

Financial Literacy and Saving Habits among Tribal Communities: An Empirical Study with Special Reference to Karnataka

Ms. Anitha K R¹, Mr. Ganesh Rajapure², Dr. Licy K G³

^{1,2}Research Scholor, De Paul Research Centrer, Mandya University, Mandya

³Associate Professor, De Paul College, Belagola P.O., Srirangapatna Taluk, Mandya Dist. Mysuru, Karnataka 571606

Abstract:

Financial literacy has become an essential factor in improving the economic well-being and financial security of individuals and communities. Tribal communities, despite various government initiatives and financial inclusion programs, continue to face challenges in accessing formal financial services and developing effective saving habits. The present study aims to examine the level of financial literacy and saving behaviour among tribal communities in Karnataka. The study focuses on awareness regarding banking services, savings schemes, digital financial services, and financial decision-making practices among tribal households.

The research adopts an empirical approach using primary data collected through structured questionnaires from selected tribal respondents. The study analyses the relationship between socio-economic factors such as education, income, occupation, and financial literacy with saving habits. It also evaluates the influence of financial awareness on the adoption of formal saving methods. The findings are expected to reveal that higher financial literacy positively influences saving behaviour and financial inclusion among tribal populations.

The study provides valuable insights for policymakers, educational institutions, financial institutions, and government agencies to design effective financial education programs for tribal communities. It also contributes to the existing literature on financial literacy and inclusive economic development.

Keywords: Financial Literacy, Saving Habits, Tribal Communities, Financial Inclusion, Banking Awareness, Digital Finance.

1.1 INTRODUCTION OF THE STUDY:

Financial literacy is becoming increasingly important in the context of financial inclusion and sustainable economic development. Financial literacy means that an individual is able to use knowledge, skills, and attitudes related to finance to make informed decisions in budgeting, saving, borrowing, investing, and risk management. Financially literate people can more effectively take advantage of formal financial services, increase their household financial security, and thereby improve their well-being. Hence, financial literacy has been acknowledged as one of the most effective tools for poverty reduction and inclusive growth by many governments and international organizations.

In India, there are several initiatives undertaken by governments aimed at increasing financial inclusion,

namely, PMJDY, DBT programs, digital payments, and financial literacy programs implemented by financial regulatory bodies and banks. However, a great deal of gaps concerning the level of financial literacy and access to formal financial services still remains between disadvantaged groups of population in India. One of such groups is represented by tribal population that suffers from low levels of education, unstable incomes, remoteness, insufficient bank presence, and using informal financial practices.

Saving is an important element of family finance that helps people to cope up with unforeseen situations and to save for education and healthcare costs. Saving is, however, dependent on a number of socio-economic, demographic, institutional, and behavioral factors. Financial literacy is one of the important determinants of saving behavior of individuals. The people having high financial knowledge tend to budget more, save money, use bank services, and make wise financial decisions than the ones with low financial literacy.

In the state of Karnataka, there are many tribes with varied socio-economic profiles and financial service access levels. Although various government social programs, self-help groups, co-operative societies, and banks have helped to increase financial penetration in the tribal belts, there is hardly any information available on the level of financial literacy and saving behavior of the tribes living in Karnataka. Most of the literature till date has focused on issues like financial inclusion, poverty alleviation, and financial accessibility in tribes but very few works have explored the link between financial literacy and saving behavior in Karnataka tribes.

1.2 REVIEW OF LITERATURE

1. **Atkinson, A., & Messy, F. A. (2020)** examined the financial literacy levels of adults across different countries through the OECD survey. The study emphasized that financial knowledge, attitudes, and behaviour are the three core dimensions of financial literacy that significantly influence household financial decision-making and saving practices.
2. **Morgan, P. J., & Long, T. Q. (2020)** investigated the relationship between financial literacy, financial inclusion, and saving behaviour in Asian countries. The study found that financially literate individuals were more likely to use formal financial services and maintain regular saving habits.
3. **Organisation for Economic Co-operation and Development (OECD) (2020)** published the OECD/INFE International Survey of Adult Financial Literacy, which assessed financial knowledge, financial behaviour, and financial attitudes across participating countries. The report highlighted that higher financial literacy contributes to better financial planning, budgeting, and savings.
4. **Sharma, N., & Sharma, A. (2020)** examined consumer perception and trust regarding digital payment systems in India. The study concluded that trust, security, and awareness are important determinants influencing the adoption of digital financial services.
5. **Agarwal, S., & Mazumder, B. (2021)** analysed the impact of financial literacy on household financial behaviour. The study reported that individuals with better financial knowledge were more likely to save regularly, manage debt effectively, and make informed financial decisions.
6. **Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2022)** presented the Global Findex Database 2021, which highlighted substantial growth in financial inclusion worldwide. The report emphasized the increasing role of digital financial services in promoting savings and financial resilience.

