV (Beti Apaki Dhan Lakshmi Aur Vijay Lakshmi)	National Girl child day program	https://wcd.nic.in/sites/default/files/AR2008-09.pdf
6.	Pradhan mantri Jan-Dhan yojana	Financial inclusion scheme	Pmjdy.gov.in
7.	Pradhan Mantri Fasal Bima Yojana	Comprehensive Insurance Scheme	
8.	Make in India	National Manufacturing Policy	https://dipp.gov.in/policies-rules-and-acts/policies/national-manufacturing-policy
9.	Digital India	National eGovernance Plan	https://meity.gov.in/divisions/national-e-governance-plan

10.	Skill India	National Skill Development Program	https://educationinnovations.org/program/national-skills-development-corporation-nsdc
11.	Deendayal Upadhyaya Gramin Kaushalya Yojana	National Rural Livelihood Mission	https://aajeevika.gov.in/content/welcome-deendayal-antyodaya-yojana-nrlm

Give it up: LPG Subsidy is a campaign that was launched in March 2015 by the Indian government led by Prime Minister Narendra Modi. It is aimed at motivating LPG users who are able to afford to pay the market price for LPG to voluntarily surrender their LPG subsidy.^[1] As of 23 April 2016, 10 million people had voluntarily given up the subsidy.^[2] The surrendered subsidy is being redistributed by the government in order to provide cooking gas connections to poor families in rural households free of cost. Maharashtra, Uttar Pradesh, Karnataka, Delhi and Tamil Nadu are the top five states to give up the subsidy. Here in this initiative nudge theory applied with name change of “Direct Benefit transfer of LPG scheme PAHAL (Pratyaksh Hanstantrit Labh) to give it up and used emotional advertising by the government.

Swachh Bharat: Conclusion on “A study of the Nudge Theory with context to India”. These are some initiatives are taken by the government to applying nudge theory. But as per India’s concern Nudge theory are used only for the political benefits. The Economic Survey explains how behavioural economics and ‘nudge’ were used successfully in the Swachh Bharat Mission and the *Beti Bachao Beti Padhao* campaigns. For instance, the use of local ‘swachhagrahis’ as footsoldiers of the Swachh Bharat Mission and the ‘Selfie with Daughter’ initiative in the *Beti Bachao Beti Padhao* campaign drew upon the psychology of human behaviour to nudge towards positive change. It drew attention to positive influencers, including friends or neighbours, that represent role models with whom people could identify. The Economic Survey has laid out an ambitious agenda for social and economic change using behavioural economics concepts and nudge. For instance, it has recommended a relabelling of *Beti Bachao Beti Padhao* to BADLAV (*Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi*) to improve gender equations in the country, drawing upon mythological role models, and social

and cultural norms in the country. Other recommendations include a move from Swachh Bharat to Sundar Bharat, and from the “Give it up” campaign for the LPG subsidy to a “Think about the Subsidy” campaign. The Survey also recommends that tax compliance in the country can be encouraged through a campaign that honours honest tax payers.

Atal pension scheme: Pension regulator PFRDA is eyeing a subscriber base of 1.5 crore for the Atal Pension Yojana (APY) by March-end, a top official said. This will be a substantial jump over the subscriber base of 97 lakh as of March-end last year, Supratim Bandyopadhyay, Member (Finance), PFRDA, told *BusinessLine*. “We have already added 44 lakh new APY subscribers up to December this fiscal. We will certainly cross 50 lakh this fiscal. The aspiration of 1.5 crore subscriber base is doable by March,” he said. He felt the aim for APY should be to cover 4 per cent of the target population (about 40 crore in the 18-40 age bracket), from the current level of 3.5 per cent.

Pradhan mantri Jan-Dhan Yojana :Accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY), the flagship financial inclusion scheme, have been witnessing a steep hike in average balance. There has been a rise of up to 24 per cent in the average balance of these accounts across banks during the last one year, according to individual data available with major banks. Banks claim the surge is the highest so far. State Bank of India (SBI) witnessed an increase of more than 24 per cent in the average balance of financial inclusion accounts to ₹1,988 in December 2018, against ₹1,594 in the year-ago period. For Bank of Baroda, the same had gone up from ₹2,875 to ₹3,169, while Punjab National Bank registered an increase from ₹1,879 in December 2017 to ₹2,217 in December 2018.

