

To Study Problems Faced by Business Correspondent in the process of Financial Inclusion

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ABSTRACT

Financial inclusion, the provision of affordable financial services to disadvantaged and low-income segments of society, is crucial for reducing poverty and fostering economic development, particularly in rural areas. This study explores the challenges faced by Business Correspondents (BCs) in promoting financial inclusion in rural regions. Using a mixed-method approach, data were collected from 250 BCs through structured questionnaires and face-to-face interviews. The analysis identified several significant challenges, including poor internet connectivity, software and server downtimes, lack of customer awareness of financial products, and inadequate compensation for BCs.

Key findings highlight that 20.8% of respondents cited poor internet connectivity as a hindrance to seamless service delivery, while 54.8% reported issues with software and server downtimes. Additionally, 76.8% of BCs indicated a lack of customer awareness about financial services, and 82.4% expressed concerns over insufficient commissions.

To address these challenges, the study recommends enhancing technological infrastructure, implementing comprehensive financial literacy programs, ensuring fair compensation for BCs, and providing ongoing training and support. Policy and regulatory support from the government, along with collaborative efforts among stakeholders, are also essential.

Ultimately, improving the Business Correspondent model through these targeted interventions can significantly advance financial inclusion, empower rural populations, and contribute to broader economic development and poverty reduction efforts.

Keywords: Financial Inclusion, Business Correspondents (BCs), Rural Banking, Financial Access

INTRODUCTION

Financial inclusion, the provision of affordable financial services to disadvantaged and low-income segments of society, is crucial for reducing poverty and fostering economic development, particularly in rural areas. The ability of individuals and communities to access and utilize financial products and services is essential for empowering them to improve their livelihoods and participate in economic activities. Despite significant efforts to promote financial inclusion, there remain persistent challenges in ensuring that the rural population has adequate access to these essential services. Strengthening the Business Correspondent (BC) model is essential to achieve this goal, as BCs play a vital role in extending banking services to remote and rural areas, thereby promoting financial inclusion. The Business Correspondent model, which involves engaging individuals or entities to provide basic banking services in underserved areas on behalf of banks, acts as a bridge between formal financial institutions and unbanked or underbanked populations. However, BCs face numerous challenges that can hinder their ability to deliver these services effectively. These challenges range from inadequate infrastructure and lack of training to issues related to security and financial literacy among rural populations. This research paper aims to identify and analyze the challenges faced by Business Correspondents in promoting financial inclusion in rural areas. By understanding and addressing these challenges, policymakers and financial institutions can develop targeted strategies to support and enhance the effectiveness of the Business Correspondent model. Ultimately, addressing these challenges is crucial

for advancing financial inclusion in rural areas, contributing to broader economic development and poverty reduction efforts.

REVIEW OF LITERATURE

- **Gupta and Yazdani (2020)** highlight the success of initiatives like PMJDY, Aadhar, and Direct Benefit Transfer (DBT) in extending basic banking services to weaker sections of society.
- **Badrudin (2017)** notes the RBI's guidelines promoting the use of mobile devices, the internet, mini ATMs, and kiosks to enhance financial inclusion efforts.
- **Abrol (2018)** suggests leveraging retired postmen and PDS agents as BCs to improve service coverage in remote areas.

[1] RESEARCH METHODOLOGY

The research methodology for this study involves a mixed-method approach, combining both quantitative and qualitative data collection techniques to comprehensively understand the challenges encountered by Business Correspondents (BCs) in promoting financial inclusion in rural areas.

Research Design

A structured questionnaire was administered to 250 Business Correspondents to evaluate the issues they face while delivering services to customers. Respondents rated various statements on a scale from 1 to 5, allowing for the measurement of the extent and intensity of the challenges. The responses were then analyzed to identify the most prevalent issues.

Sampling:

A total of 250 Business Correspondents were chosen using a stratified random sampling method to ensure representation from different regions and types of rural areas, providing a diverse and comprehensive sample. The respondents' selection reflected various demographic characteristics, including age, gender, and years of experience in the role.

Data Collection:

Data collection was carried out through face-to-face interviews, particularly in areas with limited internet connectivity, ensuring inclusivity of all respondents. By integrating quantitative and qualitative methods, this research presents a robust analysis of the challenges faced by Business Correspondents, offering valuable insights for policymakers and financial institutions to improve the BC model and advance financial inclusion in rural areas.