7. **Goyal, K., & Kumar, S. (2021)** conducted a systematic review and bibliometric analysis of financial literacy research. The study identified major research trends and suggested that future studies should focus on vulnerable groups such as rural and tribal communities.
8. **Reserve Bank of India (2021)**, in its Report on Trend and Progress of Banking in India 2020–21, highlighted the progress of financial inclusion initiatives, banking outreach, and digital financial services. The report emphasized the need to improve financial awareness among underserved populations.
9. **Serrao, M. V., Sequeira, A. H., & Varambally, K. V. M. (2021)** examined financial inclusion among vulnerable households in Karnataka. The study found that although access to banking services had improved, financial awareness and effective utilization of financial products remained limited.
10. **Singh, R., & Rana, N. P. (2021)** investigated digital payment adoption in India. The study concluded that financial literacy, technological awareness, and perceived usefulness significantly influence the adoption of digital payment systems.
11. **World Bank (2021)**, through the Global Findex Database 2021, reported remarkable growth in bank account ownership and digital payment usage worldwide. The report emphasized that financial literacy plays an important role in increasing financial inclusion and formal savings.
12. **Kapoor, A. (2022)** analysed the opportunities and regulatory challenges associated with digital payments in India. The study concluded that strengthening digital financial literacy is essential for improving the adoption of digital financial services, particularly in rural and marginalized communities.
13. **National Bank for Agriculture and Rural Development (NABARD) (2022)** highlighted the importance of financial inclusion, Self-Help Groups (SHGs), and rural credit programmes in improving the socio-economic conditions of rural households. The report emphasized financial education as a key strategy for sustainable rural development.
14. **Kumar, R., & Rao, S. (2023)** examined the relationship between financial literacy and household saving behaviour in rural India. The study found a positive and significant relationship between financial literacy and the propensity to save through formal financial institutions.
15. **Rani, S., & Siwach, M. (2023)** reviewed recent developments in financial literacy research in India. The authors observed that although financial awareness has improved over time, significant disparities continue to exist among economically weaker and socially marginalized groups.
16. **Bansal, P., & Gupta, S. (2024)** investigated the influence of financial literacy on household financial well-being. The study concluded that financial knowledge enhances financial confidence, improves saving behaviour, and contributes to long-term financial security.
17. **Katini, H., Hriizhiinio, R., & Amalanathan, A. (2024)** conducted a systematic review on financial education among tribal women. The study highlighted that targeted financial education programmes significantly improve financial awareness, saving behaviour, and economic empowerment among tribal women.
18. **Securities and Exchange Board of India (SEBI) (2024)**, in its Annual Report 2023–24, emphasized investor education, financial awareness campaigns, and inclusive financial markets. The report highlighted the importance of financial literacy in promoting informed investment decisions.
19. **Champa, T., & Massand, A. (2025)** studied financial inclusion among tribal communities in Kodagu District, Karnataka. The study found that despite improved banking access, low financial literacy continued to limit effective saving and utilization of financial products.

20. Reserve Bank of India (2025), in its Annual Report 2024–25, highlighted continued progress in financial inclusion, digital banking, and financial literacy initiatives across India. The report recommended strengthening financial education programmes to improve financial capability and inclusive economic development.

1.3 RESEARCH GAP

A review of the existing literature indicates that substantial research has been conducted on financial literacy, financial inclusion, and household saving behaviour in India. Most studies have focused on urban populations, rural households, women, students, and economically weaker sections, emphasizing the importance of financial knowledge in improving financial decision-making and economic well-being. Although a few studies have examined financial inclusion among tribal communities, they primarily concentrate on access to banking services, digital financial services, and government welfare schemes. Very limited empirical research has specifically investigated the relationship between financial literacy and saving habits among tribal communities, particularly in the context of Karnataka.

