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POLICY IMPLICATIONS: DOES AN ECONOMIC CRISIS INDUCE BEHAVIORAL SHIFT AMONG THE ECONOMIC AGENTS?

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ABSTRACT

An economy of a developing country like India is society driven, and its developmental process is oriented towards societal welfare imbibing a welfare state. The governing policies shaping the welfare state are dependent upon its anticipated consequences on the recipient of these policies. To counter balance the effect of economic shocks, it is mandated to focus on behavioral aspect of the governed, to extract maximum out of regulations to benefit society and aid governmental aspirations. The economic implications of the Covid-19 pandemic intended to change the behavior of the economic agents towards the way they approached their living. The present study ascertains this aspect and analyses the magnitude of change incorporated by the economic agents towards the perception of the new normal as advocated and perceived by the members in the economic arena. With the tool of consumption function, production function and determinant of employment for labor, an analysis has been done applying the econometric tool of regression to gauge the effect of covid-19 pandemic on the behavioral aspect. The present study also analyses how this behavioral aspect can shape the monetary and fiscal policy in India and scale the country's development path.

Key words: Pandemic and economic policy, Economic development during crisis, Indian economy and Covid-19

1. INTRODUCTION

Economy is for society and its tools to shape society-centric policies govern the functioning of an economy. In the contemporary economy, business cycles are periodic and it affects the way society perceives an economy and its growth. With this perceived notion of growth, an individual's development is also linked. People plan current as well as future strategies based on implications of the prosperity index in an economy. Every aspect of the economy is linked to the laws and policies that are framed for the economic governance of a country. In turn, these policies are an outcome of turbulence in an economic system and cast greater influence on the economic agents who compose an economy. Covid-19 pandemic in the year 2020 resulted in a severe economic crisis and worse than the Great Depression of 1930[1] as the lockdown measures imposed to contain the spread of the disease halted economic activity comprehensively and resulted in huge loss to the economic agents, i.e., consumers, producers and the labor force. An economic crisis encompasses every aspect of society and economy inducing the central and the state government to initiate a series of policy measures to control the situation. Policy relating to subsidies, packages for economic stimulus and such were floated to ease out the situation. The effectiveness of these policies depended on the societal premise on which these policies were based. Any policy covering the sphere of social, economic, political and legal issues requires meticulous assessment of the situation, without which government through its policies may not achieve desired objectives. Behavioral insights are becoming increasingly popular with policy practitioners[2] and with a view to understand the behavior among the recipient of benefits from these policies assisting the administrators to frame prudent economic policies, an intrusion in the situation with need-based behavioral assessment has to be done. Economic policy based on the behavioral pattern of the economic agents will assist in realizing the scope of policies to its fullest extent. Behavior when identified can form a dais for an effective and critical evaluation of such policies, especially during an economic crisis like the Covid-19 pandemic.

The present study explores the behavioral aspect of the economic agents and its significance on the policy matters concerning the economic growth in India. This paper is relevant in the present context when every economy of the world is in the quest to sharply raise its resilience in fighting the effect of economic shocks in the future. A macro understanding of the key elements in the economic and financial patterns of behavior is of paramount significance in the quest to overcome a crisis and push a developing country like India on an upward path of growth and societal development.

1.1 Objectives Of The Study

1) To analyze behavioral condition of economic agents, i.e., the consumers, producers and labor, towards adapting to Covid-19 economic adversity.

[1] Barbate et al., (2021), COVID 19 and its Impact on the Indian Economy, Vision, 25(1)., 23-35
[2] Kuehnhanss, C.R. (2018), The challenges of behavioural insights for effective policy design, Policy and Society Vol. 38 Issue 1

2) To analyze policy implications with respect to behavioral assessment of the economic agents to accelerate development in the Indian Economy.

2. LITERATURE REVIEW

The economic agent's behavioral assessment during a shock and its impact on policy governance is primarily inconsistent with the existing literature. Different studies have analyzed behavioral assessment of economic agents separately from its policy implications, especially concerning a pandemic-like situation and its effect on the national economy.

Virmani and Bhasin (2020) expressed that economic costs and interests can be recovered as supply chains repair themselves when unprecedented loss of lives can have severe social, political and economic implications. In their study they estimated growth implications of the pandemic for the Indian economy with a view for policy intervention needed to accelerate the process of repairing supply chains.