Analysis

Key Problems faced by Business Correspondents is detailed in Table No. 1 are as follows:

1. **Poor internet connectivity** is a significant challenge for BCs, 20.8% of respondents strongly agreed and agreed that unreliable internet connectivity hinders their ability to provide seamless banking services. While this percentage may appear relatively low compared to other challenges, it still represents a significant minority of BCs facing difficulties due to inadequate internet access.

Implications

Transaction Delays and Errors: Poor internet connectivity can lead to transaction delays and errors, impacting the efficiency and reliability of banking services provided by BCs. Customers may experience frustration and inconvenience due to interrupted or stalled transactions, affecting their trust in the banking system and the BC model.

Operational Disruptions: BCs rely heavily on internet connectivity to access banking platforms, process transactions, and communicate with customers and banking institutions. Persistent connectivity issues disrupt daily operations, hampering BCs' ability to deliver timely and efficient services to rural communities.

Limitations on Digital Services: In an increasingly digital banking environment, poor internet connectivity limits BCs' ability to offer a full range of digital banking services to customers. Services such as online account management, digital payments, and mobile banking may be inaccessible or unreliable, hindering financial inclusion efforts in rural areas.

Increased Workload and Stress: BCs may experience increased workload and stress when attempting to navigate banking tasks in environments with poor internet connectivity. They may need to spend more time troubleshooting connectivity issues, resulting in reduced productivity and job satisfaction. This highlights the need for improved internet infrastructure in rural areas to support BC operations.

2. **Poor electricity** does not seem to be a major concern, as 87.2% of respondents disagree and strongly disagree with this statement. This suggests that electricity supply is generally reliable.
3. **Software and server downtimes** The responses to the statement regarding software and server downtimes present a clear indication of the diverse perspectives among Business Correspondents (BCs) regarding this issue. While 54.8% of respondents agree and strongly agree that software and server downtimes are significant problems, 30.8% strongly disagree and disagree with this statement.

Implications of Agreement:

Acknowledgment of Significance: The majority of BCs who agree or strongly agree recognize software and server downtimes as significant challenges that impact their ability to deliver banking services effectively. This acknowledgment suggests that a substantial portion of BCs experience disruptions and inefficiencies due to technical issues, highlighting the importance of addressing IT infrastructure shortcomings.

Need for Technological Enhancement: The agreement among a significant proportion of respondents underscores the urgent need to enhance technological infrastructure to reduce downtimes and improve service delivery. Investing in upgrades, maintenance, and backup systems can mitigate the impact of software and server issues, ensuring more reliable and efficient banking operations for BCs and their customers.

Implications of Disagreement:

Variability in Perceptions: The disagreement among a notable portion of respondents suggests variability in the perceived severity of software and server downtimes. BCs who strongly disagree or disagree may either have access to more reliable IT infrastructure or may not consider downtimes as significant obstacles to their operations compared to their counterparts.

Potential Mitigating Factors: BCs who disagree with the statement may have implemented measures to mitigate the impact of downtimes, such as backup systems, alternative communication channels, or proactive maintenance strategies. These BCs may have developed resilience strategies to navigate technical disruptions effectively, minimizing the impact on service delivery.

4. **Lack of awareness of financial products and services among customers** is a major issue, as evidenced by 76.8% of respondents agreeing and strongly agreeing. This underscores the importance of financial literacy programs to educate customers about the available services.
5. The challenge of **exhausting cash supplies** is moderately significant, with 60% of respondents agreeing and strongly agreeing. This issue can be mitigated through better cash management and replenishment strategies.
6. **Customer illiteracy** does not appear to be a significant problem, with 67.2% of respondents disagreeing and strongly disagreeing. This suggests that other factors, rather than literacy, may be influencing customer interactions.
7. **Less commission for BCs** is a critical issue, with a significant 82.4% of respondents agreeing and strongly agreeing. This indicates that BCs feel inadequately compensated for their efforts, which could affect their motivation and service quality.
8. However, **delays in receiving commission** are not widely reported, as 77.6% of respondents disagree and strongly disagree with this statement, suggesting that commissions are generally received on time.

9. A significant number of BCs (69.6%) disagree and strongly disagree that there is a lack of proper hand-holding support from banks or corporate BCs. This indicates that BCs generally receive adequate support. Additionally, **trust issues with villagers** are not prevalent, with 72.7% of respondents disagreeing and strongly disagreeing. This suggests that most villagers trust the services provided by BCs.

