Nat. Volatiles & Essent. Oils, 2021;8(5): 13740 - 13747

A Study On Examining The Effectiveness Of State Government Freebies On Encouraging Savings And Investment Behaviour In Karnataka

Varshith V Shetty[1*], Chandan T[2], Sushma B S[3]

[1*]Student, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India
[2]Student, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India
[3]Assistant Professor, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India

***Corresponding Author:** Varshith V Shetty
*Student, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India

Abstract
This study aims to determine the saving and investing propensities of state government handouts in Karnataka, India, create among its recipients. The paper explores how all these different handouts the state offers-collectively by way of Anna Bhagya, Gruha Lakshmi, Gruha Jyothi, Shakti, and Yuvanidhi-create savings patterns and choices among the recipients. It examines the extent to which these gifts influence saving and investment motivation among the receivers, with special focus on issues of incentive values, access, and financial knowledge. A cross-section of various benefits accrues from each one of these schemes, including free electricity, women empowerment in terms of monetary aid, reduced prices of food grains, and job incentives for the youth. The aim of the study is to understand how the financial aid provided through these initiatives directly and indirectly impacts the lives of those recipients. One of the significant parts of this research is going to be finding out about how the perceived value of these incentives impacts the financial practice of the beneficiary. For instance, higher or more frequent rewards encourage saving, while smaller, one-time benefits might make people behave differently concerning money. The recipients have the knowledge to make smart decisions concerning saving and investing, weaknesses in financial literacy limit the potential of benefits of such government efforts. This study would be gauged on what aspects of these state programs help in fostering long-term financial security, and how the government could make the best use of these efforts for a saves and investing culture.

Key terms: State Government Freebies, Savings Behaviour, Investment Behaviour, Karnataka, and Financial Incentives

Introduction

State governments in India have employed different strategies toward encouraging citizens to save and invest, and often welfare schemes are on that list. Among such plans were free healthcare and education and rebates on necessary commodities; they are meant to augment living standards and also induce saving and investment for the future. In contrast, it has been these very government subsidies, despite controversy and many debates, which have sparked far-reaching research and created immense interest from scholars as well as policymakers about their effectiveness in stimulating saving and investment habits.
Therefore, advocates of the welfare programs argue that the government's relieving them of some of the financial burdens will result in the citizens saving and investing relatively more money because there

will be relatively more income. For instance, free or subsidized health care may significantly slash the out-of-pocket expenses-the participant would save the money that they would have used to cater for some of their direct needs. This surplus can then be channeled into savings accounts or investment options, thus helping in securing individuals' and families' financial status (Bavadekar, R., 2022). Detractors argue that such initiatives may lead people to become dependent on handouts, thus a possible sacrifice in the personal responsibility and judicious budgeting. Such criticism raises a lot of issues whether there will be long-term effects in terms of impacting the savings and investments of people. State government freebies geared towards instilling savings and investments require a myriad of factors, ranging from dependency to independence, to be appropriately analyzed. In addition, what investments and saving options are available and how aware people are of them also form a significant determinant of the financial behavior. Even though they are receiving support from the government, even most beneficiaries do not have any assets or even knowledge on which to base prudent investment or savings behavior. This highlights the necessity of financial literacy that would equip people to take informed decisions regarding financial matters (Rahman, A. and Pingali, P., 2024; Rahimi, M.R. and Prabhakar, A). The aim of this paper is to explore in greater detail the state government programs' impact on savings and investment behavior, focusing specifically on Karnataka. This will provide policymakers with essential insights into how to guide the formulation of more targeted and sustainable social policies. It allows for the longterm economic growth and financial security of the beneficiaries so that the latter are not merely assisted in the short run but also enabled to design a better-secured financial future (Bal, D.P., Sucharita, S., Sethi, N., and Mohanty).

