

BANCASSURANCE: AN ASSESSMENT OF ITS POPULARITY BASED ON SOCIO-ECONOMIC FACTORS

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Abstract

As an economy develops, it asks not only for a powerful and vibrant financial sector but also demands the availability of financial and banking products and services in the market. The financial market structure in India has changed drastically due to the financial innovations. Nowadays a highly productive distribution network is demanded due to increase in the competitiveness and product differentiation in distribution sector. Today an insurance agent alone is not sufficient for marketing and distribution of insurance products. Increase in distribution channels has resulted in the inception of Bancassurance in Indian market and also it is coming out as a feasible way for selling of insurance products at large scale. However India is a huge country with divergent demographics. Considering the fact that number of middle class families in India is increasing, RBI found a way out so that, maximum number of insurance policies could reach to each and every region of the country whether in rural, urban or semi urban area. For that purpose, RBI introduced Bancassurance considering the fact that the reach of banks to all areas is much more effective than any other system. But there are many people in the country who are still unaware about insurance and its various products and are waiting for someone to guide them properly. Therefore, under this study, an initiative is made to examine the awareness of customers about the concept of Bancassurance. A structured questionnaire was prepared for collection of data. It was found that maximum respondents were not at all aware about the notion of Bancassurance even after so many years of its inception. Therefore, various steps needed to be taken by bankers, insurers and government for making customers aware about Bancassurance so that it could help all three parties.

Keywords: *Awareness, Bancassurance, Policy implications*

1. Introduction

For growth and development of a nation, a powerful financial sector with appropriate existence of banks and other financial bodies is required. There are around 1.2 lakh bank branches in India in comparison to China (95,680) and Columbia (94,074) (Jain, 2018). Instead of having largest banking lattice, India is far behind in insurance penetration and density (Mishra, 2012; IRDA 2018). In comparison to developing nations, average density of Indian insurance industry is quite less and although it has dramatically grown over some years, still it is less than many developed nations. Therefore, depending on these two parameters, it can be understood that there is enough requirement for scope of penetration of Bancassurance in India (Paniand Swain, 2013). If current position is monitored, it is seen that India is at 3.7 percent of GDP against the world average of 6.31 percent

(Business Today, 2019). Some of the emerging economies in Asia like Malaysia (4.77 percent), Thailand (5.42 percent) and China (4.77 percent) are quite ahead of India in relation to insurance penetration (ASSOCHAM, 2019). However, insurance density in India is 55 USD in life insurance sector and 18 USD in non-life insurance sector. The life insurance penetration is 2.76 percent and non-life insurance is 0.93 percent in 2017 (Annual Report IRDA, 2018). There is no issue of demand for insurance products due to huge market but the main challenge is to get to the customers. However India is a big country with divergent demographics. Considering the fact that number of middle class families in India is increasing, RBI found a way out so that, maximum number of insurance policies could reach to each and every region of the country whether in rural, urban or semi urban area. For that purpose, RBI introduced Bancassurance considering the fact that the reach of banks to all areas is much more effective than any other system (Pani and Swain, 2013).

An insurance agent who physically distributes insurance nowadays is not very effective for marketing and dissemination of the insurance products. Thus a powerful network for distribution of insurance products is needed for increasing penetration of insurance in India (Popli and Rao, 2009). Immense distribution strength and tremendous manpower is needed to grab huge customer base of India. This distribution could become a wonderful variation in financial sector if all insurance companies started distributing insurance products at most easily available grounded place i.e. the branch of bank outside the home with the help of bancassurance (Pani and Swain, 2013). Due to strong relationship of customers with their banks nowadays, the chances of selling insurance through banking network could be very effective and fruitful. However, if current scenario is observed, there is still a large percentage of population that is unaware about various insurance products especially offered through banks and people are still waiting for some right guidance to be provided to them, so that they can invest their money in a fruitful avenue rather than just saving it somewhere else. Therefore, bankers have a good opportunity to take advantage of by which they can promote insurance to their different types of customers like corporate customers, employees of different companies etc. (Gujral, 2015). Banks are actually very much aware about the psychology of their customers because of their daily contact with them. People mostly rely on LIC and GIC and if these products are offered by banks through Bancassurance, it would be an extra benefit for banks as well as insurance companies. Thus, Bancassurance is a strategy that may prove a winning spot for all three parties involved i.e. bankers, customers and insurance companies (Kumari and Rajaseker, 2014).

