

BANCASSURANCE-A New Avenue for Indian Banks

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Abstract: Insurance awareness has been increasing now- a day's among the people of the country. Insurance company is adopting various distribution channels through which they can cover the uninsured segment. Bancassurance is the most potential channel which can help insurance company to tap the potential insurance market. Bancassurance is a process through which bank sell the insurance products to its customers. It fulfills the financial security needs of the customers. Customers now a day's are so busy that they don't have time for anything and they want everything instant and conveniently. Through bancassurance all the financial requirements of the customers is provided under one roof. The present study is an empirical study, survey based methodology is adopted for the study.

Keywords: Potential channel, distribution channel, financial security.

I. INTRODUCTION

For a healthy economy a sound financial sector is the backbone. Insurance as a financial service sector is considered as an important element for the development of any economy. Before Liberalization and privatization insurance market was a monopoly market. But after liberalization and privatization various private and foreign insurance companies started to enter into insurance business which resulted in stiff competition. As the insurance density, insurance penetration and huge uninsured segment provides opportunities for the insurance to be successful in India. Today customer is opting insurance not just as an investment tool but also as a financial security measures. Majority of the hospital bills of the Indian's is paid usually out of the pocket. Due to the changing lifestyle of the people health issues are increasing day by day not only among old age people but also among youngsters. Hence, Insurance has a role to play. But in India majority of the people are of the opinion that insurance is not relevant to them, where as other think it will gobble their money soon, and remaining portion of the people are unaware of the insurance. So there is a need to generate insurance awareness among the people. Bancassurance is the channel through which awareness can be created.

Bancassurance in India

Bancassurance as the name itself implies, it is a combination of two terms Bank and Insurance. It is a process through which bank sells insurance products of their tied-insurance partner to the bank customers. Bancassurance is a new Buzz in India. But this concept is already successful in developed countries. In India bancassurance is guided by the Insurance Regulatory and Development Authority Act (IRDA) 1999, and Reserve Bank of India Insurance Company has to meet specific obligations to get into bancassurance business.

It started in the year 2000; it originated in India when the government issued a notification under Banking Regulation Act which allowed Indian banks to sell insurance products. It started picking up after IRDA (Insurance Regulatory and Development Authority) passed a notification in October 2002, on corporate agency model. Through traditional channels insurance companies failed to create awareness among the uninsured segment. Hence, bank has a role to play. Bank with its image as a trustworthy, reputed financial service provider and through its wide network of branches, tapping uninsured market efficiently and with low cost is possible.

Banks also considered bancassurance as new line of business to overcome competition, efficient utilization of database and employee and to gain administrative and operational leverage. However, there are many challenges which bank has to face such as creating awareness among customers, promotion of insurance products, marketing, training bank personnel. Bancassurance benefit both bank and Insurance Company if implemented properly it creates synergy in their functioning. It will be win –win situation for both.

II. REVIEW OF LITERATURE

The review is done on the literature of bancassurance its practice, strategies and scope for bancassurance in India.

Tapan Sinha (2005)¹, in his study entitled “Bancassurance in India who is tying the knot and why” in his article main emphasis was laid down to find out the main reasons for banks and insurance companies to adopt bancassurance, through various tests he found that there are natural synergies between banks and insurance. He is of the consent that economies of scale and scope make both parties to enter into bancassurance.

Tung-chi Liu and Li-Wei-Wu(2007),² in their article entitled “Customer retention and cross buying in the banking industry: An integration of service, attributes, satisfaction and trust” in the article author has observed the effect of various factors such as, location and shopping convenience, firm reputation and expertise, one-stop shopping and direct mailing on both customer retention and cross buying. Also the mediating role of satisfaction and trust in the relationship between service attributes, cross buying and customers retention are also examined. The results indicated that banks can use different service attributes to influence customer retention and cross buying.

Sumathi Kumaraswamy(2012)³, in her article entitled “ SWOT Analysis for Bancassurance- Application of confirmatory factor Analysis ” study revealed that there are numerous opportunities for bancassurance to flourish in our country. As India is highly populated country and still there are uninsured people which offers scope for bancassurance, if this opportunity is exploited in a proper way bancassurance will be successful.

