1.1 INTRODUCTION

Micro finance in India is still in its burgeoning. Micro finance hitherto remains a powerful tool for development. It may be a universal remedy, but it has brought many changes in the lives of many rural poor people. By reaching the un-reached rural poor in the rural regions, micro finance innovations are yielding results and giving promise to the millions of poor through providing credit. The SHG-Bank linkage and MFIs is an effective instrument for poor people to access to financial services without any collateral security and improve their standard of living. But in order to make the approaches more useful means for poverty alleviation a sustainable rural development, there is a need for genuine intervention by the promotional agencies particularly the banks and district credit plan to create awareness and training. Looking at the number of customers, an orbit of services and increase the interest of both formal and informal sector institutions, in that location is enormous scope for the keeping up of micro finance development in India.

India’s economic reforms in the beginning of the 1990s, a strong and financial sector was considered necessary for accelerating the growth impetus in the country and also for expanding the coverage of financial services in a sustainable manner. The financial sector reform process placed more prominently on creating a strong, vivacious and competitive banking system. The important step to bring economically expelled people within the crease of the formal financial sector was the promotion of microfinance in India. In order to ensure an accelerated rural development in the country; in 1969 the Lead Bank Scheme was introduced by the Reserve Bank of India. The Self help-group bank linkage programmed was launched by NABARD in 1992, with procedure support from the Reserve Bank, to sustain collective decision making, by the poor and provide ‘door step’ banking.

Microfinance Institutions (MFIs) in India exist as NGOs and Non-Banking Financial Companies. Commercial Banks, cooperative societies and Regional Rural Banks are other large lenders have played an important role in providing refinance facility to MFIs. Commercial Banks have also leveraged the Self-Help Group direct to provide direct credit to group borrowers.
With financial inclusion budding as a major policy objective in the country, Microfinance has occupied center stage as a promising mechanism for extending financial services to unbanked sections of the population.

Microfinance provides financial services to low-income clients or cohesion lending groups, including consumers and the self-employed, who are excluded from all sought of financial services.

Microfinance provides different kind of products to the poor and it is a financially viable development tool whose objective is to aid poor to work and poverty. It covers a wide range of services like financial as well as non-financial services.

**Microfinance products**

- Credit
- Savings
- Insurance
- Non financial services like training, counseling etc.

**Salient features of Microfinance:**

- Loans are of small amount – micro credit and micro loans for the poor.
- Loans are offered devoid of collaterals
- Loans are generally taken for empowerment and increase the standard of living and for entrepreneurship by the rural poor.
- Borrowers are from the low income group
- Short and long duration loans.
- High frequency of repayment
1.1.2 Concept of Micro Finance and its Implementation in India

Micro finance was established in Bangladesh by the guidelines of Grameena Bank in 1983. The basic objectives of micro finance that distinguish it from the previous modes of credit delivery are small amounts of loan, lack of physical security but highlighting on social security or peer monitoring and focus on women borrowers. Micro finance is expected to tackle the major three problems that are often faced in any credit delivery program planned for the poor, namely, targeting, broadcast of borrowers, and implementation of the credit contract. Under the model of micro finance promoted by the Grameena Bank, women borrowers are organized into Self-Help Groups (SHGs), which would be enabled to borrow from the lending institution either for individual or group requirements. These groups are normally formed by women from similar socioeconomic backgrounds that strengthen the unity among these women. The participation of the entire group at every stage of seeking loans and its repayment is important and needs proper monitoring.

In many countries across the world, micro finance originated from the activities of Non-Governmental Organizations (NGOs) that were supported largely or partly by foreign donors for their lending operations. Against this context, the Indian experiment with micro finance was different in major two aspects. At the beginning, India started to provide micro finance through its public bank network.

The commercial banking network, whose development after bank nationalization in terms of geographical spread and purposefully reach is often deemed unparalleled in the world was lashed in for micro finance. The microfinance institution experiment in India and been pronounced by NABARD as relationship banking rather than parallel banking elsewhere in the world.
1.1.3 NABARD

NABARD is a Development Bank with an authorization for providing and regulating credit and other facilities for the commendation and development of agriculture, cottage and village industries, small-scale industries handicrafts and other related economic activities in rural areas with a view to stimulating integrated rural development and obtaining prosperity of rural areas and economic development.

