



International Year
of Cooperatives

Revisiting the Business Correspondent Model A Study



Centre for Research on Financial Inclusion and Microfinance (CRFIM)
Bankers Institute of Rural Development (BIRD), Lucknow

An ISO 9001:2015 Certified Institution

Foreword

The Reserve Bank of India (RBI) recently unveiled the National Strategy for Financial Inclusion (NSFI) 2025-30, which outlines the vision for the next phase of Financial Inclusion in the country. The Business Correspondent (BC) network played a crucial role in promoting financial inclusion during the implementation of the PMJDY Scheme. The Scheme went on to become one of the largest financial inclusion initiatives globally, expanding doorstep access to formal financial services across underserved communities. In the current National Strategy for Financial Inclusion (2019-2024), BCs have played a pivotal role in strengthening last-mile delivery; however, persistent challenges, such as low remuneration, infrastructure gaps, and operational vulnerabilities, continue to impact their sustainability. The upcoming NSFI: 2025-30 further elevates the BC model by focusing on service quality, digital usage, and financial resilience under the Panch-Jyoti framework, with clear action points such as establishing fixed-point BC outlets in underserved geographies, incentivising BCs in remote/hard-to-serve locations, expanding the product basket beyond basic banking, and enhancing gender-sensitive inclusion, including a greater role for women BCs. It is within this evolving policy context that this report, "Revisiting the Business Correspondent (BC) Model", draws from field realities to identify actionable pathways for a more viable, resilient, and inclusive BC ecosystem in India. To that effect, the findings from this study can provide the much-needed actionable pathways to realise the vision of NSFI: 2025-30.

The study was conducted in February 2025 in Uttar Pradesh and Madhya Pradesh involving 379 primary stakeholders including BC Agents, Beneficiary Customers, Corporate BCs, respective Banks and BC Federations. The study delves into the reasons for the decline in number of BC outlets since 2021 and the implications of it both from supply and demand side with focus on rural areas. The findings indicate corroborated by field visits that it can be explained partially due to decrease in demand for BC services and rapid increase of digital payment -nearly 44% of BC agents are were found financially unviable indicative of the strain. Low-income users trust BCs for cash in-cash out, DBT and other service. The report based on primary data analysis makes a prognosis for sustainability and effectiveness of BC model in India.

The study has been undertaken by the Centre for Research on Financial Inclusion and Microfinance (CRFIM) at the Bankers Institute of Rural Development (BIRD), Lucknow. I acknowledge Dr. Rinku, Research Officer, for his contribution in completing this vital study. I also acknowledge Dr. Gyanendra Rout, Faculty Member, for his review and guidance. The contribution of Dr. Sriram Appulingam, Joint Director, BIRD, is acknowledged for his oversight and encouragement. I also appreciate the efforts of Shri Hemant S. Patil, Assistant General Manager, and Ms. Shubhangani Chaudhary, Research Officer, for their support in completing the study.

I thank Ms. Sushila Chintala, former Chief General Manager (CGM), Department of Microfinance and Financial Inclusion (DMFI), for her continued support and encouragement during the study. I also acknowledge the guidance and support of the current CGM, Shri R. Inigo Arul Selvan, and his team at DMFI, NABARD Head Office, Mumbai while finalising the report.

I further acknowledge Shri Suman Kumar, CGM, DEAR, and his team for their valuable inputs and cooperation.

I thank the officials of NABARD Uttar Pradesh and Madhya Pradesh, including Shri Pankaj Kumar, CGM, Uttar Pradesh Regional Office, Ms. C. Saraswathi, CGM, Madhya Pradesh Regional Office, and the DDMs in the study districts, for their support and cooperation.



I also appreciate the efforts of the field investigators and respondents who participated in the study and generously shared their experiences and insights. I also acknowledge the Academy of Management Studies (AMS) for conducting the field-level survey and providing essential data support.

I hope that various stakeholders will find the report useful. Suggestions and feedback on the report are welcome.

