

The Impact of Government Schemes in Generating a Greater Financial Literacy and Inclusion in Rural Areas of Karnataka

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Abstract

Governments in any country or region have an important role to play in the domain of financial literacy enhancement and financial inclusion generation. With the correct strategies and schemes coming in from the government at all levels, it becomes beneficial in ensuring betterment in this cause. The study here has taken a secondary method of data collection and analysed the same using thematic analysis technique to ensure that better understanding of the levels of financial literacy and inclusion that has been generated in the state of Karnataka is presented. The use of a critical analysis technique has been employed, wherein; the data has been collected from various authentic sources. Government websites have been scanned to generate appropriate data about the schemes and statistical evidence have been provided from these sources as well, which has helped in attaining betterment in this case. The study has highlighted the fact that the levels of financial literacy and inclusion in the state of Karnataka is constantly increasing and has shown a constant growth curve as well. Government schemes and policies have had a major impact on the same, which can be a critical area that determines the overall success of the same. Therefore, it has been indicated that with betterment in terms of government interventions and schemes, better results in financial literacy and inclusion can be facilitated. It can help in joining more people from backward areas into mainstream banking and other financial inclusion and can help in triggering better levels of success as well.

Keywords: Financial inclusion • Financial literacy • Government schemes • Karnataka • Pradhan Mantri Jan Dhan Yojana

Introduction

The capability of making informed judgements as well as taking effective decisions regarding the application and money management is known as financial literacy. Financial literacy and inclusion is the most essential need of functioning within modern society. The knowledge of proper financing methods allows an individual to understand the necessity of savings. Furthermore, financial inclusion helps in providing an access to the various financial services and products that ensures understanding budget and saving money. However, individuals can create different plans which set their expectations of savings and then can achieve all the unachievable goals.

Financial literacy is considered as the most important asset of the nation as it can help in getting economic growth. In the opinion of Mamatha C and Mahajanashetti SB [1], financial literacy refers to the capability to properly manage different kinds of financial skills such as investing, budgeting, finance management and so on. Hence, financial investments as well as services are popular among all economic backgrounds. Financial literacy rate in India is growing among the adult and young population due to various factors such as technological advancement and media coverage. In this regard, the government of India as well as multiple regulators are working towards the embracement of financial literacy courses in worldwide regions. Various kinds of schemes and workshops are also arranged by the government of India in order to enhance the financial system of the country.

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There are multiple benefits of financial literacy in India that include development of the rural areas, ease in borrowing, development of MSMEs, development of business transaction methods and many others. As reported by Kumar GSA, et al. [2], it can be stated that reaching out to different rural sections as well as working for their development can be easily achieved through promoting financial literacy. However, it is important to make people aware regarding the sources that are available and methods of correctly using those sources for better financial growth. In addition, according to the RBI guidelines, the maximum population of India tends to borrow money from different kinds of informal sources and thus they must pay higher interests for their borrowings. In this regard, providing accurate knowledge or financial education can help small trading companies to make informed decisions and utilise their resources appropriately. The "Pradhan Mantri Jan Dhan Yojana" helped in creating millions of bank accounts. Business. Cashless transactions are being followed by multiple people in the country that helps them to easily follow the transaction processes. Moreover, financial literacy is highly important to develop small companies and bring multiple new businesses into the market. This study specifically focuses on the financial literacy and inclusion strategies adopted by the Government of Karnataka in order to develop the rural areas.

Aim and objectives

The prime aim of this paper is to analyse all the government schemes in Karnataka that help in generating a higher financial literacy and inclusion in rural regions of Karnataka. Hence, the objectives are as follows;

- To determine the importance of financial literacy and inclusion in developing economy of the country.
- To analyse the current government schemes of Karnataka to improve financial literacy and inclusion.
- To recommend effective suggestions in developing financial literacy and inclusion in rural regions of Karnataka.