Problems Faced by Business Correspondents (Table-1)

S. No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Poor internet connectivity	23 (9.2%)	29 (11.6%)	46 (18.4%)	54 (21.6%)	98 (39.2%)
2	Poor electricity	3 (1.2%)	8 (3.2%)	21 (8.4%)	112 (44.8%)	106 (42.4%)
3	Issue related with software/Server related (e.g., Server down)	42 (16.8%)	95 (38%)	36 (14.4%)	56 (22.4%)	21 (8.4%)
4	Lack of awareness of financial products and services by customers	68 (27.2%)	124 (49.6%)	22 (8.8%)	21 (8.4%)	15 (6.0%)
5	Exhaust Cash	22 (11.0%)	98 (49%)	21 (10.5%)	50 (25.0%)	9 (4.5%)
6	Illiterate customers	9 (3.6%)	21 (8.4%)	52 (20.8%)	121 (48.4%)	47 (18.8%)
7	Less commission	52 (20.8%)	154 (61.6%)	32 (12.8%)	12 (4.8%)	0 (0%)
8	Delay in receiving Commission	7 (2.8%)	16 (6.4%)	33 (13.2%)	85 (34.0%)	109 (43.6%)
9	Not proper Hand holding support from banks/ Corporate BC	16 (6.4%)	34 (13.6%)	26 (10.4%)	65 (26.0%)	109 (43.6%)

CONCLUSION:

The study underscores the critical role of Business Correspondents in promoting financial inclusion in rural areas. However, several challenges need to be addressed to enhance their effectiveness. Poor internet connectivity, lack of customer awareness, inadequate compensation, and technological downtimes are significant barriers that hinder the performance of BCs.

Improving internet and technological infrastructure is paramount. Reliable connectivity and robust IT systems will enable BCs to provide seamless and efficient banking services. Financial literacy programs are essential to educate rural populations about available financial products and services, thereby increasing their usage and trust in the banking system.

Furthermore, ensuring fair compensation and providing ongoing training and support to BCs can improve their motivation and capability to serve rural communities effectively. Policymakers and financial institutions must collaborate to create a supportive environment for BCs, including regulatory support and incentives for expanding financial services in underserved areas.

In conclusion, addressing these challenges through targeted interventions can significantly enhance the effectiveness of the Business Correspondent model. By doing so, we can advance financial inclusion, empower rural populations, and contribute to broader economic development and poverty reduction efforts .

Suggestions

Based on the findings of this study, several recommendations can be made to address the challenges faced by Business Correspondents (BCs) in promoting financial inclusion in rural areas:

1. Improvement of Technological Infrastructure:

- **Internet Connectivity:** One of the significant challenges identified is poor internet connectivity, which affects the efficiency and reliability of banking services. It is essential to invest in robust internet infrastructure in rural areas to ensure seamless banking operations. Enhanced connectivity will reduce transaction delays and errors, improve customer trust, and enable BCs to offer a wider range of digital banking services.
- **Technological Enhancements:** Addressing the issues related to software and server downtimes is crucial. Investments should be made in upgrading IT infrastructure, maintaining systems, and implementing backup solutions to ensure continuity of services. Reducing downtimes will enhance the overall efficiency of BC operations and customer satisfaction .

2. Financial Literacy and Customer Awareness Programs:

- **Educational Initiatives:** The study highlights a significant lack of awareness among customers regarding financial products and services. Implementing comprehensive financial literacy programs can educate rural populations about the benefits and usage of banking services. Such initiatives should be tailored to the local context and leverage various media channels to reach a broader audience.
- **Targeted Campaigns:** Specific campaigns targeting different demographic groups within rural communities can help in increasing awareness and uptake of financial services. This includes using local languages and culturally relevant materials to ensure better understanding and engagement .

3. Enhanced Support and Compensation for Business Correspondents:

- **Fair Compensation:** Ensuring that BCs receive fair and timely compensation is critical for maintaining their motivation and commitment. The study indicates that issues related to compensation can hinder the effectiveness of BCs. Financial institutions should review and adjust their compensation models to reflect the efforts and challenges faced by BCs.
- **Training and Development:** Providing regular training sessions to BCs on new financial products, services, and technological tools can enhance their capability to serve customers better. Continuous professional development will also help BCs stay updated with industry trends and best practices .

4. Policy and Regulatory Support:

- **Government Initiatives:** Policymakers should consider introducing regulations that mandate improvements in rural banking infrastructure and support for BCs. This can include subsidies for internet infrastructure development, grants for technological upgrades, and incentives for financial institutions to expand their services in rural areas.
- **Collaborative Efforts:** Collaboration between government agencies, financial institutions, and non-governmental organizations (NGOs) can create a more supportive ecosystem for BCs. Joint efforts can lead to innovative solutions and shared resources that address the multifaceted challenges of financial inclusion.

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