Dr Nirupam Mehrotra

Director, BIRD

12 December 2025

Overall Direction

Smt. Susheela Chintala, CGM (Retd.), DMFI, NABARD

Shri R Ingo Arul Selvan, CGM, DMFI, NABARD

Dr. Prabhudatta Sahoo, GM, IDD, NABARD

Shri Sukanta Kumar Sahoo, GM, DMFI, NABARD

Overall Guidance

Dr. Nirupam Mehrotra, Director, BIRD

Smt. Shefali Agrawal, Principal, NBSC

Dr. Sriram Appulingam, Joint Director, BIRD

Content Team

Dr. Gyanendra Rout, DGM & FM, In-Charge CRFIM, BIRD

Dr. Rinku, Research Officer, CRFIM, BIRD

Supported By

Shri Hemant S. Patil, AGM, NABARD

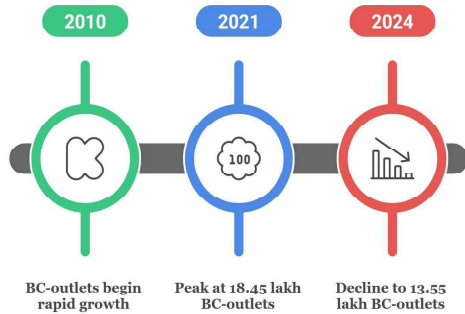
Ms. Shubhangani Chaudhary, Research Officer, CRFIM, BIRD



BIRD

Key Highlights

BC-Outlets Grew Rapidly in Villages and then Witnessed a Decline



Source: RBI Annual Report Data, 2022 & 2025

Study Delves into the Following

Factors for Declining BC outlets in Villages

Identifying reasons for the decrease.

Current Status and Financial Viability

Evaluating BC model's present condition and financial health.

Model Modifications

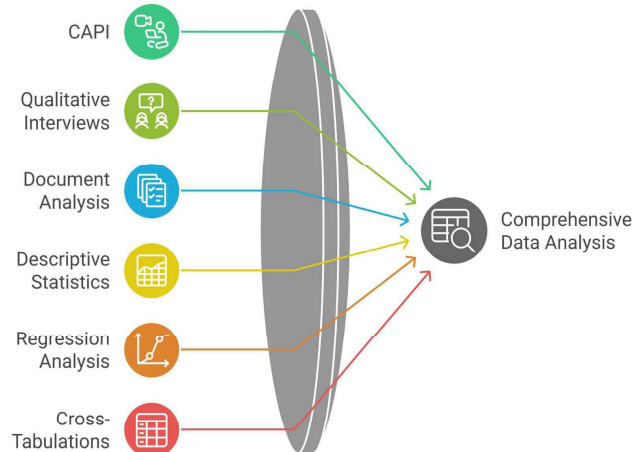
Suggesting changes to improve BC model's adaptability.

Need for BC Services

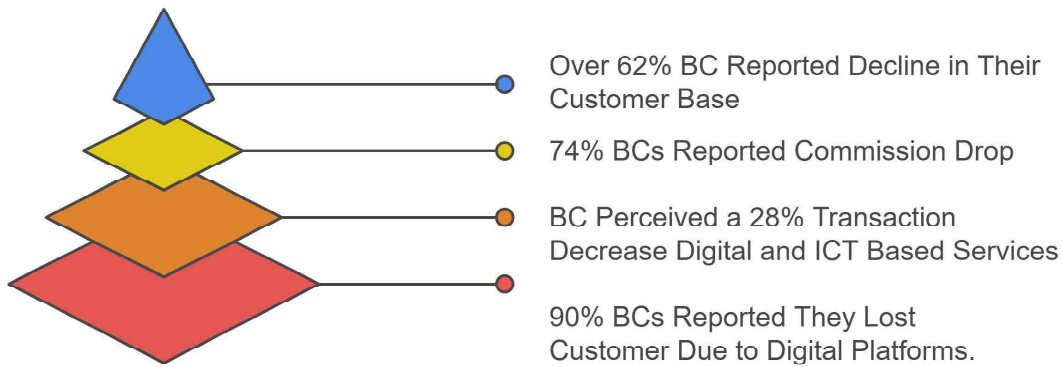
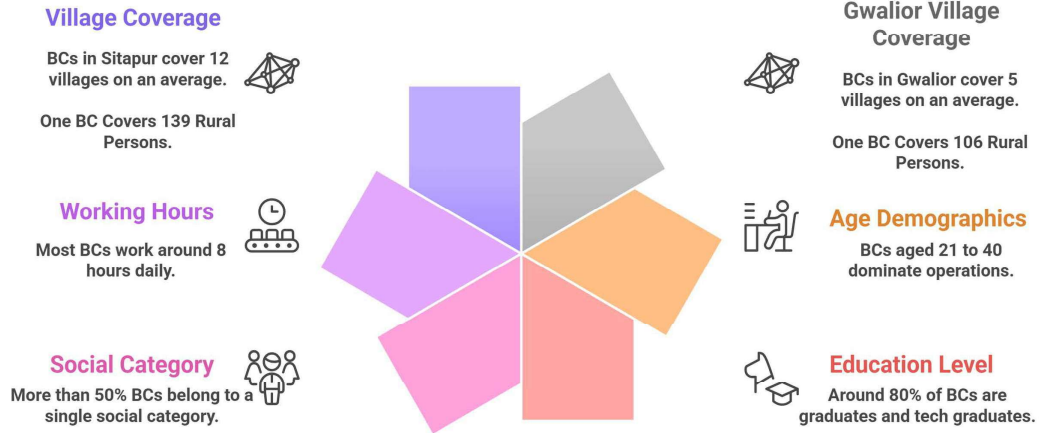
Analyzing demand for BC services in digital banking era.

