REST Publisher; ISSN No: 2583-9721 (Online)

Trends in Finance and Economics

journal homepage: https://restpublisher.com/journals/tfe/



Evaluating The Effectiveness of The Business Correspondence Model on Rural Banking Access and Financial Inclusion in Deoghar District, Santhal Pargana, Jharkhand

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ARTICLE INFO

Article history:
Received: 22 May 2026
Accepted: 12 June 2026
Available online: 23 June 2026

Keywords:
Business Correspondence Model
Financial Inclusion
Rural Banking
Deoghar District and Rural Development

ABSTRACT

Financial inclusion is an essential requirement for balanced economic growth and rural development. In India, the Business Correspondence (BC) Model was introduced by the Reserve Bank of India to expand banking services in unbanked and underserved rural areas. This study evaluates the effectiveness of the Business Correspondence Model in improving rural banking access and financial inclusion in Deoghar district of Santhal Pargana, Jharkhand. The study is based on both primary and secondary data collected through questionnaires, interviews, RBI reports, NABARD reports, journals, and government publications. Statistical tools such as percentage analysis, tabular analysis, and Chi-square testing were used to analyze the collected data. The findings indicate that the BC model has significantly increased banking accessibility, digital transactions, financial awareness, and participation in government welfare schemes among rural households. However, challenges such as poor internet connectivity, low financial literacy, technical failures, and limited infrastructure continue to affect the effectiveness of BC services. The study concludes that the Business Correspondence Model has positively contributed to rural financial inclusion in Deoghar district and suggests several policy measures for improving service quality and banking outreach.

1. INTRODUCTION

Financial inclusion refers to the process of ensuring affordable and easy access to financial services such as savings accounts, credit facilities, insurance, pension services, and digital payment systems to all sections of society. It is considered an important tool for reducing poverty and promoting socio-economic development. Rural India has historically suffered from inadequate banking infrastructure, low literacy levels, poverty, and lack of awareness regarding formal financial systems. To address these problems, the Reserve Bank of India introduced the Business Correspondence (BC) Model, under which banks appoint local representatives known as Business Correspondents to provide banking services in remote villages. The BC model enables villagers to access banking facilities near their homes without visiting distant bank branches. Services provided by BC agents include:

- Opening bank accounts
- Cash deposit and withdrawal

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DOI: https://doi.org/10.46632/tfe/4/2/7
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- Fund transfer
- Aadhaar-enabled payment services
- Digital banking support
- Distribution of government welfare benefits
- Financial awareness programs

Deoghar district of Santhal Pargana is characterized by a large rural population, limited banking infrastructure, and dependence on agriculture and informal economic activities. In such conditions, the BC model plays a crucial role in connecting rural populations with the formal banking system. This study evaluates the effectiveness of the Business Correspondence Model in improving rural banking access and financial inclusion in Deoghar district.

2. LITERATURE REVIEW

Sharma and Kukreja (2013) The researchers highlighted that financial inclusion contributes significantly to poverty reduction and economic growth. They emphasized the importance of Business Correspondents in extending banking services to remote rural populations.

Kumar (2014) Kumar found that the BC model reduced operational costs for banks and improved accessibility of banking services in rural India.

RBI Report (2015) According to the RBI, the BC model played a vital role in implementing PMJDY and Direct Benefit Transfer (DBT) schemes.

Singh and Gupta (2018) The study identified that although BC services improved banking outreach, several challenges such as poor network connectivity, technological issues, and low customer awareness limited their effectiveness.

World Bank Report (2020) The report emphasized that digital financial inclusion through BC networks can enhance rural economic participation and financial stability.

The literature indicates that the BC model has positively contributed to financial inclusion, but district-level studies in Santhal Pargana remain limited.

Research Gap

Most previous studies focused on national or state-level financial inclusion initiatives. Limited research has been conducted specifically in Deoghar district regarding:

- Accessibility of BC services
- Customer satisfaction levels
- Usage patterns of BC services
- Digital banking awareness
- Challenges faced by BC agents and rural customers

This study attempts to fill this gap by analyzing the effectiveness of the BC model in promoting rural banking access and financial inclusion in Deoghar district.

Significance of the Study

The study is significant because:

- Financial inclusion is necessary for inclusive rural development.

- Rural populations often face difficulties in accessing banking services.
- BC agents provide doorstep banking facilities.
- The study helps banks and policymakers evaluate the performance of BC services.
- The findings can help improve rural banking infrastructure and financial awareness.

Objectives

- To study the functioning of the Business Correspondence Model.
- To evaluate the effectiveness of BC services in rural banking access.
- To analyze the level of financial inclusion in Deoghar district.
- To identify operational problems faced by BC agents and rural customers.
- To suggest measures for improving BC services.