Methods

Adoption of a correct strategy in research helps in getting accurate results that satisfies the aim and objectives of the study. According to the reviews of Lê

JK and Schmid T [3], there are different kinds of strategies that can be followed for collecting and interpreting the data. This research is conducted by collecting secondary qualitative types of data. Research articles that are published in the last 5 years in reputed journals are collected for completing this research program. Along with that, the Government website of Karnataka is also used in order to determine the Government schemes proposed for developing the rural areas of the state. However, qualitative research is an essential part of completing educational research. A deeper understanding regarding the context, phenomena and experiences can be determined through qualitative study. The research has been completed by gathering qualitative data from various secondary sources. All the discussion regarding government schemes are discussed well by following thematic approach of data analysis. Utilisation of proper strategies in conducting research helps in successfully meeting the aim of the study. Moreover, the research is completed by following proper ethical norms. Proper citation is done in this study to give credits to all the authors whose data are collected.

Results

Honourable Chief Minister of Karnataka, Shri Siddaramaiah has taken a lot of initiatives in following financial inclusion in the state. In the opinion of Mamatha C and Mahajanashetti SB [4], financial inclusion is the most essential element of the "National Rural Livelihood Mission". This mission focuses on both the demand and supply chain issues in order to ensure that people get proper credit off the "Community Based Organisations" from some "mainstream financial companies." Furthermore, a Revolving Fund or RF is a type of incentive for inculcating the nature of thrift as well as accumulate all their own funds for meeting the credit requirements for studying immediate consumption requirements and long run needs.

Moreover, RF catalyses the method of internal lending and the maximum amount is 15000 INR per SHG. In addition to this, "Community Investment Fund (CIF)" is another initiative taken by the CM of Karnataka in order to adopt financial inclusion in the rural regions of the state. CIF refers to the corpus as well as application of meeting the credit requirements of individuals of the "Self-Help Groups." However, the quality of lives of all poor communities and betterment of livelihood is possible through CIF. An interest rate of 12% per annum is charged for all SHG members. Moreover, a mission is already initiated by the government for decreasing the interest rate of SHGs. According to NMMU strategy, CLF will give loan to SHG at 9% interest rate and the SHG can provide loan to all the members at 12% [5] (Figure 1).

In addition to this, the Government of Karnataka adopted proper strategies in promoting digital finance for expanding the availability of different banking services in the SHG ecosystem. The initiatives taken by the Government of Karnataka represents women in SHG members in the title of Business Correspondents (BC) who offer doorstep banking services in different rural regions of the state. Hence, access to different financial services is possible in Karnataka due to the technological adaptations taken by the government of the state. Along with that, "Ministry of Rural Development (MoRD), in India also launched "Mission One GP One BC Sakhi" that aims to make 1.25 lakh BC sakhi in different regions of the country [5]. However, it is proposed by the government to determine as well as train different SHG members at various "Rural Self Employment Training institutes". A pass certificate examination has been arranged by the IIBF department of India that helps in training these

people for educating more people regarding financial benefits of different government schemes in rural regions of the country. According to this central scheme, all the candidates can be trained effectively and certified BC sakhi will have FPS. Along with that, AEPS transactions such as "Digi Pay Pay Points of CSC" can be provided to them.

However, financial literacy is the most essential strategy for keeping SHGs households aware regarding different kinds of financial services of the country. In the opinion of Singh BP, et al. [6], providing financial security helps in building the capacity of accessing financial services that is important for developing their economic condition. The programs arranged by the government of Karnataka help in arranging enterprise development, livelihood promotions, social security schemes as well as skill development. As mentioned by Chatterjee A and Das S [7] financial literacy is the most important part of community development. In this regard, the current condition of the community can be effectively improved through incorporation of proper policies proposed by the Government. NRLM helps in the "savings led model" that states that financial literacy must focus on developing SHGs and individual savings. This is also important for applying PMJDY and some other accounts for individual savings. Proper use of different "Fund bank loans as well as SHG own corpus" is important for achieving growth and development. Spreading awareness regarding the multiple banking channels are essential for creating financial literacy. Long term planning for pension plans is important for achieving a greater economy in the state.