Literature Review

The financial implications of political handouts and welfare programs in India have had to become an extremely controversial issue, since they are aimed at both lifting the living standards and boosting economic activity. However, it has been illustrated by many researches that such programs, while showing an immediate manifestation of the elimination of pertinent financial pressures, often exert heavy burdens on the state's budget (Bavadekar, R., 2022). State authorities usually grapple to provide direct benefits, including cash transfer programs, subsidies, and basic services and then sustain for long periods of time. The states that achieved this goal of taking care of their citizens often create political considerations in setting it up and implementing the welfare programs raise questions whether it can be efficient and sustainable.

The financial implications that come with welfare programs, emphasizing the value of measuring their economic effects as much as their social effects. Given these premises, this study sought to analyze historical data and financial indicators so as to understand patterns related to how the government spends on welfare initiatives and its long-term implications for state finances. Conducting the comparative analysis on Karnataka along with other Indian states sharing socioeconomic profiles will allow results from this study in respect of effectiveness and fiscal performance to underscore best practice models as well as pitfalls to avoid (Rahman, A. and Pingali, P., 2024). From this research finding indicate a disturbing relationship between rising welfare spending and a more susceptibility of states to budget instability. Spending in these areas is put in place for the betterment of the society and halt poverty, but increased spending only tends to increase budget deficits if there is no increase in revenue(Ansari, Jamgade and Sushma, 2020; Letters and Sciences, 2024). But it is much worse when the states' economic growth moves behind them in welfare spending, which forces the governments to allocate important funds such as to infrastructure and education just to keep these projects rolling (RAHIMI, M.R. and PRABHAKAR, A). Such tendencies lead to dependence on the welfare that the government provides, and such tools often work against the fundamental objective that welfare programs strive to achieve. (Ansari, Jamgade and Sushma, 2020; Prajwal, 2024; Raghu and Bs, 2024; Sushma and Mazumdar, 2024) also asserts a sharp distinction between social programs and political giveaways. Both types of promises often speak directly to and assist vulnerable communities, but the aim and sustainability of both initiatives vary fundamentally. Welfare programs are indeed designed to be lasting in nature, to promote economic mobility, develop skills, and empower citizens. In contrast, political freebies often prioritize immediate gratification and voter appeasement, which can foster a culture of dependency rather than promoting self-reliance (Bal, D.P., Sucharita, S., Sethi, N., and Mohanty). Therefore, it is important that programs be based on securing sustainable gains in mitigating the negative long-term economic impacts. That would mean combining financial support with job-generating, skills-building, and educational programs. By really empowering people but still keeping an eye on budgetary health, policymakers will work toward a more resilient economy for both now and in the long term.

The paper basically illuminates information that is desperately needed by policymakers navigating the tricky waters of welfare spending and ensuing implications for economic sustainability. With its research, it will contribute deeper insights into financial dynamics at play, thus driving better decision-making processes in the way to design and implement assistance programs toward a more secure financial future for the population.