Dr. Sumathi Kumaraswamy (2012)⁴, in her article entitled “Tapping of insurance into banking pursuit” the author emphasized on the Narasimham committee and Khan Committee report, which emphasized on transformation in banking services and suggested bank to function as universal banking. He focused bank to provide all financial services under one roof. This will make bancassurance a successful phenomenon.

Nidhi Choudhari (2013) ⁵, in the article entitled “Bancassurance in India: Evolution, Status and Challenges” in the article author has observed that India is a growing economy, where majority of the population remains to be insured in case of life insurance 80% of the population and in case of the non-life 90% of the population are remains excluded from insurance. Hence, bancassurance has a role to play in providing access of insurance services through wide network of branches, it is a most powerful medium to ensure insurance include to erst while uninsured population. The author has concluded the article by stating that, in India bancassurance is still underutilized and not grown to its potential. Bancassurance is facing challenges and it should be addressed through proper regulatory norm, I.R.D.A and R.B.I norms should have clarity, insurance industry customers services aspects has to be enhanced, so that bank while entering into bancassurance should not view it as reputational risk. Government, R.B.I, Bank has proposed several measures to promote bancassurance model. In future bancassurance will openly promote financial inclusion in insurance sector, insurance penetration is a sign of a developed economy and there will be growth in the financial sector with the growth of bancassurance.

Tapas Kumar parida(2014)⁶, in his article entitled “ Banking with insurance in India ” the author focused on insurance density and penetration in India, but it is low in comparison with the developed countries it is 2.3% in financial year 2001 to 34% in financial year 2012,. He has also discussed about IRDA report where insurance business by bank was 25% when compared to 8% from other channels in 6 years from 2006-07 to 2011-12, again it is lower than developed countries. He also discussed on budget 2013-14, in which financial ministry has permitted to bank to act as broker instead of acting as agents.

Research gap

Review of literature has been carried out and it has been found that majority of the research has been carried out on Bancassurance-its awareness, Bancassurance as a distribution channel, Bancassurance a Swot Analysis. Any of the previous study has not been carried on Bancassurance as a new avenue for banks. Hence, is a small effort to bring the new literature through filling the literature gap.

Statement of the problem

Most of the public sector banks have implemented bancassurance. It is in race, the destiny is still to be reached. The present study tries to understand the bancassurance influential factors, its benefits, various factors considered by insurance company to choose bank as a potential distribution channel, problems faced by employees in selling insurance products etc are to be thrown light, hence, the following study has been undertaken.

Objectives of the study

1. To study the influential factor behind bank to enter into insurance business.
2. To examine the benefits gained by the bank through bancassurance business.
3. To study the various factors considered by insurance company to select bank as bancassurance partner
4. To study the problems faced by bank employees in selling insurance products to the bank customers.

III. METHODOLOGY

The study is based on both the primary as well as on secondary data. The primary data is collected through a well designed structured questionnaire and discussion with bank. Sample collected through structured questionnaire. Secondary data is collected from various newspapers, journals, insurance magazines, various publications; official websites. SPSS V-21 was used for tabulation and testing of hypothesis. To test the Hypothesis Bivariate Correlation analysis was employed.

Research Hypotheses

- H_{01} : Bancassurance influential factors has no positive impact on bancassurance business
- H_{02} : Benefits gained from bancassurance business have no effect on bancassurance business.
- H_{03} : Factors considered in choosing bank as a distribution channel has no effect on bancassurance business.
- H_{04} : Problems faced by bank employees in selling insurance products has no effect on bancassurance business

IV. DATA ANALYSIS AND INTERPRETATION

The data analysis is made as per the objectives of the study, questions are framed and the responses of the respondents are collected through a structured questionnaire. SPSS V-21 was used for tabulation and testing of hypothesis. To test the Hypothesis Chi-square, Bivariate Correlation analysis was employed.

TableNo.1: Bancassurance Influential factors	Column 1	Column 2(%)
Competition	10	25
Professionalism of the staff	06	15
Customers database	07	18
Customers acquaintance	05	13
Bank infrastructure	03	07
Wide geographical coverage	09	22
Total	40	100

Source: Field survey

From the above survey it was found that among 40 respondents, 25% of the respondents considered competition as a key drivers of bancassurance, 22% are of the opinion that wide geographical coverage is a influential factor, 18% considers customers database as a main influential factors, where as 15% considers professionalism of the staff, 13% respondents are in favor in of customers acquaintance, and the remaining 07% considers bank infrastructure as a key drivers for bancassurance.