Sheth (2020) noted that the consumers with the experience of Covid-19 pandemic are learning to improvise and learn new habits. It was stated that the consumers go back to old habits, but it was likely that they would be modified by the new regulations and procedures which will be an effect of technological advancement, changing demographics and innovative ways.

Mahajan (2020) found through his paper that the manufacturing sector is highly affected by Covid-19 pandemic which has impacted contractual employment in India as laborers had reverse migrated during the lockdown. The companies in responses introduced protection procedures, sanitation and sanitization methods, an updated sourcing policy, the incorporation of new vendors, the streamlining of their product portfolio, a more responsive evaluation of supply chain resilience, an analysis of disaster or emergency management plans.

Estupinan et al., (2020) studied the impact of Covid-19 on labor supply and estimated the first order supply shock through labor supply reduction associated with the containment measures taken by the Government of India to control Covid-19 spread. They applied in-depth analysis of labor supply shocks by employment status, industry level, and occupation on the labor market in India while carrying out an in-depth analysis.

Pinshi (2020) stated that the Covid-19 pandemic has influenced monetary policy and the uncertainty effect of the pandemic has hit aggregate demand and the economy. It had made monetary policy action to soften the fall in aggregate demand and suggest a development of unconventional devices for a gradual recovery of the economy.

An assessment of the literature on the issue exposes a gap towards analysis of the economic agent's behavior while coping with the consequences of the covid-19 pandemic. To understand this behavior, an empirical study is deemed which the current study fills up.

3. EMPIRICAL ANALYSIS

This section examines the behavioral aspect of consumer, producer and labor towards the constraint thrown by the Covid-19 pandemic. The assessment is done on primary data obtained through a personal interview of sixty respondents (consumers) from Namkum block of Ranchi district in Jharkhand. Moreover, a focused group discussion was organized with seven firm owners to understand their perspective on the issue. Secondary data has also been used in the analysis.

3.1 Consumer's behavioral analysis as an outcome of Covid-19 economic shock

Consumption is the use of goods and services by households. It is defined by income levels (current as well as expected income in the future) of an individual. Consumption behavior as a function of current and future expected income can be summed up by the consumption pattern of individuals in the form:

$$C_t = a + b_1 Y_{Lt} + b_2 Y^e_{L(t+1)} + b_3 W_t \ldots (i)$$

Where, 'a' represents minimum consumption and is referred to autonomous consumption, C_t is consumption expenditure in a period t, Y_{Lt} is income earned from doing some labor in the current period t, $Y^e_{L(t+1)}$ is the average annual income expected to be earned from labor during future years of working life, W_t is the wealth currently owned and b_1, b_2, b_3 are the marginal propensity to consume for current income, expected lifetime income and wealth respectively. This consumption function is relevant with respect to the present study as it expresses the functional relationship of consumption with its basic determinants, i.e., current income, expected future income and accumulated wealth. During the lockdown imposed to contain the coronal virus pandemic, all the three determinants were affected.

During the lockdown period the consumption pattern changed significantly. With respect to income, the consumers were divided into three types namely,

a) Consumers with a regular source of income:

This category belonged to those consumers who retained their jobs or businesses with no reduction in income. These individuals were not under monetary compulsion to reduce their consumption. The constraint was governmental regulations and the fear of pandemic that was curtailing their spending habits.

b) Consumers with reduced income:

This section was composed of consumers who did not lose their job or business, but their income was reduced due to the non-activity in business. These consumption agents were under the financial suppressions to hold their spending by restricting them only to the essentials.

c) Consumer with no recurring income:

These consumers were those individuals who were devoid of recurring income due to the loss of jobs as an effect of lockdown. This section was forced to follow a subsistence consumption behavior as they were mostly dependent upon their savings or assistance from acquaintances or relatives.

In all the three categories, the lockdown sustained constraint on the consumer's behavior. A research on credit card spends by Cred during the lockdown showed a spike in medical and grocery spends and steepest decline in travel spends[3]. These spending patterns were obvious as medical and grocery spends were the minimum essentials required to survive and due to lockdown, physical movement was comprehensively restricted. Other spending areas confined to the second tier of essentials like fuel, OTT platforms, remote learning, items of personal care and insurance. The constrained behavior of the consumer with respect to spending was biased and based on conditions that prevailed in the economy during the lockdown

[3] Ghanswalla, A.N, (2020), Study reveals drastic change in consumer behavior during lockdown, The Hindu BL, June 04, 2020, https://www.thehindubusinessline.com

