

## **Duvvuri Subbarao: Improving financial literacy amongst school children and college students**

Address by Dr Duvvuri Subbarao, Governor of the Reserve Bank of India, at the joint function of the Reserve Bank of India (RBI) and Government of Karnataka on the Financial Literacy Project in Karnataka, Bangalore, 22 March 2010.

*English translation of the Governor's address, which was delivered in Kannada.*

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Respected Chief Secretary, Government of Karnataka Shri S.V. Ranganath and friends,

1. I am delighted to be present here at this function organized jointly by the Government of Karnataka and the Reserve Bank of India. Over the last one year we have done a number of functions across the country as part of RBIs platinum jubilee celebrations. This function this afternoon here in Bangalore is easily one of the most exhilarating functions. It was particularly heart warming to listen to children speaking on financial issues. For the first time, I get a feeling we are making a solid start on Financial Literacy. Our Hon'ble Finance Minister Shri Pranab Mukherjee and the Chief Minister of Karnataka Shri B. Yeddyurappa had shown lot of interest to take part in this program. Due to some unforeseen urgent works, they were unable to attend this function. However, they have sent their good wishes for the program.

2. When I came here for the Reserve Bank's Central Board Meeting in May last year, I had an occasion to call on the Chief Minister, Shri Yeddyurappa and explained to him the role of responsibilities of the Reserve Bank. I also told him about the Reserve Bank's efforts to further financial literacy and financial inclusion. The Chief Minister showed great interest and requested that we take Karnataka as a pilot state for launching our initiatives and offered the full cooperation of the Government of Karnataka for this purpose. Over the last eight months, the Reserve Bank worked closely with the Government of Karnataka on several initiatives. Today's function is a culmination of these efforts.

3. There are three distinct events we are marking today.

- (i) The first is the release of text books for Classes V, VII and IX containing lessons on finance.
- (ii) The second is the launch of the Electronic Benefit and Income Transfer (EBIT) Scheme.
- (iii) The third is distribution of prizes to state-wide winners of the RBI quiz competition conducted across schools and colleges of the State of Karnataka.

4. Let me now say a few words about the significance of each of these events.

5. The Reserve Bank attaches top priority to deepening financial literacy. This means that school children and college students should acquire basic proficiency in financial concepts. Why is this important? This is important both for you as individuals and for the country as a whole. When children grow up and start earning, they should know their options – where to save, when to save, how and how much to save. Only when you are able to evaluate your options will you become responsible adults. This is important at the aggregate level too. When you save, your money becomes available to the government and to other private sector for investment. And that investment raises our growth rate and creates jobs. I want all of your school children and college students to study well, in particular try and understand the world of finance. I also want to request the Education Department of Government of Karnataka to do an evaluation of the introduction of the finance curriculum after one year. Based on your feed back, we can improve the lessons and instruction material both here in Karnataka and all other states.

6. Now let us know more about financial literacy. Banking facilities are still not available to many villages. Out of about 6 lakh villages in our country, 5.7 lakh villages still do not have any bank branch. At the earliest, banking facilities should be provided to these villages. For this purpose, technology should be used to open no frill accounts. The banking facilities can be made available the door step of the villages by appointing one of the villagers as banking correspondents. Bio-metric smart cards may be provided to the no-frill account holders. Bio-metric smart cards should be imbedded with photograph and finger print of the account holder. This facilitates acknowledgement for the transactions done by the depositor. Their day-to-day transactions may be uploaded to the bank branch either through telephone or internet. The benefit of government schemes may be directly and speedily credited to these no frills accounts. This is being implemented in six districts of Karnataka with an aim to extend the same through out the country.

7. We have organized various curricular and non-curricular programmes for improving financial literacy amongst school children. The Education Department of Government of Karnataka have revised the high school textbooks for the year 2010–11 as per our suggestions. As part of non-curricular activities we have organized State Level Quiz Competition. About 6100 schools and 3000 colleges took part in this competition. We got a splendid feedback for this from the school children. Children's knowledge about banking and RBI has amazed us. I hope that our endeavour in this direction has laid a strong foundation for the future citizens of the country to become fully financially literate.

8. Before I finish, on behalf of the Reserve Bank, I want to thank the Hon'ble finance Minister Shri Pranab Mukherjee for his very strong and enthusiastic support for financial literacy and financial inclusion, and the Chief Minister Shri Yeddyurappa for the co-operation extended by Government of Karnataka under his leadership.