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Exploring the scope and importance of Academia-Industry collaborations and employability of Economics Students in India with special focus on Behavioural Economics Research

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Abstract

Academia and Industry are the two main driving forces of our economy. For the successful and smooth functioning of the economy, there is a need for these factors to join hands and work together. In the US, Industries reach out to Universities and academic institutions to bring innovation to their work. While in India, corporate bodies majorly rely on their own research. This scenario has been observed to change in recent years. However, this change has been limited to the field of Pure Sciences majorly. Very less has been explored in social science research and in particular Economics research when it comes to Academia-Industry collaborations. There is a need for better linkage between the corporate sector and Academic Institutions in India as it will facilitate innovation in the corporate sector and equip students with new skills and knowledge facilitating employment in today's dynamic job market. This paper aims to suggest the scope and need for economics research collaborations in India with special reference to Behavioural economics research. It throws light on how such collaborations will increase the employability of Economics students in Job market as well as boost innovation in firms. It studies factors that act as challenges and suggests what can be done to accelerate Academia-Industry Collaborations with a focus on Behavioural Economics research.

1. Introduction

Academia and industry are two main pillars of the economy. A strong collaboration between these two will help in the development of the economy enabling innovation, and growth in the education system and also creating jobs and a suitable workforce for it.

In developed countries like USA, industries reach out to educational institutions to conduct research. However, in India, corporate prefer to conduct their own research.

In recent years, this scenario has been observed to change. There have been initiatives taken by various corporate and educational institutions to come together and bridge the gap.

There are few examples:

- HDFC Bank launched its plan to partner 50 technology companies and business schools to tap emerging ideas starting with IIT- Bombay and IIT-Roorkee as part of its industry-academia partnership scheme.
- The Ministry of Human Resource and Development (MHRD) also increased funding to IIT-Madras by nearly Rs. 300 crore to encourage innovation and strengthen industry-academia ties.

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- India Electronics and Semiconductor Association, the trade body representing the Indian ESDM (Electronics System Development and Maintenance) industry, signed four MoUs with IIT- Kharagpur to build a robust talent pipeline in the ESDM space.

Although these are very encouraging and goal-oriented efforts initiated by Indian industry and academia, these are mainly impure sciences fields. Even today, there is a lack of strong collaborations between academia and industry in India in the field of Social sciences, and in particular in the field of Economics.

2. Objectives

- To know the meaning and importance of behavioural economics.
- To explore the scope and need of academia-industry collaborations in India with special focus on Behavioural economics.
- To know the educational scenario in the field of behavioural economics in India.
- To suggest measures to create and strengthen academia-industry collaborations in field of Behavioural economics and increase employability of economics students in India.

3.Need for Study

Skilled labour plays a huge role in a country's economic growth and development. India is considered as one of the fastest developing countries being the 2nd most populous country in the world. In order to bridge the gap between corporate bodies' expectations and Students' skills and education, there is a need for academia- industry collaborations in India.

When talking about development it is often referred to India having an advantage of 'Demographic Dividend'. India has one of the youngest populations in aging world. It is high time that we start utilizing this for creating efficient workforce in India which can later culminate into overall development of the economy.

There is a dire need of creating employment-ready candidates in India. Economics is often considered as a knowledge branch having practical application and has a wide scope in banking sector, education sector, and corporate sector.Exploring and exploiting fullest potential of academia-industry collaborations though Economics can create good chances of employability among economics students and will be very beneficial for corporate companies for innovation, sales and marketing etc.

4. Data collection and methodology:

This study is exploratory in nature.

It is based on secondary data which is availed from- Research publications in Journals, newspaper articles, websites etc.

Behavioural Economics: An emerging area in Economics

Behavioural economics is a method involving economic analysis that applies psychological insights into human behaviour to explain economic decision-making.

Economics is based on the basic assumption of rationality on part of participants involved in the process. However, in reality it can be seen that no person is purely rational and human mind does influence the decision-making process of people. That is known as Bounded rationality. Drawing on the psychology of human behaviour, behavioural economics provides insights to nudge people towards desirable behaviour.

Richard Thaler- the US Academic won the Nobel Prize in economics in 2017 for his remarkable work in the field of Behavioural economics.

Meaning of Nudge:

A nudge is any aspect of the choice architecture that alters people's behaviour in a predictable way, without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are very subtle. There is nothing forceful. However, it manages to have the desired impact.

For instance, keeping the fruit at eye level counts as a nudge, but banning fast food does not work here.

The Nudge theory was popularized by Richard H. Thaler and Cass R. Sustein in their book (2008)- 'Nudge: Improving Decisions about Health, Wealth and Happiness'.