Main role of NABARD in Rural developments

- It gives refinance facilities for lending institutions in rural areas
- Promoting institutional development
- Measuring, monitoring and inspecting the client banks
- Acts as a controller in the operations of rural credit institutions
- Extends support to the regime, the Reserve Bank of India and other governing bodies on matters pertaining to rural development
- Offers research and training amenities for banks and organizations operating in the area of rural growth
- Helps the state governments in getting to their aims, of providing aid to eligible institutions in agriculture and rural growth
- It gives guideline and refinance facilities for RRBs and cooperative banks for rural development

Development Initiatives

- The Financial Inclusion Fund and the Financial Inclusion Technology Fund as on 31 March 2013 sanctions were 181.64 crore and 365.49 crore.

- SHG-Bank Linkage Program as on 31 March 2013, there were more than 73.18 lakh savings linked Self Help Groups (SHG) and 44.51 lakh credit-linked SHGs covering over 10.3 crore poor households under the microfinance program.

- It provided guiding for microfinance program during 2012-13 by taking a congregation of new initiatives and consolidating some of the already operational interventions
1.1.4 Microfinance Models in India

In India, the beginning of microfinance movement could be traced to Self Help Group (SHG) Bank Linkage Program (SBLP) started as a pilot project in 1992 by NABARD. This program proved to be very successful and has also developed as the most popular model of microfinance in India.

In India, the institutions which provide microfinance services includes, NABARD Commercial Banks, Regional Rural Banks, Cooperative Banks and Non-Banking Financial Companies (NBFCs).

Channels of Microfinance

1. SHG - Bank Linkage Programme (SBLP)

A Self Help Group is a small group of 10 to 20 persons of rural poor who come together to jointly contribute to common fund and meeting their emergency requirements. SHG - Bank Linkage Programme was introduced by NABARD in 1992.

Under this programme 3 different models have emerged:-

a) Model I - Banks taken as responsibility to promote and guide SHGs.

b) Model II - SHGs promoted by government agencies and NGOs.

c) Model III - SHGs promoted by NGOs and financed by banks under NGOs / formal agencies as financial intermediaries.

2. Micro Finance Institutions

MFIs include NGOs, trusts, social and economic entrepreneurs; these lend small, sized loans to individuals or SHGs. They also provide other services like capacity building, training, marketing of products etc.
MFIs operate under following models:-

a) Bank Partnership Model

i) MFI as Agent -

MFI acts as an agent and take responsibility of borrower and till the final repayment.

ii) MFI as Holder of Loans-

MFI holds the individual loans on its books and securitizing them before selling them to bank.

b) Banking Facilitators:-

Banking facilitators / correspondents are intermediaries who carry out banking functions in villages or areas where it is not possible to open a branch. In January 2006, RBI permitted banks to use services of MFIs and NGOs to act as intermediaries in providing banking and financial services to poor.

3. Grameen Bank

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. The Grameena Bank Model is focused in providing finance to entrepreneurial women who are already into some small jobs. The grouping, which is made up of about five members and financing of this model is a substitute collateral tool taking care of default and also possible risks. The guarantee is on one on another in the group.

4. Co-operative Bank

Cooperatives Bank individual village banks and also credit unions are established. The individual village banks consist of 30 to 50 members. The village banks returns the principal with interest/profits to the implementing agency at the time when individual loans are repaid on weekly basis. Subsequent loans are considered only when repayment is made in full.
5. Self Help Group

The Self Help Group (SHG) is an indigenous model formed out of a small group of members who are homogenous in terms of income. The savings are pooled and lending is done for promoting development. SHGs are also financed and supported by NGOs.

The main objective of SHGs is to provide small loans to poor in order to help them invest in their livelihood. In 1992 with the support of RBK SHG - Bank linkage programme was launched by NABARD.

FUNCTIONS OF SHGs

- **Group Formation**: Members voluntarily form groups for generating employment and reducing poverty.
- **Savings**: SHG encourages its members to save a part of their income on a habitual basis. Savings are transferred to groups.
- **Lending**: After laying aside for a number of days, the funds can be applied to make loans to their group members.
- **Record**: SHG groups will maintain day to day transaction data.
Table 1.1

Spread of Banking - Government Initiatives

Reserve Bank of India and the Government of India have taken many steps to improve in banking service.