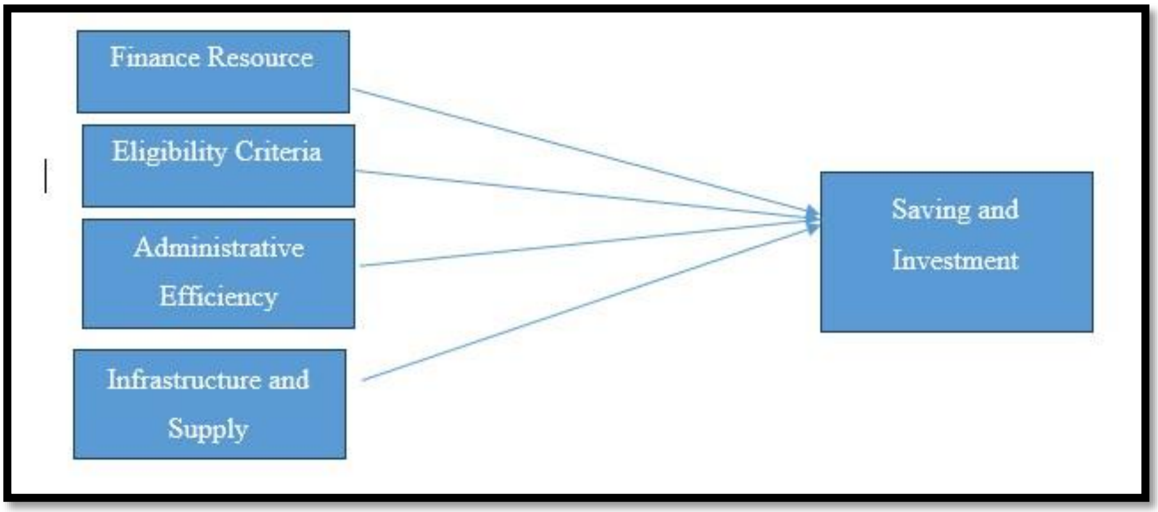

Figure 1: Conceptual framework

Finance Resources: Finance resources essentially refer to the availability of funds that people can save or invest. Such resources may be lacking in the context of rural Bengaluru for it is more of an agrarian economy than industrialized compared to the urban context. Livelihoods of people may thus largely rely on seasonal incomes from agriculture, small- scale enterprises, or labor markets.

Eligibility Criteria: Eligibility criteria affect the ease with which customers can access savings and investment products in formal financial institutions. For example, eligibility for opening a saving account in a bank or any other financial institution may require an income threshold, minimum credit score, and current employment basis that excludes most rural Bengaluru dwellers from access to formal financial instruments like mutual fund investment, stocks, or even a savings bank account

Administrative Efficiency: The relative ease with which bureaucratic systems allow access to banking services or let the public know about government savings schemes affects investment and savings behavior. It is, in many cases, bureaucratic delays, a poor customer service, and lack of financial literacy that scares people away from participating in formal financial systems in rural areas.

Infrastructure and Supply: Availability of infrastructure, physical and digital, in Bengaluru Rural determines a lot about how people save and invest. Narrow presence of banking infrastructure in terms of branches or ATMs or digital banking services dampens the urge to save or invest.

Investment and Savings Policies: Investment and saving strategy in rural areas is conservative. They mainly opt for low-risk, accessible saving instruments, such as post- office saving schemes, fixed deposits, or gold investments. However, most of the individuals, as they become increasingly aware of alternatives in the form of mutual funds or stocks, start to explore more diversified strategies. It is also true that the choice of strategy is related directly to both risk aversion and access to financial advice and the broader economic context of the region. sources, and these insights can aid in the development of policies to increase savings and investment in the area.

HYPOTHESIS

H1: Finance Resource has an impact on Savings and Investment.

H0: Finance Resource has no impact on Savings and Investment.

H2: The Eligibility Criterion has a very important impact on savings and investment H0: The Eligibility Criterion has no important impact on savings and investment.
H3: Administrative Efficiency impacts have a significant impact on Savings and Investment
H0: Administrative Efficiency does not have a significant impact on Savings and Investment
H4: Infrastructure and Supply has a significant impact on Savings and Investment
H0: Infrastructure and Supply has no significant impact on Savings and Investment
Research objectives on Karnataka state government freebies reveals short-term financial relief but uncertain long-term effects on savings and investment behavior. A model explore how these factors influence on savings and investment behavior is shift from immediate consumption to long-term financial planning.

Methodology

Applying the combination of primary and secondary data, this paper will utilize mixed research method appropriately towards delivering comprehensive knowledge regarding how state government incentives affect savings and investment behavior in Karnataka. The core way through which the data will be gathered is people who receive aid from various statesponsored social programs. This strategy will allow for personal knowledge about how recipients view and engage with financial incentives.
The questionnaire aims to collect quantifiable data on many of the relevant issues, including the quantity and type of freebies received, changes in investing and savings trends, and general financial decision-making processes. Questions that make explicit the 250 participants' understanding of the schemes, their access to financial resources, and which problem areas they face while saving or investing would also be focused on.
Secondary data will supplement the primary research by providing more background information, including literature currently available on welfare programs, the economic indicators of Bengaluru Rural District, and previous study on savings behavior in similar demographics. Apart from increasing the reliability of the results, this mixed-methodology study will make it easier to analyze deeply how the incentives granted by state governments can stimulate investments and savings among the deprived sectors effectively by using SEM Model in SmartPLS. Therefore, the research will inform decision-makers of the success of the ongoing efforts and bring out areas that need development.

