



“BANCASSURANCE – A STUDY ON SYNERGY FOR BANKING AND INSURANCE SECTORS”

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Abstract

Financial inclusion is the new concept which is emerging nowadays; it is a process through which all the financial products are provided even to the weaker section of the society. With the help of banking the financial inclusion is possible government can use the wide network of bank branches to reach even to the rural segment. Under universal banking bank can provide all the financial products under one roof which also includes insurance. The distribution of insurance through the bank network is called as the bancassurance; insurance company uses the bancassurance channel to enlarge its market, the present article focus on the bancassurance concept, its efficiency, and problems in the implementation.

Keywords: Universal banking, financial inclusion, bank network.

Subject : please include the article in commerce journal.

1.1 Introduction

Innovation is the new mantra of the Indian financial sector. New innovations are emerging in almost all the sector in the form of new products, process or services. Bancassurance is also a new innovation in the banking sector. It is a process where Insurance products are sold to the bank customers at the bank premises. Awareness level of bancassurance is less among Indian Customers which necessities the banker to create more awareness and promotional activities for bancassurance for the success of bancassurance it requires bankers to understand the need of the customer's , frequent interaction with the customers makes banker to understand the customer's needs and in turn creates awareness of bancassurance products among customers. In future nearly 50 percent of the population will come under “income earner group” which will provide an opportunity for bancassurance to be successful in India for a long run. If the concept of



bancassurance is properly implemented not only bank, insurance company but it will also provide benefits to the customers, there are many challenges which banker as well as insurance company has to face such as creating bancassurance awareness, products should be tailored made, adopting appropriate marketing strategies, training to bank employees. Bancassurance is a concept which is emerged as a concept of universal banking and the time will come when through this channel only the insurance products can be made available to the potential customers. Both the insurance and the Banking sector were functioning separately. Integration of these two sectors made it easy for tapping the uninsured segment and created synergy in their functioning.

Bancassurance was a controversial issue in many countries as many were of the opinion that it will provide bank over control to. But later many countries have accepted it and it is considered as one of the potential distribution channel and India also have accepted and adopted it. Since now bancassurance is showing a positive growth for the country and benefitting to the various stake holders such as customers, banks, Insurance companies, and government.

1.2 Review of Literature

The review is done on the literature of bancassurance its practice, customer's perception, distribution strategies and Financial Inclusion its effect on bancassurance in India.

Richa Sharma Vyas (2008)¹ in the article entitled “**A study of customers perception of cross selling**” author stated that there is a heterogeneous opinion about cross selling, among customers. In modern marketing, it is a contemporary practice, author has also suggested marketer to increase bancassurance effectiveness by incorporating element of customers perception in their experience, cross selling future, author is also of the opinion that if it is implemented properly, it will lead to highest conversion ratio, or else it will jeopardize customers and firms relations instead of building on it. She also highlighted importance of personal relationship in bancassurance.

Dr. Nandita Mishra (2012)², in her article entitled “**Bancassurance – Problems and challenges in India**” has found that bancassurance is well established and growing distribution channel, when compared to the penetration rate of insurance, Europe has higher penetration rate than North America, he is of the opinion that cultural, social, Product



complexity, regulatory framework, are the factors which makes bancassurance to be successful.

S. Sarvana Kumar, U. Punitha et al (2012)³, in the article titled “**Flourishing bancassurance Business**” in the concluding part of the article author stated that there is a change in the customers mindset which offers a wide scope for bancassurance in India. For the successful of bancassurance, banks good relationship with customers should be maintained. Regarding regulations he is of the opinion that regulators should allow banks to tie up with more than one insurance companies to provide customers with wide variety of choice.

In an article by Hymavathi Kumari (2012)⁴, entitled “**customer attitude towards bancassurance-An Indian Perspective**” the author made a study on customers attitude towards bancassurance. For the study they selected customers of 10 banks and it was found that seniors citizens and youngsters have less awareness of bancassurance product and author has also examined that, Indian prefers life insurance for security purpose and non-life insurance for vehicle. In comparison to agents with banks, statistics shows that preference level is more for banks than insurance agents. He has suggested to create bancassurance awareness among youngsters and senior citizens, to boost bancassurance. As majority of youngsters will be earners in future. This can be done by the way of trained staff, Informative books, and publicity.

Nirjhar Majumdar (2014)⁵, in his empirical study “**How bancassurance can help to tap huge untapped potentials of insurance market of India**” to develop bancassurance author has offered strategies for insurers, banks, and intermediaries. It includes insisting bank employees to sell bancassurance products. As in India majority of employees are working in unorganized sector with little retirement benefits and majority of medical expenses are paid out of the pocket. These two sectors provide ample opportunities for bancassurance.