Table 1

Consumer response on query (1)

Consumer	Y	X	Consumer	Y	X	Consumer	Y	X
1	1	25	21	1	15	41	1	35
2	1	50	22	1	45	42	0	35
3	0	45	23	1	35	43	1	45
4	1	40	24	1	45	44	1	65
5	1	35	25	0	60	45	1	25
6	1	35	26	0	30	46	0	20
7	1	45	27	1	30	47	1	35
8	0	60	28	1	25	48	0	35
9	1	60	29	0	30	49	0	50
10	1	45	30	0	30	50	1	50
11	1	45	31	1	25	51	1	35
12	1	75	32	1	55	52	1	45
13	0	45	33	0	45	53	1	40
14	1	60	34	1	45	54	1	40
15	1	55	35	1	55	55	1	40
16	1	70	36	1	35	56	1	55
17	1	70	37	0	35	57	1	60
18	0	25	38	1	45	58	0	60
19	1	35	39	1	40	59	1	15
20	1	25	40	1	40	60	1	25

Note: Y is consumers response where 0 = No & 1 = Yes, X is the monthly income prior to the lockdown.
Source: Author's survey

period. With a view to study the influence of lockdown on consumption pattern, a survey was administered with 60 consumers, 21 of which were of category 'a', 23 of category 'b' and 16 of category 'c'. Econometric assessment tool of regression (Inferential statistics) was applied to the gathered data. The results were then interpreted by comparing the consumption function given in the expression (i) to explore the deviations in the consumption pattern during lockdown and in the present conditions. Three different responses were drawn from the respondents. They were asked to express their views on the following questions:

1. Did the incidence of constrained consumption due to lockdown was dependent upon your current income?
2. Did the incidence of constrained consumption due to lockdown was an outcome of your uncertain future income?

3. Did the incidence of constrained consumption due to lockdown was dependent on your accumulated wealth?

Table 1 (pg:7) expresses the consumer's response to the query (1). Estimating the regression equation using the ordinary least square, the following equation (ii) is estimated which interprets

$$Y = 0.6563 + 0.0022\, X \ldots\ (ii)$$

Table 2

Consumer response on query (2)

Consumer	Y	X	Consumer	Y	X	Consumer	Y	X
1	0	25	21	1	15	41	1	35
2	0	50	22	0	45	42	0	35
3	0	45	23	0	35	43	0	45
4	0	40	24	0	45	44	0	65
5	0	35	25	0	60	45	0	25
6	0	35	26	0	30	46	0	20
7	1	45	27	1	30	47	1	35
8	0	60	28	0	25	48	0	35
9	0	60	29	0	30	49	0	50
10	1	45	30	0	30	50	1	50
11	1	45	31	1	25	51	0	35
12	0	75	32	1	55	52	0	45
13	0	45	33	0	45	53	0	40
14	0	60	34	0	45	54	1	40
15	0	55	35	0	55	55	0	40
16	0	70	36	1	35	56	0	55
17	0	70	37	0	35	57	0	60
18	0	25	38	0	45	58	0	60
19	0	35	39	1	40	59	1	15
20	1	25	40	1	40	60	0	25

Note: Y is consumers response where 0 = No & 1 = Yes, X is the expected future income.
Source: Author's survey

that intercept 0.6563 gives the probability of constrained consumption that influence consumer at zero current income and the slope value of .0022 indicates that for a unit change in income, on an average the probability of incidence of constrained consumption increases by 0.0022, which is almost insignificant. This suggests that with no income there will be greater incidence of constrained consumption whereas, even with a change in current income the situation will not change for the consumer. This can be interpreted in the context of the covid-19 lockdown. The consumers were prone to economic adversity with or without current income. This situation of the consumer when analyzed with their current income portrays a usual situation even in the case when there was no pandemic as without income any individual will suffer as far as their consumption is concerned.