Details of Field Study

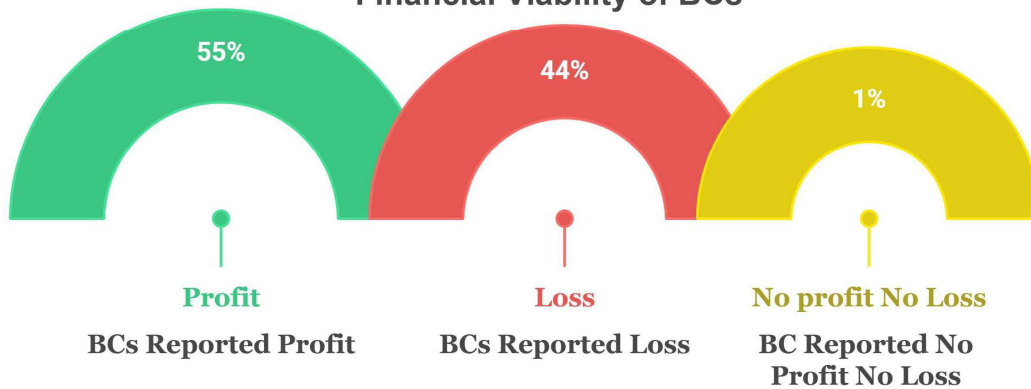
States	UP MP	
District	Sitapur	Gwalior
Blocks	11	4
BCs	61	62
Customers	124	124
Villages	157	
Gram Panchayats	138	
Banks	11	



BC Level Field Insights- Based on Sample Respondent

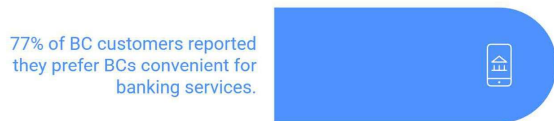
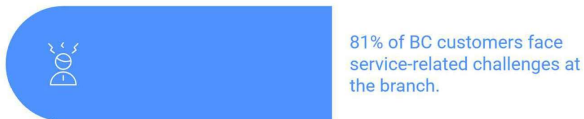
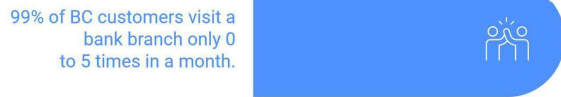
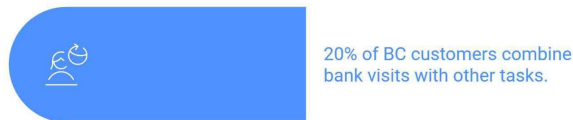
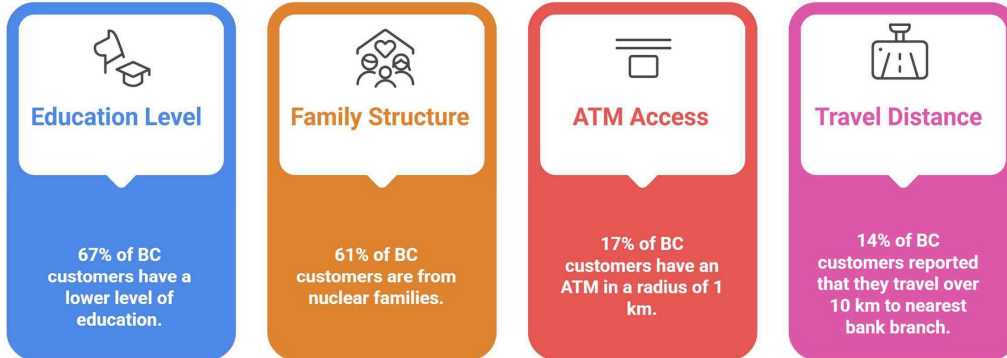