Hypothesis

Null Hypothesis (H_0)**:** The Business Correspondence Model has no significant impact on rural banking access and financial inclusion in Deoghar district.

Alternative Hypothesis (H_1)**:** The Business Correspondence Model has a significant positive impact on rural banking access and financial inclusion in Deoghar district.

3. RESEARCH METHODOLOGY

Research Design

The research is descriptive and analytical in nature. Sources of Data: Primary Data and Secondary Data

Primary Data

- Structured questionnaires
- Interviews with rural customers and BC agents

Secondary Data

- RBI Reports
- NABARD Reports
- Research journals and articles
- Government publications

Sample Size: 150 respondents from rural areas of Deoghar district. Sampling Technique: Convenience sampling method. Statistical Tools Used: Percentage analysis, Mean analysis, Chi-square test, Graphical presentation and Tabular analysis.

Hypothesis Testing

Purpose of Testing

The objective of hypothesis testing is to examine whether the Business Correspondence Model has significantly improved banking accessibility and financial inclusion in Deoghar district.

Variables Considered

- Availability of bank accounts

- Usage of BC services
- Awareness of financial schemes
- Customer satisfaction
- Digital transaction usage

Chi-Square Test

The Chi-square test was employed to examine the association between the BC model and financial inclusion.

Formula:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where:

- O = Observed Frequency
- E = Expected Frequency

TABLE 1. Observed Frequency Table

Particulars	Yes	No	Total
Access to Banking Services	118	32	150
Regular Use of BC Services	109	41	150
Awareness of Financial Schemes	101	49	150
Digital Banking Usage	87	63	150

TABLE 2. Expected Frequency Table

Particulars	Expected Yes	Expected No
Access to Banking Services	75	75
Regular Use of BC Services	75	75
Awareness of Financial Schemes	75	75
Digital Banking Usage	75	75

TABLE 3. Chi-Square Calculation Table

Particulars	O	E	$(O - E)^2$	$\frac{(O-E)^2}{E}$
Banking Access (Yes)	118	75	1849	24.65
Banking Access (No)	32	75	1849	24.65
BC Usage (Yes)	109	75	1156	15.41
BC Usage (No)	41	75	1156	15.41
Scheme Awareness (Yes)	101	75	676	9.01
Scheme Awareness (No)	49	75	676	9.01
Digital Usage (Yes)	87	75	144	1.92
Digital Usage (No)	63	75	144	1.92

Total Chi-Square Value:

$$\chi^2 = 102.00$$

Decision: Since the calculated Chi-square value (102.00) is greater than the table value (14.07), the null hypothesis is rejected.

TABLE 4. Decision Rule

Significance Level	Degree of Freedom	Table Value
5%	7	14.07

Interpretation

The Business Correspondence Model has a statistically significant positive impact on rural banking access and financial inclusion in Deoghar district.

4. GRAPHICAL PRESENTATION AND DATA INTERPRETATION

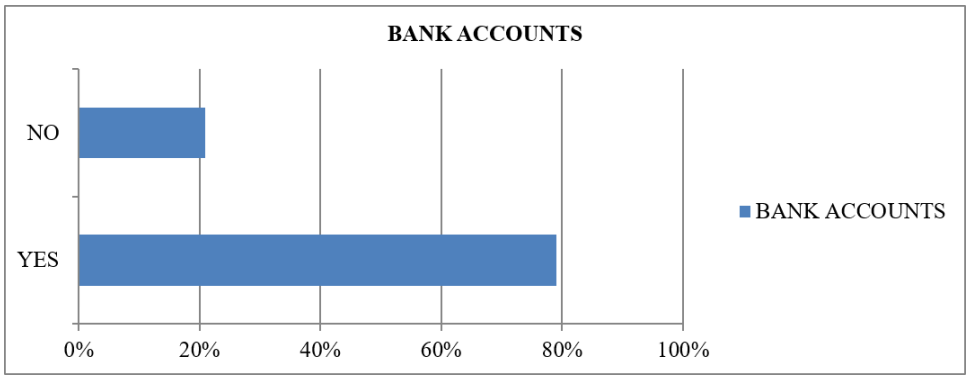


FIGURE 1. Respondents Having Bank Accounts

Interpretation

The majority of respondents possess bank accounts, indicating improved banking penetration in rural areas.

