



## “India Must Break the Stigma Around Support-Work Jobs to Curb Unemployment Crisis”

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### “Nation Needs to Boost Rural Demand for Sustainable Growth Strategies Without Deepening Debt”

**Intro:** India's unemployment crisis runs deeper than just job scarcity—it's a battle against the stigma that devalues essential labor - asserts behavioural economist **Janu Goswami** in an eye-opening exclusive interaction with **Mahima Sharma** of **Indiastat**. As inflation tightens its grip on rural and urban households, consumption falters, and economic growth alone can't mask the pain. On **Socio-economic Voices** this week, we figured out some bold solutions that Mr Goswami proposes to shift mindsets, empower rural communities, and tackle the rising cost of living, all while urging the nation to act before it's too late. Take a read...

**MS: How can the unemployment problem be solved in India? Can behavioural economics play a role in it and if yes how?**

**JG:** India faces a dignity of labor problem which is aggravated due to the complex socio-economic conditions such as the caste system, which makes the unemployment situation worse. In our society, there is often a stigma attached to menial jobs like carpentry, daily wage labor, or house help. We tend to look down on people engaged in these occupations. This mentality of society has made it more difficult for people who do these kinds of jobs. The day we begin to treat all types of work equally, our unemployment problem will start to be solved.

**behavioural economics can play a role here.**

- With the help of the media, a promotional campaign by our country's leadership should be done to **create empathy for the daily wage laborers and other menial job workers so that people engaged in such jobs feel motivated.**
- **Also, a general awareness must be created** among the masses that every kind of work deserves respect irrespective of the type of work.
- **More policy interventions, for example increasing the wages** of manual labourers can motivate more people to take up such jobs in general.

Even jobs such as teaching jobs are sometimes looked down upon by the brilliant minds in India as the teaching jobs do not get adequate respect and pay.

**MS: India's GDP grew by 8.2% in FY2024, led by manufacturing and exports. However, private consumption growth remained modest at 4% due to inflation and rural economic challenges. What behavioural factors might explain the subdued private consumption, despite overall economic growth?**

**JG:** The modest growth in private consumption despite having a robust GDP growth of 8.2% in FY 2024 can be attributed to several behavioural factors that drive consumer demand and growth. The major concern for the masses is high inflation.

I understand that the inflation numbers are moderate as per the Reserve Bank of India (RBI) but when we go on the ground and measure prices, my estimates say the urban inflation is around 12% and rural inflation is around 9%. Now with these numbers psychological pressure is created among the households to consume less and save more.

**The situation is even worse for rural households as high inflation is significantly reducing their purchasing power and they have started to consume only the necessities leaving all other consumption.**

Also, the agricultural income in rural areas has come down on a year-on-year basis and **the availability of credit in rural areas is still miserable** which is causing an issue for the consumption levels in rural areas.

**Another important factor here to be noted is inequality in wealth distribution.** This would look like a minor issue in a developing country, but it does impact the purchasing capacity of people in the low-income bracket as a majority of Indians come under the low-income bracket.

**MS: With rising inflation, how have consumer spending habits shifted in rural versus urban areas of India? And what more changes are expected in the next 5 years?**

**JG:** In the urban areas of India, the higher income group has not changed their consumption pattern and I do not think it will change in the near term, however, if we look at the lower income groups in urban areas, their consumption pattern has significantly changed to adjust to the rising prices. **The lower income group has significantly cut down on leisure goods** and any expensive purchases. They purchase only the necessities and that has caused the consumption levels to come down in urban areas. If we look at the consumption patterns of the rural areas where most people are in the low-income bracket, **the rural masses have changed their consumption patterns too, they have reduced certain purchases such as tractors** in rural India have decreased in the first nine months of FY2024.

**In the next 5 years I don't see the inflationary pressure cooling down but increasing and making the situation worse for the rural as well as urban consumers and all these could be attributed to macro-economic and geo-political conditions around the globe,** with more wars and conflict leading to a higher oil prices and prices of the basic goods going up even further and making the situation worse for the consumers.

**MS: While urban spending trends lean towards discretionary and lifestyle goods, rural consumption remains conservative. What strategies can policymakers use to stimulate rural demand without deepening debt cycles?**

**JG:** To stimulate rural demand, policymakers should take a sustainable approach to growth. **Government should be putting more cash flow to boost rural employment such as in Mahatma Gandhi National Rural Employment Guarantee (MGNREGA),** other steps should be to increase agricultural income by modernising agriculture in rural areas so that the productivity of the farmland increases, and more output could be sold in open markets which as a result increase the income of the people with agriculture land.

**Supporting entrepreneurship in rural areas by providing small and cheap credit to upcoming entrepreneurs** with creative ideas could boost rural demand too.

**Finally setting up more factories in rural areas and creating more special economic zones (SEZ)** can help solve the unemployment problem to some extent and increase rural demand in general.

**MS: What behavioural biases could explain the preference for gold as an investment despite the price spike as well as availability of other financial instruments?**

**JG:** Certain behavioural biases have been there with concerned investments in Gold for a long time and these behavioural biases relate to the human psychology of seeking safety and protection during difficult times. Also, certain other behavior like the herd behavior among the investors plays a role in gold being the preferred investment instrument, there could be other reasons such as cultural context where investors follow a culture of buying gold as a tradition that has been going on for generations. Above all, the brain plays a bigger role as anything that is safe and gives protection is taken by the brain as a haven and psychological changes can go a long way in deciding gold as the preferred investment.

**MS: What strategies can policymakers adopt to address herd behavior in stock market investments during periods of economic uncertainty?**

**JG:** Well, more training and information sharing regarding different risky investment instruments should be made available to retail investors as it is the retail investors in the stock market who get impacted during periods of economic uncertainty. Also, strong regulatory frameworks should be in place to curb retail investors from investing in risky instruments such as derivatives.