Financial Viability of BCs



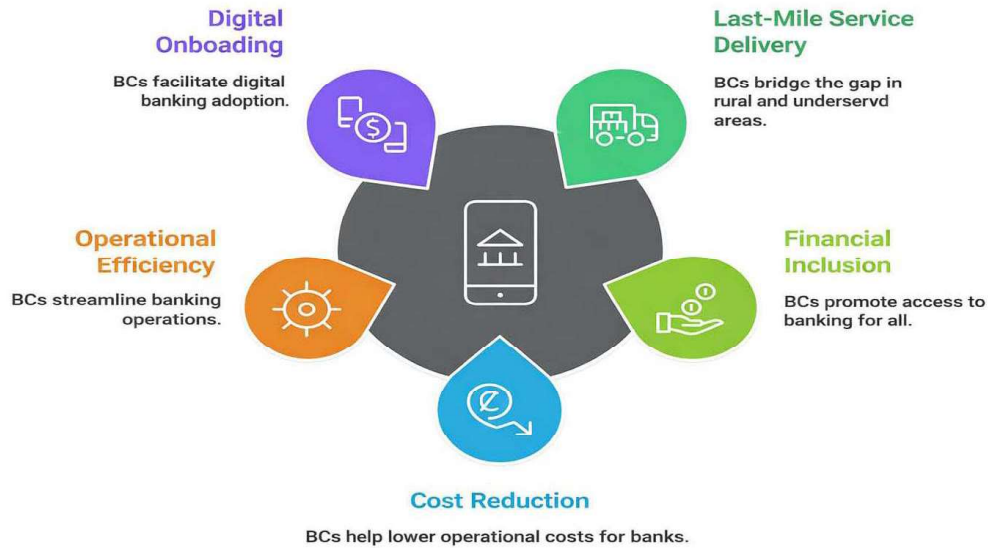


Customer Level Findings



Bank Level Findings

Role of BCs in Banking-Bank's Perspective



Recommendations

1	<p>Ensure Minimum Fixed Monthly Remuneration</p> <p>Current commission structure does not leave enough margins for BC agents as current commission slabs are low.</p>
2	<p>Introduce Graded Commission Framework</p> <p>A graded, performance-linked commission framework may be introduced reflecting transaction value, service mix, and regional variations.</p>
3	<p>Social Security Schemes Renewal Commission</p> <p>Commissions may be provided on social security schemes renewal/ premium payment which currently do not exist.</p>
4	<p>Monitor and Standardise Corporate BC Deductions</p> <p>CBC deductions may be monitored through transparent service-level agreements</p>
5	<p>Promote BC-Sakhis</p> <p>Scale BC-Sakhi initiative with training, mentorship, and awareness.</p>
6	<p>Making BCs Ready for Timely Service</p> <p>Implement mandatory, periodic certification-based training for service delivery on time.</p>