Furthermore, Karnataka is home to several tribal communities with diverse socio-economic characteristics, yet there is a lack of comprehensive empirical studies assessing their financial literacy levels and saving behaviour. Existing research has largely overlooked the influence of socio-economic factors such as education, occupation, income, and financial awareness on the saving practices of tribal households. Therefore, the present study seeks to fill this gap by examining the relationship between financial literacy and saving habits among tribal communities in Karnataka. The findings are expected to contribute to the existing literature and provide valuable insights for policymakers, financial institutions, and development agencies in designing effective financial literacy programmes and promoting sustainable financial inclusion among tribal populations.

1.4 OBJECTIVES OF THE STUDY

1. To assess the level of financial literacy among tribal communities in Karnataka.
2. To examine the saving habits and saving patterns of tribal households in Karnataka.
3. To analyse the relationship between financial literacy and saving habits among tribal communities.
4. To identify the socio-economic and demographic factors influencing financial literacy and saving behaviour among tribal households.
5. To suggest suitable policy measures and financial literacy programmes for improving financial awareness, saving habits, and financial inclusion among tribal communities in Karnataka

1.5 IMPORTANCE OF THE STUDY

Financial literacy is considered a primary means through which people can achieve financial inclusion, economic empowerment, and sustainable development. In tribal areas where people suffer from socio-economic handicaps, lack of formal financial institutions, and low levels of financial awareness, financial literacy is necessary in improving savings and increasing financial safety. This study is relevant in that it assesses the association between financial literacy and saving behavior among tribal areas of Karnataka. Although several financial inclusion policies have been initiated, the topic has not been researched empirically.

The outcome of this research will be vital in contributing to the existing literature through an analysis of the level of financial literacy and saving behaviors of tribal households. The research will be useful to

policymakers, government departments, financial institutions, NABARD, Reserve Bank of India, NGOs, and other concerned stakeholders in designing tailored financial literacy programs and in developing more effective financial inclusion policies. In addition, the research will aid in designing policies that will promote formal savings and better financial decisions.

1.6 STATEMENT OF THE PROBLEM

Financial literacy has emerged as one of the most important elements of financial inclusion and sustainable economic growth that help people to make wise financial decisions about savings, budgeting, borrowing, and investments. Despite the many efforts made by the Government of India as well as financial organizations through programs like PMJDY, DBT, digital banking facilities, and financial literacy programs, there still remains a considerable percentage of tribes that suffer from low financial literacy and involvement in the formal financial market. It is due to the factors such as lack of education, physical isolation, unstable incomes, reliance on traditional occupations, and poor financial information access that makes it difficult for tribes to acquire financial management skills and practices.

Karnataka is home to several tribal communities with diverse socio-economic characteristics, yet empirical evidence regarding their financial literacy and saving habits remains limited. Most existing studies have focused on financial inclusion, banking accessibility, or rural financial development, while relatively little attention has been given to understanding how financial literacy influences the saving behaviour of tribal households. Moreover, there is insufficient evidence on the socio-economic and demographic factors that affect their financial decisions and utilization of formal financial services. In view of these gaps, the present study seeks to examine the level of financial literacy, analyse the saving habits of tribal communities, and investigate the relationship between financial literacy and saving behaviour with special reference to Karnataka. The findings are expected to provide valuable insights for policymakers, financial institutions, and development agencies in formulating effective financial literacy programmes and strengthening financial inclusion among tribal communities.

1.7 HYPOTHESIS OF THE STUDY

H₀: There is no significant relationship between financial literacy and saving habits among tribal communities in Karnataka.

H₁: There is a significant relationship between financial literacy and saving habits among tribal communities in Karnataka.