Result and Discussions

To study on existing research on the effectiveness of state government freebies in influencing savings and investment behavior**.** Analysis of factors that influence savings and investment behaviors of people in Bengaluru Rural district. Some of the said sources are finance resources, eligibility criteria, administrative efficacy, infrastructure and supply, and investment and saving strategies. The study was aimed to throw more light on which one was playing a greater or smaller role between each component to total investment and saving behaviors. On the basis of various literature sources that focus on the study of these aspects, important insights would emerge that could further help in formulating policies for improvements in saving and investment in the region.

Demographic Variables

Some interesting trends with regard to savings and investment behavior are observed through demographic analysis of the millennial participants. The overall questionnaire reliability was supported by a Cronbach's alpha of 0.8260, which signifies strong internal consistency. Even Bartlett's Test of Sphericity came out strongly, with a value of 3845.301, which again justifies the appropriateness of data for an analysis. On the side of the age distribution, it showed that most of the respondents were over 30 years old, at 64.5%, which could be an indication of mature financial practices being acquired by older millennials, while only 9.3% of the respondents came in at 18-20 years and 12.5% came in within the 20-30 years age range. On the gender side, it was dominated by females, with 86.8% stating that they were female, while 45.2% stated that they were male. Educational qualifications ensured a highly educated sample; 62.7% possessed the Master's level, and 31.7% had a Bachelor's level, respectively, signaling a high degree of financial literacy, which can work positively for savings as well as investment decisions. The occupational aspect revealed a large proportion being employed (94.7%), which corresponds with abilities to save and invest. Marital status also demonstrated a nearly even split between the single participants (52.1%) and the married ones (47.9%), as it varies by the relationship status of an individual. This demographic profile provides an excellent view of participants in general, so the basis is established to analyze the impact of the freebies of state governments on participants' financial behaviors.

Table 1: Demographic Variables

Demographic Variables		Frequency	%
Age	18 - 20 years	27	9.3
	20 - 30 years	36	12.5
	30+ years	160	64.5
Gender	Male	142	45.2
	Female	242	86.8
	Prefer not to say	nil	nil
Educational Qualification	High School	13	4.6
	Bachelor's Degree	90	31.7
	Master's Degree	178	62.7
	Other	3	1.1
Occupation	Employed	269	94.7
	Self-employed	13	4.6
	Unemployed	2	0.7
Marital Status	Single	148	52.1
	Married	136	47.9
	Prefer not to say	nil	nil

Reliability of the data

The objective focused on assessing the appropriateness of the data regarding factor analysis by utilizing the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's test. Data that can be used for factor analysis, based on KMO value to be 0.819. If the KMO score is above 0.80, the value will be positive, indicating that there are large correlations between the factors that need further investigation. Moreover, the correlation matrix is not an identity matrix, since Bartlett's test was significant at $p < .001$. Such a finding supports the legitimacy of using factor analysis to dig deeper into the relationships between the factors that have been identified as influencing saving and investment behaviors.

To develop a model on the impact of State Government freebies in influencing savings and investment behavior

The analysis carried out as part of structural equation modeling (SEM) to try to investigate the different ways in which impact of State Government freebies in influencing savings and investment behavior. Determining the factors influencing their investment behaviors requires an understanding of these relationships.