Financial Inclusion –The March of Bank(2014)⁶, Journal of Banking and Finance, It has highlighted the role of banks in financial inclusion, insisted on the Nachiket Mor committee report, the vision of the committee is by January 2016, every lower income house and business should have bank account, as a measure of financial inclusion our Honorable prime minister has also started Jan Dhan Yojana, and stated that every account holders under this scheme will get insurance benefit up to

rupees 100,000. In case of any accident which leads to death. If the government adopts this kind of financial inclusion, where it provides every financial services including insurance, it will benefit to bancassurance.

1.3 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, customers perception of bancassurance, bancassurance as a distribution channel. Any of the previous study has not been carried on Bancassurance as a synergy for banking and insurance sectors. Hence is a small effort to bring the new literature through filling the literature gap.

1.4 Statement of the problem

Even though the bancassurance concept is already started in India, but it has not been fully successful as compared to the global level. Huge untapped population, less awareness level, low market penetration are the major problems in the bancassurance, by using bank as a potential distribution channel for bancassurance distribution both bank and insurance company can create a synergy in their functioning. The present study tries to understand the bancassurance practice in the selected bank, its efficiency, and the limitations of insurance company which made to search for new distribution channel and the obstacles in selling insurance products to the bank customers.

1.5 Objectives of the Study

The primary objective of the study is to understand the bancassurance synergy for banking and insurance sectors. The following are the supplementary objectives for better understanding of the topic which are mentioned as below:

1. To know the bancassurance practice at bank level.
2. To know the efficiency of bancassurance practice in bank.
3. To study the reasons to prefer bancassurance as an insurance distribution channel by insurance company.
4. To know the obstacles in selling insurance products by bank.

1.6 Methodology of the study

The present study is based on both the primary and the secondary data. Primary data is collected through the structured questionnaire and discussion with the bank and the insurance representative of the bank. Sample of 40 respondents are identified through simple random sampling. Secondary data is collected from various journals, newspaper, insurance magazines and various publications, official websites. Hypothesis has been set and tested by using chi-square test. To present and classify the data table has been used.

1.7 Research Hypotheses

H₀₁: The level of bancassurance practice is insignificant in Bank.

H₀₂: Reasons of Insurance Company to adopt bancassurance has an insignificant effect on bancassurance business.

H₀₃: Bank limitations in selling insurance products has a negative impact on bancassurance business.

H₀₄: Bancassurance practice by banks is ineffective.

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.

Table No.1: Bancassurance practice level	Column -1	Column-2(%)
Not at all	Nil	0
Partially	08	20
Significantly	22	55
Completely	10	25
Total	40	100

Source: Field Survey

Majority of the respondent's (55%) practice bancassurance significantly, 25% of the respondents practice completely, and only 20% of the respondents are of the view that it is

practiced partially in the bank, not at all practiced is nil. Hence, it is considered that bancassurance is practiced in all the branches of the bank.

H₀₁: The level of bancassurance practice is insignificant in Bank.

H_{a1}: The level of bancassurance practice is significant in Bank.

Table No.1: Chi-square Test Statistics

Test Statistics	
	Bancassurance Practice Level
Chi-Square	22.850 ^a
Df	2
Asymp. Sig.	.000

Source: Field Survey

Interpretation: Since the calculated value is greater than the tabulated value of 5.99 for d.f=2 at 5% level of significance. Hence, null hypothesis is rejected and alternative hypothesis **H_{a1}** is accepted. Thus we can conclude that, the level of bancassurance practice is significant in bank. Bancassurance is practiced in all the branches of the bank.

Table No.2: Limitations of Insurance company which paved way for bancassurance	Column -1	Column-2 (%)
Lesser expertise in treasury management	9	22
Less reliability	10	25
Low distribution cost	05	13
Limited customers acquisition cost	07	18
Limited customers acquisition	9	22
Total	40	100

Source: Field Survey

From the above table no.02 , it can be interpreted that, 25% of the respondents considers less reliability as a major limitations of insurance company, which paved the way towards bancassurance, 22% considers limited customers acquisition as a main factor and another 22% of the respondents considers lesser expertise in treasury management, 18% of the respondents considers limited customers acquisition cost , and 13% are of the opinion that



low distribution cost is the factor which made insurance company to depend on bancassurance channel.

H₀₂: Reasons of Insurance Company to adopt bancassurance has an insignificant effect on bancassurance business.

H_{a2}: Reasons of Insurance Company to adopt bancassurance has a significant effect on bancassurance business.

Table No.2: Correlation between limitations of Insurance Company and Effectiveness of Bancassurance practice.