H_{01} : Bancassurance influential factors has no positive impact on bancassurance business

H_{a1} : Bancassurance influential factors has a positive impact on bancassurance business

TableNo.1: Bancassurance Influential factors and effectiveness of Bancassurance

Correlations			
		Bancassurance Influential Factors	Effectiveness of Bancassurance Practice
Bancassurance Influential Factors	Pearson Correlation	1	.867**
	Sig. (2-tailed)		.000
	N	40	40
Effectiveness of Bancassurance Practice	Pearson Correlation	.867**	1
	Sig. (2-tailed)	.000	
	N	40	40

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Survey

Interpretation

As shown in the Table No.1 Limitations of Insurance Company and Effectiveness of Bancassurance Practice is 0.867** . Hence, null hypothesis is rejected and alternative hypothesis H_{a1} is accepted. This indicates that, Bancassurance influential factors like Competition, Professionalism of the staff, Customers database, Customers acquaintance, Bank infrastructure, wide geographical coverage, have their positive impact on bancassurance business effectiveness.

Table No.2: Benefit of Bancassurance	Column -1	Column-2 (%)
Cost synergy	10	25
Financial synergy	09	23
Product diversification	08	20
Build bank brand	05	12

Customers retention and satisfaction	06	15
Enhanced employee productivity	02	05
Total	40	100

Source: Field Survey

From the above survey it was found that, 25% of the respondents are of the opinion that cost is the main benefit of bancassurance, where as 23% considers financial gain, 20% considers product diversification, another 15% of the respondents are of the opinion that customers retention and satisfaction is the major benefit, 12 % considers that it build bank brand, and the remaining 05% considers bancassurance enhances the productivity of the employees.

H₀₂: Benefits gained from bancassurance business have no effect on bancassurance business.

H_{a2}: Benefits gained from bancassurance business has significant effect on bancassurance business.

Table No.2: Benefit of Bancassurance and Effectiveness of Bancassurance Practice

Correlations			
		Benefit of Bancassurance	Effectiveness of Bancassurance Practice
Benefit of Bancassurance	Pearson Correlation	1	.866**
	Sig. (2-tailed)		.000
	N	40	40
Effectiveness of Bancassurance Practice	Pearson Correlation	.866**	1
	Sig. (2-tailed)	.000	
	N	40	40

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Survey

Interpretation

As shown in Table No.2, the Pearson Correlation between Limitations of Insurance Company and Effectiveness of Bancassurance Practice is 0.866**. Hence, null hypothesis is rejected and alternative hypothesis H_{a2} is accepted. This indicates that, benefits gained from bancassurance like cost synergy, financial synergy, product diversification, building bank brand, customer's retention and satisfaction, and enhanced employee productivity will motivate the bank to improve the effectiveness of bancassurance business.

Table No. 3: Factors considered to choose bank as distribution channel	Column-1	Column-2 (%)
Bank assets size	10	25
Bank customers demographic	12	30
Server facilities	08	20
Good relationship with senior managers	04	10
Insurance as a part of bank branch goal	06	15
Total	40	100

Source: field survey

From the above survey it was found that 30% of the respondents considers bank customers demographic as a main factor to choose bank as insurance distribution channel, where as 25% are of the opinion that bank assets size is the main reasons, 20% of respondents are in favor of server facilities as main reason to choose bank for bancassurance, 15% is of the opinion that insurance as a part of bank branch goal, remaining 10% considers good relationship with manager as a main factor to choose bank for bancassurance.

H₀₃: Factors in selecting bank as a distribution channel has no effect on bancassurance business.

H_{a3}: Factors in selecting bank as a distribution channel has significant effect on bancassurance business.

