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Inflation Awareness, Expectation Formation, and Monetary Policy Communication: Evidence from Indian Firms

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ABSTRACT

Drawing on an original survey of 485 firms spanning four major metropolitan areas — Delhi, Mumbai, Chennai, and Kolkata — we examine firms' awareness of official inflation statistics and estimate the causal impact of monetary policy communications on their expectations. We find that approximately 87% of respondents lack a clear understanding of current CPI inflation, while 70% are unaware of the RBI's inflation-targeting framework. A randomized control trial reveals that providing firms with simple information — either the RBI's 4% inflation target or the prevailing CPI inflation rate — significantly lowers both one-year-ahead and five-year-ahead inflation expectations, with modest spillovers to expected unit costs and wages. Moreover, small firms, female respondents, and those with lower income and education levels — who tend to hold the most elevated inflation expectations — exhibit the strongest updating in response to information treatments, highlighting the potential of targeted, accessible communication strategies to anchor expectations among informationally disadvantaged firms and individuals, and thereby strengthen policy credibility and price stability.

Keywords: Cross Sectional Survey; Communication; Expectations; Inflation; Inflation Targeting; Monetary Policy

JEL Code: C83, D84, E31, E52

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Roshin Paul P is the Assistant Adviser in the RBI, and Dr. Taniya Ghosh is the Associate Professor in IGIDR. The views expressed in the article are those of the authors and do not represent the views of the institutions to which they belong.

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Abstract

Drawing on an original survey of 485 firms spanning four major metropolitan areas — Delhi, Mumbai, Chennai, and Kolkata — we examine firms' awareness of official inflation statistics and estimate the causal impact of monetary policy communications on their expectations. We find that approximately 87% of respondents lack a clear understanding of current CPI inflation, while 70% are unaware of the RBI's inflation-targeting framework. A randomized control trial reveals that providing firms with simple information — either the RBI's 4% inflation target or the prevailing CPI inflation rate — significantly lowers both one-year-ahead and five-year-ahead inflation expectations, with modest spillovers to expected unit costs and wages. Moreover, small firms, female respondents, and those with lower income and education levels — who tend to hold the most elevated inflation expectations — exhibit the strongest updating in response to information treatments, highlighting the potential of targeted, accessible communication strategies to anchor expectations among informationally disadvantaged firms and individuals, and thereby strengthen policy credibility and price stability.

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1. Introduction

Inflation expectations (IE) occupy a central place in modern macroeconomic theory: in the New Keynesian framework, they are a key determinant of current inflation (Clarida et al., 1999; Woodford, 2003; Gali, 2008). Their importance extends beyond standard inflation dynamics, as they can also serve as a channel of unconventional monetary policy when conventional instruments become less effective in stabilising prices (Aßhoff et al., 2021). In this context, firms' expectations are especially relevant because firms are the primary agents involved in price setting and labor-market decisions, making their inflation beliefs more directly linked to actual inflation outcomes than those of households, professional forecasters, or financial markets. Despite this importance, firms' inflation expectations in India remain relatively underexplored. Against this background, the present study examines firms' inflation expectations in India through an ad hoc survey conducted across four metro cities, exploring the determinants of those expectations and the extent to which monetary policy communications shape firms' inflation beliefs and business decisions.

Firms' inflation expectations can affect actual inflation through several channels. Expected inflation may feed into wage-setting, as workers seek higher nominal wages and firms incorporate future price increases into wage contracts, potentially generating a price–wage spiral (Blanchard, 1986). Firms may also raise their selling prices in anticipation of higher future input costs or because they expect general inflation to erode relative prices, allowing them to increase prices without significantly reducing demand (Bonatti et al., 2022). In addition, firms' inflation expectations can influence investment decisions, although the direction is theoretically ambiguous: higher expected inflation may dampen spending through anticipated wealth losses and higher future interest rates, or stimulate it by reducing the real burden of nominal debt and encouraging substitution away from liquid assets toward real investment (Coibion et al., 2018; Grasso and Ropele, 2018).

Recognizing the importance of firms' inflation expectations, both policymakers and researchers have increasingly focused on this area. Existing evidence shows that firms' expectations are often biased upward and highly dispersed (Frache and Lluberas, 2019; Boneva et al., 2020; Candia et al., 2024; Savignac et al., 2024). Even in long-established inflation-targeting regimes such as New Zealand, firms' inflation expectations remain persistently above realized inflation,

reflecting limited anchoring (Coibion et al., 2018). These expectation biases matter because medium- and long-term inflation expectations influence firms' price- and wage-setting behavior, as well as their decisions regarding credit, employment, and investment (Bernanke, 2007; Coibion, Gorodnichenko, Kumar, and Pedemonte, 2020).

A central explanation for these patterns is limited attention: firms tend to focus on information that is directly relevant to their own decisions rather than on aggregate macroeconomic developments (Lucas, 1977). As a result, many firms remain inattentive to recent inflation trends and central bank objectives, contributing to persistent bias and disagreement in expectations (Coibion et al., 2018; Candia et al., 2024; Coibion, Gorodnichenko, and Ropele, 2020). At the same time, evidence from countries such as New Zealand and Italy shows that information treatments can significantly shift firms' inflation expectations and, in some cases, their employment and investment decisions, highlighting the potential for central bank communication to serve as an effective stabilisation tool (Coibion et al., 2018; Coibion, Gorodnichenko, and Ropele, 2020).

Most existing evidence on firms' inflation expectations is drawn from advanced economies, where the institutional and informational environment differs markedly from that of developing countries such as India. This limits the applicability of existing findings to the Indian context, which is characterized by a large informal sector, substantial heterogeneity across firms, and uneven access to macroeconomic information. India is also a quantitatively important case: it accounts for about 8.5 percent of world GDP in PPP terms[2], while the secondary and tertiary sectors contribute more than 80.0 percent[3] of Gross Value Added and employ a large share of the population. Since India adopted a flexible inflation-targeting framework[4] in 2016, it has become especially important to assess whether firms understand the RBI's policy objective and whether this framework has influenced their inflation expectations. Such an inquiry is relevant not only for filling a gap in the literature, but also for evaluating the effectiveness of monetary policy transmission in one of the world's largest emerging market economies.

In India, firm-level inflation expectations (IE) remain underexplored. Rangan and Das (2024) have shown in their research that energy prices and exchange rate fluctuations affect how firms set prices. In a separate study, the same authors found that heightened inflation uncertainty

[2] As per International Monetary Fund (IMF) calculation on GDP based on PPP, share of world
[3] First advance estimates of Gross Domestic Product, 2025-26, Ministry of Statistics & Programme Implementation, Government of India
[4] The Reserve Bank of India (RBI) adopted the Flexible Inflation Targeting (FIT) framework in 2016, with 4% as the target inflation rate (±2% tolerance band).

leads firms to revise their inflation expectations upward (Rangan and Das,2025). However, these prior studies derived IE from firms' anticipated unit costs rather than direct measurement. To date, no survey in India has captured quantitative measures of firms' inflation expectations. This study is the first to gather such quantitative IE data from Indian firms, analyse the factors shaping these expectations and future selling prices. Furthermore, this is the first study to investigate whether Indian firms are aware of the official CPI inflation figures and the Reserve Bank of India's inflation targeting regime; explore the channels through which they form their expectations; and assess whether straightforward, policy-relevant information can causally influence their expectations regarding inflation, unit costs, selling prices, wages, and capital expenditure investments. This paper directly addresses this literature gap.

To address these questions, we carried out a primary survey of 485 firms spread across Delhi, Mumbai, Chennai, and Kolkata between November 2025 and February 2026. These metropolitan centres reflect varied regional, linguistic, and economic landscapes across India. The study employed a randomised controlled trial (RCT) with three distinct groups. Participants in the first treatment group received information on the Reserve Bank of India's (RBI) inflation targeting policy, while those in the second group were briefed on the average monthly Consumer Price Index (CPI) inflation rate. The control group received no informational intervention. Random assignment was stratified by city to maintain balanced representation across treatment and control conditions. Our analytical approach uses this experimental setup to isolate causal impacts and explore how treatment effects vary across firm and respondent demographic characteristics.