<table>
<thead>
<tr>
<th>Year</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>Creation of State Bank of India</td>
</tr>
<tr>
<td>1969 &amp; 1980</td>
<td>Nationalization of Commercial Banks</td>
</tr>
<tr>
<td>1970</td>
<td>Introduction of Lead Bank Scheme</td>
</tr>
<tr>
<td>1975</td>
<td>Establishment of Regional Rural Banks (RRBs)</td>
</tr>
<tr>
<td>1992</td>
<td>Self-help Group (SHG) - Bank Linkage Program</td>
</tr>
<tr>
<td>2001</td>
<td>Kisan Credit Card Scheme</td>
</tr>
<tr>
<td>2005</td>
<td>Introduction of “No-Frill” accounts</td>
</tr>
</tbody>
</table>

[Source: RBI]

Table 1.2

Branch expansion particulars of scheduled commercial banks

<table>
<thead>
<tr>
<th>Year</th>
<th>No of rural branches</th>
<th>No of semi urban branches</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969 (June)</td>
<td>1833</td>
<td>3342</td>
<td>5175</td>
</tr>
<tr>
<td>1991 (march)</td>
<td>35206</td>
<td>11344</td>
<td>46550</td>
</tr>
<tr>
<td>2001 (march)</td>
<td>32562</td>
<td>14597</td>
<td>47159</td>
</tr>
<tr>
<td>2005 (march)</td>
<td>32082</td>
<td>15403</td>
<td>47485</td>
</tr>
<tr>
<td>2006 (March)</td>
<td>30579</td>
<td>15556</td>
<td>46135</td>
</tr>
<tr>
<td>2007 (march)</td>
<td>30551</td>
<td>16361</td>
<td>46912</td>
</tr>
<tr>
<td>2008 (March)</td>
<td>30732</td>
<td>17212</td>
<td>47944</td>
</tr>
<tr>
<td>2009 (March)</td>
<td>31489</td>
<td>18764</td>
<td>50253</td>
</tr>
<tr>
<td>2010 (march)</td>
<td>32289</td>
<td>20358</td>
<td>52647</td>
</tr>
<tr>
<td>2011 (march)</td>
<td>33325</td>
<td>22419</td>
<td>55744</td>
</tr>
<tr>
<td>2012 (march)</td>
<td>36356</td>
<td>25797</td>
<td>62,153</td>
</tr>
<tr>
<td>2013 (march)</td>
<td>39336</td>
<td>28264</td>
<td>67600</td>
</tr>
</tbody>
</table>

[Source: RBI]
1.1.5 Financial Inclusion in India – Overview

Financial inclusion is the provision of financial services at an affordable cost to various sections of the disadvantaged and lower income groups. The main objective of financial inclusion is to provide equal opportunities to each and every individual to gain the facility of formal financial channels for better living and better income. Inventing and providing various means to include the financial ways of ensuring access to timely adequate credit and financial services.

Financial inclusion has been a never ending in itself, but rather a gateway, a process. Financial inclusion provides various facilities to those who are excluded from all the financial service. It provides facilities like savings, loans and insurance services by the formal financial system.

1.1.6 Process of Financial Inclusion in India

The process of financial inclusion in India broadly involves three phases.

- First Phase (1960-1990), the aim was on channeling credit to weaker sections of the society.
- Second Phase (1990-2005) introduced Self- Help Group -Bank linkage and Kisan Credit Cards (KCCs) to farmers to strengthening the financial institutions as part of financial sector reforms.
- Third Phase (2005) introduced the No frills’ accounts to convert unbankable into bankable.

The Eleventh Five Year Plan (2007-12) foresees inclusive growth as a key target in achieving inclusive growth in India is the prime challenge as it is very difficult to bring 600 million people surviving in rural India into the mainstream. One of the best ways to achieve inclusive growth is through financial inclusion.
In the pursuit of economic development NABARD (National Bank for Agriculture and Rural Development) who takes the initiative to develop SHG’s (Self Help Group) with the help of an NGOs(Non Government Organization) and banks to empower the rural people to get self employed and generate some income. SHG is a group of people from a homogeneous social or economic class, all of who come together in addressing their common problems. After the six months of commencement of SHG, they people approach to bank for the loan. After analyzing the working and documentation of the last six months bank approve the loan to the SHG and this loan will be used by the group for the working of SHG. The Interest rate on the loan is nominal and the NABARD also provides subsidies to SHG. NGO’S earning profits in the form of incentive from NABARD. SHGs are earning income by utilizing the loans for productive purposes. Interest paid by the NGO’s on loans is the income for the Banks.
1.1.7 Current status of Financial Inclusion in India

The Indian banking industry is able to penetrate only less than 50% of the population over the last few decades. The reserve bank of India and the government of India has taken many numbers of steps to further accelerate the process of financial inclusion. The modern society financial inclusion plays a major role in rural development of economy. In spite of the aggressive growth in many financial segments ever since 2001 coupled with the successful absorbing the global recession since 2008, under the penetration of banking facility and more financial products and services is spreading both in rural and urban area of India.
Though Indian credit banking has enjoyed a good growth since 2003, credit penetration remains below global benchmarks, which indicates healthy growth potential on one side and on the other side, failed to achieve equitable distribution in society. In India, the household sector generates more saving when compared to the private and corporate sectors.

