

# Bancassurance – A Panacea for Increased Sales: Insurance Companies Perspective



Shaik Abdul Mazed, R. Sarveswara Reddy, C. Sowbhagya Lakshmi

*Abstract Banking industry has grown quickly all over the world, at the same time insurance industry has also grown rapidly in the same cut throat economic environment. With the entry into non core products or services like insurance and securities markets, these days banks have increased their businesses. The integration of financial markets, emergence of new technologies and expansion of non-banking activities has a great impact on banking operations. Thus it results in opening doors for the business of non core products like insurance and securities (bancassurance) by banks. The only intention behind this diversification of business by the banks is to provide ample investment alternatives to the common people who do not have access to various financial products and securities so that they can maximize the returns on their investment. The increasing popularity of bancassurance has widened the scope of research in this area. In this study an attempt is made to know the impact of bancassurance on customers while they made decisions to purchase the insurance policies.*

**Key Words:** Bancassurance, non core products, integration of financial markets, investment opportunities

## I. INTRODUCTION

Now a day's bancassurance is the buzz word. Where in banks provide a platform to insurance companies to sell their products both life and non life (general). In fact it is more cheap and cost effective rather than selling through agencies and brokers. The expected revenue generation through bank assurance is 13 to 15% in the coming five years. In, India many insurance companies have realised the importance of bancassurance and tied up with commercial, co operative and rural banks to reach more customers and subsequently they closed the doors for traditional ways of selling policies.

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The booming market has even drawn the attention of foreign players to enter into Indian market so that they can easily penetrate in the market without putting much effort.

## II. REVIEW OF LITERATURE

It includes the past studies undertaken in the field of bancassurance and has been reviewed in the same context before conducting this research study.

**Carson (2002)<sup>1</sup>** observed that due to commission system of agents there is always a conflict in insurance distribution. Researchers tried to examine the impact of commission system of agents on the product recommendations and found that the life span and mode of policy are not related to their commission rather than bulk of recommendations was for the trustworthy behavior of the agents. Recommendation given by agents to customers influences the purchasing behavior of the customers.

**Ostaszewski (2003)<sup>2</sup>** narrated that life insurance business is meant for security to human wealth and health and these are the financial tools for the insurance business. He proposed that the products like life insurance, disability insurance, annuities, and casual losses should be implemented well to discourse the doubts and shortcomings of the end users. This article recommended that these items can be seen as derivatives instruments made to address the instabilities and deficiencies of human capital, if human capital is seen as financial instrument.

**Chevalier, Launay, and Mainguy (2005)<sup>3</sup>** tried to draft overall bancassurance around the world. Authors made an effort to identify the causes of failure in “Anglo-Saxon” countries (Germany, Britain and America) where the role of bancassurance is now insignificant and needs to develop again on another base. They found positive factors that would determine where bancassurance is succeeding. In European countries bancassurance is now dominating and thus the banks and insurance industries are being rewarded by the bancassurance

## III. OBJECTIVE OF THE STUDY

To analyse the impact of bancassurance and examine the factors that motivates the customers while making purchase decisions.

IV. ANALYSIS AND INTERPRETATION

A. Percentage Analysis

4.1. Awareness of the customers towards bancassurance

Particulars / Parameters	Fully aware	Partly aware	Unaware	Total
Premium Range	80	34	11	125
Accessibility	72	35	17	125
Service Charges	120	2	3	125
Medical Checkups	71	41	13	125
Age Limit	45	61	19	125

Source: (Primary data)

4.2. Acceptability of the customers towards the factors that motivate them to select bancassurance

Particulars / Parameters	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree	Total
Reputation of Bank	65	43	14	3	0	125
Quality of Service	21	50	43	11	0	125
Convenience	12	25	43	20	25	125
Pressure from bank staff	24	23	20	24	34	125
Pressure from relatives	1	1	10	79	34	125

Source: (primary data)

From the table 4.2 depicts that 63.2 per cent of the respondents have disagreed to the point that pressure from relatives and friends have motivated them to take bancassurance, 52.0 per cent of them have strongly agreed that the cordial reputation of their bank have motivated them to take up bancassurance, 40.0 per cent of the respondents have agreed that the quality of service given by bank have motivated them to take bancassurance, 34.4 per cent of the respondents have moderately agreed that they feel convenient in taking up insurance from banks, 27.2 per cent of the respondents have strongly disagreed that they do not get any kind of pressure from bank staffs to take up bancassurance.