The studies most closely related to ours are the information intervention experiments conducted by Coibion, Gorodnichenko, Kumar, and their co-authors. Coibion et al. (2018) show, in the context of New Zealand, that firms update their beliefs when provided with information on inflation, GDP, and employment. Their experimental design—based on the random assignment of firms to treatments conveying information about inflation outcomes, the central bank's target, GDP, and employment—provides the foundation for our own randomized controlled trial (RCT). Similarly, Coibion, Gorodnichenko, and Ropele (2020) find that supplying Italian firms with recent inflation information produces large revisions in their forecasts and reduces disagreement in beliefs. Our study builds on and extends this framework to the Indian context, which differs from these advanced economies in several important respects. First, India has a large informal sector and substantial heterogeneity across firms in terms of size, productivity,

and access to information. Second, the coexistence of large food and fuel price swings with a headline CPI target creates a challenging environment in which firms must disentangle transitory shocks from persistent inflation trends. Third, India adopted a flexible inflation-targeting regime only in 2016, implying a comparatively shorter period over which the Reserve Bank of India's credibility could become embedded in firms' expectations. These features make India a particularly relevant setting in which to examine whether firms are aware of the inflation-targeting framework, how they form inflation expectations, and how strongly they respond to policy-relevant information.

Our study makes several contributions. First, we provide the first direct firm-level evidence on awareness of official inflation statistics and the RBI's inflation-targeting framework in India. Our survey asks respondents whether they know the current CPI inflation rate, whether they are aware of the RBI's 4% target, and through which channels they receive economic information. We document a striking finding: the majority of respondents from firms are unaware of both the current inflation rate and the policy target, highlighting the significant information gaps that persist even among relatively sophisticated economic agents.

Second, we explicitly examine the information channels through which firms form their inflation expectations. Personal shopping experiences, input prices, and regional media emerge as the dominant sources, while official central bank communications rank the lowest.

Third, we document several novel findings on firms' inflation expectations. Both one-year-ahead and five-year-ahead expectations substantially exceed actual urban CPI inflation, yet their median of 6% sits at the upper bound of the RBI's 2–6% target range, indicating an upward bias alongside some degree of anchoring. We also find that smaller firms hold systematically higher inflation expectations than their larger counterparts.

Fourth, we examine the determinants of inflation expectations and selling price expectations among firms. We find that firms' one-year-ahead expectations are significantly shaped by their current inflation perceptions, suggesting a strong backward-looking component in expectation formation. These findings are consistent with the broader international literature, which identifies inflation perceptions as a significant determinant of firms' inflation expectations (Zhang et al.,2022; Bryan et al., 2015; Coibion and Gorodnichenko, 2015). The estimates indicate that firms' expected selling price dynamics are shaped by a confluence of factors — including current perceptions of selling price movements, one-year-ahead inflation expectations, expected unit cost changes, and wage expectations — pointing to pricing

behavior that blends backward-looking adaptation with forward-looking macroeconomic and cost considerations. This pattern aligns with a well-established finding in the international literature that firms' price expectations are heavily shaped by their cost structures and salient price experiences (Boneva et al., 2020; Coibion et al., 2020; Asghar et al., 2022; Richards and Verstraete, 2016).

Finally, we demonstrate through an RCT that simple information treatments causally reduced firms' one-year-ahead and five-year-ahead inflation forecasts, with modest spillovers to expected unit cost and wage changes. The effects exhibit meaningful heterogeneity: The reduction in inflation expectations was largest for micro-enterprises, followed by small and medium-sized firms, with no statistically significant impact for large firms—consistent with smaller firms holding higher initial expectations. This contrasts with evidence from Italy, where Coibion, Gorodnichenko and Ropele (2020) find that treatment effects on inflation expectations do not vary across firm size. Among individual respondents, treatment effects were stronger for women, less educated individuals, and lower-income groups — all of whom held higher initial expectations and faced greater informational constraints. These patterns align with Coibion, Gorodnichenko, and Weber (2022).

These findings suggest that central bank communication has more scope to anchor inflation expectations in India than in advanced economies. In emerging markets, information about monetary policy is scarcer, leaving larger informational gaps that official communication can fill. The stronger treatment effects observed among smaller firms and less-informed demographic groups reflect this dynamic—those with the weakest priors and greatest informational constraints benefit most from central bank outreach. These findings suggest that in an emerging economy like India, targeted central bank communication can be particularly effective for smaller, less-informed firms and demographically vulnerable respondents whose expectations remain poorly anchored.

The rest of the paper is organized as follows: Section 2 describes the data and methodology. Section 3 presents the findings and Section 4 presents the conclusions.

2. Data and Methodology

We conducted a firm-level survey across four major Indian metropolitan cities between November 2025 and February 2026, obtaining responses from 485 firms distributed as follows: Mumbai (120), Delhi (124), Kolkata (117), and Chennai (124). The survey sample comprised 240 manufacturing firms and 245 service-sector firms. By firm size[5], the distribution included 191 micro, 147 small, 78 medium, and 69 large enterprises. The survey employed a Computer-Assisted Personal Interviewing (CAPI) approach, with questionnaires administered in local languages by trained field investigators. The survey was administered to senior officials within each firm. To ensure data quality, rigorous verification protocols were implemented, including on-site supervision, audio recording, GPS tracking, and telephonic back-checks. The survey questionnaire—outlined in the Appendix—comprised six structured modules designed to capture multiple dimensions of firms' inflation expectations and economic perceptions.

The survey questionnaire was designed to gather comprehensive information across multiple domains. The first module focused on collecting standard demographic and structural details of the firm, including its name, address, type of enterprise (manufacturing or service), registration status, nature of business activity, year of incorporation, number of employees, annual turnover, share of export revenues, and the frequency of price reviews for its main product. It also captured key respondent details such as name, designation, and contact information. This foundational information facilitated subsequent stratification and heterogeneity analyses across firm characteristics and respondent profiles.

The second module examined firms' perceptions of recent economic conditions by asking respondents about the direction and magnitude of changes in the overall price level and in the selling prices of their main product or service over the previous 12 months. These retrospective evaluations served as baseline indicators of firms' experienced economic environment.

The third module captured firms' 12-month-ahead expectations regarding the direction and magnitude of overall price changes, as well as expected changes in their main product or service prices, unit costs, wages, and investment in capital expenditures. It also extended the analysis to the long term by eliciting firms' average inflation expectations for the next five years.

[5] Size classification of firms as on the Union Budget 2025, Government of India - Micro – Turnover Less than 10 crores, Small – Turnover – 10 crores to 100 crores, Medium – Turnover 100 crores to 500 crores, Large - Turnover above 500 crores

To evaluate respondents' information processing and awareness of macroeconomic conditions, the fourth module included two focused questions. The first asked about awareness of current inflation conditions: "What is India's current CPI inflation rate (in percent)?"—a question designed to gauge attentiveness to publicly available inflation data disseminated through official statistics and media sources. The second question assessed knowledge of the Reserve Bank of India's inflation target: "What average inflation rate (annual percentage change in overall prices) do you think the Reserve Bank of India is aiming to achieve?" This item tested respondents' understanding of the central bank's policy objective, a key element of the expectations channel in monetary policy transmission. For both items, respondents reported numerical answers in percentage terms, with a "no idea" option provided to prevent uninformed guessing, thereby reducing measurement error and allowing for explicit measurement of inattention.

In addition, this module explored the information sources that shape firms' inflation expectations. Respondents were asked to indicate whether their views on inflation were influenced by personal shopping experiences, changes in input prices, traditional media (newspapers and television), digital platforms (internet and social media), interpersonal communication (friends and relatives), RBI projections or inflation targets, or other sources. They also reported their preferred language for accessing news and economic information, allowing for analysis of potential linguistic barriers to information acquisition and comprehension.

The fifth module of the survey introduced a randomised information intervention designed to identify the causal impact of information provision on firms' expectation formation. This approach builds on a growing body of empirical research showing that, although firms often pay limited attention to official macroeconomic statistics, targeted information treatments—conveying details about monetary and fiscal policy or recent inflation outcomes—can significantly alter firms' inflation expectations (Coibion et al., 2018; Coibion, Gorodnichenko and Ropele (2020); Kumar et al., 2015).

Survey participants were randomly allocated into three equally sized groups: two treatment groups and one control group.

Treatment Group 1 received information about the Reserve Bank of India's monetary policy framework, specifically that "the RBI targets inflation at the 4 percent level." This treatment isolates the effect of conveying the central bank's explicit policy objective.

Treatment Group 2 was provided with factual information on recent inflation outcomes, namely that "the average CPI inflation over the past year was 3.5 percent." This treatment captures the influence of presenting actual inflation data.

The control group received no additional information beyond the standard survey questions, serving as the benchmark for comparison.