Table 2: Reliability and variance

CONSTRUCT	CA	CR	AVE
FINANCE RESOURCE	0.81	0.72	0.52
ELIGIBILITY CRITERIA	0.86	0.78	0.51
ADMINISTRATIVE EFFICIENCY	0.84	0.71	0.53
INFRASTRUCTURE AND SUPPLY	0.89	0.76	0.57
SAVINGS AND INVESTMENT	0.82	0.74	0.58

Construct Reliability (CR): This measure shows whether a given construct has measured itself consistently. Values over 0.70 are typically acceptable and suggest good reliability. Eligibility Criteria has the highest CR value of 0.78, showing that the measure is reliable. The lowest is Administrative Efficiency with a value of 0.71, still more than acceptable; yet it shows where improvement can be done. Average Variance Extracted (AVE) calculates the proportion of variance for a construct as opposed to the proportion due to measurement error. An AVE higher than 0.50 is desirable, indicating that the construct accounts for more than half the variance. AVE for Infrastructure and Supply was the highest at 0.57, so it very effectively captures the underlying concept. Eligibility Criteria has the lowest AVE at 0.51, which barely breaches the threshold. All constructs fall in a reasonable range and thus seem to be generally quite adequate for purpose. Overall, Infrastructure and Supply is the strongest in terms of AVE and CA performances; hence, it is a strong construct. Eligibility Criteria has some concerns as it yields the lowest AVE and relatively lower reliability compared to other constructs that indicate possible further refinement in its measurements. Reliability and variance from each construct indicate how accurately they communicate intended constructs-critical requirements for any subsequent analysis or interpretation of the underlying data.

