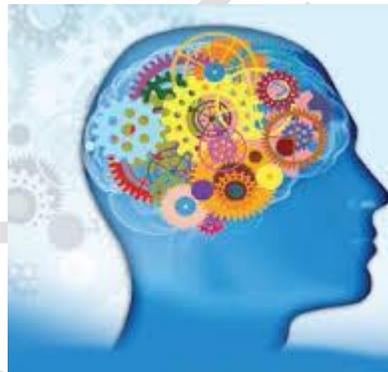


WELCOME

To

Chapter TWO of Vol.1

Behavioural Economics



Before we go through the details, let's go through a

Quick Summary

summary

- Drawing on the psychology of human behaviour, **behavioural economics** provides insights to 'nudge' people towards desirable behaviour.
- The **key principles** of behavioural economics are
 - emphasising the beneficial social norm,
 - changing the default option and
 - repeated reinforcements.
- Swachh Bharat Mission (**SBM**) and the Beti Bachao Beti Padhao (**BBBP**) have successfully employed behavioural insights.
- Insights from behavioural economics can be strategically utilised to create an aspirational agenda for **social change**.

**Now, it's time for the
Details**



PUBLIC POLICY & BEHAVIOURAL ECONOMICS



- Public policy affects all aspects of our lives. Public policy influences people to act in a **socially desirable way** such as driving safely, conserving natural resources, educating children, to name a few.
- **Types of public policy:**
 - On one extreme is **laissez faire**, i.e. doing nothing and leaving individuals/ firms to chart their own course.
 - On the other extreme is **regulation** which mandates people to act in a socially desirable manner.
 - **Sandwiched** between these extremes are policies that incentivize good behaviour or dis-incentivize bad behaviour, such as subsidies for renewable energy and taxes on tobacco.
- **'Nudge' policies:**
 - Recently, a new class of “nudge” policies has been discovered that **lie between** laissez faire and incentives.
 - Nudge policies gently **steer people** towards desirable behaviour even while preserving their liberty to choose.
- **Behavioural economics:**

- Behavioural economics relies on the essential insight from **human psychology** that real people do not always behave like robots, rational and unbiased individuals.
- **For example**, studies have shown that enrolment rates in a healthcare or retirement savings plan improve dramatically if the plan is designed as an opt-in by default embedded with the option to opt-out, as opposed to voluntary enrolment by opting in.
- Understanding these principles of behavioural economics, therefore, can bridge the gap between people's preferences and the choices they make, and thereby **enable informed policymaking**.

APPLICATIONS OF BEHAVIOURAL INSIGHTS IN INDIA



- **SWACHH BHARAT MISSION (SBM)**



- SBM is the first one to emphasize **behaviour change** as much as, if not more than, **construction of toilets**.
 - Within five years of the launch of SBM, household access to toilets has increased to **nearly 100 per cent** in all states.
 - SBM has achieved success in not only providing toilets but also in ensuring that these toilets are **used**.
 - SBM has shown that toilet access and usage can be suitably increased with **behavioural nudges** that push female literacy rates up and discourage early marriages of girls.
 - Behavioural insights used by SBM are as follows:
 - **Swachhagrahis**, foot soldiers of the SBM, were recruited; the similarity with satyagrahis is intentional to reinforce the message.
 - **Community-led approaches** induce people to come together, appraise their community's open defecation situation and plan the next course of action.
 - SBM used yet another behavioural insight -appealing to **people's emotions** has a better chance of moving people to change than concerns about hygiene and disease.
- **BETI BACHAO, BETI PADHAO (BBBP)**



- BBBP Scheme was launched to address the issue of decline in **Child Sex Ratio** and related issues of empowerment of girls and women. The campaign was flagged from **Panipat**, Haryana, which had the worst child sex ratio.
 - The **choice of Panipat** in the battle against the socially ingrained bias against the girl child was also symbolic through the association with the **famous battles** fought at Panipat in 1526, 1556 and 1761.
 - The **symbolism** captured by the choice of Panipat in Haryana **helped significantly** in matching the message to the relevant mental model.
 - Use of “**Social norm**” in BBBP:
 - The success of the BBBP Scheme demonstrates a powerful use of the insight on ‘social norm’ in its '**Selfie with Daughter**' initiative.
 - People needed to stop viewing girls as burdens and start celebrating them instead. The **selfie campaign** showcased examples of parents around the country who were doing exactly that. The **celebration of the girl child** quickly became the norm.
- **BADLAV (Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi)**



- Gender inequality needs a revolutionary campaign that utilises the benefits of **behavioural economics**.

- The campaign must draw on **cultural and social norms** because they affect behaviour so crucially in India.
- Our scriptures worship women as the embodiment of **Shakti**. **Ardhanareshwar** captures the equality between men and women. **Men** in ancient Indian society were **identified** with their **mothers**-Yashoda-Nandan, Gandhari-Putra, as well as their **wives/consorts**- Janaki-Raman, Radha-Krishna.
- Since such positive **mythological insights** about gender equality are readily available and deeply understood in Indian society, these can be used as part of a revolutionary **BADLAV** (Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi) programme to represent the 'change' towards gender equality.

- **GIVE IT UP**



- “Give It Up” encouraged **Above poverty line (APL)** households to **voluntarily surrender** their LPG subsidies – for every household that “gave it up,” a BPL household would receive a gas connection.
- The lack of economic incentives in this programme means the campaign relies entirely on the **better judgment** of people to voluntarily give up their subsidies.
- The campaign also attempts to leverage the power of social norms. People act when they see others act. The Give It Up

website has a “**scroll of honour**” to felicitate participants. Maintaining a **centralized list of names** and displaying the **photographs** of other participants in the same locality may increase the efficacy of the “scroll of honour”.

- **JAN DHAN YOJANA**



- While the Jan Dhan Yojana opened a large number of bank accounts in a short span of time, its success relies on people **using these accounts regularly**.
- The programme’s mandate is not only to open accounts but to enable access to credit, insurance, pension schemes and other facilities offered by the formal banking sector.
- The programme offers tremendous scope to employ behavioural insights.

- **IMPROVING TAX COMPLIANCE**



- In order to enhance tax compliance, behavioural insights need to be employed to modify the social norm from “evading taxes is acceptable” to “**paying taxes honestly is honourable**.”

- A start has been made through the budget speech of February 2019, which publicly and explicitly thanked tax payers, perhaps for the first time, thereby seeking to **honour honest tax payers**.
- **Highlighting the tax paid** by taxpayers in the panchayat/ district through SMS, billboards etc., can propagate the social norm that “paying taxes honestly is honourable.”
- Top 10 highest tax payers within a district can be highlighted and accorded due **recognition**.
- Further, the highest taxpayers over a decade could be **recognised by naming** important buildings, monuments, roads, trains, initiatives, schools and universities, hospitals and airports in their name.
- The repayment of debt in one’s own life is prescribed as necessary by **scriptures** across religions. Given the importance of religion in the Indian culture, the principles of behavioural economics need to be combined with this “**spiritual/religious norm**” to reduce tax evasion and wilful default in the country.

RECOMMENDATIONS



- First, the proposal to set up a **behavioural economics unit in the Niti Aayog** must be immediately activated.

- Second, every program must go through a “**behavioural economics**” **audit** before its implementation.
- Third, as several programs are administered by state governments, the behavioural economics team can **work with state governments**.

CONCLUSION



While social norms impact behaviour significantly in India, the power to employ behavioural change to alter these norms has not been adequately tapped. Implementing the agenda in this chapter would be a valuable step in this direction.