After receiving the information treatments, all respondents were asked to restate their one-year-ahead expectations for inflation, selling prices, unit costs, wages, and investments in capital expenditures, along with their five-year-ahead inflation expectations. This experimental setup enables the estimation of treatment effects by comparing post-treatment expectations across the three randomly assigned groups, controlling for pre-treatment expectation levels. The randomized design ensures that any observed differences in post-treatment expectations can be causally attributed to the information interventions rather than to pre-existing differences among firms.

The final module of the survey collects demographic characteristics of the respondent, like their age, gender, educational qualification and monthly income.

A well-established finding in the international literature is that inflation perceptions significantly shape firms' inflation expectations (Coibion and Gorodnichenko, 2015; Bryan et al., 2015; Zhang et al., 2022). To examine whether this relationship holds for Indian firms, we estimate the following baseline specification:

$$\pi_i^{pre} = \alpha + \beta_1 Inflation\ Perception_i + \beta_2 X_i + + \beta_3 Y_i + \varepsilon_i \quad (1)$$

Where π_i^{pre} is the IE of the firms before treatment, X_i is the vector of firm characteristics like type and size of enterprises, and Y_i is the vector of respondent characteristics like their gender, education and income.

This specification allows us to assess whether firms' expectations about future inflation are primarily shaped by their perceptions of current inflationary conditions, after controlling for observable heterogeneity across firms and respondents.

A growing body of international evidence suggests that firms' price expectations are heavily shaped by their cost structures and salient price experiences (Boneva et al., 2020; Coibion et al., 2020). To examine the determinants of selling price expectations among Indian firms, we estimate the following specification:

$$\begin{aligned} Selling\ price\ Expectation_i^{pre} &= \alpha \\ &+ \beta_4 Inflation\ Perception_i + \beta_5 Selling\ price\ Perception_i \\ &+ \beta_6 Inflation\ Expectation_i + \beta_7 Unit\ Cost\ Expectation_i \\ &+ \beta_8 Wages\ Expectation_i + \beta_9 X_i + +\beta_{10} Y_i \\ &+ \varepsilon_i \qquad (2) \end{aligned}$$

This specification is motivated by the idea that firms' price-setting expectations are shaped by both macroeconomic beliefs and firm-specific cost considerations. Because firms set prices on the basis of current and expected marginal costs, inflation ultimately reflects firms' price adjustments in anticipation of future cost conditions (Galí, 2015). In particular, it enables us to test whether expected selling price changes are associated with broader inflation expectations, perceived recent price movements, and anticipated cost pressures arising from unit costs and wages. The inclusion of demographic and firm-level controls helps isolate these relationships from differences attributable to observable characteristics.

To assess the average impact of the information treatment on firms' expectations for each of the items, the following regression equation was used.

$$\pi_i^{post} - \pi_i^{pre} = \alpha + \beta T_i + \gamma X_i + \delta Y_i + \varepsilon_i \qquad (3)$$

Where π_i^{post} is the expectation of the firms after providing information, π_i^{pre} is expectation of the firms before providing information, T_i is the treatment dummy, X_i is the vector of firm characteristics like type and size of enterprises, and Y_i is the vector of respondent characteristics like their gender, education and income.

We estimate the regressions using the Huber robust estimator, which down-weights the influence of outliers and influential observations and thereby yields coefficient estimates that are less sensitive to extreme responses. This approach is well-suited to survey-based expectations data, where measurement error and unusually large reported values are common. Similar robust estimation strategies are employed in related studies of firms' expectations, including Coibion et al. (2018) and Coibion, Gorodnichenko and Ropele (2020). The same equation was used to examine the impact of information on the firms' expectations of their one-year ahead, and five-year ahead IE, selling prices, unit costs, wages, and investments in capital expenditures by comparing their values before and after information treatments.

While the preceding regression captures the average change in firms' expectations following the information treatment, post-treatment expectations may instead reflect a weighted combination of prior beliefs and the new information provided. To disentangle these two components, we estimate the following regression specification, which allows us to assess the extent to which firms' posterior expectations are shaped by their initial beliefs as opposed to the information treatment itself.

$$\pi_i^{post} = \alpha + \sum_{j=1}^{2} \beta_j T_i + \sum_{j=1}^{2} \gamma_j T_{i,j}\, \pi_i^{pre} + \lambda \pi_i^{pre} + \varepsilon_i \qquad (4)$$

$T_{i,j}$ is the dummy variable indicating the treatment received by the respondent. For the control group, β_j should be zero and γ_j should be one as they are not receiving any additional information.

To examine whether the effects of the information treatments vary across observable characteristics, we further partition the sample along several dimensions, including type of enterprise, firm size, and respondents' gender, income, and educational qualification. We then re-estimate equation (3) separately for each subgroup. This approach allows us to assess the extent of heterogeneity in treatment effects across firms and respondents with different economic and demographic profiles.

3. Results

3.1 Attentiveness of the respondents

Our survey assessed firms' understanding of actual inflation rates and monetary policy frameworks, revealing notable knowledge gaps with substantial implications. As shown in Figure 1, the survey highlights a strikingly low level of awareness among respondents

regarding key macroeconomic indicators and policy structures. The findings indicate that approximately 87.0% of respondents lack a clear understanding of current consumer price inflation (CPI), while 69.5% are not aware of the RBI's inflation targeting framework. This broad knowledge gap points to a substantial misalignment between the RBI's monetary policy communication and firms' understanding.

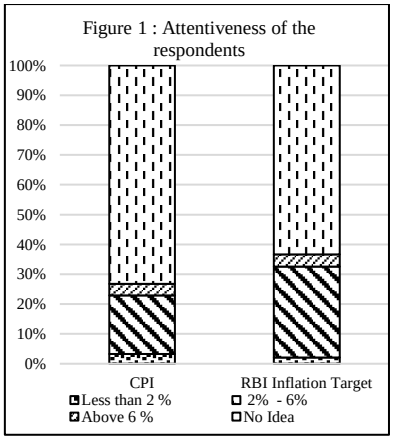
The pattern is consistent with earlier evidence from advanced inflation-targeting regimes. Kumar et al. (2015) document comparably low awareness of New Zealand's inflation target among businesses, despite operating under a well-established inflation targeting system. Candia, Coibion, and Gorodnichenko (2024) find strikingly similar results for the United States. A study conducted by Coibion, Gorodnichenko and Ropele (2020) in Italy also confirms that firms are largely unaware of recent inflation dynamics.

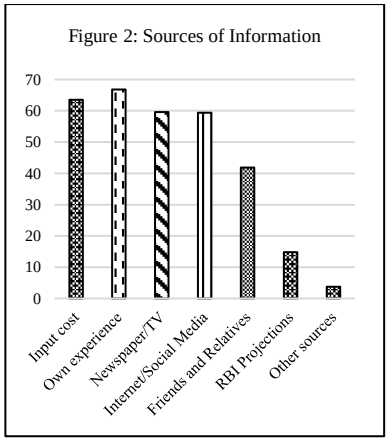
3.2 Sources of Inflation Expectations Formation

Survey evidence reveals that firms rely predominantly on experiential and informal channels when forming inflation expectations (Figure 2). A substantial 67.0 per cent of respondents reported that their expectations are based primarily on personal observations of changes in everyday purchases, while 63.5 per cent cited their direct experience with input cost movements within their own businesses.

Traditional media also play a significant—though secondary—role. Roughly 59.6 per cent of firms identified newspapers and television as important sources of information, closely followed by 59.4 per cent who reported using online platforms and social media. Interpersonal communication channels are similarly influential: 42 per cent of respondents noted that discussions with friends and family contribute to their views about future inflation.

By contrast, formal policy communications exert far less influence. Only 14.8 per cent of firms indicated that they consider the Reserve Bank of India's official forecasts when forming expectations. These findings underscore firms' heavy reliance on observable price experiences and informal narratives, rather than on central bank communications or expert projections. The findings align with international evidence suggesting that firms' expectations are largely experience-based, like personal shopping and shaped by salient, readily accessible information from media rather than systematic monitoring of monetary policy statements (Kumar et al., 2015).





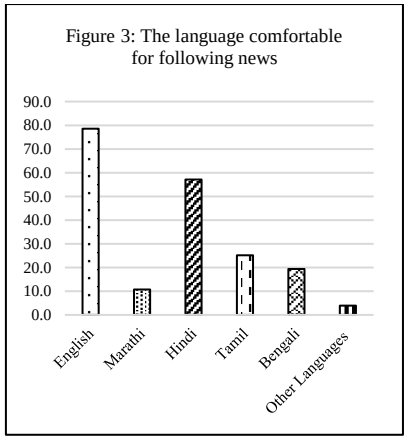


Figure 3 depicts language preferences for news consumption, revealing clear regional patterns. Of the respondents, 79% follow news in English, 57% in Hindi, 25% in Tamil, 19% in Bengali, and 11% in Marathi. While English remains the dominant language for news among the majority, a significant portion also prefer news in their native regional languages—highlighting the critical role of vernacular media in effectively engaging the wider public.