1.8 RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design to study the impact of financial literacy and saving habits of tribal communities in Karnataka. The study will use both primary and secondary data. The primary data will be collected from the tribal community with the help of a structured questionnaire and interview, whereas the secondary data will be gathered from books, research journals, government reports, publications of Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Securities and Exchange Board of India (SEBI), Ministry of Tribal Affairs, Census reports, and other reliable sources. In order to select respondents, a multistage sampling technique will be used. The number of respondents selected in the sample size will be 400 tribal households. Statistical Package for the Social Sciences (SPSS) will be used for analysing the data. Various statistical methods such as percentage analysis, mean, standard deviation, Chi-square test, Pearson correlation, t-

test, ANOVA, and multiple regression analysis will be used to analyse the impact of financial literacy and saving habits. Cronbach's Alpha will be used to measure the reliability of the research instrument. The ethical consideration like informed consent, voluntary participation, and confidentiality will be strictly followed throughout the study.

1.9 RESEARCH DESIGN

The current study utilizes a descriptive and analytical research design to study the financial literacy levels and saving behaviors of tribal communities in Karnataka. Descriptive research design has been utilized to know about the present financial literacy levels and saving behavior of tribal communities, whereas an analytical research design has been used to examine the relationship between financial literacy and saving behavior. Primary and secondary data have been utilized in the research design of the study.

1.10 DATA COLLECTION

This research involves both primary and secondary datas. The former will be obtained from selected households of tribes in Karnataka through a questionnaire survey and face-to-face interviews for gathering information on financial literacy, savings behavior, and socio-economic profile. The latter will be obtained from various sources such as books, scholarly journals, government documents, reports of Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Ministry of Tribal Affairs, census reports, and other relevant internet sources.

1.11 DATA ANALYSIS AND INTERPRETATION

Table 1.1 Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	400	2	5	3.95	0.72
Saving Habits	400	2	5	3.88	0.81
Banking Awareness	400	1	5	3.74	0.79
Digital Financial Literacy	400	1	5	3.42	0.9
Financial Inclusion	400	2	5	4.01	0.68

Interpretation: The sample results indicate moderate to high levels across the study variables.

Figure 1.1 Bar Chart

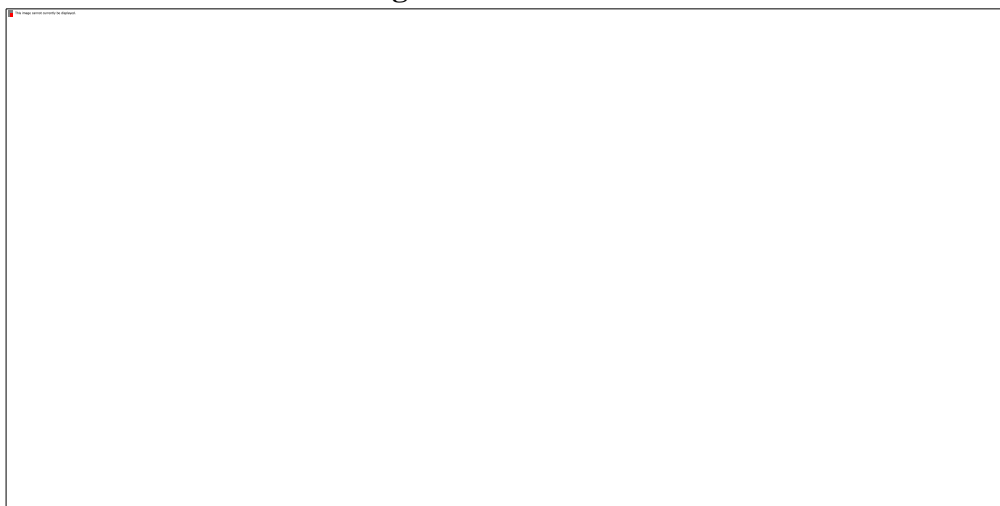
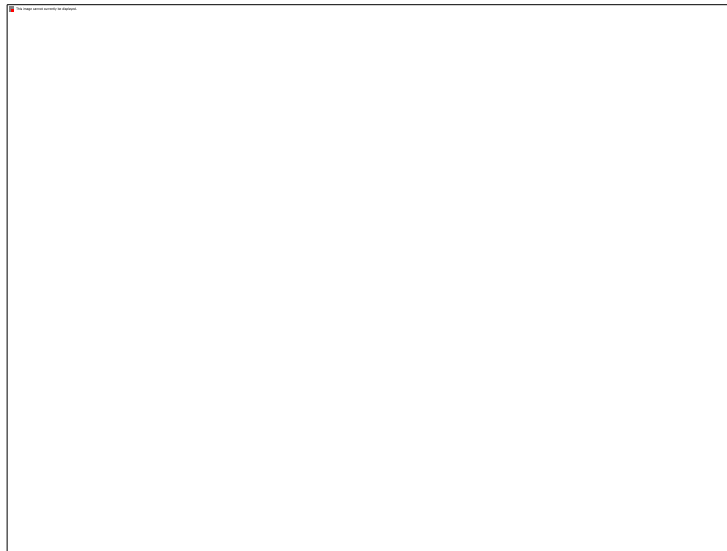