A senior SBI official attributed this to a general increase in transactions, as well as deposits, in these accounts. “There is greater awareness about add-on facilities such as overdraft, insurance, as well as direct benefit transfer, which is also aiding to these accounts,” he said. While 20.46 lakh accounts were found eligible for OD facility, SBI had extended it to over 50 per cent of these accounts. From what was once seen as white elephants, financial inclusion is leading to an increase in Current Accounts and Savings Accounts (CASA) for banks. Canara Bank, for instance, has secured Rs.2,215 crore as CASA deposits from PMJDY accounts as per the last quarter figures. While all banks posted increase in overall balances, the total balance under PMJDY in all banks put together is at Rs.90, 217.40 crore, as on February Rs. 6, 2019, with Rs. 34.26 crore beneficiaries.

Pradhan Mantri Fasal Bima Yojana: Pradhan Mantri Fasal Bima Yojana (PMFBY) has witnessed an increase in claims from the farmers across the nation in 2018-19. The claims ratio of the General Insurance industry went up to 93% for the year ended March 2019 as against 85% in the last year, according to General Insurance Corporation of India (GIC re). This means farmers have claimed 93% (over Rs 25,110 crore) of the Rs 27,000 crore of the crop insurance portfolio under the scheme as against 85% (around Rs 20,400 crore) of around Rs 24,000 crore portfolio in the previous year.

Make in India: Impact: Since its launch, Make in India has played a major role when it comes to improving ease of doing business in India. The various initiatives being undertaken have made a hugely positive impact on investor confidence. Some of the major achievements are as follows:

- Total FDI between April 2014 and March 2017 amounted to around 33% of cumulative FDI into India since April 2000. In 2015-16, FDI inflow crossed US\$ 50 billion for the first time in any fiscal, and further in 2016-17, FDI reached a record figure of US\$ 60 billion. Cumulative FDI inflows from April 2000 to March 2018 had reached US\$ 546.45 billion (including equity inflows, invested earnings and other capital). In 2017, India retained its position as the world's most attractive destination for Greenfield FDI.
- Measures to improve business confidence have led to progressive improvements in India's rank in the World Bank's ease of doing business rankings from 142 in 2014 to 100 in 2017.
- Five industrial corridors and 21 new nodal industrial cities are being developed to boost industrial growth.
- The Insolvency and Bankruptcy Code 2016 has consolidated all rules and laws pertaining to insolvency into one legislation, thereby bringing India's bankruptcy code in step with global best practices.
- The Government of India introduced a holistic National Intellectual Property Rights (IPR) policy in May 2016 in order to spur creativity and innovation in the Indian economy. During April - October 2017, 45,449 patents and 15,627 copyrights were filed in India, out of which 9,847 patents and 3,541 copyrights were granted.

Impact of Digitization on Indian Economy:

- Digitization has played a significant role in helping the Indian economy to flourish. The best example is creating job opportunities for young people. Everybody in the nation now talks about information technology. Furthermore, the “make in India” initiative encouraged the youth to start enterprises and this turned them into dynamic entrepreneurs. Digitization is what made this possible.
- In the recent years, the central government banned currency notes of the Rs. 1000 and Rs. 500 denominations. This ban was known as demonetization. The government took this step in order to restrain the circulation of black money in the nation and prevent the associated problems.
- The Indian government is encouraging the public to stop relying too much on cash transactions. The goal of this initiative is making Indians adopt digital payments. Digital transactions help people abide by the law, which is beneficial for the economy. By using plastic money, citizens can enjoy freedom and security because it functions on technical grounds. Digital payments are known to be beneficial in any part of the world. People who engage in terrorism and money laundering activities mainly use cash to transact. Therefore, using digital payments is a good way to discourage terrorism and money laundering.
- The society is already feeling the impact of digital economy in terms of employment and contribution to the gross domestic product among other things. Digitization in India makes it easier for citizens to access high speed internet. Digitization has also simplified mobile banking. Reaching the Digital India scheme is now easier because a Common Service Center is available in the cloud, where you can share private data. The cloud is secure and safe from cyber crimes.
- Digitization assists enterprises to streamline their processes by slowly eliminating their dependency on paperwork. Banks are one of the biggest beneficiaries of digitization. They can now use certain processes to enable their staff to do more work.
- Digitization also makes it easier for the nation to progress by promoting the use of e-services. Digitization makes it easy for citizens to use many government services. By promoting digitization efforts, the government is also moving towards development. It

is creating new opportunities in terms of technology, jobs and transparency. Digitization has also helped streamline the process of filing taxes.