Proper awareness regarding financial inclusion is important among rural populations that are in villages of Karnataka. The improper condition of the financial infrastructure is the main limitation of financial literacy in India [8]. Therefore, incorporation of mobile technology acts as a gigantic role in the process of financial inclusion. Thus, the banks need to explore this option for reaching the rural population of the state. Creating different kinds of campaigns can help in creating a lot of benefits to develop the financial condition of the poor people living in rural regions of Karnataka. However, financial inclusion refers to the method of delivering financial services and products at an affordable price to the poor population. Furthermore, the PMJDY scheme in the year 2014 helped people in accessing financial services such as pension, insurance, remittance, accounts, and credit in an affordable way.

Discussion

Impact of government initiatives and current status

The analysis that has been presented above has clearly indicated the fact that with the government stepping in to promote greater financial inclusion and literacy, changes across the mindset of common people is being noticed significantly. As per Singh S [9] government initiatives have been found to have a major positive impact on the mindset of the people with respect to financial knowledge and inclusion. With massive strides in the overall domain of promotion of financial literacy, the government at both the state and central levels have benefited the common people of Karnataka. The state has come up with multiple schemes that have allowed the greater inclusion of different segments of the society into the financial system. Furthermore, as Murugesan TK, et al. [10] suggests, marketing and promotional campaigns are also constantly being run to educate people about financial wellbeing and how to attain betterment in this direction. Therefore, all these efforts that are being carried out by the governments of both Karnataka and India have been driving massive benefits associated with the generation of higher levels of literacy.

Recent advancements in technology and its overall implementation in the financial systems of the country by the governments of both centre and state has been one major landmark in this regard. It has been noticed that appropriate media coverage is also being generated and that too, under the auspices of the governments at both levels [11]. These two areas are the most critical factors that have been impacting financial literacy rates across the country in general and in Karnataka state. The governments across the state and the country are coming up with various kinds of programs and workshops that are being held to generate greater literacy and these efforts have borne fruitful results as well. In research by Savitha B and Banerjee S [12], it has been clearly indicated that Karnataka has scored 25 in financial literacy, which is the second highest

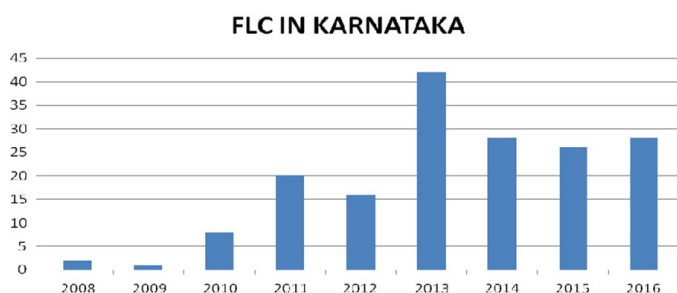


Figure 1. Financial literacy centres in Karnataka.

score after Kerala at 36. This suggests the fact that the overall financial literacy rate in Karnataka is high and this can be largely attributed to the proactive measures that have been undertaken by the government of the state.

The state government of Karnataka has come up with appropriate initiatives, which are aligned to the current technological needs and has generated greater literacy and inclusion. Besides, the central government of the country has also chipped in with major financial schemes like the "Pradhan Mantri Jan Dhan Yojana (PMJDY)," which has been aimed at generating greater financial inclusion across the country. Karnataka has been heavily benefited from the same, as beneficiaries in rural and semi-urban centre branches increased to 10731765 and in the urban branches and metro branches increased to 7132899 [13]. Therefore, the state has seen an increase of 17,864,664 beneficiaries in Karnataka state alone due to PMJDY [13]. Besides, a total balance of 7451.16 crores in the overall accounts of the beneficiaries has been noted here [13]. All these statistics reveal the kind of scale that the financial inclusion scheme has been able to generate in Karnataka and the overall acceptance of the same in the state. This is largely possible due to the central and state governments working in accordance with the needs of the times to generate a higher amount of financial literacy (Figure 2).