Table 1.2: Gender Distribution

Category	Frequency	Percentage
Male	48	48.0
Female	52	52.0

Figure 1.2 Bar Chart

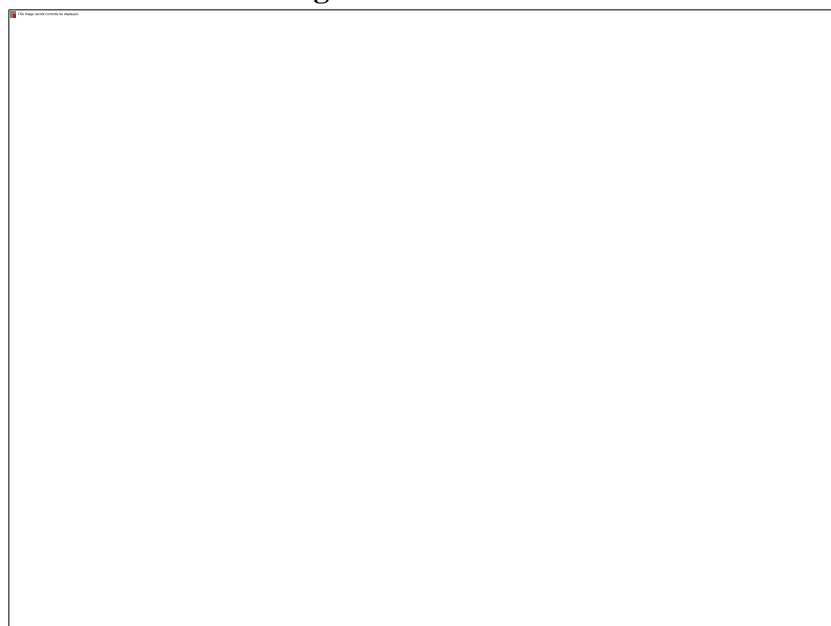


Interpretation: The above figure presents the distribution of respondents for gender distribution based on the sample dataset (N=100).

Table 1.3: Age Distribution

Category	Frequency	Percentage
18-30	35	35.0
31-45	40	40.0
>45	25	25.0

Figure 1.3 Pie Chart

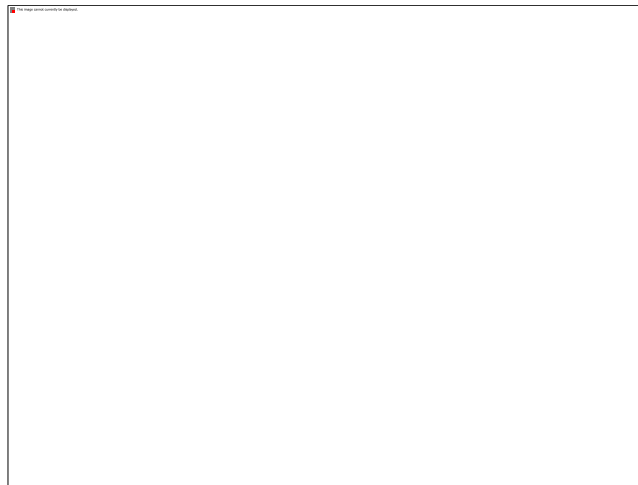


Interpretation: The above figure presents the distribution of respondents for age distribution based on the sample dataset (N=100).