- As a digital agency, GBIM technologies Pvt. Ltd is a firm believer in the idea of digitization. This idea can transform India into an economic powerhouse by reducing paperwork and dependency on government employees. This can even help reduce corruption.
- At GBIM, we believe that digitization will have significant implications for the household, corporate and public sectors. We offer many digital services at GBIM including digital marketing. As a business owner, we can help you to enhance your online presence, generate more revenue and improve brand recognition. Our digital marketing professionals use the best practices and solutions to assist business owners to market their services or products. Our digital marketing team consists of social media professionals, SEO experts, content developers and graphic designers among other experts.

Conclusion: The purpose of this paper was to obtain a better understanding of how nudging is integrated in public policy and public management. More specifically, the paper looked at the current state of art of the literature regarding nudging in the field of public policy and public management. The 2017 Nobel Prize for economics went to Richard Thaler for his ‘nudge theory’: small policy tweaks based on behavioral sciences that help achieve large scale outcomes at a low cost. Thaler’s ‘nudge’ has been deployed successfully by many countries from Britain to the US. In India, it could help solve the farmers’ crop stubble-burning issue better.

Thaler’s Nudge Theory is based on how people think and behave. It helps evolve subtle policy shifts to improve people’s default decision-making without penalizing or coercing them. ‘Nudge’ is introducing smaller plate sizes in buffet meals to decrease food waste. Or making peer comparison data visible to consumers to curb water consumption (such as in Costa Rica) and electricity usage (in Britain and Singapore). Businesses and countries globally are embracing it. The British government has set up Behavioral Insights Team (BIT) to shape its policymaking. The US government also has one. To promote healthy eating, Google reorganized fridge usage with bottled water at eye level and soda at the bottom, thereby boosting water intake by 47% and registering a dip in aerated drink

consumption by 7%. Based on behavioural economics, \$ave NYC initiative in the US nudges low-income households to be more financially responsible. For better waste management, Istanbul recently installed 'reverse vending machines' to offer a small reward in exchange for recyclable plastic bottles.

In India, outfits like Final Mile and Briefcase are deploying behavioural sciences to support businesses and policymaking. Deaths at unmanned crossings — on average, eight lives are lost in Mumbai daily — is a serious problem. Final Mile's low-cost pilot drawing a yellow line along railway tracks in Mumbai cut deaths by 75%. Briefcase's Bleep experiment to curb honking in India has shown encouraging results: a 60% dip. But big scale-up has been elusive. If it is easy and low cost, then why isn't India embracing it? New policy experiments require confidence and conviction to pilot. In a democracy where perception matters more than reality, a Rs 50,000 crore project pulls far more weight than a Rs 50 crore one. Hopefully, successful global nudge experiments, and India's shifting policy thrust from input to outcomes, will help nudge its governments — central and states — to embrace it.

References:

- <https://timesofindia.indiatimes.com/business/india-business/non-salaried-taxpayers-up-but-salaried-still-bear-tax-brunt/articleshow/66324459.cms>
- https://www.researchgate.net/publication/277013374_From_mechanism_to_virtue_Evaluating_Nudge-theory
- <https://www.thequint.com/news/india/bjp-has-merely-renamed-19-out-of-23-congress-schemes-report>
- <https://simplicable.com/new/nudge-theory>
- <https://www.livemint.com/budget/economic-survey/economic-survey-draws-on-behavioural-economics-to-lay-the-roadmap-for-growth-1562225486882.html>
- <https://www.hindustantimes.com/analysis/how-the-swachh-bharat-mission-is-nudging-people-to-use-toilets/story-Fr4J0zzdhIcVQnb4WqtdJ.html>
- <https://www.thehindubusinessline.com/money-and-banking/atal-pension-yojana-pfrda-sees-subscriber-base-at-15-cr-by-march/article26092776.ece>
- <https://www.ibef.org/research/india-study/make-in-india>
- <https://www.gbim.com/impact-of-digitization-on-indian-economy/>
- Nudging in Public Policy and Public Management: A scoping review of the literature.* Hannah Van Deun, Wouter van Acker, Ellen Fobé *, Marleen Brans
- <https://economictimes.indiatimes.com/blogs/therovingeye/push-comes-to-nudge>
- <https://www.cps.iitb.ac.in/nudge-fudge-a-critique-of-using-nudge-theory-in-policymaking-in-india/>
- <https://www.youthkiawaaz.com/2019/08/nudging-india-using-behavioural-economics-in-public-policy>
- <https://behavioralscientist.org/context-matters-for-nudgers-too-a-lesson-from-india>
- <http://www.drishtiiias.com/daily-updates/daily-news-editorials/behavioural-economics-for-new-india>