Table 2 (pg:8) expresses the consumer’s response to the query (2). Estimating the regression equation using the ordinary least square, the following equation (iii) is estimated which explains the consumer's view concerning uncertain future income and its impact on consumption process

$$Y = 0.63 + (-0.0086)X \ldots (iii)$$

in the lockdown. The expression (ii) expresses negative correlation between the dependent variable and the independent variable indicating that if expectation of future income increases, then its negative incidence on consumption decreases and vice versa. This expectation is again usual for a household to plan consumption. Figure 1 represents the Reserve Bank of India’s report on

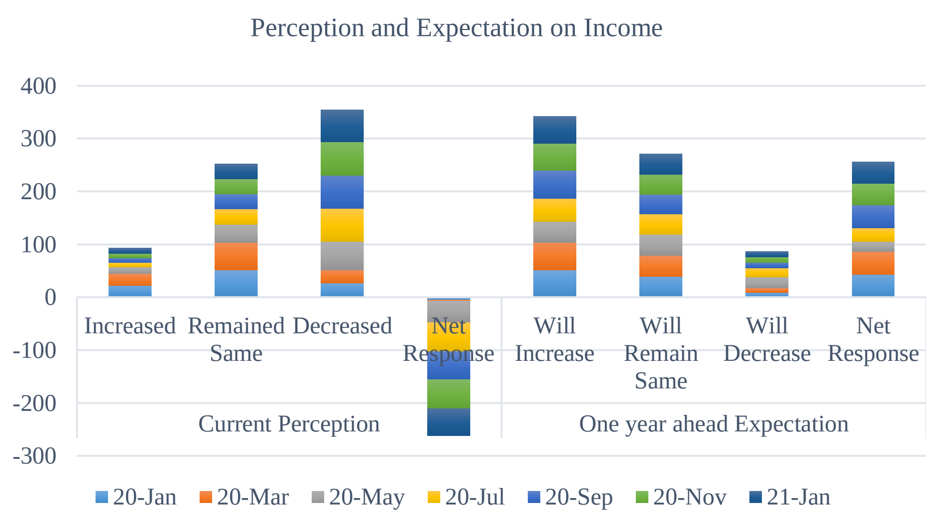

Figure 1
Source: Reserve Bank of India 2021

perception and expectation on income as a consequence of the Covid-19 pandemic in percentage. It can be ascertained that the net response of current perception of income was negative for the lockdown period, whereas the net response of the same variable was positive for future expectations. This assessment of secondary data highlights the premise of the present study.

Table 3

Consumer response on query (3)

Consumer	Y	X	Consumer	Y	X	Consumer	Y	X
1	0	25	21	1	15	41	0	35
2	0	50	22	0	45	42	0	35
3	0	45	23	0	35	43	0	45
4	0	40	24	0	45	44	0	65
5	0	35	25	0	60	45	0	25
6	0	35	26	0	30	46	0	20
7	1	45	27	1	30	47	1	35
8	0	60	28	0	25	48	0	35
9	0	60	29	0	30	49	0	50
10	1	45	30	0	30	50	0	50
11	0	45	31	1	25	51	0	35
12	0	75	32	0	55	52	0	45
13	0	45	33	0	45	53	0	40
14	0	60	34	0	45	54	0	40
15	0	55	35	0	55	55	0	40
16	0	70	36	1	35	56	0	55
17	0	70	37	0	35	57	0	60
18	0	25	38	0	45	58	0	60
19	0	35	39	0	40	59	1	15
20	1	25	40	0	40	60	0	25

Note: Y is consumers response where 0 = No & 1 = Yes, X is the accumulated wealth.

Table 3 expresses the consumer's response to the query (3). Estimating the regression equation using the ordinary least square, the following equation (iv) is estimated which explains the consumer's view concerning accumulated wealth and its impact on the consumption process during lockdown.

$$Y = 0.5546 + (-0.0096)\, X \ldots (iv)$$

The expression (iv) indicates negative correlation between incidence on consumption during lockdown and the consumers' accumulated wealth and is interpreted in the similar way as expression (iii) giving the condition of normalcy in consumer behavior.

Reformulating expression (i) with the estimated incidence of current income, expected future income, accumulated wealth and assuming autonomous consumption as constant, then the consumption as a function of current income, expected future income and accumulated wealth will be given by:

$$C_t = 0.0022\, Y_{Lt} + (-0.0086)\, Y^{e}_{L(t+1)} + (-0.0096)\, W_t \dots (v)$$

This explains the probability of consumption in time t. Considering the negative element of the expression (v) as zero since the probability follows the expression (vi):

$$0 \leq P \leq 1 \dots (vi)$$

it can be concluded that the consumption during lockdown was dependent on current income.