2. Review of Literature

A study by Lymberopoulos et al. (2004) investigated the various dimensions of insurance products distributed by Greek Banks. Sample was collected from 720 respondents through questionnaires from November 2002- January 2003. It was found that respondent's percentage was only 0.3 who were without any insurance service as maximum respondents were opting for vehicle, life and motor insurance and also 17.6 percent respondents were those who were using their banks for availing insurance service because of various factors such as good communication, use of other banking services and personal acquaintances, good financial terms, service quality and trust. It was observed that 53.7 percent respondents were aware of Bancassurance service of their banks. It was exhibited that main source of information to

customers were bank brochures, bank staff etc. The need to identify specific insurance programs for increasing their incomes by Bancassurance was also suggested. According to Raman and Gayatri (2004) awareness level of customers towards insurance companies was low. It was observed that respondent's percentage was 53 who were at the age of 30, 24 percent respondents were those who belong to 31-40 age group, 20 percent belong to 41- 50 age group and remaining were from the group of above 50 years. Maximum respondents who availed insurance were professionals and married. It was found that respondent's percentage was 52 who took policy to cover the risk and 44 percent were those who took insurance to avoid tax and remaining were those who took it to invest the extra amount. It was also suggested to insurance companies that they should make accurate products, finalize proper prices and also increase profits by understanding their customers in a better way. Rajkumari (2007) conducted an empirical study to explore the attitude of customers for purchasing insurance products and also their knowledge about Bancassurance. Around 100 respondents were selected as sample which was chosen from Centurian Bank of Chennai and Chi Square test was applied on them to identify the level of awareness and preference of the bank customers. It was found that respondent's percentages who were familiar about Centurian Bank's tie up with insurance companies were approximately 64 percent. Health insurance service provided by ICICI Bank was the service which most suited to the customers in non- life insurance policies. It was suggested that awareness level of Bancassurance should work upon to improve insurance penetration level. However, Reshmi et al. (2007) analysed the level of awareness regarding insurance of health in the urban areas of South part of India. A study based on cross sections was conducted and sample of 242 respondents were selected. They were interviewed through a pretested proforma. It was found that percentage of respondents who were aware of the concept was 64 of which 45 percent were aware due to media as a source of information. It was observed that middle and low socio economic group of people were more in favour of government health insurance as compared to private health insurance service sector. The need to launch such schemes of insurance that may prove beneficial for people were suggested. Popli and Rao (2009) explored the possibilities and challenges of Bancassurance in India. Sample of 115 respondents was taken on the basis of various demographic factors such as age, gender and income of respondents. To identify level of awareness and willingness of customers and exploring the factors that were affecting customer's attitude towards banking and insurance companies, Factor Analysis was applied. The causes which made customers buy insurance from banks were also examined. It was found that 86 percent of the respondents were those who were aware that their banks sell insurance. They were aware because of factors such as published marketing; advertisement etc. and personal relationship and convenience were the main factors that made customers buy insurance through banks. It was emphasised that to avail the opportunities, customer relationship management should be given due consideration. The need to frame an intelligible and efficacious

marketing strategy was suggested for increasing customer's awareness and willingness for buying insurance through banks. A study by Agrawal and Haleja (2011) explored the level of awareness about behaviour of customers customer's for buying insurance products from banks on the basis of their income. 100 respondents were selected for sample from Delhi and NCR region taking in to account the factors namely;proper attention, brand image, trust, channel convenience, age, product knowledge, advertisement and access in association with income of the respondents. It was found that maximum respondents were not satisfied with information of the product provided to them, advertisements and also information by the employees given to them. The percentage of respondents who were aware about the concept of Bancassurance was only 62. Kumari (2012) analysed the attitude of customers towards Bancassurance in India. 115 respondents were selected for sample which was taken from 10 different banks of India to know the source from which they get aware about Bancassurance and also to find the causes due to which customers buy insurance from their banks. It was found that 91 percent respondents were following bank brochures as the first source of awareness of their banks selling insurance which was followed by advertisement, bank staff, internet and respondents were least interested in suggestions of their friends and relatives with the percentage of 57. It was observed that trust was most preferred reason for choosing bank for buying insurance rather than any insurer and communication was least preferred option with 57 percent. It was suggested that banks should try to opt for existing avenues by framing an intelligible and efficacious marketing strategy. Bhalla and Grover (2013) analysed the effect of level of awareness towards Bancassurance in customers of India. Primary data was collected using Survey Method from 552 customers of 20 Indian commercial banks (10 public and 10 private sector banks) of Amritsar, Jalandhar and Ludhiana. It was found that the customers, purchasing Bancassurance were only partially or significantly aware about Bancassurance due to various reasons such as long period of relationship of customers with banks, Bank Brochures and Other Publications regarding the Bancassurance etc. it was also spotlighted that bank staff, newspapers, direct mails to customers were not successful in creating awareness among customers and even they were providing negative results. Suggestions were also provided for improving the awareness level of Bancassurance in customers. Choudhary et al. (2013) analysed the level of awareness about insurance, people were taking for their health and also about the sources from where they get to