The statistics on financial exclusion, over 600 million rural habitations in the country, only about 30,000 or just 5% have a commercial bank branches. Only 50 percent of the population across the country has bank accounts and this ratio is much lower in north-eastern part of the country, shows a very disconsolate picture. The people having any kind of life insurance cover are low as 10 percent and only 0.6 % having non-life insurance is an awful. Only 13 percent people having debit cards and 2 percent having credit cards.

From the total number of saving, bank accounts the majority is inactive. Status of active accounts ‘no frill accounts’ is altogether alarming. Throughout India, less than 10% of the ‘no frill accounts’ are active. Due to the absence of financial literacy, a few conduct banking transactions and very few receive credit from formal financial literacy, a few conduct banking transactions and very few receive credit from formal channels. Many people across the country have thereby missed the opportunity to increase their earning capacity and to utilize their entrepreneurial talent and continued to struggle with their limited resources.

1.1.8 Financial Inclusion and Economic Development

Poverty levels are declining and are bound to decline further by accessing to various financial services and products. The households will have greater levels of incomes and at the same time the number of saving, entrepreneurs and financial transaction will increase. The segment will require easy access to formal financial systems to get into the banking fold. Banks require innovating and devising newer methods to absorb such customers into their fold as these new prospective customers will turn into commercially viable customers. The demand and supply side should take the initiatives.
MFI’s and the self-help group is the tool to reduce the poverty in India. Though they are congregation momentum, they still require support to spread to the length and breadth of India and to penetrate to different parts of India.

Businesses facilitators and correspondents have grown in numbers but to achieve desired level of financial inclusion and innovations are desirable. New entrants to the banking system perhaps need ‘home delivery’ or ‘near home delivery’ rather than stepping into the branches.

With increasing liberalization and higher economic growth, the role of the MFI’s and the self-help group poised to attain greater heights in India. The banks and financial institution need to organize resources from a wider customer base and extend credit to business activities not financed by banks till now.

Increasing commercialization of agriculture and rural activities is bound to result in to cycle of improved standard of living, access to financial service and investment. Financial inclusion will strengthen financial deepening and provide resources to the banks to expand credit delivery. This financial inclusion is a major cause as well as economic development.
Figure 1.3
Model of Financial Inclusion

(Source: Microfinance Sector Report)
1.1.9 Constraints to spread of Financial Inclusion.

Major barriers to financial inclusion require to be identified.

i) Demand side barriers are

- Lack of knowledge and awareness about the financial products and services, and difficulty in understanding of financial products.
- Irregular income and micro transaction
- Lack of trust in formal banking and cultural

ii) Supply side barriers are

- Outreach - low density areas and low income populations are not attractive for the provision of financial services and are not financially sustainable under traditional banking business models
- Rule and Regulation
- Business models and transaction cost.
- Service Providers: Limited number of financial product and financial service.
- Services: High transaction cost products and services for low income populations and the informal economy.
- Main problem with age factor and also Bank charges.

1.1.10 INSTITUTIONS AND FINANCIAL INCLUSIONS

Financial institutions, both large and small have an important role to play in financial inclusions. With their organized structure and effective management larger financial institutions could work as mentors for small financial services firm by ensuring a strong financial backup.
Figure 1.4
Hierarchy of Financial Institutions for Microfinance Disbursement

(Source: Microfinance Sector Report)
Commercial banks: Commercial banks could act as an important part of the process to achieve full financial inclusions. Especially with simplified savings bank accounts (including no-frills account), relaxed know your customer (KYC) procedures, primary sector lending and even microfinance.

Cooperative banks: The urban and rural cooperative banks could cater for a population that is generally neglected by the commercial banks. Their positions allow them to reach out to the people far easier than the more formal commercial banks. Since they are operated by the members of the banks themselves, there would be more improvement from the people of such cooperatives.

Regional rural banks: Through priority sector lending, KCCs and GCCS, the RRBs could ensure a steady flow of credit to the rural poor especially the marginal farmers. The RRBs like the commercial banks can deal with the agencies like NGOs who are interested in helping out the poor and the weaker sections.