These findings have significant implications for monetary policy communication strategies in India. The results demonstrate that firms form inflation expectations through experiential learning and information acquired from mass media and social networks, rather than through direct engagement with official policy announcements. The predominance of regional language preferences further suggests that current communication strategies, which may be concentrated in English-language channels, fail to reach large segments of the population effectively.

To strengthen the anchoring of firms' inflation expectations, central bank communication strategies should be recalibrated to reflect how businesses actually acquire and process information. Evidence from Coibion et al. (2018) and Coibion, Gorodnichenko and Ropele (2020) demonstrates that providing firms with clear, factual information about current and expected inflation—through randomized information treatments in New Zealand and Italy—significantly influenced their inflation beliefs and, in turn, their investment and employment decisions.

Central banks could design bespoke information campaigns directed at the business sector—especially small and medium enterprises—through chambers of commerce, industry associations, and regional trade networks. Regular briefings or concise policy summaries

tailored to business decision-making would help firms interpret monetary policy signals and inflation data more effectively.

3.3 Descriptive Statistics and Baseline Expectations

Table 1A in the appendix provides descriptive statistics for current inflation perceptions (IP) and inflation expectations (IE) before and after treatment, across all respondents. The average current IP stood at 8.0%, with a median of 6.0%. In comparison, the mean one-year-ahead inflation expectation was 6.9% (median: 6.0%), and the mean five-year-ahead expectation was 7.8% (median: 6.0%).

These expectations significantly exceed the actual urban CPI inflation rates observed during the period—1.4% in November 2025, 2.0% in December 2025, 2.8% in January 2026, and 3.0% in February 2026—indicating a pronounced upward bias in firms' inflation expectations. Nevertheless, the median values of 6 percent across all three measures remain within the Reserve Bank of India's inflation-target range (2–6 percent), suggesting some anchoring around the upper bound of the target.

Disagreement among firms is substantial, with standard deviations of 10.7 for current IP, 7.9 for one-year-ahead IE, and 6.5 for five-year-ahead IE. The high dispersion underscores considerable heterogeneity in firms' information sets and belief formation processes. This pattern mirrors earlier findings from other inflation-targeting economy - namely Kumar et al. (2015) and Coibion et al. (2018) for New Zealand, which document similarly elevated levels of perceived inflation and wide cross-sectional disagreement among firms.

Table 2A in the appendix reports descriptive statistics for current inflation perceptions (IP) and inflation expectations (IE) across firm and respondent demographic categories. The results indicate that service-sector firms exhibit slightly higher IP and IE than manufacturing firms, while smaller firms display higher values compared to larger ones. Inflation perceptions and expectations also differ systematically across respondent characteristics: female respondents report higher IP and IE than males, and individuals with lower education or income levels show higher inflation perceptions and expectations relative to those with higher educational attainment or income.

3.4 Determinants of Inflation Expectations and Selling Price Expectations

To examine the drivers of firms' inflation beliefs, we estimated regressions of one-year-ahead inflation expectations (IE) on firms' current inflation perceptions (IP) and a set of demographic

controls capturing firm and respondent characteristics. The results, reported in Table 3A in the Annexure, indicate that current inflation perceptions exert a statistically significant influence on one-year-ahead expectations. Firms perceiving higher current inflation systematically anticipate higher inflation in the year ahead, consistent with adaptive or experience-based expectation formation. These are consistent with the international literature that the inflation perception is a significant factor in forming firms' inflation expectations (Zhang et al.,2022; Bryan et al., 2015; Coibion and Gorodnichenko, 2015). In addition, respondents' income levels are significantly associated with inflation expectations, suggesting that higher-income decision-makers—possibly with greater exposure to financial and commodity markets—tend to expect lower future inflation as compared to respondents with lower income.

We further investigated the determinants of firms' expected one-year-ahead selling price changes, with results reported in reported in Table 4A in the Annexure. The estimates indicate that the current perception of selling price movements exerts a strong and statistically significant influence on firms' expectations of future price changes, suggesting reliance on adaptive or backward-looking mechanisms in price-setting behavior. In addition, one-year-ahead inflation expectations (IE), expected unit cost changes, and wage expectations all significantly shape expected selling price dynamics, implying that firms' pricing decisions incorporate both macroeconomic expectations and internal cost projections.

The findings highlight a cost-push transmission channel: higher anticipated input and wage costs are passed through to expected selling prices, magnifying the propagation of inflationary pressures within the production sector. This pattern is consistent with international evidence showing that firms' expectations are heavily influenced by their cost structures and salient price experiences (Boneva et al., 2020; Coibion et al., 2020, Asghar et al.,2023)

3.5 Treatment Effects on Firms' Expectations on Inflation, Unit Cost, Selling price, Wages and Investments in Capital Expenditure

Table 1 summarizes our primary findings on the average effect of information treatments on firms' inflation expectations for the next year and five years ahead, along with their expectations for changes in unit costs, selling prices, wages, and investments in capital expenditure. Table 2 presents the key regression results of posterior expectations on treatment exposure and prior expectations. Table 6A in the appendix demonstrates the comparability of treatment groups across major observable characteristics.

3.5.1 Treatment Effects on One-Year-Ahead Inflation Expectations

Analysis of the average effect of treatments on one-year-ahead inflation expectations (Table 1) reveals that both Treatment 1 (providing RBI inflation target information) and Treatment 2 (sharing recent inflation information) led to significant downward adjustments compared to the control group. Respondents exposed to Treatment 1 lowered their inflation forecasts by 0.27 percentage points when demographic controls were included, and by 1.8 percentage points without such controls. Similarly, Treatment 2 produced comparable results—reducing expectations by 2.4 percentage points without controls and by 0.21 percentage points when demographic controls were applied.

The regression analysis of posterior expectations—based on treatments and prior expectations (Table 2)—yields findings consistent with earlier observations. For the control group, which receives no additional information, the intercept and slope coefficients are theoretically expected to be zero and one, respectively. As predicted, the estimated slope coefficient for this group is 0.95, very close to unity, confirming that, in the absence of new information, individuals' posterior expectations largely mirror their prior ones, with only minimal systematic adjustment. The slight deviation in the intercept likely reflects measurement noise—arising from differences in question wording between pre- and post-treatment surveys—or random response fluctuations (Bound, Brown, and Mathiowetz, 2001).

When evaluating the effect of Treatment 1—information on the RBI's inflation targeting—on one-year-ahead inflation expectations (IE), the slope coefficient of -0.42 suggests individuals assign substantial weight to this signal. A comparable pattern emerges for Treatment 2, where participants received information on the one-year average CPI: the slope coefficient of -0.65 is even steeper than that of Treatment 1, indicating a stronger influence on inflation expectations.

Figure 1A in the appendix graphically depicts these relationships, plotting posterior expectations against prior expectations for each group. The figure reveals a strong positive correlation (with a slope close to one) for the control group, in contrast to the marked negative correlations observed for both treatment groups.

These findings suggest that providing basic information can significantly enhance the accuracy of expectations. The greater reduction in IE among firms receiving Treatment 2—compared to Treatment 1—indicates that firms respond more strongly to actual inflation outcomes than to the RBI's inflation target. This likely reflects the fact that average CPI inflation of 3.5% lies below the RBI's target of 4%, meaning that firms receiving Treatment 2 were exposed to a

lower inflation signal, which pulled their expectations down by more, generating a greater reduction in IE.

3.5.2 Treatment Effects on Five-Year-Ahead Inflation Expectations

The average treatment effects on firms' five-year-ahead inflation expectations (IE) are not statistically significant (Table 1). Although both Treatment 1 and Treatment 2 have negative coefficients, their effects are small and insignificant, suggesting no clear average shift in long-term expectations.

When posterior expectations are modelled as a function of treatments and prior expectations, however, a different pattern appears. As shown in Table 2, the control group has a slope coefficient of 0.98 and an intercept of –0.014, confirming that long-term expectations remain stable in the absence of new information. In contrast, Treatment 1 and Treatment 2 have slope coefficients of –0.39 and –0.23, respectively, both significant at the 1 per cent level. This indicates that the information treatments meaningfully influenced how firms updated their long-term expectations, even if they did not change the average level of those expectations. Figure 2A illustrates these relationships, showing a strong positive association—with a slope close to one—for the control group, in contrast to the markedly flatter and negative slopes observed for both treatment groups, indicating substantial updating of expectations in response to the information provided.