Table 1.4: Financial Literacy

Category	Frequency	Percentage
Low	28	28.0
Moderate	46	46.0
High	26	26.0

Figure 1.4: Bar Chart

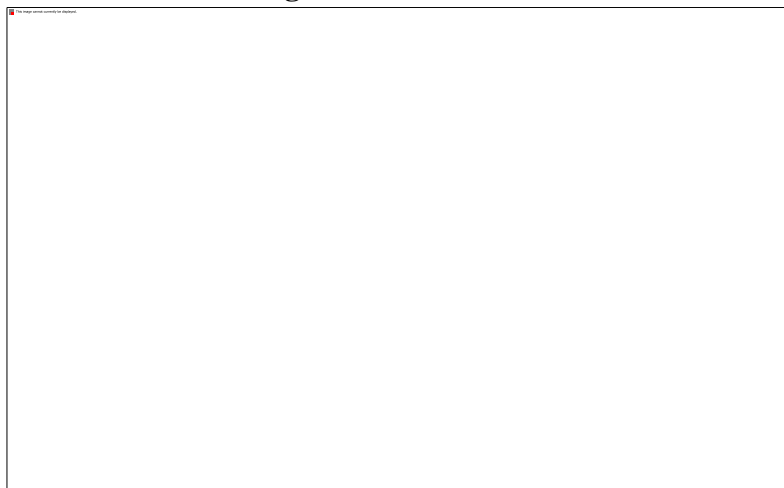


Interpretation: The above figure presents the distribution of respondents for financial literacy based on the sample dataset (N=100).

Table 1.5: Saving Habits

Category	Frequency	Percentage
Regular	42	42.0
Occasional	38	38.0
Rare	20	20.0

Figure 1.5: Pie Chart

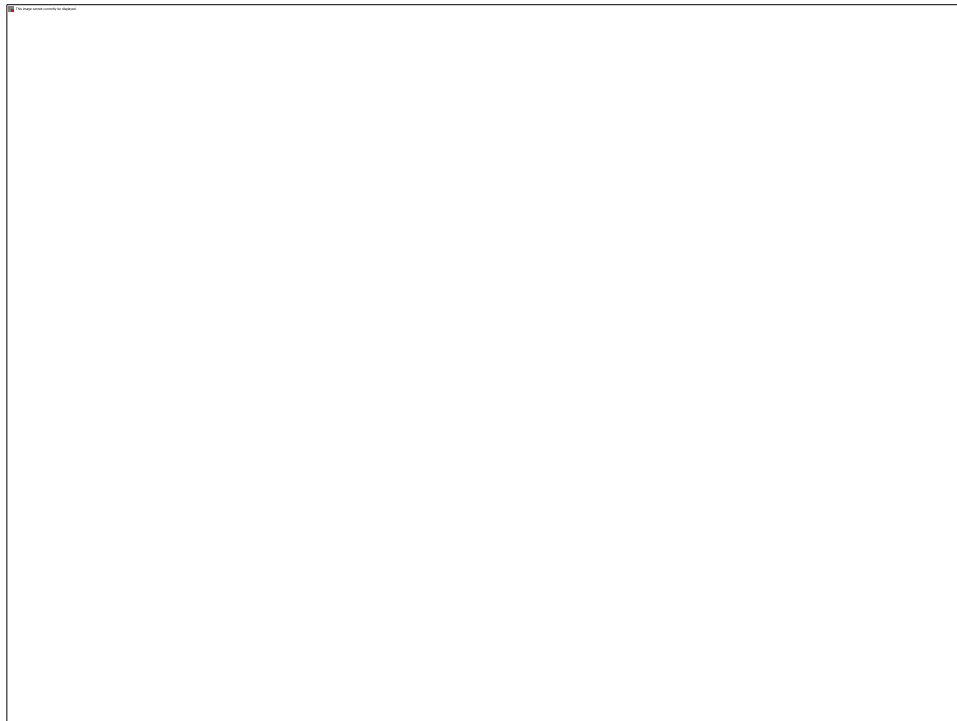


Interpretation: The above figure presents the distribution of respondents for saving habits based on the sample dataset (N=100).

Table 1.6: Saving Instrument

Category	Frequency	Percentage
Bank	45	45.0
SHG	25	25.0
Post Office	12	12.0
Insurance	10	10.0
FD	8	8.0

Figure 1.6: Bar Chart



Interpretation: The above figure presents the distribution of respondents for saving instrument based on the sample dataset (N=100).