Consumerism and the lack of aggregate demand in the economy during lockdown was constrained due to the governmental compulsion to contain the spread of the pandemic, and it was not due to an actual fall in consumer's demand. This is backed by the present study's empirical evidence which shows usual consumer behavior with respect to current income, expected future income and accumulated wealth even in case of an economic adversity as would have been the behavior without pandemic-oriented lockdown. A consumer finds equilibrium to maximize his or her satisfaction when he or she equates the marginal utility of money to the ratio of marginal utility of a good under consumption and its price which is given by expression (vii), considering the consumer is consuming two commodities X and Y:

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = MU_m \dots (vii)$$

Where MU_X and MU_Y are the marginal utility of good X and Y whereas, MU_m is the marginal utility of money. This utility maximizing behavior is synonymous with the present assessment of the situation where the determinant of marginal utility of money is income and during lockdown the constrained consumption was an incidence of income.

3.2 Producers aligned behavior during Codiv-19 pandemic

Production is a process of transforming inputs into output. Production process is represented as a function of inputs used in production. On a broader scale, a typical production function taken for the present study is taken as:

$$Q = f(R, K, L) \dots (viii)$$

Where Q is the output of a specified good, K is the capital, L is labor and R is the raw materials used in the production process. Considering the preventive lockdown in the year 2020, all the three inputs were hit and as a consequence, the entire production process suffered. Pandemic infused

Table 4
Firms response during group discussion

Factors	Pre-lockdown Factors governing sales	During lockdown Factors retarding sales
Investment	7	6
Market	8	8
Demand	8	7
Advertising	7	4
Client relationship	9	3
Governmental policy	3	10
Entrepreneur skills	6	3
Service	7	7
Technology	8	3

Note: the figures denote average of weights assigned by each firm.
Source: Author's group discussion

supply shock due to the cessation of economic activity which was counter balanced by demand shock during the lockdown period. The three inputs mostly affected were capital, labor and raw materials as all of these contributing in the production process were not used for the entire lockdown period in most of the sectors. The labor was willing to work and the existing capital was in place to smoothen production, but the pandemic conditions prevented these two from contributing towards production. Since production was stalled, raw materials were also not required. These factors were not governed by any theoretical economic shock but were the outcome of forced shutdown of the economic system and related activity. An assessment of the situation highlights the fact that in case there was no lockdown, the production would have continued on the same trajectory as it was before the pandemic struck. With a view to establish authenticity, the actual producer's empirical assessment was done with seven firms through a focused group discussion. The discussion comprised of four firms from the service sector and three from manufacturing sector. The firm owners were requested to express their views on the factors that governed sales in the pre-lockdown conditions along with the factors that retarded sales during lockdown. Eight factors were identified during the discussion and the respondents were asked to assign weight on a scale of 1 to 10 over each factor as a determinant of sales separately for lockdown and pre-lockdown conditions.

Table 4 (pg:12) narrates the firm response. It was ascertained that the factors ‘Market’ and ‘Service’ recorded equal weights by firms in both pre-lockdown and during lockdown conditions, indicating the importance of both these factors towards influencing sales and boosting business among the firms under study. With a view to gauge the relevance of these factors, correlation coefficient was obtained:

$$r = -0.53$$

The negative correlation between the factors expressed that the factors that were governing sales in the pre-lockdown conditions were retarding sales in the lockdown conditions. This statistic empirically reasoned the stated argument.

3.3 Labor force and employment during covid-19 lockdown

Employment is characterized by three basic elements, they are:

a) A person’s willingness to work

b) A person’s ability to work and

c) Availability of accepted work.

If work is not available but the individual is able and willing to work then the individual is categorized as unemployed. Covid-19 pandemic was severe on the workforce as a huge section of the labor force lost their jobs both in formal and informal sector. Informal sector also witnessed reverse migration which was triggered due to the job loss and uncertainty about future security in employment. The fortunate workers who were able to retain their job had salary cuts. The section of labor force that lost their job did not lose their job because of any of the three basic elements. The workers were willing to work, were able to work but the work was not available which was attributed to the halting of economic activity as a consequence of lockdown measures to contain the spread of covid-19 infection. Assuming the hypothetical condition where lockdown was not imposed and the economic activity was allowed to continue, the work would have been available.

This scenario equates the pre-lockdown elements of employment with those during lockdown. Figure 2 expresses the immediate impact of lockdown on unemployment rate in Indian economy.