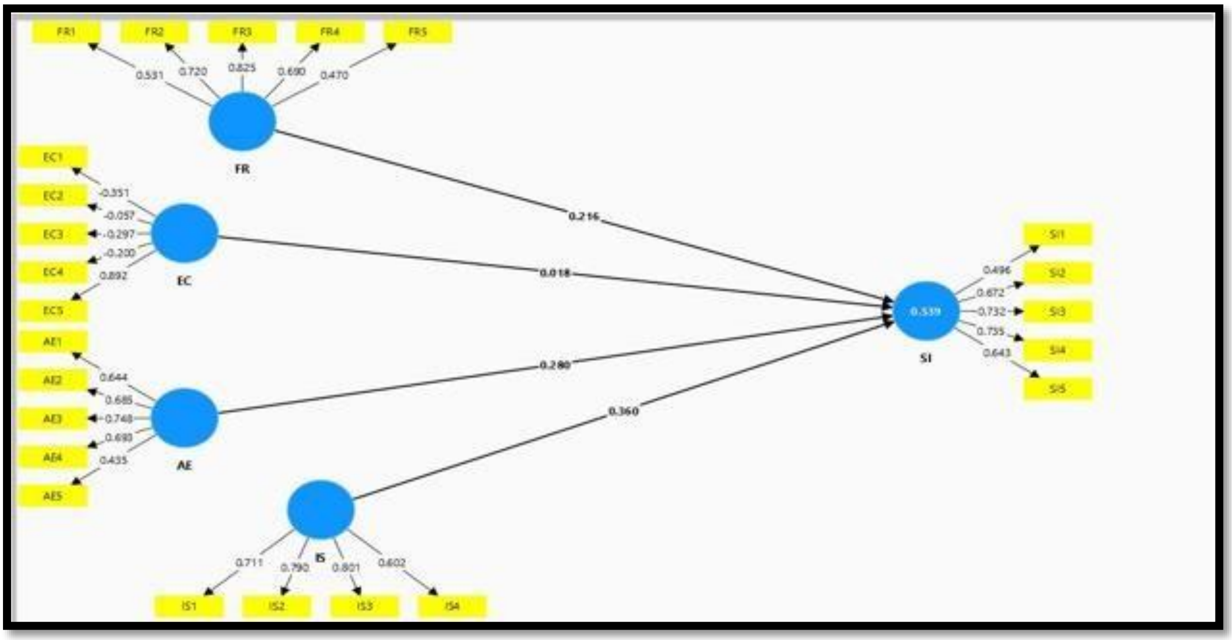

Figure 2: Structural Equation Model – Relationship

Finance Resource was observed to be the most significant predictor of Savings and Investment behaviour with a path coefficient of 0.216. This thus indicates a critical role finance plays in resource decisions. Eligibility Criterion shows its influence on savings and investment behaviour for the path coefficient of 0.018. Moderately strong, this implies that regularly persons possessing well-designed incentives do have an increased propensity to save and invest. Administrative Efficiency revealed a slightly weaker but positive influence on Savings and Investment behaviour with a path coefficient at 0.280. Infrastructure and Supply had the smallest impact on Savings and Investment behaviour with a path coefficient of 0.360.

Table 3: Hypothesis Testing

HYPOTHESIS	ESTIMATE	P-VALUE	RESULTS
AE->SI	0.280	0.000	Supported
EC->SI	0.018	0.799	Unsupported
FR->SI	0.216	0.005	Supported
IS->SI	0.360	0.000	Supported

AE -> SI (Administrative Efficiency to Savings and Investment) The Estimate is 0.280, P-Value is 0.000 and Results is Supported. The Interpretation is there is a statistically significant positive relationship between Administrative Efficiency and Savings and Investment. This further indicates the fact that improvement in administrative efficiency relates positively with savings and investments as well. EC -> SI (Eligibility Criteria to Savings and Investment) Estimate 0.018 P-Value0.799 Results Unsupported Interpretation of relationship between Eligibility Criteria and Savings and Investment is not statistically significant. The high p-value indicates that change in eligibility criteria do not have meaningful impact on savings and investments. FR -> SI (Finance Resource to Savings and Investment) The Estimate is 0.216, PValue is 0.005 and Results is Supported. The Interpretation is there is a statistically significant positive relationship between Finance Resource and Savings and Investment. This says better financial resources enhances savings and investments. IS -> SI (Infrastructure and Supply to Savings and Investment) the Estimate is 0.360, P-Value: 0.000 and Results is Supported. The Interpretation: The two variables Infrastructure and Supply and Savings and Investment are related statistically significantly. Therefore, one of the determinants for higher savings and investments is better infrastructure and supply chains. Conclusion: In conclusion, three out of the four hypotheses tested are valid; this means that administrative efficiency, finance resource, and infrastructure and supply contribute enormously to having high savings and investment. There is little effect of Eligibility Criteria on Savings and Investment. The findings advocate for the general improvement of administration, financial, and infrastructures to enhance the savings and investment outcomes.

Conclusion

Freebies given by the Karnataka state government are a major incentive for saving and investment among youth in the region. What this paper finds, in fact, is that freebies awaken a desire among recipients to save and invest; what is required there, however, is complete financial literacy to harmonize freebies with endeavor on the part of the recipient. Financial education gives them the information and skills needed to reap the full benefit from the freebies they get. This puts people in a better position to make more prudent financial decisions, which will also reflect in higher savings rates and more prudent investment choices. Besides, the result shows that diverse groups of income respond to these government programs in slightly different ways.

Because these programs ease short-term pressures on finances and encourage a longer run perspective on saves and investments, there may be a surprising shift in the financial behaviors of people with lower incomes too. On the other hand, even though these schemes also benefit higher groups, their effects may not be observable since they may have been saving or have extra cash. The difference reveals how vital it is for one to design a program that particularly responds to the needs of a different type of income to ensure that all dimensions of society will be able to utilize these incentives to their fullest extent. Lastly, it ends up exposing the point that the government must, first and foremost, inspire monetary literacy and sustainable saving and investing strategies, most especially for the young, economically challenged peoples of Karnataka.