Table of Contents

Foreword	i
Acknowledgement.....	iii
Key Highlights	iv
Table of Contents	viii
List of Tables	x
List of Figures	xi
List of Images and Boxes	xii
Chapter 1 : INTRODUCTION	
1.1 Financial Inclusion	1
1.2 Initiatives of Reserve Bank of India to promote financial inclusion	1
1.3 Initiatives of NABARD to promote financial inclusion	2
1.4 Progress Measurement of Financial Inclusion Journey	2
1.5 Business Correspondent model	3
1.6 Status of BC Outreach	4
1.7 Objectives of the Study	4
1.8 Data and Methodology	5
1.9 Limitations of the Study	7
1.10 Organisation of the Study	8
Chapter 2 : OVERVIEW OF THE BUSINESS CORRESPONDENT MODEL: TRACING THE INSTITUTIONAL AND REGULATORY EVOLUTION	
2.1 Introduction	9
2.2 Roadmap of the BC Model in India	9
2.3 Committees Shaping the Development of the BC Model in India	10
2.4 Services to be undertaken by Business Correspondents	12
2.5 Entities Permitted by RBI as BCs	14
2.6 BC Agent	15
2.7 Corporate BCs (CBCs)	15
2.8 BC-Outlet	16
2.9 SHG Members as BC Sakhis	17
2.10 Legal Status of BCs under the Banking Regulation Act, 1949	18
Chapter 3 : DEMOGRAPHIC AND OPERATIONAL OVERVIEW OF BUSINESS CORRESPONDENTS AND CUSTOMERS	
3.1 Introduction	19
3.2 Rising phase of BC-outlets in Villages	19
3.3 Declining phase of BC-outlets in Villages	20
3.4 Socio-Demographic and Education Profile of BCs	21
3.5 Work Profile of BCs	23
3.6 Socio-Demographic and Educational Profile of Customers	25
Chapter 4 : FINANCIAL VIABILITY OF THE BC MODEL	
4.1 Introduction	29
4.2 Gender and Income of BCs	29
4.3 Education Status and Income of BCs	31
4.4 Social Category and Income of BCs	33
4.5 Factors Impacting the Income of BCs	36

4.6	Conclusion	39
-----	------------------	----

Chapter 5 : CUSTOMERS' PERCEPTIONS, DIGITAL PLATFORMS AND BUSINESS CORRESPONDENTS

5.1	Introduction	41
5.2	Customer Access to Banking Services	43
5.3	Customers' Reliance on BC for Banking Services	49
5.4	Use of Digital Platforms by Customers	57
5.5	Use of Mobile-Based Banking Application (UPI) Vs BC Services	60
5.6	Perception of BCs on Reduction in Services due to Digital Platforms	61
5.7	Bank's Perspective on BC Services	62
5.8	Conclusion	64

Chapter 6 : BC MODEL IN TRANSITION: GROWTH AND DECLINE ACROSS THE NETWORK: FIELD EVIDENCE

6.1	Introduction	65
6.2	Factors Contributing to the Declining Number of BC-outlets	65
6.3	Increase and Decrease in Customer Base	78
6.4	Reduced ICT Transaction Value and Its Impact on BC Income	79