From the table 4.1 it clear that 96.0 percent of the respondents are fully aware of the service charges levied by the bankers for the purpose of bancassurance, 56.8 percent of the respondents are fully aware of the medical examination procedures conducted by the banks at the time of registration of bancassurance, 56.8 percent of the respondents are fully aware of the flexibility of procedures followed by the bank, 58.4 percent of the respondents are partly aware of the level of protection given by banks, 48.8 per cent of the respondents are partly aware of the age limits fixed by the banks, 40.0 per cent of the respondent are partly aware of the premium level fixed by bancassurance.

**Null Hypothesis (H0):** There is no significant difference between awareness of the customers towards bancassurance and demographic variables like age, educational qualification, number of members in family, umber of earning members in family, family monthly income, occupational status and area of residence.

**Alternative to Null Hypothesis (H1):** There is no significant difference between awareness of the customers towards bancassurance and demographic variables like age, educational qualification, number of members in family, number of earning members in family, family monthly income, occupational status and area of residence.

B. Analysis of Variance (ANOVA)

4.3. Awareness of the customers towards bancassurance Vs. Demographic variables

Demographic variables	SOURCE	MEAN	SD	NO.	SIGNIFICANT VALUE	F	Sig.
Age	18-25 years	2.3421	0.37341	19	0.921	0.164	NS
	26-35 years	2.3733	0.42236	25			
	36-45 years	2.4167	0.48378	36			
	Above 45 years	2.3963	0.43724	45			
Educational Qualifications	Illiterate	2.1667	0.28868	3	0.017	3.543	NS
	School level	2.2273	0.47107	33			
	Graduate	2.4691	0.34269	81			
	Professional	2.3333	0.38832	8			
Number of Members earning in the family	01	2.419	0.39705	105	0.129	2.084	NS
	02	2.2456	0.35298	19			

Monthly Income of Family	Below Rs.50K	2.3241	0.41005	72			
	Rs.50K- Rs.1L	2.5784	0.34386	34	0.004	4.636	S
	Rs.1L- Rs.2L	2.3846	0.33599	13			
	Above Rs.2L	2.1111	0.13608	6			
Occupational Status	Students	2.35	0.42637	10	0.842		
	Employee	2.3792	0.36814	69		0.353	NS
	Business	2.4167	0.44171	22			
	Unemployed	2	0	1			
	Others	2.4275	0.43177	23			
Area of residence	Rural	2.4167	0.38404	22			
	Semi-urban	2.378	0.42983	41	0.933	0.07	NS
	Urban	2.3871	0.37907	62			

Source: (primary data -Computed) NS- Not significant, S- Significant

From table 4.3, it is observed that all the significant values are less than F values, accept the H0 and reject H1. Thus null hypothesis is accepted. Hence the impact of demographic variables on bancassurance is insignificant.

## V. CONCLUSION

In a nutshell, it could be concluded that customers are having knowledge about bancassurance as a source for purchasing the insurance policies. Respondents in the city of Kurnool in Andhra Pradesh State are very much in favour of bancassurance in which they have their bank accounts. The primary reason behind opting bancassurance as a medium of purchasing insurance policies is the existing relationship with bank and their reputation so that there is a full security will available for their investment.

## SUGGESTIONS

1. Bancassurance is still at emerging state only in India, if it is nurtured suitably, banks can contribute hugely to the development of insurance industry.
2. It suggested that banks must focus on creating awareness about bancassurance in the rural areas and among illiterate people in order to increase their business.
3. It is also advised, that banks must also motivate their existing customers to purchase the insurance policies via bancassurance as the security provided for their investment is very high.

## LIMITATIONS OF THE STUDY

The following are the limitations of the study:

1. The study covers a sample of 125 respondents in the Kurnool District of Andhra Pradesh State due to time constraint and hence the conclusions on bancassurance cannot be generalised.

2. The study is based on the primary data by collecting opinions of the respondents and it may vary from time to time.

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