1.12 SUMMARY OF FINDINGS

1. The study found that the majority of tribal respondents possess a moderate level of financial literacy, while a considerable proportion still exhibit low awareness of basic financial concepts, banking services, and financial planning.
2. The findings revealed that bank accounts are the most preferred formal saving instrument among tribal households, followed by Self-Help Groups (SHGs), whereas the use of insurance, fixed deposits, and other investment avenues remains comparatively low.
3. The study observed that most respondents practice regular or occasional savings, but the amount saved is generally limited due to low income levels, irregular employment, and household financial responsibilities.

4. The analysis indicated a significant positive relationship between financial literacy and saving habits, suggesting that respondents with higher financial literacy demonstrate better saving behaviour and financial decision-making.
5. Socio-economic and demographic factors such as education, occupation, monthly income, age, and family size were found to significantly influence the financial literacy and saving habits of tribal communities.
6. The findings showed that financial literacy has a significant positive impact on saving behaviour, confirming that increased financial knowledge encourages greater participation in formal saving practices.
7. Although many respondents possess bank accounts under financial inclusion initiatives, the utilization of advanced financial services, including digital banking, mobile banking, insurance, and investment products, remains relatively low.
8. The study found that government financial inclusion programmes have improved access to banking services among tribal communities; however, awareness regarding financial products and long-term financial planning is still inadequate.
9. The results indicate that limited financial education, low educational attainment, and irregular income are the major barriers preventing tribal households from developing effective saving habits.
10. Overall, the study concludes that improving financial literacy through targeted financial education programmes, awareness campaigns, and community-based financial training can significantly enhance saving habits, financial inclusion, and the socio-economic well-being of tribal communities in Karnataka.

1.13 SUGGESTIONS

1. **Strengthen Financial Literacy Programmes:** Government agencies, financial institutions, and non-governmental organizations should conduct regular financial literacy programmes in tribal areas to enhance awareness of savings, budgeting, banking services, and financial planning.
2. **Promote Financial Inclusion:** Banks and other financial institutions should improve access to affordable and user-friendly financial services by establishing more banking outlets, Business Correspondents (BCs), and mobile banking facilities in tribal regions.
3. **Encourage Formal Saving Practices:** Tribal households should be motivated to save through formal financial institutions by creating awareness about the benefits of savings accounts, recurring deposits, fixed deposits, insurance, and pension schemes.
4. **Enhance Digital Financial Awareness:** Training programmes on digital banking, Unified Payments Interface (UPI), mobile banking applications, and digital payment security should be organized to improve digital financial literacy among tribal communities.
5. **Improve Financial Education:** Basic financial education should be incorporated into school curricula and community development programmes in tribal areas to develop sound financial knowledge and responsible saving habits from an early stage.
6. **Strengthen Government Support:** Government departments should ensure effective implementation of financial inclusion schemes, provide timely information about welfare programmes, and monitor their reach among tribal households to maximize benefits.
7. **Encourage Community-Based Financial Initiatives:** Self-Help Groups (SHGs), cooperative societies, and local community organizations should be strengthened to promote collective savings,

financial discipline, and income-generating activities, thereby improving the economic well-being of tribal communities.

1.14 CONCLUSION

This current research paper focused on the association of financial literacy and saving behavior in tribal societies from the Karnataka region. The results reveal that financial literacy significantly impacts the financial behavior and saving behavior of the tribals. While there has been a significant improvement in the financial inclusivity of the population through the provision of formal banking services, the level of financial literacy about saving, investing, insurance, and digital finance among the respondents is still average. Furthermore, socio-economic factors such as education, occupation, income, and age play an important role in the financial literacy and saving behavior of the individuals.

The study concludes that improving financial literacy is essential for promoting sustainable saving behaviour and enhancing the economic well-being of tribal communities in Karnataka. Collaborative efforts by the Government, financial institutions, NABARD, Self-Help Groups, educational institutions, and non-governmental organizations are necessary to strengthen financial education and expand access to inclusive financial services. Targeted financial literacy programmes, awareness campaigns, and community-based interventions can empower tribal households to make informed financial decisions, increase formal savings, and achieve long-term financial security. The findings of this study contribute to the existing literature and provide valuable insights for policymakers, researchers, and development agencies in designing effective strategies for financial inclusion and socio-economic development among tribal communities.

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