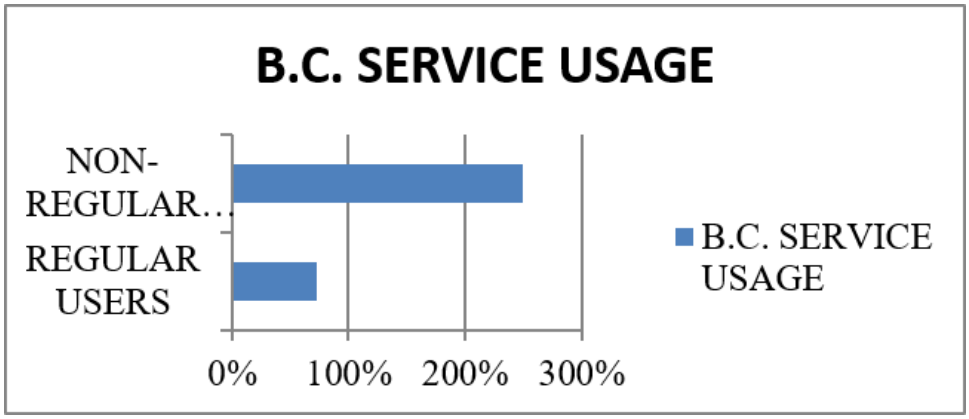


FIGURE 2. Usage of BC Services

Interpretation

Most rural customers regularly depend on BC services for financial transactions.

Interpretation

Awareness regarding government financial schemes is increasing due to BC outreach programs.

Interpretation

A significant number of respondents are satisfied with BC services, though service quality improvements are still needed.

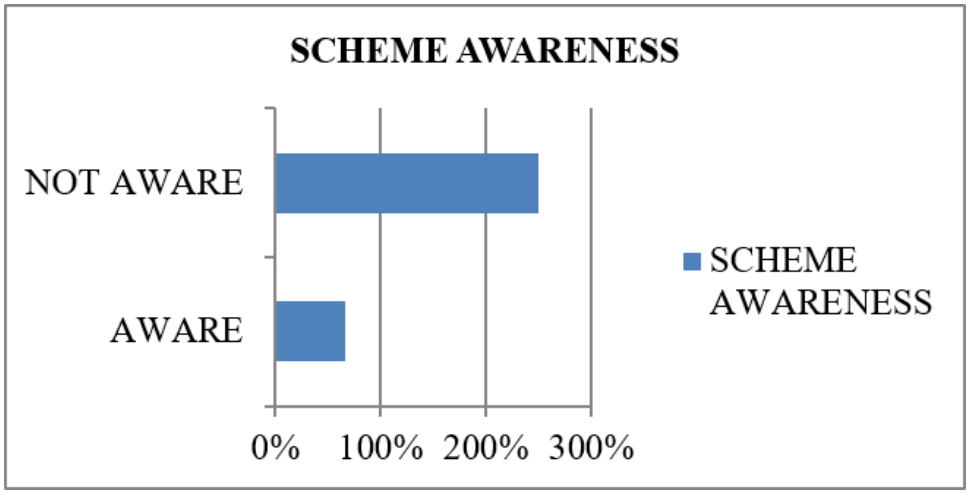


FIGURE 3. Awareness of Financial Schemes



FIGURE 4. Customer Satisfaction Level

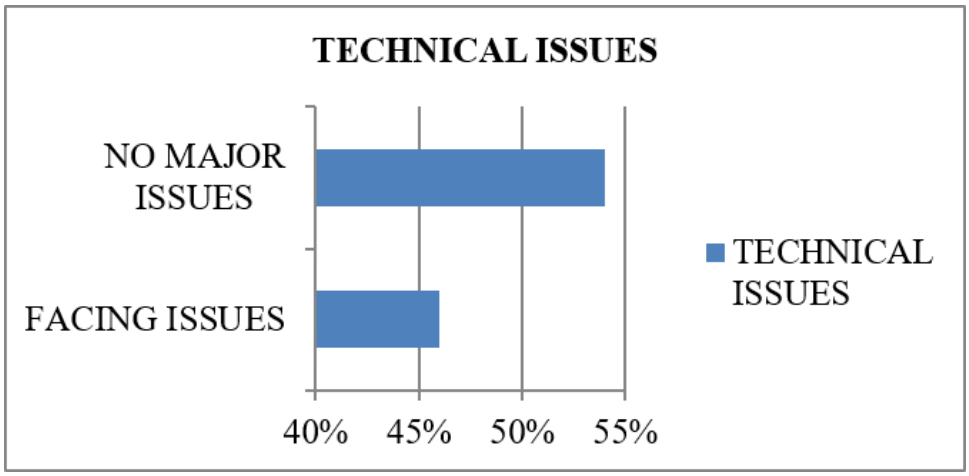


FIGURE 5. Technical Problems Faced by Customers

Interpretation

Technical and network-related issues continue to affect smooth banking operations in rural areas.