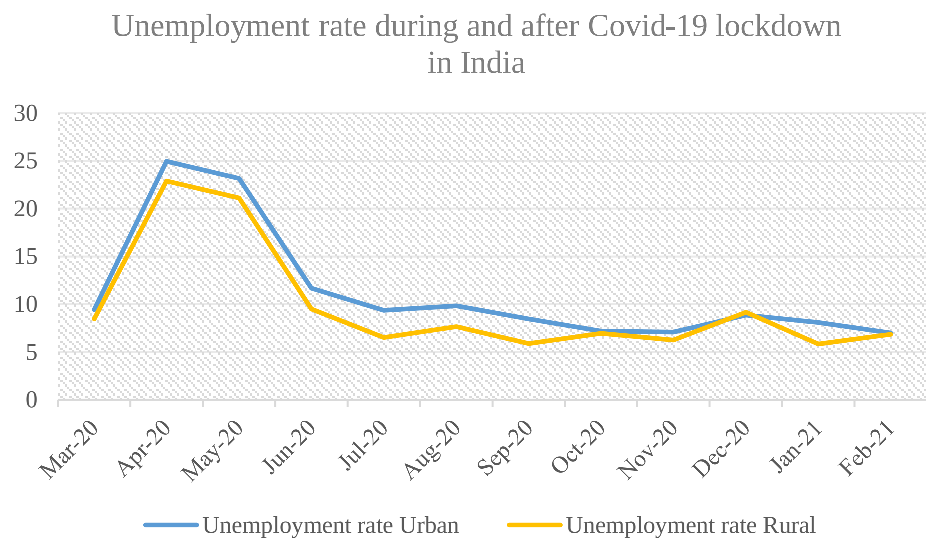

Figure 2
Source: Centre for Monitoring Indian Economy 2021

The unemployment rate rose immediately when the lockdown was imposed, and it reached its peak during its complete period. After May 2020 there was an easing of the strict lockdown conditions in India and the unemployment rate fell sharply, suggesting that the spike in the rate of unemployment in India was attributed to a shock specific to the governmental regulations which normalized once the norms were eased.

4. POLICY IMPLICATIONS TO ACCELERATE DEVELOPMENT IN INDIAN ECONOMY.

4.1 Monetary policy implications

The objective of Indian monetary policy is to encourage development through expansion of economy, control of inflationary as well as deflationary pressures and encourage investment & savings. The Reserve Bank of India follows qualitative and quantitative techniques to foster these objectives. But these objectives are to be realized within the randomly occurring economic shocks like the covid-19 lockdown, inflation etc. This mandates an exposition in understanding of the agent's economic behavior on which the incidence of such shock rests. The present study emphasized the existence of normal behavior of consumer, producer and the labor force during lockdown to handle economic shock, indicating the situational influence of pandemic on these agents. Monetary policy during such shocks may be formatted by addressing the agents and not the situation as even in an adverse situation, like researched in the present study, behavioral aberrations are less and shows a tendency to stick to the existing normal with situational constraints but not to a new normal. Apart from the other measures, the situation may necessitate following the inequality condition towards monetary policy:

$$I_d + L_f \geq S_d + B_f \ldots (ix)$$

Where, I_d = Domestic Investment, L_f = Foreign Lending, S_d = Domestic Savings and B_f = Foreign Borrowing. The inequality (ix) expresses that the sum of productive finance like investment and lending that do not create any liability instead assists in development should be capitalized and the monetary policy should be aimed at promoting the stated inequality. This inequality condition will assist the consumers, producers and the labor force to find their respective equilibrium and simultaneously pave the way for scaling development within the constraint of economic shocks.

4.2 Fiscal Policy implications

Among the major roles of fiscal policy in a developing country like India are economic stability by stabilizing inflationary tendencies, enabling equitable distribution of income and wealth and full employment of labor and economic resources along with economic growth. The present study has sound implications for fiscal policy formation to balance the receding effect of economic shock that does not arise due to the economic failures. The agents discussed in the present study are the most affected by economic shocks and related governmental policy. Framing of fiscal policy deems a deep insight into this aspect and advocate reforming changes to boost individual as well as economy's growth. One way to foster this will be to increase saving among such strata of the community that is most affected by economic turbulence. This can be fostered by giving higher weightage to the expenditure tax than income tax. A reduction in income tax simultaneously increasing expenditure tax specific to the mid and low-income group shall assist in increased savings for such individuals. Increased saving among the mid and low-income community will assist the consumer to increase their disposable income and may increase their purchasing power.