These results are consistent with prior evidence from other economies. Coibion et al. (2018), studying firms in New Zealand, Hunziker et al. (2022) in Switzerland and Coibion et al. (2020), in the context of Italy, similarly find that providing firms with targeted information about inflation or central bank objectives generates exogenous variation in their inflation expectations, leading to significant belief updating and measurable effects on subsequent economic decisions. Comparable patterns have also been observed in studies of household expectations, where information treatments significantly alter inflation beliefs and behavioral intentions (Coibion, Georgarakos, Gorodnichenko, Kenny and Weber, 2023; Coibion, Gorodnichenko, and Weber, 2022; Coibion, Georgarakos, Gorodnichenko and Van Rooij, 2023).

3.5.3 Treatment Effects on Unit Cost Expectations

The average treatment effects on firms' unit cost expectations are statistically insignificant, mirroring the results for five-year-ahead inflation expectations (Table 1). Although the

coefficients for both Treatment 1 and Treatment 2 are negative, their magnitudes are small and not significantly different from zero, indicating no clear shift in the mean level of expected unit cost growth.

However, when we modelled the posterior expectations as a function of treatments and prior expectations, we found that the treatments have a significant impact on the unit cost expectations of firms. Table 2 shows that the control group again exhibits a slope coefficient near unity (0.95) and an insignificant intercept (0.133), confirming stability of unit cost expectations absent new information. Treatment 1 generates a slope coefficient of -0.148 while Treatment 2 yields -0.084; both are significant at 1% level. These results indicate that information interventions meaningfully influence how firms update their views on future cost pressures, even if they do not alter average expectations across the sample.

Figure 3A visualizes these relationships, showing a steep, near-unit slope for the control group, contrasted with the flatter, negative slopes observed for both treatment groups, consistent with significant downward adjustments in unit cost expectations following the provision of new information.

3.5.4 Treatment Effects on Selling Price Expectations

The average treatment effects on firms' selling price expectations also turn out to be statistically insignificant (Table 1). The coefficients of Treatment 1 and Treatment 2 are insignificant, suggesting no measurable change in the mean level of expected selling price growth.

When posterior expectations are modelled as a function of treatments and prior expectations, a more nuanced pattern emerges. As shown in Table 2, the control group displays a slope coefficient close to unity (0.99) and an insignificant intercept (0.036), indicating that firms' selling price expectations remain stable in the absence of new information. However, Treatment 1 produces a slope coefficient of –0.013, significant at the 1 per cent level, suggesting that information about the RBI's inflation target prompts a modest but statistically meaningful downward revision in expected selling prices. In contrast, the coefficient for Treatment 2 is not significant, implying that recent CPI information does not materially affect selling price expectations. Figure 4A visualises these relationships, showing nearly identical patterns across all three experimental groups.

3.5.5 Treatment Effects on wages Expectations

The average treatment effects on firms' wage expectations are statistically insignificant, with both Treatment 1 and Treatment 2 yielding insignificant coefficients, indicating no discernible change in the mean level of expected wage growth across groups (Table 1).

When posterior expectations are modelled as a function of treatments and prior expectations, however, the results reveal significant updating behavior. As shown in Table 2, the control group displays a slope coefficient close to unity (0.90) and an insignificant intercept (0.402), confirming that, in the absence of new information, firms' wage expectations remain largely anchored to their prior beliefs. In contrast, Treatment 1 yields a slope coefficient of –0.148, and Treatment 2 yields –0.111, both statistically significant at the 1 percent level. These findings indicate that information treatments meaningfully influence how firms revise their wage expectations, even if the overall average effect is muted. Figure 5A illustrates these relationships, showing broadly similar patterns across the three experimental groups.

3.5.6 Treatment Effects on Investments in capital expenditure expectations

The average treatment effects on firms' capital expenditure expectations are statistically insignificant, as both Treatment 1 and Treatment 2 produce non-significant coefficients, indicating that the information interventions had no meaningful effect on firms' overall investment outlook (Table 1).

However, when we model posterior capital expenditure expectations as a function of treatments and prior beliefs, a clearer pattern emerges. As shown in Table 2, the control group displays a slope coefficient close to unity (0.95) with an insignificant intercept (0.512), indicating that investment expectations remain stable when firms receive no new information. In contrast, Treatment 1 produces a slope of –0.088 (significant at the 10 per cent level) and Treatment 2 a slope of –0.111 (significant at the 5 per cent level), implying that the information treatments prompted modest downward revisions in anticipated capital spending. Figure 6A illustrates these dynamics, showing almost parallel patterns across groups.

In general, mean responses (Table 1) show that information treatments reduce short-term inflation expectations but have limited average effects on long-term or firm-specific variables. Updating estimates (Table 2), however, demonstrates that firms do process and incorporate new information, adjusting the relationship between prior and posterior beliefs in statistically and economically meaningful ways. The negative slopes, all significant at the 1 per cent level,

indicate meaningful belief updating—firms receiving information adjust their expectations downward relative to their priors. Smaller but significant effects are also observed in unit cost and wage expectations, reflecting that lower inflation beliefs translate into expectations of slower cost growth. In New Zealand, Coibion et al. (2018), found that information treatments led to downward revisions in firms' inflation expectations and investment plans in New Zealand, while the effects on price, wage, and unit cost expectations were small and statistically insignificant. In France, Savigna et al. (2024) also found that, although information treatments have significantly changed firms' IE, exogenous variation in their IE does not affect their aggregate wage expectations.

Table 1: Average Impact of Treatment on Firm Responses

Treatments	One year ahead IE		5 years ahead IE		Unit Cost		Selling Price		Wages		Capital Expenditure	
	1	2	3	4	5	6	7	8	9	10	11	12
Treatment 1	-1.847***	-0.265***	-0.589	-0.594	-0.428	-0.418	0.307	0.265	0.451	0.478	0.408	0.448
	(0.692)	(0.077)	(0.412)	(0.410)	(0.463)	(0.465)	(0.479)	(0.480)	(0.310)	(0.313)	(0.608)	(0.612)
Treatment 2	-2.409***	-0.208***	-0.583	-0.452	-0.489	-0.628	-0.641	-0.731	-0.330	-0.352	-0.874	-0.909
	(0.697)	(0.077)	(0.414)	(0.414)	(0.465)	(0.469)	(0.482)	(0.484)	(0.312)	(0.316)	(0.612)	(0.618)
Remove outliers	No	Yes	No	No	No	No	Yes	No	No	No	No	No
Using sampling weights	No	Yes	No	No	No	No	Yes	No	No	No	No	No
Controls for demographics	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Observations	485	485	485	485	485	485	485	485	485	485	485	485
R square	0.027	0.003	0.006	0.054	0.003	0.033	0.008	0.045	0.013	0.033	0.009	0.033

* (p<0.05),**(p<0.01),***(p<0.001). Standard errors are displayed in brackets.

Table 2: Posterior belief by treatment

Treatments	One year ahead IE		5 years ahead IE		Unit Cost		Selling price		Wages		Capital Expenditure	
	Intercept	Slope	Intercept	Slope	Intercept	Slope	Intercept	Slope	Intercept	Slope	Intercept	Slope
Control Group	0.311*	0.948***	-0.014	0.976***	0.1326	0.9518***	0.036	0.989***	0.402	0.902***	0.512	0.945***
	(0.167)	(0.0194)	(0.1398)	(0.013)	(0.1642)	(0.0197)	(0.028)	(0.003)	(0.304)	(0.035)	(0.499)	(0.031)
Relative to control												
Treatment 1	1.442***	-0.415***	2.112***	-0.389***	0.667***	-0.1479***	0.035	-0.013***	1.429***	-0.148***	0.926	-0.088*
(RBI's inflation target)	(0.218)	(0.023)	(0.219)	(0.022)	(0.225)	(0.026)	(0.040)	(0.004)	(0.450)	(0.053)	(0.696)	(0.048)
Treatment 2	2.793***	-0.651***	1.282***	-0.227***	0.0877	-0.0836***	-0.061	0.004	0.664	-0.111***	-0.065	-0.094**
(One-year average CPI)	(0.229)	(0.0243)	(0.213)	(0.021)	(0.241)	(0.029)	(0.039)	(0.004)	(0.453)	(0.049)	(0.697)	(0.042)
Remove outliers	Yes		Yes		Yes		Yes		No		No	
Using sampling weights	Yes		Yes		Yes		Yes		No		No	
Controls for demographics	No		No		No		No		No		No	
Observations	485		485		485		485		485		485	
R square	0.386		0.557		0.5232		0.575		0.767		0.832	

* (p<0.05),**(p<0.01),***(p<0.001). Standard errors are displayed in brackets.

3.6 Heterogeneous Treatment Effects

To evaluate whether the effects of information treatments differ systematically across firms, we analyse treatment impacts on the one-year-ahead IE by enterprise type, enterprise size, respondent gender, educational background, and income level. Detailed findings are presented in Table 5A in the annexure.

The analysis highlights significant variation in how firms respond to treatment. Both Treatment 1 and Treatment 2 reduced one-year-ahead inflation expectations (IE) among firms in both manufacturing and service sectors. The reduction is notably significant only for treatment 1 among manufacturing sector firms, while treatment 2 led to a significant decline specifically for service sector firms. When assessing the impact of the treatments across firm sizes, both Treatment 1 and Treatment 2 led to a statistically significant greater reduction in the one-year-ahead IE for micro-sector firms. Specifically, Treatment 1 resulted in a reduction of -3.47 (significant at the 5% level), while Treatment 2 yielded a reduction of -4.31 (significant at the 1% level). While both treatments 1 and 2 led to a decline in the one-year-ahead inflation expectations (IE) for small and medium-sized firms, the effect of treatment 2 was statistically significant for both categories. Specifically, treatment 2 reduced the one-year-ahead IE by 2.52 for small firms (significant at the 5% level) and by 1.32 for medium firms (significant at the 10% level). In contrast, no statistically significant impact was observed for large-sized firms.

Analyzing the impact of information treatments across respondents' demographic characteristics reveals notable heterogeneity in responses. The treatments significantly influenced the inflation expectations (IE) of both male and female respondents; however, female participants displayed higher baseline expectations and larger post-treatment revisions compared with males. Similarly, less-educated respondents held higher initial inflation expectations and adjusted them more sharply after receiving information, whereas highly educated individuals—likely better informed beforehand—showed smaller revisions. An analogous pattern emerges for income: lower-income respondents revised their expectations more strongly than higher-income groups, reflecting greater informational constraints among economically marginalized populations. These patterns align with Coibion, Gorodnichenko, and Weber (2022), who find that information treatments have stronger effects among demographic segments with weaker priors and limited access to macroeconomic information.

4. Conclusion

Firms' inflation expectations play a critical role in shaping macroeconomic outcomes and monetary policy transmission, yet direct evidence from Indian firms remains sparse. This study examines how Indian firms form inflation expectations, what determines them, and whether monetary policy communications can causally shift them. Using a structured firm survey and a randomized control trial across four major metropolitan areas, we document several important findings.

A striking result is the widespread lack of awareness among firm respondents about both the prevailing CPI inflation rate and the RBI's 4% inflation target. This points to significant information frictions that persist even among relatively sophisticated economic agents, and underscores the limited reach of formal monetary policy communications in the Indian context. Firms appear to rely primarily on personal shopping experience, input cost observations, and informal media sources — including newspapers, television, and social media — rather than official statistics or central bank publications, when forming their inflation views. We further find that both one-year-ahead and five-year-ahead inflation expectations substantially exceed actual urban CPI inflation, with a median of 6% across all measures — sitting at the upper bound of the RBI's 2–6% target band. This pattern indicates a pronounced upward bias in firms' expectations alongside only partial anchoring to the policy target. Smaller firms, in particular, hold systematically higher inflation expectations than their larger counterparts, likely reflecting greater informational constraints and limited engagement with formal macroeconomic channels.

Our analysis of the determinants of inflation expectations reveals a strong backward-looking component: firms' one-year-ahead expectations are significantly shaped by their current inflation perceptions. Firms' expected selling price dynamics, meanwhile, reflect a broader confluence of factors — including current price perceptions, inflation expectations, anticipated unit cost changes, and wage expectations — pointing to pricing behavior that blends backward-looking adaptation with forward-looking macroeconomic and cost considerations.

Finally, the RCT evidence demonstrates that simple, well-designed information treatments can causally reduce firms' inflation forecasts at both the one-year and five-year horizons, with modest spillovers to expected unit costs and wages. These results are consistent with prior evidence from other economies, including New Zealand (Coibion et al., 2018), Switzerland (Hunziker et al., 2022), and Italy (Coibion, Gorodnichenko and Ropele, 2020), all of which

find that providing firms with targeted information about inflation or central bank objectives generates significant belief updating and measurable effects on subsequent economic decisions. Importantly, the effects exhibit meaningful heterogeneity. Small firms, which held higher initial inflation expectations, experienced larger reductions than large firms. Among individual respondents, treatment effects are stronger for women, less-educated individuals, and lower-income groups — all of whom held higher initial expectations and faced greater informational constraints — consistent with stronger belief updating among those with weaker priors and limited prior exposure to macroeconomic information.

Taken together, these findings carry important implications for monetary policy communication in India and in emerging market economies more broadly. The pervasive information gaps we document suggest that the RBI's communications have yet to penetrate large segments of the firm population, limiting the effectiveness of expectation management as a monetary policy tool. At the same time, the responsiveness of firms — particularly smaller and less-informed ones — to simple information treatments points to significant scope for improving expectation anchoring through more accessible, targeted, and frequent central bank outreach. Designing communication strategies that reach firms through the channels they actually use, including vernacular media and digital platforms, may prove especially effective. Future research should examine whether the belief revisions induced by such interventions are durable and whether they translate into meaningful changes in real business decisions, including pricing, hiring, and capital expenditure.

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Annexure

Table 1A: Descriptive Statistics			
	Mean	Median	Std Deviation
Current Inflation Perception	8	6	10.7
One year ahead IE prior	6.9	6.0	7.9
One year ahead IE post	6.0	5.0	5.5
Five years ahead IE prior	7.8	6.0	6.5
Five years ahead IE post	7.0	5.0	5.5

Table 2A: Descriptive Statistics

Item		Current Inflation Perception			One year ahead IE prior			Five years ahead IE prior		
		Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation
Type of Enterprise	Manufacturing	7.9	6.0	9.6	6.4	6.0	6.0	7.6	6.0	5.4
	Services	8.2	6.0	11.7	7.4	5.0	9.3	8.0	6.0	7.4
Size of Enterprise	Micro	9.7	7.0	15.3	8.2	6.0	9.9	8.7	6.0	8.5
	Small	7.7	6.0	7.3	6.7	6.0	7.4	8.1	7.0	5.5
	Medium	6.2	6.0	3.6	5.8	5.0	4.0	6.5	5.8	3.6
	Large	6.1	5.0	4.1	4.8	5.0	4.3	6.3	5.0	3.5
Gender	Male	7.8	6.0	10.8	6.8	6.0	7.7	7.8	6.0	6.6
	Female	9.5	5.0	10.4	7.7	5.0	8.9	7.6	5.0	6.2
Educational Qualification	10th and below	16.8	15.0	25.1	10.6	9.0	11.9	11.2	9.5	7.8
	12th standard	10.5	10.0	12.7	11.8	10.0	11.0	8.5	8.0	6.0
	Graduation	7.6	5.0	12.2	6.6	5.0	9.1	7.7	6.0	7.5
	Post-graduation and above	7.3	6.0	5.6	6.2	6.0	4.9	7.6	6.0	5.4
Monthly Income	Less than Rupees 50000	9.9	7.0	17.4	10.0	7.0	12.4	9.3	8.0	6.5
	Between Rupees 50000 and 100000	7.6	6.0	7.5	5.3	5.0	5.8	8.4	7.0	8.5
	Between Rupees 1 Lakh and 5 Lakhs	7.2	5.0	6.8	6.1	5.0	4.5	6.9	5.0	5.7
	Rupees 5 lakhs and above	6.9	6.0	4.5	5.3	5.0	5.0	6.6	6.0	2.5

Table 3A: The impact of current inflation perception and demographic characteristics of firms and respondents on one-year-ahead IE

Item	**One year ahead IE**
Current Inflation Perception	0.091***
	(0.033)
Manufacturing	-0.605
	(0.711)
Small	-0.254
	(0.902)
Medium	-0.666
	(1.111)
Large	-1.607
	(1.179)
Male	-0.700
	(1.051)
Age	0.007
	(0.039)
Twelthstd	2.063
	(2.316)
Graduate	-0.695
	(2.015)
PostGraduate	-0.385
	(2.093)
Salary - Rs 50000 to Rs 99,999	-3.819***
	(1.103)
Salary - Rs 1,00,000 to Rs 4,99,999	-2.739***
	(1.047)
Salary - Above Rs 5,00,000	-3.426**
	(1.663)
Constant	9.836***
	(2.698)
Observations	485
R square	0.06

Table 4A: The determinants of the expectation of the selling price changes of the firms	
Item	**One year ahead IE**
Current perception on selling price changes	0.202***
	(0.039)
One year ahead IE	0.286***
	(0.045)
Current Inflation Perception	0.016
	(0.030)
Unit cost Expectation	0.261***
	(0.058)
Wages Expectation	0.469***
	(0.060)
Manufacturing	-0.054
	(0.636)
Small	0.205
	(0.806)
Medium	0.466
	(0.992)
Large	-0.698
	(1.070)
Male	1.319
	(0.941)
Age	-0.067*
	(0.035)
Twelthstd	-4.543**
	(2.087)
Graduate	0.619
	(1.811)
Postgraduate	0.653
	(1.882)
Salary - Rs 50000 to Rs 99,999	-0.380
	(1.004)
Salary - Rs 1,00,000 to Rs 4,99,999	-0.743
	(0.946)
Salary - Above Rs 5,00,000	-0.260
	(1.493)
Constant	0.450
	(2.476)
Observations	485
R square	0.39

Table 5A: Heterogeneity in the impact of information treatment on one-year-ahead inflation expectation

	Type of Enterprise		Size of Enterprise			Gender of the respondent			Educational qualification of the respondent				Monthly income of the respondent			
	Manufacturing	Services	Micro	Small	Medium	Large	Female	Male	Up to 10th Std	Up to 12th Std	Graduation	Post-Graduation and above	Less than ₹ 50 thousand	₹ 50000 - ₹ 99,999	₹ 100000 - ₹ 49,99,999	₹ 5 Lakh and above
Treatment 1	-2.299***	-1.516	-3.469**	-0.948	-0.075	-1.28	-4.02**	-1.516**	-8.889	-9.558**	-0.663	-1.089*	-3.757*	-2.387	-0.789	-0.094
	(0.737)	(1.158)	(1.365)	(1.245)	(0.716)	(1.219)	(1.900)	(0.743)	(5.554)	(4.053)	(1.164)	(0.650)	(1.982)	(1.630)	(0.519)	(2.225)
Treatment 2	-1.111	-3.741***	-4.317***	-2.515**	-1.315*	1.362	-4.63**	-2.158***	-5.5	-6.814	-3.391***	-0.95	-4.860**	-2.911	-1.137**	0.542
	(0.727)	(1.186)	(1.410)	(1.238)	(0.716)	(1.161)	(2.110)	(0.741)	(6.680)	(4.665)	(1.190)	(0.625)	(1.971)	(1.833)	(0.505)	(2.225)
R Squared	0.04	0.04	0.05	0.07	0.1	0.02	0.15	0.18	0.04	0.02	0.12	0.03	0.05	0.03	0.02	0.001
Number of observations	240	245	78	69	62	423	18	29	214	224	240	391	128	99	222	36

Table 6A: Balancedness across Treatments

Item		T1 Control	T2 Inflation Targeting	T3 Past Inflation
Type of Enterprise	Manufacturing	0.52	0.47	0.50
		(0.04)	(0.04)	(0.04)
	Services	0.49	0.53	0.50
		(0.04)	(0.04)	(0.04)
Size of Enterprise	Micro	0.37	0.43	0.38
		(0.04)	(0.04)	(0.04)
	Small	0.31	0.29	0.31
		(0.04)	(0.04)	(0.04)
	Medium	0.17	0.15	0.16
		(0.03)	(0.03)	(0.03)
	Large	0.15	0.12	0.15
		(0.03)	(0.03)	(0.03)
Age of the respondent		41.55	42.23	41.57
		(0.72)	(0.80)	(0.81)
Male Share		0.84	0.87	0.91
		(0.03)	(0.03)	(0.02)
Educational Qualification of the respondent	Below 10th std	0.03	0.06	0.03
		(0.01)	(0.02)	(0.01)
	Twelfth Std	0.06	0.07	0.04
		(0.02)	(0.02)	(0.02)
	Graduation	0.45	0.45	0.42
		(0.04)	(0.04)	(0.04)
	Post-graduation	0.45	0.42	0.51
		(0.04)	(0.04)	(0.04)
Average monthly Income of the respondent	Less than Rs 50,000	0.26	0.26	0.27
		(0.04)	(0.03)	(0.04)
	Rs 50000 to Rs 99,999	0.22	0.24	0.16
		(0.03)	(0.03)	(0.03)
	Rs 1,00,000 to Rs 4,99,999	0.44	0.44	0.50
		(0.04)	(0.04)	(0.04)
	Above Rs 5,00,000	0.09	0.07	0.07
		(0.02)	(0.02)	(0.02)
City	Kolkata	0.24	0.24	0.25
		(0.03)	(0.03)	(0.03)
	Delhi	0.25	0.26	0.25
		(0.03)	(0.04)	(0.04)
	Mumbai	0.25	0.25	0.25
		(0.03)	(0.03)	(0.03)
	Chennai	0.26	0.25	0.26
		(0.03)	(0.03)	(0.04)

Notes: The table reports means and standard deviations (in parentheses) for different observable characteristics of respondents in each treatment group.