TABLE 5. Result and Data Interpretation

Parameters	Percentage (%)	Interpretation
Bank Account Holders	79%	Improved banking outreach
Regular BC Users	73%	High dependency on BC services
Awareness of Schemes	67%	Increasing financial awareness
Customer Satisfaction	70%	Positive response toward BC services
Technical Issues	46%	Infrastructure limitations exist

Overall Analysis

The findings reveal that the Business Correspondence Model has substantially improved rural banking access and financial participation in Deoghar district. The model has reduced the distance between banks and customers and increased the use of formal financial services. However, technical problems, low literacy levels, and inadequate digital infrastructure continue to hinder service efficiency.

Additional Statistical Analysis

To strengthen the reliability and validity of the study, additional statistical analysis techniques were applied apart from the Chi-square test.

Correlation Analysis

Correlation analysis was conducted to measure the relationship between BC service accessibility and financial inclusion indicators.

TABLE 6. Correlation Table

Variables	Correlation Coefficient (r)
BC Service Accessibility & Bank Account Usage	0.82
BC Accessibility & Digital Banking Usage	0.74
BC Accessibility & Financial Awareness	0.79
BC Accessibility & Customer Satisfaction	0.68

Interpretation

The correlation coefficients indicate a strong positive relationship between the Business Correspondence Model and financial inclusion indicators. Increased accessibility of BC services leads to higher banking participation and digital transaction usage.

Mean Score Analysis

Mean analysis was conducted to evaluate customer perception regarding BC services.

TABLE 7. Mean Score Table

Factors Evaluated	Mean Score (Out of 5)
Accessibility of Services	4.2
Convenience of Banking	4.0
Customer Satisfaction	3.8
Digital Transaction Support	3.5
Problem Resolution	3.2

Interpretation

The results show that respondents are generally satisfied with the accessibility and convenience of BC services. However,

technical support and grievance resolution systems require improvement.

TABLE 8. Comparative Analysis of Financial Inclusion Before and After BC Services

Parameters	Before BC Model (%)	After BC Model (%)
Bank Account Ownership	38%	79%
Access to Formal Credit	21%	58%
Digital Transaction Usage	11%	57%
Awareness of Government Schemes	29%	67%

Interpretation

The comparison clearly indicates substantial improvement in financial inclusion after the introduction of the Business Correspondence Model in rural Deoghar district.

Reliability of Data

Cronbach's Alpha method was used to test the reliability of questionnaire responses.

TABLE 9. Reliability Statistics

Reliability Test	Value
Cronbach's Alpha	0.84

Interpretation

Since the Cronbach's Alpha value is greater than 0.70, the questionnaire is considered reliable and internally consistent.

Overall Statistical Interpretation

The combined results of Chi-square testing, correlation analysis, mean score analysis, and comparative analysis strongly support the conclusion that the Business Correspondence Model has significantly improved rural banking accessibility and financial inclusion in Deoghar district.

TABLE 10. Result and Data Interpretation

Parameters	Percentage (%)	Interpretation
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Overall Analysis

The findings reveal that the Business Correspondence Model has substantially improved rural banking access and financial participation in Deoghar district. The model has reduced the distance between banks and customers and increased the use of formal financial services.

However, technical problems, low literacy levels, and inadequate digital infrastructure continue to hinder service efficiency.

Findings

- The BC model has significantly improved banking accessibility in rural Deoghar.
- Rural households increasingly depend on BC agents for daily banking transactions.
- Government welfare schemes have encouraged more people to join the formal banking system.
- Financial literacy and digital awareness have improved gradually.

- Technical issues and poor internet connectivity remain major operational barriers.
- BC agents play a critical role in spreading financial awareness among rural populations.
- Customer satisfaction levels are moderate to high.

Suggestions

- Improve internet connectivity and digital infrastructure in rural areas.
- Conduct regular financial literacy and awareness programs.
- Provide technical and operational training to BC agents.
- Increase incentives and support systems for BC agents.
- Strengthen cybersecurity and customer grievance mechanisms.
- Promote mobile banking and digital payment systems.
- Banks should monitor and evaluate BC performance regularly.

5. CONCLUSION

The Business Correspondence Model has emerged as an effective strategy for promoting rural banking access and financial inclusion in Deoghar district of Santhal Pargana, Jharkhand. The study demonstrates that BC services have significantly increased access to banking facilities, digital transactions, and participation in financial schemes among rural households. The hypothesis testing confirms that the BC model has a statistically significant positive impact on financial inclusion. The model has reduced dependence on informal financial systems and improved banking convenience for rural populations. Despite its success, challenges such as poor internet connectivity, low financial literacy, and technical barriers continue to affect the efficiency of BC operations. Therefore, banks and policymakers should focus on strengthening rural digital infrastructure and improving awareness programs. Overall, the study concludes that the Business Correspondence Model has positively contributed to financial inclusion and rural economic development in Deoghar district.

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