With greater purchasing power, the ex-ante demand[4] will increase and it will lead to an increase in the production of goods and services. This increase in production further fosters more employment assisting the labor force and higher revenue for the producers. This can be expressed by the way of a virtuous flow condition in figure 3:

Virtuous Flow Conditions

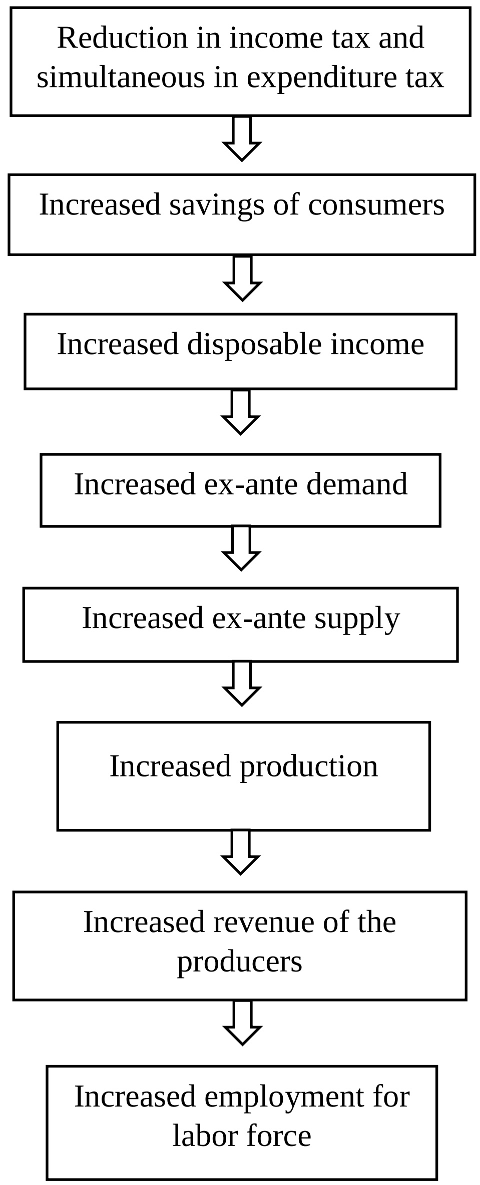

Figure 3
Source: Author's analysis

[4] It refers to desired demand or planned demand for products and services which the consumer is willing or expected to consume or purchase.

4.3 Discussion: Consumer, Producer, Labor and Economic Policy

Concerning the economic agents, the growth pattern in an economy is dependent on the policy adopted by the central government. During an economic crisis like the covid-19 pandemic when the economy was hitting extreme low, a necessary stimulus was required to avoid economy to take a deep plunge in the recession lake. The role economic policy plays to shape a consumer, producer and labor during crisis with respect to raising income levels can be depicted by figure 4. Here an explanation concerning the recovery of consumers, producers and labor from an economic crisis like the Covid-19 pandemic is forwarded using Rostow's growth theory[5]. Initially, during lockdown conditions, the state of economic agents, i.e., consumers, producers and labor was at the corresponding point of the income path at time 1. As the economic behavior of the agents does not