Correlations			
		Limitations of Insurance Company	Effectiveness of Bancassurance Practice
Limitations of Insurance Company	Pearson Correlation	1	.849**
	Sig. (2-tailed)		.000
	N	40	40
Effectiveness of Bancassurance Practice	Pearson Correlation	.849**	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.2, the Pearson Correlation between Limitations of Insurance Company and Effectiveness of Bancassurance Practice is 0.849**. Hence, null hypothesis is rejected and alternative hypothesis **H_{a2}** is accepted. This indicates that, reasons of Insurance Company to adopt bancassurance has a significant effect on bancassurance business.

Table No.3: Factors obstacles in selling insurance products to bank customers	Column -1	Column-2 (%)
Bank staff have less time and less shelf space for selling insurance products	10	25
Lack of training	15	38
Lack of understanding of insurance products	08	20
Insurance not considered as a preferred products	05	12
Lack of commitment for senior management	02	05
Total	40	100



Source: Field Survey

From the above table no. 03, it is found that 38% of the respondents are of the opinion that lack of training as a major problem in selling insurance products to bank customers, 25% are of the opinion that lack of time and shelf space is major problem, 20% considers lack of understanding of insurance products is major problem in selling, 12% considers insurance is not considered as a preferred products, and only 5% considers lack of commitment from senior management as the obstacles to sell insurance products.

H₀₃: Bank limitations in selling insurance products has a negative impact on bancassurance business.

H_{a3}: Bank limitations in selling insurance products has a positive impact on bancassurance business.

Table No.3: Correlation between Obstacles in Selling Insurance Products and Effectiveness of Bancassurance Practice

Correlations			
		Obstacles In Selling Insurance Products	Effectiveness of Bancassurance Practice
Obstacles In Selling Insurance Products	Pearson Correlation	1	.853**
	Sig. (2-tailed)		.000
	N	40	40
Effectiveness of Bancassurance Practice	Pearson Correlation	.853**	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.3, the Pearson Correlation between Limitations of Insurance Company and Effectiveness of Bancassurance Practice is 0.853^{**}. Hence, null hypothesis is rejected and alternative hypothesis H_{a3} is accepted. This indicates that, bank limitations in selling insurance products has a positive impact on bancassurance business.

Table No.4 : Efficiency of bancassurance practice	Column-1	Column 2 (%)
Highly ineffective	Nil	Nil
Ineffective	2	05
Satisfactory	12	30
Effective	20	50
Highly effective	06	15
Total	40	100

Source: Field Survey

The above table no.04 shows the effectiveness of bancassurance practice. Majority 50% of the respondents are of the opinion that it is effective in the branch, 30% of respondents are of the opinion that it is satisfactory, 15% considers it as a highly effective and 5% considers it as ineffective and none of the respondents considers it as highly ineffective.

H_{04} : Bancassurance practice by banks is ineffective.

H_{a4} : Bancassurance practice by banks is effective.

Table No.4: Chi-square Test Statistics

Test Statistics	
	Effectiveness of Bancassurance Practice
Chi-Square	17.000 ^a
Df	3
Asymp. Sig.	.001

Source: Field Survey

Interpretation: Since the calculated value is greater than the tabulated value of 7.81 for d.f=2 at 5% level of significance. Hence, null hypothesis is rejected and alternative



hypothesis H_{a4} is accepted. Thus we can conclude that, Bancassurance practice by bank is effective.

1.9 Findings

The major findings of the study are as follows.

1. Bancassurance is practiced by all the bank branches, not even a single branch is having exemption from practice of bancassurance.
2. Reasons of Insurance Company to adopt bancassurance has a significant positive effect on bancassurance business.
3. Bank limitations in selling insurance products has a positive impact on bancassurance business.
4. Bancassurance is effectively practiced in almost all the bank branches.
5. Lack of commitment from senior manager is also one of the main problems in selling insurance products for bank customers.
6. Lack of understanding of insurance leads to problem in selling the insurance products to bank customer.

2.0 Suggestions

The following are the suggestions which are made based on the survey and on the respondent's opinion.

1. The level of bancassurance practice of many bank branches is partially, which necessitates the creating of bancassurance awareness and customized the products.
2. As less reliability of the insurance is the main reason behind bancassurance, bank should try to retain their brand image.
3. Training should be provided to the bank staff regularly, which will enrich their knowledge and encourage them to sell insurance products with confidence.
4. Bancassurance is almost effective in the bank branches, so it shows a positive sign for its success in the future, so new strategies should be formed to popularize it.



2.1 Conclusion

The bancassurance is almost implemented in all the bank branches. It is almost successful in all the branches, bank employees are selling the products but lacking knowledge about the specialized products, bank is adopting all the strategies to sell the bancassurance products but still it is not able to tap the potential market. Even though the bancassurance is in initial stage in India, but the growth of bancassurance has started and it will take a major part in the development of banking and insurance sector along with customer's satisfaction in future.

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