Non-banking financial companies (NBFCs): The NBFCs could include both large and small financial firms which provide financial services. They could offer specific financial products to the poor and low income people such as micro insurance, microcredit, etc. The NBFCs could create financial awareness among the people by not only offering alternative financial services but also spreading financial literacy by providing financial advices.

Microfinance institutions (MFIs): They are created with the specific aim of extending financial services to the poor and the weaker sections of the populations. An MFI could be independent or as in most cases are promoted by NGOs, government agencies, NBFCs, commercial banks and other institutions. MFIs have so far been the most successful at ensuring basic financial services to the unbanked sections of the populations. Along with the SHG movement, the MFIs has enabled the wealth generated in many underdeveloped rural as well as neglected urban areas in India.

Post office banking (POSB): These, along with their extensive network could offer a wide Variety of small and micro financial services to the people. The POSBs could utilize their staff to deliver door-to-door services to the people.
Non-governmental organization (NGOs): NGOs could provide financial assistance to the poor and the weaker sections through NGO promoted MFIs or by providing financial advice. NGOs working for the poor and the economically deprived can more closely analyze their spending patterns and credit requirements. Commercial banks and other large financial agencies can work closely with NGOs to ensure that the dealings with the poor and the weaker sections turn out to be a fruitful activity not only for the people but also for the lending agencies.

1.2 STATEMENT OF THE PROBLEM

Financial inclusion is a policy measure to address the issue of poverty which would ensure avenues for people. Karnataka is one of the major states of South India. Karnataka has a total population of over 64 million and ninth largest state in India in terms of Population. About half of the Karnataka population is excluded from the access to financial services. In Mysore and Chamarajanagar district total population is 32,01,127 and 16, 20,962. Around only 46 % and 34 % have access to financial services. Access to various financial services enables the poor people to participate in the growth of the economy.

Though many central government and state government poverty alleviation programs are currently active in India, microfinance and other supporting financial Institutions plays a major contributor to financial inclusion. Financially excluded people also need financial services to fulfill their needs like building of assets, protection against risk and consumption. Microfinance institutions serve as a supplement to banks.

Microfinance institutions not only offer micro credit but they also provide other financial services like micro savings, micro insurance, remittance and non-financial services like training and support to start own business and individual counseling.

Thus, micro-finance has become one of the most effective interventions for economic empowerment and helped in remarkable eradicating poverty.
1.3 NEED FOR THE STUDY

Government through various schemes is helping the people through different schemes for the economic uplifting. However, due to some of the obstacles in the economy. It is difficult to reach all the people through a single scheme to rural poor people who are short of funds to take up some of the economic activities. Financial Institution and the banking sector are not providing funds to such persons, Microfinance Institutions and NABARD is taking up function of providing, assistance to rural poor people and helping them to realize their goals.

The study focused in order to find out how effectively the MFI are providing funds to the beneficiaries in realizing their goals and the fundamental aspects of the success of MFI in poverty reduction. To measure the efficiency of Microfinance models through NABARD and other supporting Financial Institutions in financial inclusion. Thus the study is immense potentials in translating the basic objective of rural poor people. The study has been taken up in the district of Mysore and Chamarajanagar districts.

1.4 OBJECTIVES OF THE STUDY

1. To study the Institutional framework for financial inclusion.
2. To identify the effectiveness of micro finance Institution in Mysore and Chamarajanagar district
3. To examine the progress and performance of supporting Financial Institutions towards financial inclusion in Mysore and Chamarajanagar District.
4. To analyze the performance of microfinance institution in relation to the purpose of microfinance funds being used.
5. To compare the microfinance model for financial inclusion in Mysore and Chamarajanagar districts.
1.5 RESEARCH HYPOTHESIS

Based on the above objectives the null and alternative hypothesis are framed as follows

1) \( H_0 \): There is no relationship between the product of a microfinance institution and factors of empowerment in financial inclusion
   
   \( H_1 \): There is a relationship between the product of microfinance institution and factors of empowerment in financial inclusion

2) \( H_0 \): There is no significant relationship between all Economic Characteristic and development of the rural by the use of borrowed funds from MFI.
   
   \( H_2 \): There is a significant relationship between all Economic Characteristic and development of the rural by the use of borrowed funds from MFI.

3) \( H_0 \): Financial inclusion through micro finance models is not a function of effective implementation of NABARD financial apex institution.
   
   \( H_3 \): Financial inclusion through micro finance models is a function of effective implementation of NABARD financial apex institution.

4) \( H_0 \): The performance of a micro finance institution in financial inclusion is not dependent on the level of awareness of services provided.
   