Role of Behavioural economics in Innovation and Product development:

Placing behavioural economics in developing product innovation is about connecting behavioural insight to a potential white space, and then working with fast thinking techniques to optimize the way people interact with the product.

The route to successful innovation has 2 key stages to it.

- Identifying the white space to define a proposition
- Optimizing the proposition for market.

Behavioural economics has highlighted particular cognitive biases and heuristics that affect our behaviour which can be woven into different aspects of research.

The first step is when looking for white spaces to conduct research with a behavioural grounding. White space in a business context means a market gap. Something which has not been catered to. Studying behavior using an ethnographic approach is a good way seeking out white spaces as it centers the research on how products are used day by day. Studying behaviour in this way naturally lends itself to the theories of behavioural economics, by looking at:

- Default choices (it is guided by what's available in a particular price)
- Fast choices when choosing products (leading to consumers relying on price as a comparator)
- Zero-sum equations (trading good foods for bad foods, as opposed to calorie counting)

Such everyday behaviors are demonstrated regularly and help us understand white space potential.

The second application for behavioural economics is related to bringing the product to market through testing the innovation. The successful application of RED scores i.e. Relevance, Expensiveness, and Differentiation- to test the product success in market is well documented and is a good way to predict the product's success in the market. The RED scoring tests for how a product will perform gives an indication as to where it could improve.

The application of behavioural economics can be directly applied to the RED scores, taking known heuristics and biases and applying them to particular scores where a product could be improved. Accordingly use of Nudge is possible too.

For instance, if a product lacks relevance there are a set of cognitive biases that could be harnessed in order to make product more relevant. Here it involves understanding the psychology of people and accordingly promoting the product to increase the acceptance rate of the product and simultaneously boosting its sales.

Use of Nudge to improve Marketing:

According to Philip Cotler, Marketing is a branch of economics. Classical economics often believed in rationality on participants in process. They did not study how buyers and sellers made decisions. However, marketing has always tried to explain motivation of buyers, sellers and their belief systems.

Few things that can be done to Nudge the decisions of consumers:

1. Ease takes less efforts and feels familiar, and good-

When developing a website's design, the mobile version of the website can be made first as most of the people see it through their phones. The Google App is one of the most simpler that is used worldwide.

2. Emotional campaigning boosts sales-

The effective use of language and campaigning can make it easier to increase sales.

3. Design can change behaviour than messaging-

When talking about obesity, instead of just telling people to eat less, a trick can be used. In canteen, smaller plates can be kept. That way we can nudge people to take less in their plate and eat less. This works better.

4. You need to be different to be noticed-

It may help to periodically change the brand logo so it will help people stop, look and take a note of it. It will give them a feeling of Novelty. This makes people to use the brand again and again.

Use of Behavioural Economics to improve corporate decision- making: Few examples Worldwide:

Corporate governance research has been increasingly relying upon the behavioral and cognitive fields. Langevoort's work considers behavioural factors in the context of securities market, corporate bonds, and monitoring. Understanding behavioural biases that affect businesses is particularly important for big organizations.

Multinational Corporations and financial institutions are particularly vulnerable to biased decision-making- the complexity of the organization complicates the acquisition and processing of information.

The use of behavioural science does not have to primarily apply to consumers and other areas of public regulation. Behavioural analysis of the corporate environment can inform the optimization of internal information processing and decision-making.

Some business services and consultancy companies are advocating the value of incorporating cognitive biases into strategic decision-making. Adapting behavioural insights to enhance compliance is heavily advocated by the FCA in the UK. Ensuring that managers and directors make better choices would enable businesses to achieve their goals more effectively. It would also improve compliance, which is especially important for heavily regulated industries, such as banking. Those are key areas where contributions of academic researchers can deliver value for the private sector as well as making it more responsible.

Development of specific behavioural solutions requires empirical research into internal corporate processes. The problem of access is key for allowing this to happen. One can argue that providing that access is in the best interest of the business community.

As more financial services companies integrate behavioural economics into their business models, they're encouraging and providing financial advisors with the necessary skills to focus on investor behaviour as a way to add value to their relationships with clients for the benefit of all parties.

Specifically, wealth management firms are developing tools, resources and training material for advisors on how to talk to clients about the various psychological factors that impact decision-making when investing.

Awareness of these behavioural factors would allow senior corporate decision-makers to 'debias' decision-making processes and ensure adequate dissemination and processing of information. That would likely lead to a significant increase in the efficiency of corporate governance arrangements.

In May 2019, Mnaulife Investment Management announced a partnership with BEworks, a Toronto-based consulting firm focused on behavioural science to help advisors guide their clients through market volatility through access to research, a relaunched microsite, whitepapers and other relevant resources.