REFERENCES

1. Bercaw, D. W. (2012, January). Empowering women through microfinance: Microfinance interventions in Ghana and South Africa. In *International Forum of Teaching and Studies* (Vol. 8, No. 1, pp. 23-26). American Scholars Press, Inc.
2. Ringkvist, J. (2013). Women's Empowerment through Microfinance: A case study on Burma. Raihana, A. K. A. (2013). *Empowerment of Muslim women through microfinance and self help groups-A case study of Chennai city* (Doctoral dissertation, University of Madras, Chennai). Modi, A., Patel, K. J., & Patel, K. M. (2014). Impact of microfinance services on rural women empowerment: An empirical study. *IOSR Journal of business and management*, *16*(11), 1-8. Awojobi, O. N. (2014). Empowering women through micro-finance: Evidence from Nigeria. *Australian Journal of Business and Management Research*, *4*(1), 17.
3. Mudaliar, A., & Mathur, A. (2015). Women empowerment through microfinance. *International journal of Arts, humanities and management studies*, *1*(2), 58-65. Alshebami, A. S., & Khandare, D. M. (2015). The role of microfinance for empowerment of poor women in Yemen. *International Journal of Social Work*, *2*(1), 36-44.
4. Shakya, K. (2016). Microfinance and woman empowerment.
5. Dash, M., Prasad, V. M., & Koshy, C. J. (2016). Women empowerment through microfinance services. *Journal of Applied Management and Investments*, *5*(1), 20-25.
6. Lingayat, V. S., & Lunge, H. S. (2023). APPLICATION OF LOGISTIC REGRESSION ANALYSIS IN MICROFINANCE FOR WOMEN EMPOWERMENT. *Statistics and Data Science*, 1.
7. Asad, A., Hameed, W. U., Irfan, M., Jiang, J., & Naveed, R. T. (2020). The contribution of microfinance institutes in women-empowerment and role of vulnerability. *Rev. Argent. Clín. Psicol*, *29*, 223-238.
8. Bansal, S., & Singh, A. K. (2020). Examining the social and entrepreneurial development of women through microfinance in Indian context. *Journal of Management Development*, *39*(4), 407-421.
9. Lamichhane, B. D. (2020). Microfinance for women empowerment: A review of best practices. *Interdisciplinary journal of management and social sciences*, *1*(1), 13-25.
10. Ranabahu, N., & Tanima, F. A. (2022). 13. Disabled women entrepreneurs and microfinance: a road less travelled (for a reason)?. *Research Handbook on Disability and Entrepreneurship*, 196.
11. Rahman, A. and Pingali, P., 2024. Welfare Reforms and the Leviathan State. In *The Future of India's Social Safety Nets: Focus, Form, and Scope* (pp. 293-356). Cham: Springer International Publishing.
12. Rahman P., 2024. Social Welfare ‘Schemes’ to an Economic Security ‘System’. In The Future of India's Social Safety Nets: Focus, Form, and Scope (pp. 357-425). Cham: Springer International Publishing.
13. Ansari, R.J., Jamgade, S. and Sushma, B.S. (2020) ‘Women Entrepreneurship through Microfinance Institute in India’, (December).
14. Letters, M. and Sciences, A. (2024) ‘Fostering Entrepreneurial Intention Among Gen Z : Exploring The Mediating Role Of Financial Wellbeing Fostering Entrepreneurial Intention Among Gen Z : Exploring The Mediating Role Of Financial Wellbeing’, (February).
15. Prajwal, K. (2024) ‘Factors Influencing Investment Behavior of Millennial Investors in the Stock Market in Bangalore Urban’, 15(3), pp. 56–65. Available at: https://doi.org/10.53555/tojqi.v15i3.10479.
16. Raghu, V. and Bs, M.S. (2024) ‘STOCK MARKET REACTION TO LOK SABHA ELECTION : A STUDY OF LISTED COMPANIES IN NSE WITH REFERENCE TO BANKING , FMCG AND IT’, 11(03), pp. 124–136. Available at: https://doi.org/10.53555/jcr.11.03.19.
17. Sushma, B.S. and Mazumdar, C. Sen (2024) ‘Fostering Entrepreneurial Intention Among Gen Z : Exploring The Mediating Role Of Financial Wellbeing’, 6, pp. 282–292.