TableNo.3 Factors for selecting distribution channel and Effectiveness of Bancassurance Practice

Correlations			
		Factors for Selecting Distribution Channel	Effectiveness of Bancassurance Practice
Factors for Selecting Distribution Channel	Pearson Correlation	1	.869**
	Sig. (2-tailed)		.000
	N	40	40
Effectiveness of Bancassurance Practice	Pearson Correlation	.869**	1
	Sig. (2-tailed)	.000	
	N	40	40

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Survey

Interpretation

As shown in Table No.3, the Pearson Correlation between Limitations of Insurance Company and Effectiveness of Bancassurance Practice is 0.869^{**}. Hence, null hypothesis is rejected and alternative hypothesis H_{a3} is accepted. This indicates that, the factors like bank assets size, bank customers demographic, server facilities, good relationship with senior managers, play a very vital role in effectively conducting bancassurance business by the bank

Table No.4: Problems faced by bank employee in selling insurance products	Column-1	Column-2 (%)
No extra commission offered to customers	03	08
Less faith in private insurance company make difficult to sell	10	25
Lack of customized products	09	22
Delay in processing of claim settlements affects customers confidence	07	18
No proper networking between bank and insurance company	03	07
Absence of specialized persons make difficult to sell complex products	08	20
Total	40	100

Source: Field survey

From the above table it is concluded that 25% of the respondents considers less faith in private insurance company as the main problems in selling insurance products, 22% of the respondents considers lack of customized product, another 20% are in favor of absence of specialized person, 18 % of the respondents are of the opinion that delay in processing of claim settlement makes insurance selling difficult, another 07% considers no proper networking as major problems in selling and according to the 08% of the respondents no extra commission offered to customers is the main problem which bank employees faced in insurance selling.

H_{04} : Problems faced by bank employees in selling insurance products has no effect on bancassurance business

H_{a4} : Problems faced by bank employees in selling insurance products has significant effect on bancassurance business.

TableNo.4: Problems faced by bank employees and effectiveness of bancassurance practice.

Correlations

	Problems Faced by Bank Employees	Effectiveness of Bancassurance Practice
Pearson Correlation	1	.885 ^{**}
Problems Faced by Bank Employees Sig. (2-tailed)		.000
N	40	40
Pearson Correlation	.885 ^{**}	1
Effectiveness of Bancassurance Practice Sig. (2-tailed)	.000	
N	40	40

^{**}. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Survey

Interpretation

As shown in Table No.4, the Pearson Correlation between Limitations of Insurance Company and Effectiveness of Bancassurance Practice is 0.885^{**}. Hence, null hypothesis is rejected and alternative hypothesis H_{a4} is accepted. This indicates that, the problems faced by the bank employee such as no extra commission, less faith in private insurance company by customers, lack of customized products, delay in processing of claim settlements, no proper networking between bank and insurance company, and absence of specialized persons to sell complex products will have a significant impact on bancassurance business by the bank.

V. MAJOR FINDINGS OF THE STUDY

On the basis of the objectives of the study, the major findings of the study are as follows:

1. Bancassurance influential factors like Competition, Professionalism of the staff, Customers database, Customers acquaintance, Bank infrastructure, wide geographical coverage, have their positive impact on bancassurance business effectiveness.

2. Benefits gained from bancassurance like cost synergy, financial synergy, product diversification, building bank brand, customer's retention and satisfaction, and enhanced employee productivity will motivate the bank to improve the effectiveness of bancassurance business
3. Factors like bank assets size, bank customers demographic, server facilities, good relationship with senior managers, play a very vital role in effectively conducting bancassurance business by the bank.
4. Problems faced by the bank employee such as no extra commission, less faith in private insurance company by customers, lack of customized products, delay in processing of claim settlements, no proper networking between bank and insurance company, and absence of specialized persons to sell complex products will have a significant impact on bancassurance business by the bank.

Suggestions

The following are the suggestions which are based on the study and on the opinion of the respondents.

1. Bank employee should undergo frequent training to understand the specialized products easily, which in turn will encourage and boost their confidence in selling insurance products to customers.
2. To overcome from the competition bank should update the retail as well as the corporate customer's database, which will help them to design the customized product easily.
3. Bank customer's demographics should be increased, by creating awareness through various awareness programmes to their existing customers as well, college students, and also to the general public.
4. Regularly products should be customized to meet the customer's requirement; in case of complex products, insurance representatives should also take part in selling.

Conclusion

Even though bancassurance is in its infancy stage in India. Bancassurance implementation process has started, banks have started to diversify their business, bank no longer will be remembered just for accepting and deposit function, but will be considered as a Super mall for financial products in the future. A day will come in future when each and every person of the country will have insurance coverage through bancassurance. Hence, it is concluded that bancassurance has a role to play in the development of Indian economy.

VI. REFERENCES

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