know about this insurance. Data was collected from 400 respondents of four villages and hundred houses from each village selected through systematic random sampling with the help of a structured questionnaire. It was also pretested. It was found that 57.25 percent respondents were aware of health insurance and the sources of information for availing health insurance were money that was returned during medication process (100 percent) and other economical gains (40.65percent). It was concluded that awareness level regarding health insurance services was poor among people. Naidu and Parmasivan (2014) conducted a study on Bancassurance to know about the Bancassurance process industry of Indian life insurance and also analysed the level of awareness, satisfaction and perception of customers for buying life insurance products from their banks. It was mentioned that banks were the ideal option for insurance as these were able to fulfil the major needs for successful insurance business. SWOT Analysis of Bancassurance in India was conducted and it was exhibited that more than 70 percent population being uninsured create an opportunity for insurance companies and banks to reach the untapped market. It was concluded that insurance was basically a customer focused concept and also mounting as a successful model of for distributing insurance which was opted by most of the life insurers in order to increase their market covering. Priya and Srinivasan (2015) analyzed the level of awareness of customers towards health insurance companies and policies. Sample of 325 respondents was taken and data was collected through survey method. Factors that influenced the respondents in selecting particular health insurance company and health insurance policies were identified and level of customer satisfaction was analyzed. It was found that in terms of awareness of public insurance companies LIC was at the top and the Oriental Insurance Co. Ltd. was at the last position and about private insurance companies, Bajaj Alliance General Insurance Co.Ltd. was most popular in comparison to Cholamandalam Gic Ltd. which was on last number in ranking. It was identified that the reason behind awareness was the agents of insurance companies. It was predicted that increase in disposable income and out of pocket expenditure for healthcare will make a successful path for health insurance mechanism in India. On the basis of literature reviewed, an attempt was made to examine the association between socio-economic variables and awareness of Bancassurance.

3. Methodology of the Study

The research study is basically banked upon primary sources although some information has been gathered with the help of secondary sources as well. The study is based on descriptive

research design in which a structured questionnaire was circulated online to the respondents through emails, Whatsapp etc. on random basis in order to gather information through first hand platform . Responses from 103 bank customers were collected randomly on convenience basis therefore; Convenience Based Sampling was followed while collecting data. Questions which were in the questionnaire were related to awareness regarding different channels of distribution of insurance, sources of information and basic demographic portrayal. Secondary data has been collected from various journals, previous publications, official websites of banks and IRDA.

The analysis of the collected data has been done by applying SPSS. Relationship of awareness of customers about Bancassurance with various socio-economic variables was studied and then interpretation was made for conclusion of results. For the purpose of analysis, variables of the study have been classified into two categories *i.e.* dependent and independent variables. All the socio economic variables have been taken as independent and awareness of Bancassurance have been considered as dependent variable for the purpose of study. Further, dependent variable *i.e.* awareness has been categorized in to four parts, defined as follows: Not at all aware about Bancassurance; partially aware about Bancassurance; significantly aware about Bancassurance; completely aware about Bancassurance.

4. Results of the Study

Table 1 show that majority of respondents are female with 50.5 percentage and 49.5 percent respondents are male. Maximum of the respondents are of 21-30 years of age with 66.0 percentage and 8.7 percent each respondents are of 41-50 years and above 50 years of age. Most of the respondents are graduates with 6.60 percentages while few of the respondents with 5.84 percentile are doctorates as well. Majority of the respondents are private employees by occupation with 45.6 percentile and minimum percent respondents were businessmen with 12.6 percentages. