

Financial Literacy: An Initiative taken by the Government of Karnataka

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Abstract

Financial literacy is essential to effectively manage their finances, make wise decisions, and prepare for their short- and long-term financial goals, people need to have a strong grasp of finance. It gives people the power to take charge of their money and make wise financial decisions that fit their needs and objectives. For good financial wealth, one needs to develop and grasp this life skill. Saving, planning, investing, and handling loans and interest are all aspects of financial literacy. Poor financial decisions brought on by financial illiteracy may harm a person's ability to manage their finances. Therefore, the Government has to take proper measures to develop the financial education among the people in the country. With this backdrop the present paper tries to explore the initiatives taken by the Government of Karnataka to promoting and developing the financial literacy among the people.

Keywords: Financial Literacy, Financial Education, Initiatives.

Introduction

Money management is financial management. This involves financial decisions including budgeting, investing, borrowing, lending, and saving. Personal finance, corporate finance, and public finance are the three subcategories of finance. A person's personal finances are unique to them and involve banking and the acquisition of financial items like loans, credit cards, insurance, etc. Activities involved in managing a business are included in corporate finance. Like the issuance of stocks and bonds, as well as operations connected to project finance. Budgeting, taxation, and government expenditure for the general benefit of the populace are all aspects of public finance.

Financial literacy is the capacity to manage money. The purpose of financial literacy is to assist people in comprehending financial concepts that will help them manage their money more effectively (Hossain, M., & Maji, S. K. (2021). For good financial wealth, one needs to develop and grasp this life skill. Saving, planning, investing, and handling loans and interest are all aspects of financial literacy. Poor financial decisions brought on by financial illiteracy may harm a person's ability to manage their finances.

Most Indians, according to recent surveys, still don't understand basic financial concepts. Many people have no idea what financial terms like budgeting, saving, and investing mean. This ignorance frequently leads to poor financial decisions, such as high debt levels, insufficient retirement savings, and inadequate insurance coverage. However, there are also encouraging indications that financial literacy levels are rising in India. There is a rising understanding of the significance of financial planning as a

result of the government and financial institutions' initiatives to educate the people on money management (Nitin Dave, 2023).

The Reserve Bank of India (RBI) is working to raise financial literacy levels throughout the nation. It has started a number of programmes to advance financial literacy and education, including seminars, camps, and online courses. Additionally, the RBI has ordered that banks and other financial institutions educate their clients about money matters.

Banks and mutual funds are two examples of financial entities that actively promote financial literacy. They have started a number of educational initiatives, such as seminars, online courses, and workshops on financial literacy. In order to reach a larger audience and make financial education more approachable, they are now leveraging digital channels.

The rise in people seeking expert financial guidance is another encouraging trend. People are turning to financial consultants and planners to assist them in reaching their financial objectives as they become more conscious of the value of financial planning. As consumers become increasingly aware of the advantages of receiving expert financial guidance, this trend is anticipated to continue.

Review of Literature

Mamatha and Mahajanashetti (2019) the current study examined the development and effectiveness of the number of financial literacy centres (FLCs), both at the district level and across the entire state of Karnataka. For the purpose of calculating the compound annual growth rate, the study analysed time series data pertaining to the number of FLCs for both the general and rural-specific categories from 2008–09 to 2016–17. According to the study's conclusions, there has to be a coordinated effort to increase financial literacy among participants in districts with low performance and few FLCs.

Almenberg and Soderbergh (2011) examined the link between Swedish citizens' financial literacy and retirement planning. They discovered significant variations between those who plan and those who don't in terms of financial literacy. Older adults, women, and those with lower education or income levels were shown to have lower financial literacy levels.

Lusardi and Mitchell (2011) regardless of the degree of financial market development and the type of pension provision, financial literacy is extremely poor globally. In light of the fact that market changes do not appear to have improved financial literacy, it is possible that people only learn from their personal financial experiences. Additionally, significant sex and age disparities in financial literacy exist globally. When it comes to financial expertise, women consistently know less than men do and they are aware of this. Older populations may be particularly vulnerable because of their low financial literacy levels.

Pinto et al. (2015) the goal of financial literacy is to equip people with the skills necessary to manage their money effectively and improve their quality of life over time. In order to gather input from investors for the current study, a survey was carried out in the Dakshina Kannada District of the Karnataka State. The main factors are demographics, investors' attitudes towards money, financial planning, retirement planning, and how they act when making financial decisions. The study uses data analysis to assess investors' attitudes and understand their level of financial literacy. Investors have a good attitude towards money and financial planning, according to the study's findings. Additionally, retail investors are well-versed in financial products. However, the investors' level of financial literacy is not encouraging.

Sumit Agarwal (2015) the study's conclusions on financial planning behaviour and financial literacy are based on data from an Indian financial advice programme. Analyse survey responses to three common questions that have been used to gauge financial literacy in the past. Then compare results after dividing the data into specific demographic and socioeconomic groups. Finally, we investigate programme participants' investment practises, liability preferences, risk tolerance, and insurance usage. The majority of respondents, according on their responses to questions about inflation, risk/diversification, and interest rates (numeracy), appear to be financially literate. Compare differences between demographic and socioeconomic categories. Additionally, we are able to learn more about the participants in the program's financial tendencies (such as risk tolerance, investment preferences, and investment, etc.) and tie such tendencies to financial literacy.

Objectives of the Study

The primary objective of the study is to analyse the initiatives taken by Government of Karnataka and institutional initiatives to develop and promotion of Financial Literacy among the people.

Methodology

The study covers only initiatives of GoK towards financial literacy. Study area restricted to Karnataka. The study mainly focused on secondary data. The secondary sources includes, journals, websites, books etc.

Financial Literacy: Initiatives taken by the Government of Karnataka

To encourage financial literacy among its population, the Karnataka government has launched a number of projects. These initiatives seek to increase people's understanding and awareness of financial ideas, products, and services so they can make wise financial decisions. The Government of Karnataka has made the following significant actions in this regard,

- (1) **Financial Literacy Centres (FLCs):** Financial Literacy Centres have been established by the government in a number of Karnataka districts. These facilities act as educational venues for people to learn about several facets of financial literacy, such as banking, savings, investments, insurance, and digital transactions. The FLCs undertake training programmes, seminars, and workshops to disseminate financial literacy among people of all ages.
- (2) **Mahiti Sindhu Program:** The government of Karnataka intends to offer digital literacy and financial education to rural and semi-urban areas through the Mahiti Sindhu Programme. Through training sessions and awareness efforts, the program's main goal is to inform individuals about internet banking, financial management, and digital transactions.
- (3) **Financial Education:** The value of early financial education is acknowledged by the Karnataka government. In order to acquaint pupils with fundamental financial ideas and in still responsible financial behaviour, it has implemented financial literacy programmes in schools and colleges. These programmes address subjects including financial planning, investing, and budgeting.

- (4) **Financial Literacy Campaigns:** In cooperation with numerous stakeholders, such as banks, non-governmental organisations (NGOs), and industry associations, the government frequently runs financial literacy initiatives. These initiatives seek to increase public knowledge of financial goods and services, inform people of potential risks and scams, and encourage responsible financial behaviour.
- (5) **Collaboration with Financial Institutions:** To effectively deliver financial literacy programmes, the government works in partnership with banks and other financial organisations. In order to reach a larger audience, these collaborations organise training sessions, seminars, and workshops at bank locations and other community centres. Additionally, in order to increase financial inclusion, the government urges banks to provide clear-cut and simple financial solutions.
- (6) **Financial Literacy Resources online:** The Karnataka government offers online tools and resources to enhance financial literacy. Informational websites, interactive portals, mobile apps, and e-learning courses are some of these resources. These websites provide advice on different financial topics, financial planning tools, and access to pertinent data on government programmes, policies, and projects.
- (7) **Financial Helplines and Counselling Services:** To help people who are seeking advice or experiencing financial difficulties, the government has established financial counselling and helplines. These services provide individualised guidance on budgeting, debt repayment, investment selection, and other financial issues.

Institutional Initiatives in Karnataka

Karnataka understands the value of financial literacy in empowering people and fostering economic development. To improve financial literacy among Karnataka residents, the government has launched a number of programmes in collaboration with various institutions and organisations:

- ❖ **Karnataka Vikas Grameena Bank (KVGB) Financial Literacy Program:** Regional rural bank KVGB has taken a leading role in implementing financial literacy initiatives in rural Karnataka. To inform people about various financial concepts, including saving, budgeting, banking services, credit options, and insurance, the bank hosts workshops, seminars, and training sessions.
- ❖ **Karnataka State Financial Corporation (KSFC):** KSFC targets small and medium businesses (SMEs), self-help groups (SHGs), and entrepreneurs via its financial literacy programmes and workshops. These initiatives seek to advance credit availability, strengthen business development and planning, and boost financial management capabilities.
- ❖ **Karnataka Bank Financial Literacy Initiative:** In order to carry out financial literacy projects, Karnataka Bank has partnered with NGOs and educational institutions. These projects concentrate on increasing public understanding of financial planning, investment opportunities, digital banking,

and banking products. The bank also offers details on government-sponsored plans and initiatives that support financial inclusion.

- ❖ **Financial Education and Counseling Centers (FECC):** To offer financial literacy and counselling services, FECCs have been built throughout Karnataka by a number of organisations, including the National Bank for Agriculture and Rural Development (NABARD). These resources provide advice on entrepreneurship, credit management, savings, and financial planning.
- ❖ **Programmes of the Reserve Bank of India (RBI):** The RBI runs financial literacy initiatives in Karnataka in conjunction with other stakeholders. These programmes target a variety of social groups, including farmers, women, marginalised groups, and students. The courses are designed to teach students about various financial products, including insurance, savings, investments, and banking.

Conclusion

A person's ability to make educated judgements about their own finances depends on their level of financial literacy. One's general quality of life and financial well-being are significantly influenced by their level of financial literacy. The ability to set reasonable financial objectives, build and stick to a budget, responsibly manage debt, save for emergencies and future costs, and make wise investment decisions are all abilities that may be acquired through financial literacy training. People who are financially literate are better able to manage the complexity of today's financial landscape, avoiding frequent mistakes and making prudent decisions that result in stability and security in their financial situation. The government of Karnataka has set-up more and more financial literacy centres to take it. Along with that, public awareness programmes has to done in the rural among unorganised people/marginalised people.

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