Figure 1A: Treatment effects on one year ahead IE

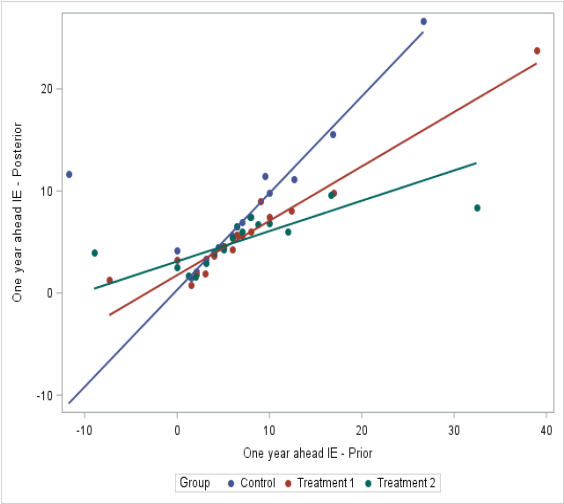


Figure 2A: Treatment effects on five years ahead IE

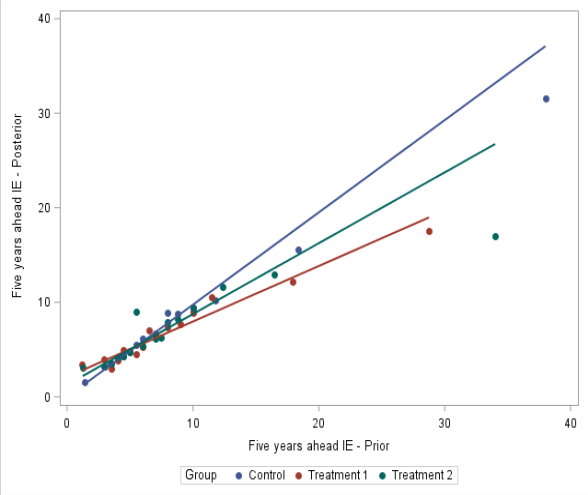


Figure 3A: Treatment effects on one year ahead unit cost expectations

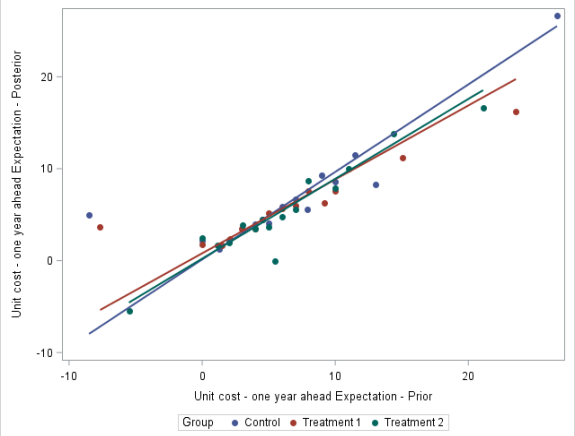


Figure 4A: Treatment effects on one year ahead selling price expectations

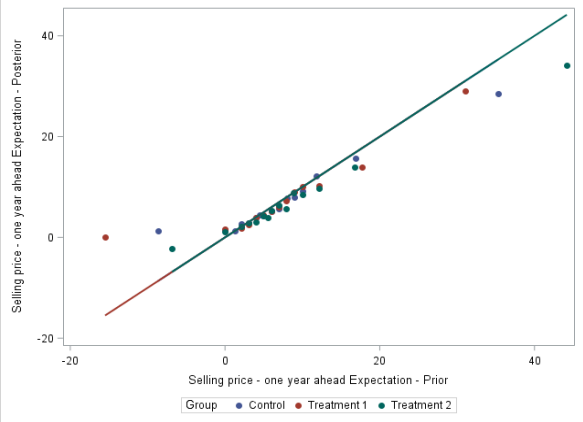


Figure 5A: Treatment effects on one-year-ahead wage expectations

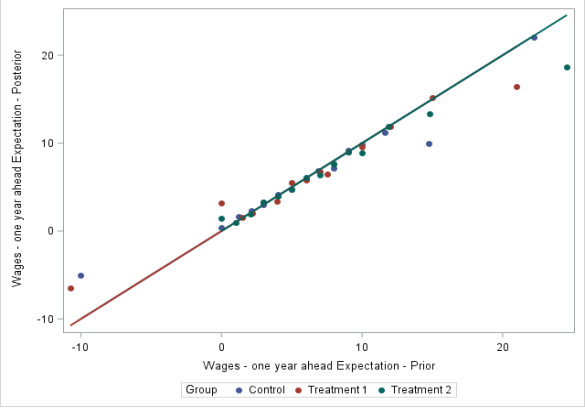
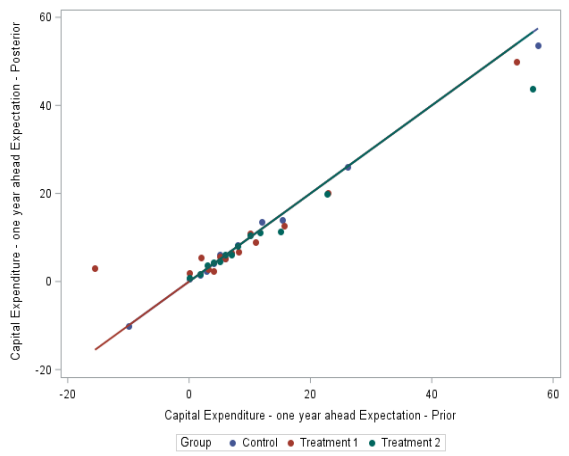


Figure 6A: Treatment effects on one-year-ahead capital expenditure expectations



Questionnaire

Inflation Expectation Survey on Firms

I. General Information

1. Name of the company:……
2. Address of the company: …….
3. Name of the respondent: ……..
4. Designation: ……
5. Contact number: …….
6. Type of enterprise: Manufacturing / Service
7. Type of firm: Registered / Not Registered
8. Nature of the business: ……..
9. Year of incorporation: ……..
10. Number of employees working in the Company: ……
11. Annual turnover of Company:

a) Less than 1 crore	b) 1 crore to 5 crores
c) 5 crores to 10 crores	d) 10 crores to 100 crores
e) 100 crores to 500 crores	f) Above 500 crores

12. Share of sales revenues from export

g) No export	h) Less than 50%
i) More than 50%	

13. How often does the firm review the price of its main product/service?

a. Daily ☐	b. Weekly ☐	c. Monthly ☐
d. Quarterly ☐	e. Half yearly ☐	f. Annually ☐
g. Less frequently(Once in two three years) ☐		

II. Firm's Perceptions

14. During the last one year, what do you think about the overall price in the economy?

Whether overall price has

Increased ☐	Remained about the same ☐	Decreased ☐

15. You have told that, overall prices have increased / decreased. By what percentage do you think overall prices have increased/decreased during the last one year? (In percent) ……

16. During the last one year, what do you think about the selling price of your main product/service? Whether it has

Increased ☐	Remained about the same ☐	Decreased ☐

17. You have told that, the selling price of your main product/service has increased / decreased. By what percentage do you think the selling price of your main product/service has increased/decreased during the last one year? (In percent) ……

III. Firm's Expectations

17. During the next one year, what do you think about the overall prices in the economy? Whether the overall prices will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

18. You have told that, overall prices will increase / decrease by next one year. By what percentage do you think overall prices will increase/decrease during the next one year? (In percent) ……

19. During the next one year, what do you think about the firm's unit cost? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

20. You have told that, the firm's unit cost will increase / decrease by next one year. By what percentage do you think the firm's unit cost will increase/decrease during the next one year? (In percent) ……

21. During the next one year, what do you think about the selling price of your main product/service? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

22. You have told that, the selling price of your main product/service will increase / decrease by next one year. By what percentage do you think the selling price of your main product/service will increase/decrease during the next one year? (In percent) ……

23. During the next one year, what do you think about the wages of your employees? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

24. You have told that, the wages of your employees will increase / decrease by next one year. By what percentage do you think the wages of your employees will increase/decrease during the next one year? (In percent) ……

25. During the next one year, what do you think about the investment (capital expenditure)? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

26. You have told that, the investment (capital expenditure) will increase / decrease by next one year. By what percentage do you think the investment (capital expenditure) will increase/decrease during the next one year? (In percent) ……

27. During the next 5 years, what will be the average inflation rate in our country? (In percent) ……?

IV. Attentiveness of the respondent

28. What is India's current CPI inflation (Consumer Price Index)? (In percent)

a. …….	b. No idea

29. What is the average inflation rate, the Reserve Bank of India is trying to achieve?

c. ……. (In percent)	d. No idea

Formation of business decisions and inflation expectations

30. How did you form inflation expectations?

a. Based on the input costs in the recent past ☐	b. Based on my own personal purchases in the recent past ☐
c. News from newspapers, TV etc ☐	d. Internet/ Social media ☐
e. Friends and relatives ☐	f. Based on the RBI projections/ inflation target ☐
g. Other sources ☐	

31. Which language you are comfortable to follow the news?

a) English ☐	b) Marathi ☐
c) Hindi ☐	d) Bengali ☐
e) Tamil ☐	f) Any other language……..

V. Information Treatment

Treatment I - We would like to inform you that, RBI tries to control inflation at 4% level.

Treatment II - We would like to inform you that, the average inflation for the last one year is 3.5% i.e. overall price increased by 3.5% in 2025 as compared to 2024.

Treatment III – No additional information is provided

Now, considering the information we have provided, please answer the following questions.

32. During the next one year, what do you think about the overall prices in the economy? Whether the overall prices will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

33. You have told that, overall prices will increase / decrease by next one year. By what percentage do you think overall prices will increase/decrease During the next one year? (In percent) ……

34. During the next one year, what do you think about the firm's unit cost? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

35. You have told that, the firm's unit cost will increase / decrease by next one year. By what percentage do you think the firm's unit cost will increase/decrease during the next one year? (In percent) ……

36. During the next one year, what do you think about the selling price of your main product/service? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

37. You have told that, the selling price of your main product/service will increase / decrease by next one year. By what percentage do you think the selling price of your main product/service will increase/decrease during the next one year? (In percent) ……

38. During the next one year, what do you think about the wages of your employees? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

39. You have told that, the wages of your employees will increase / decrease by next one year. By what percentage do you think the wages of your employees will increase/decrease during the next one year? (In percent) ……

40. During the next one year, what do you think about the investment (capital expenditure)? Whether it will

Increase ☐	Remain same ☐	Decrease ☐

If it increases/decreases

41. You have told that, the investment (capital expenditure) will increase / decrease by next one year. By what percentage do you think the investment (capital expenditure) will increase/decrease during the next one year? (In percent) ……

42. During the next 5 years, what will be the average inflation rate in our country? (In percent) ……?

VI. Details of the respondent

43. Age of the respondent? …… years

44. Gender:

[1] Male ☐	[2] Female ☐

45. What is your educational qualification?

a. 10^{th} Std or below ☐	b. 12^{th} Std ☐
c. Graduate ☐	d. Postgraduate ☐

46. How many years of work experience do you have in this industry?

……years

47. What is your monthly salary

[1] Less than ₹ 50 thousand ☐	[2] ₹ 50 thousand - ₹ 1 lakh ☐	[3] ₹ 1 lakh – ₹ 5 lakhs ☐	[4] Above ₹ 5 lakhs ☐