Chapter 7 : CONCLUSIONS AND RECOMMENDATIONS

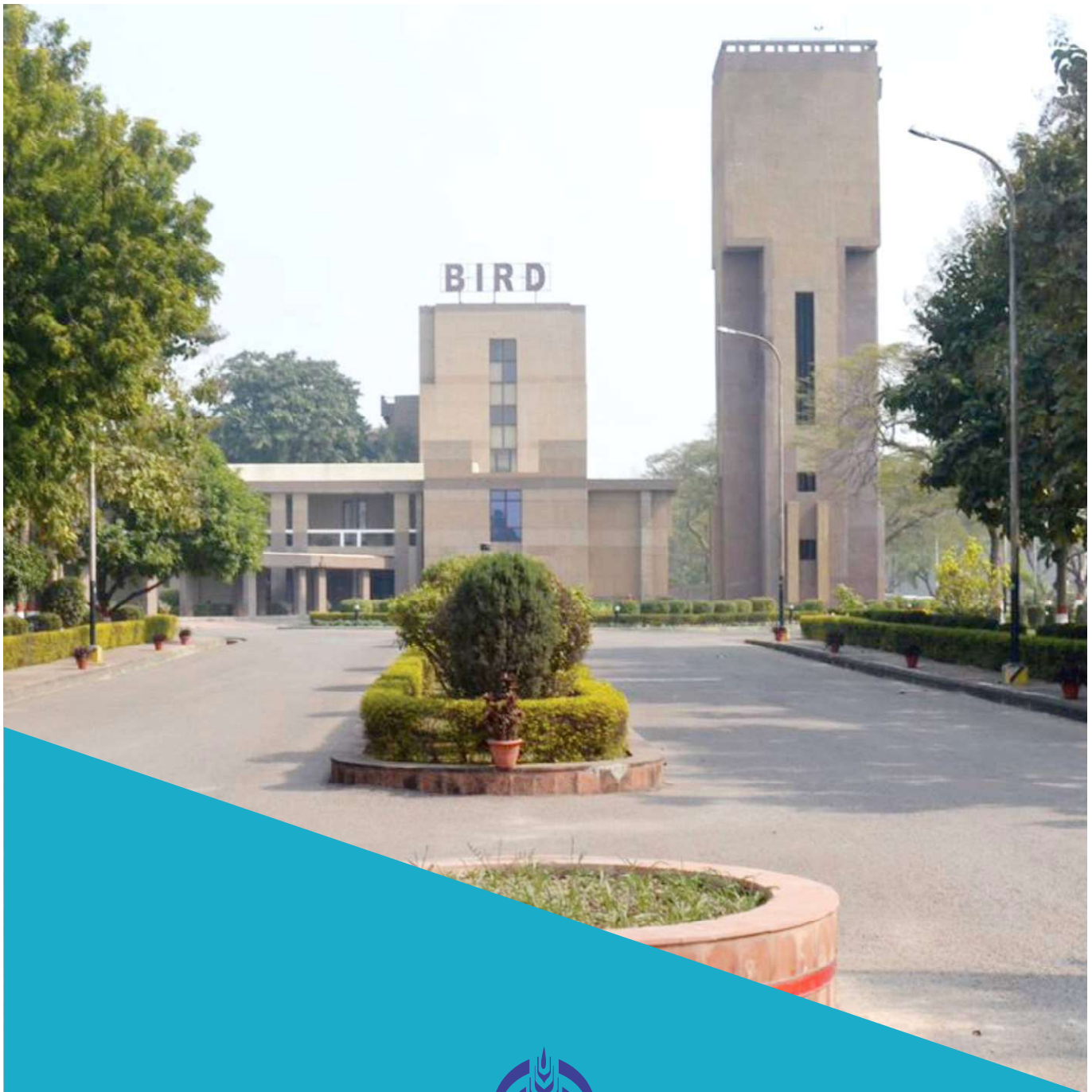
7.1	Conclusions	82
7.2	Recommendations	85
	References	88
	List of Abbreviations	91

Bankers Institute of Rural Development (BIRD)

Bankers Institute of Rural Development (BIRD), established in 1983 by NABARD, is a premier training, research and consulting organisation, working in the field of agriculture, rural development, microfinance and development banking. It conducts international, national, region-focused, issue-specific and research-based training courses and seminars, as also feasibility /diagnostic studies, exposure visits, etc. for rural financial institutions. Training Programmes at BIRD include areas like Finance, Microfinance, Financial Inclusion, HR, IT, Rural Development Projects etc. for Banks, Government Departments / Corporations, Development Organisations, NBFCs, MFIs and NGOs. Collaborative training and consultancy programmes have been taken up by BIRD in association with international organisations like SDC, GIZ, KfW, APRACA, SAARC, IFAD, UNDP, DFID, ILO and the World Bank apart from various Ministries of Government of India. BIRD also conducts various e-learning courses. Website: <https://birdlucknow.nabard.org/>

Centre for Research on Financial Inclusion and Microfinance (CRFIM)

Centre for Research on Financial Inclusion and Microfinance (CRFIM), formerly known as Centre for Microfinance Research (CMR) was set up within BIRD to take up research activities in the fields of financial inclusion and microfinance for facilitating policy initiatives and improvements in design and delivery system of financial inclusion and microfinance services. The vision and mission are to emerge as a centre of reference for information, knowledge and valued opinion related to the financial inclusion and microfinance sectors, strengthen the sectors through research inputs that facilitate policy initiatives as also improvement in design and delivery systems that provide poor with sustainable access to quality financial services. Besides publishing half yearly journals, the centre has published 32 studies on issues related to financial inclusion and microfinance. The Centre is publishing an Annual Trend Report on Financial Inclusion in India since 2019. The journals, study reports and trend reports are available at <https://birdlucknow.nabard.org/center-of-excellence/cmr/>



Bankers Institute of Rural Development (BIRD)

Sector – H, L D A Colony, Kanpur Road, Lucknow – 226012

E-mail: bird@nabard.org Website: <https://birdlucknow.nabard.org/>

army printing press
www.armyprintingpress.com
Lucknow (0522) 6565333