Karnataka therefore, has been largely benefited from the government schemes that promote better levels of financial literacy and inclusion. In the words of Kumar N and Bhatnagar S [14], the government of any country and region has a massive role to play in empowering individual citizens and ensuring betterment in this regard. This can be a beneficial area that can help in generating better outcomes and has shown fruitful results in the case of the state of Karnataka. The state has seen a growing level of financial literacy rate and financial inclusion, along with a greater acceptance of the key aspects of technological usage associated with various technological advancements in the long run. Therefore, these are the most critical areas that can be considered and the governments at both levels have come up with effective schemes and plans that can benefit them in the long run. It can also promote betterment by engendering the desired outcomes as accessibility to financial institutions and schemes has also increased manifolds in the recent past.

Strategies for betterment

The existing strategic mindset of the governments of India and Karnataka has been extremely beneficial in reaching better levels of inclusion and literacy. However, with the rapidly changing technological landscape and the implementation of the same across all financial segments, there is a need to educate people about the risks of the same as well [15]. In this regard, it is strongly recommended that the government should come up with more rigorous campaigns about the fraudulent activities that might ensue in financial sectors due to the massive implementation of technologies. Furthermore, there is a need to understand that the chances of frauds and cyber security issues have increased due to digitisation and so have the measures associated with the same. Therefore, it is essential to underpin the safety that is being provided at all levels to ensure that the overall confidence of these individuals is also not hampered.

Another major recommendation that can be provided as an effective

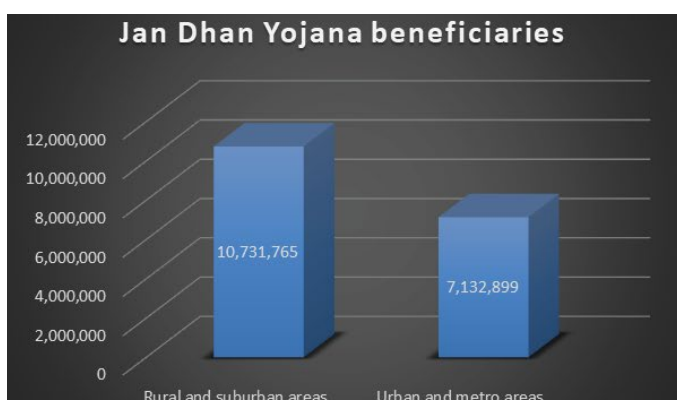


Figure 2. Jan Dhan Yojana beneficiaries in Karnataka.

strategy to engender betterment is the fact that with the appropriate use of mass media, the overall aspect of awareness can be enhanced. As Singh BP, et al [6] suggests, the use of mass media in an appropriate manner to raise financial awareness can be beneficial. In present times, even the rural areas of the state are being increasingly connected using mass media. These areas are receiving electricity facilities, which along with the appropriate reach of television make mass media an extremely feasible option. It can help in generating betterment by reaching even the most rural parts and can help in educating these individuals about financial gains and the cyber security issues that must be taken care of [16]. Therefore, the use of the correct strategies here can be beneficial in engendering greater financial inclusion by ensuring better knowledge and awareness and engendering betterment in the long run.

Conclusion

Financial inclusion and financial literacy have been two major areas that governments at both levels in Karnataka have been focusing on. Both the state and the central governments in the state of Karnataka have come up with effective schemes and programmes that have been tailored to generate a greater level of awareness associated with the financial aspects of an individual's life. Besides, certain schemes have been specifically brought in to ensure that better levels of inclusion of the backward classes in the mainstream banking and financial institutional systems is generated. These have been a major help in driving betterment in this regard, and has also facilitated better response to the most critical aspects associated with the challenges that are being faced in this direction. All these areas are critically essential and can be seen as the major areas that have fuelled the massive rise in inclusion in Karnataka, which has been effectively supported by statistics in the study here. Furthermore, the level of financial literacy has also significantly increased and a lot of the same can be attributed to the overall dominant aspect of government schemes and interventions that have been generated for betterment.

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Conflict of Interest

None.

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