   \( H_4 \): The performance of a micro finance institution in financial inclusion is dependent on the level of awareness of services provided.

5) \( H_0 \): There is no significant effect of microfinance in poverty reduction.
   
   \( H_5 \): There is a significant effect of microfinance in poverty reduction.
1.6 SCOPE OF THE STUDY

MFI is primarily providing financial support to the people who are excluded from the main financial sector. The government recognizes their objective through setting up various microfinance institutions. The study covers the beneficiaries of Mysore and Chamarajanagar district through a questionnaire in order to understand the benefits derived from the people. There are 22 microfinance institutions in Karnataka out of which 11 MFIs are working in Mysore and Chamarajanagar district.

- Grameen Financial Services Pvt. Ltd.
- Spandana Sphoorty Financial Limited
- Ujjivan Financial Services Pvt Ltd
- Sks Microfinance Limited
- Shri Kshetra Dharmasthala Rural Development Project
- Asmitha Microfin Ltd
- Bss Microfinance Pvt Ltd (Bharatha Sswamukti Samsthe)
- Sanghamithra Rural Financial Services
- Fullerton India Gramshakti
- Myrada
- Bhartiya Samruddhi Finance Limited

1.7 METHODOLOGY

The Study involves understanding the MFI in Mysore and Chamarajanagar district. The study makes use of both primary and secondary extensive. For the purpose of analyzing the data about microfinance Institution and financial inclusion in the district of Mysore and Chamarajanagar. The study has been focused with clear objectives and aims to indicate the potential of microfinance in helping poor through MFI. Therefore the study is purely descriptive and analytical nature. The study has been carried out through a well-structured questionnaire that is personnel administered to each of the 150 members in Mysore and Chamarajanagar district. The study is based on random sampling comprised of literate as well as illiterate person. Therefore the intent of each of the question was clearly appraised to the members and information obtained.
Sources of Data

Primary data are collected through a well-designed questionnaire was administered.

The secondary data is collected to supplement the primary data. The annual reports of MFIs, annual reports of AKMI (Association of Karnataka Microfinance Institutions), statistics on Indian Economy of RBI, publication of Dept. of Financial Services, Ministry of Finance, Government of India, Economic Survey of India, District Credit Plan annual reports, Periodicals and journals of Microfinance, Directorate of Economics and statistics, Mysore and Chamarajanagar etc., were used as important sources of secondary data for the study.

The concept of MF was introduced in 1980 in India. The state of Karnataka has 29 districts and 2 districts is being chosen randomly for the purpose of the study and judgment sampling is also considered in order to cover 1 of the district which is backward. With well-designed questionnaire was administered to 150 respondents was collected. The sample size, therefore, is 300 for the purpose of the study.

Techniques of Analysis

The data collected is codified tabulated and processed for the purpose and analysis of the study, various statistical tools were made use .The test was conducted using specialized Statistical package viz., SPSS, T-test, Levene’s test, Multidimensional Scaling, Stress and Squared correlation in distance, paired T- Test, one way ANOVAs, Co-efficient of variation, are some of the statistical tools used for analysis of the data.

1.8 LIMITATION OF THE RESEARCH

The Study covers microfinance institutions, financial inclusion program and supporting financial institution like Commercial Banks, Regional Rural Banks, Cooperative Banks and Karnataka State Financial Corporation which is working in Mysore and Chamarajanagar districts. Only five years data considered for the study is between the financial years 2009-10 to 2013-2014.
1.9 PRESENTATION OF THE STUDY

The entire study is presented in the following form. It has been divided into 6 different chapters.

Chapter 1. introduction in nature and provide a brief introduction about the microfinance and financial inclusion, definition of the problem, brief literature review relating to the present study, where the hypothesis framed relating to the study, limitations of the study and about the manner in which the study has been presented.

Chapter 2. provides the necessary theoretical background and the previous studies that have been conducted in relation to the microfinance, financial inclusion and priority sector lending.

Chapter 3. is about working of Microfinance Institution and Supporting Financial Institution in Financial Inclusion- 11 Microfinance Institution are working in Mysore and Chamarajanagar District. Supporting Institution is commercial banks, Regional-Rural Banks, Co-operative banks, Karnataka State Financial Corporation (KSFC) and Grameena banks.

Chapter 4. deals with data analysis and interpretation of the study.

Chapter 5. deals with the summary of the overall findings of the research.

Chapter 6. deals with conclusions and suggestions pertaining to the study undertaken.