Other firms delving deeper into this particular area include ATB Financial, which brought on behavioural finance expert Daniel Crosby to develop tools that help advisors discover what biases may be affecting their clients' financial decisions.

TD Wealth is also a funding partner of the Behavioural Economics in Action at Rotman centre at the University of Toronto's Rotman School of Management, which conducts research in this field to help organizations design better products and services.

The role of Psychology in Investment decisions:

In reality, investors decision making process is not rational and involves many cognitive biases.

There are 2 aspects of - Cognitive biases

Heuristics	Prospect Theory
Representativeness	Loss Aversion
Over Confidence	Regret Aversion
Anchoring	Mental Accounting
Gamblers fallacy	Self Control
Availability bias	

- Heuristics

- Representativeness- It means the investor's recent success tends to be the basis of his future decisions. The investors 'analyses are biased in terms of recent success or recent failure while forecasting their earnings. This is known as stereotype decisions.
- Overconfidence- Sometimes investors tend to overestimate their knowledge and their predictive skills. And this may lead to wrong decisions.

- Anchoring- Investors tend to rely heavily on one particular piece of information. When investors presented with new information they tend to be reluctant to change. The decisions are mainly biased with previously known knowledge or information.
- Gamblers fallacy- It happens when investors think that particular trend will reverse but it does not happen. There investor commits a mistake i.e. a fallacy in terms of investment analysis.
- Availability bias- Investors make decisions from the available information. However, there is always information asymmetry in the market. This may lead to wrong predictions and hence wrong decisions.

➢ Prospect Theory

- Loss Aversion theory- This phenomena receives increasing attention in economic analysis. Investor is risk seeker when presented with prospects of losses and are are risk averse when faced with prospects of enjoying gains. This is loss aversion.
- Regret aversion- Investors tend to hold poor performing shares as avoiding their sale also avoids the prospective loss and subsequent bad investment decision. Regret aversion is psychological aspect and it creates inefficient investment strategy because investors can reduce their taxable income by realizing capital losses.
- Mental Accounting- Mental accounting is the set of cognitive operations used by the investors to organize, evaluate and keep track of investment activities. Three components of mental accounting receive the most attention.

  This first captures how outcomes are perceived and experienced, and how decisions are made and subsequently evaluated.

  A second component of mental accounting involves the assignment of activities to specific accounts. Both the sources and uses of funds are labelled in real as well as in mental accounting systems.

  The third component of mental accounting is about the frequency with which accounts are evaluated and 'choice bracketing'. Accounts can be balanced daily, weekly, yearly, and can be defined narrowly or broadly.

  Each of the components of mental accounting violates the economic principle of fungibility. As a result, mental accounting influences choice, that is, it matters.
- Self Control- Investors always look for tools to improve self control. It means Investors always look for ways to avoid losses. By mentally separating their financial resources into capital and 'available for expenditure' category funds, they can control their urge to over consume.

Scenario about Behavioural economics education in India:

In India, very few educational institutions provide courses on Behavioral Economics. It is not a core subject but is often studied as an elective for a semester. Many students who are interested in studying Behavioral economics complete Graduation in Economics and then pursue a course or diploma in Psychology as there is no extensive programme in India.

There is a need to update the current syllabus offered to Students. There is a need to design an entire programme on Behavioural economics as it has large demand from students as well as industry.

Behavioural economics is an interdisciplinary science, because it is based on the fields of economics, psychology, sociology, social psychology and anthropology. Behavioural economists can work as analysts dealing with a wide variety of projects, depending on the company's needs.

One of the major roles of behavioural economists includes helping people take informed decisions. There is a huge demand for economists with analytical knowledge at investment and finance consultancy firms. There is a need to study the consumer behaviour before launching the products. This automatically facilitates innovation and sales improvement.

In India, often an MBA student or core economics student is preferred by industry. Behavioural economics is also more data and analysis driven field and can be relied upon for decision- making.

Suggestions:

1. There is a need to incorporate Behavioural Economics in main syllabus for Economics.
2. To promote behavioural economics research at University level.
3. Behavioural economics research should be focused on by academic institutions.
4. Aspiring behavioural economics researchers can be given internship and considerable work experience at concerned companies.

Conclusion:

Behavioural economics has a lot of scope and importance in case of Academia-Industry collaborations in India. Right usage of Behaviour economics for innovation, product development and its marketing can help company boost sales. Behavioural economics has a lot of scope in case of finance and investment consultancy firms.

Taking into consideration, the absence of behavioural economics from syllabus of most of Indian educational institutions, there is a need to introduce and teach this subject at as many institutions. Research and work experience should be focused for University students as it will equip them with skills to grab their place in today's dynamic job market.

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