On the behavioural side, **investors should be rational in their behavior** while dealing with any kind of investment in the stock market. Policymakers can promote financial literacy among investors to make them more aware of the dynamics of the stock market and invest responsibly.

**MS: Manufacturing grew by 9.9% in FY2024, bouncing back from a negative growth phase. How can behavioural interventions, like nudging small enterprises towards formalisation or digital adoption, further boost this sector?**

**JG:** The manufacturing sector in India witnessed a significant recovery in FY2024, growing by 9.9% after bouncing back from a phase of negative growth. This change underscores the sector's resilience and its vital role in India's economy.

Certain structural inefficiencies need to be addressed in the micro, small, and medium enterprises (MSME) segment.

- Behavioural economic interventions, such as **nudging MSMEs to formalise and do technology adoption** can largely help the sector.
- Also other changes like **simplifying processes by reducing red-tapism and adopting digital platforms** can provide much-needed help to increase operational efficiency within an MSME.
- **On the technology front, providing cheap access to software for inventory management** and other needs can also prove to be fruitful.
- From the behavioural economics aspect, **digitalisation of the loan application and disbursement process** to eligible candidates under MSME can also prove to be helpful and encourage MSME leaders to stay motivated mentally since the offline process of getting a loan involves several complicated steps and is much harder and difficult.
- Also, policies such as **decreasing interest rates for the MSMEs can be another game changer** as it will allow them to get hold of much-needed capital to expand and function in a more competitive environment.

**MS: With the fiscal deficit narrowing to 5.63% of GDP, how might public perceptions of fiscal prudence influence investment confidence? And what behavioural shifts could ensure broader participation in government-backed investment schemes?**

**JG:** The fiscal deficit has narrowed and it's a good sign of fiscal prudence by the current government. In order to do behavioural shifts to ensure broader participation in government-backed investment schemes, awareness can be made via the media about the financial stability of the current government and how a good fiscal policy can go a long way in contributing to job creation and the development of basic infrastructure. The results can be known by the confidence of general investors in government-issued bonds and other financial instruments.

Other behavioural aspects such as **creating awareness of the benefit of household savings and incentivising long-term investments** by providing tax benefits can motivate the public to go long on government-issued financial instruments.

Some other helpful ways could be to educate people on financial literacy, particularly in rural areas and low-income groups in urban areas. In total, providing clarity about the government's investment schemes goes a long way in ensuring that the general public understands the benefits of such products and schemes and helps in creating the basic risk appetite among the public to invest their hard-earned money in government-backed investment schemes. Such fiscal prudence and different behavioural methods could help in increasing investor confidence.

**MS: Net tax collections have shown robust growth. What role does behavioural economics play in improving tax compliance? And how might these strategies be tailored to different demographics?**

**JG:** Behavioural economics can play a greater role in improving tax compliance, we have to understand that the traditional methods of tax compliance such as penalties create psychological barriers and human beings' brain takes it as a form of punishment especially in a country like India.

Other ways of creating tax compliance could be to make taxpayers more responsible towards the country and make them feel that they are contributing to the process of nation-building. Evading tax is a dishonest act, so the concept of honesty should be accommodated here, taxpayers should be made aware that not paying tax is an act of dishonesty and it is morally or ethically wrong to not pay tax. **Subtle nudges like making the taxpayers feel that they have a shared responsibility** and duty as citizens of the country to pay taxes and contribute to the nation's help. These strategies could be taken to different demographics in different ways in rural areas.

**Governments should do campaigns to educate the complex tax structure** of the country in simple language for the people to understand, especially among the small business owners in rural areas who hesitate to pay taxes in general.

**MS: In the context of climate change, what behavioural interventions could encourage more sustainable practices in agriculture?**

**JG:** Behavioural interventions can play an important role in promoting sustainable agricultural practices to help reduce the impacts of climate change. By addressing cognitive functions, social frameworks, and structures, these interventions can help farmers to adopt sustainable agriculture practices. **One primary method is the application of nudges to make the farmers use more sustainable technologies and practices.** For example, providing farmers with simple knowledge about the benefits of crop diversification, organic farming, and water-harvesting methods can make these options more appealing to the farmers.

**Visual displays of technological products** can help farmers understand the technology better and help with the adoption of the same in their day-to-day agricultural activities.

**Societal norm-based interventions** can help in making behavior changes in the farm community.

**Displaying successful projects of farmers** who have adopted sustainable practices can create a sense of collective movement and reduce resistance to change. Farmers if they see other farmers in their communities becoming successful in adopting certain sustainable practices are more likely to adopt the same for themselves.

### About Janu Goswami

Janu Goswami is an Economist covering India as well as the world economy. Currently working in the research division of a global Real estate consulting firm, previously held a research position with the World Bank and as an Investment Banking Analyst at Goldman Sachs. Research interests are behavioural economics, Technology and Philosophy.

### About the Interviewer

Mahima Sharma is an Independent Journalist based in Delhi NCR. She has been in the field of TV, Print & Online Journalism since 2005 and previously an additional three years in allied media. In her span of work she has been associated with CNN-News18, ANI - Asian News International (A collaboration with Reuters), Voice of India, Hindustan Times and various other top media brands of their times. In recent times, she has diversified her work as a Digital Media Marketing Consultant & Content Strategist as well. Starting March 2021, she is also a pan-India Entrepreneurship Education Mentor at Women Will - An Entrepreneurship Program by Google in Collaboration with SHEROES. Mahima can be reached at [media@indiastat.com](mailto:media@indiastat.com)

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