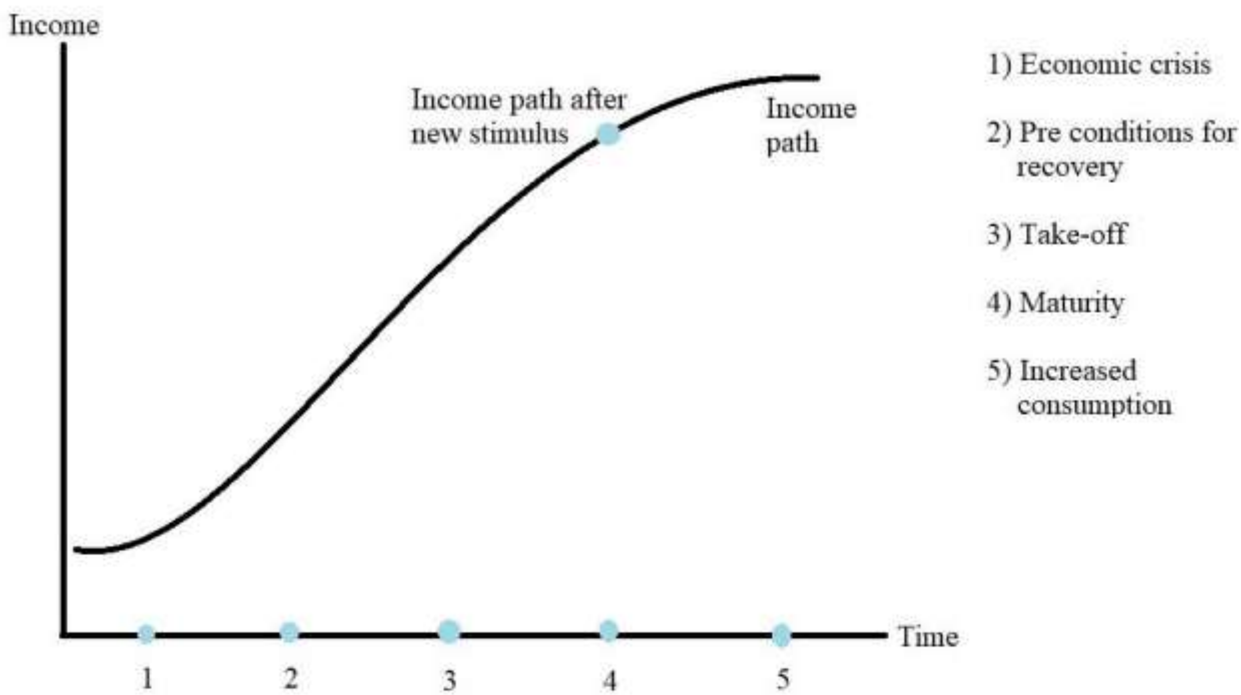

Figure 4
Source: Author's estimation of income path using Rostow's growth path

deviate much and is constrained only due to external factors shaping agent-centric policies, the easing of governmental constraints will create a platform that intends to increase disposable

[5] W.W Rostow has explained economic development in terms of social and institutional setup of a society and attitude of the people. According to Rostow doctrine, the transition from underdevelopment to development can be described in terms of a series of steps and stages through which all countries must pass through.

income of the consumers as economy move to time 2 on the income path. This leads to inspiring increased consumer's spending and producer's investment throwing up production opportunity for the producers which in turn increases employment prospect for the labor force leading to take off stage at time 3 in the model. Sustenance during the take-off stage enhances economic expansion and the income curve rises rapidly till the point on income curve at time 4, after which the curve begins to be flatter and income stabilizes. The situation mandates a policy shift towards maintaining increased consumption, keeping the inflationary tendencies mild enough not to sublime the growth process and its continual taking the economy and its agents to the stage of increased consumption and increased income in time 5. The analysis replicates Rostow's model of growth where the policy oriented towards an economic agent's normal behavior assists the economy to attain the welfare agenda of the state.

5. CONCLUSION

The composition of an economy does not comprise policies and regulations but the agents who compose the economy. Rules and policies are framed for their effective governance and growth. Accordingly, an economic policy should be framed looking into the magnitude of incidence of economic shocks on the agents composing the economy. The present study expressed the conditions of a consumer, a producer including labor and ascertained that their behavior towards sustaining an economic shock does not vary much against their usual monetary behavior during normal economic suppressions. Their adjusting behavior through a crisis is an outcome of constrained income and the prevalent situation. This situation further compounds when there is a lack of sufficient stimulus generated by the policy enacted by the authorities to address the cause. Covid-19 pandemic had a suppressive effect on the Indian economy affecting the three agents discussed in this study despite these agents exhibiting usual behavior they would have had under other income constrained circumstances. This common human behavior offers an opportunity for the policy makers to shape policies that nullify the situational effect and assist an individual to overcome the constraint expressing their usual behavior which is self-exploratory fitting best to the needs.

An imperative approach should inculcate handling such monetary and fiscal policies that suppress inflationary tendencies in the economy and simultaneously advances welfare by promoting the prosperity of the agents as discussed in the study. Promoting expenditure taxation can be a substitute to disposable income draining income tax which in-turn shall assist an economy to scale up its growth by promoting aggregate demand thereby raising aggregate supply and eventually uplifting the equilibrium level in an economy. Taxation in any way is necessary to run an economy longing for societal welfare, but when such policies are prudently adjusted to give scope for individual's development, the entire process circumvents adversity and increases the happiness index in a country.

6. LIMITATION OF THE PRESENT STUDY

One of the main limitations in the present analysis involves restricting the research filed only to one block of Ranchi district. The analysis in this paper is based on self-report. Since the sample size was small and respondents from different strata of the community were not equal, a comprehensive analysis could not be done. To comprehend the findings of this paper, an expansionary analysis is deemed covering more districts and obtaining larger samples in a more equitable manner.

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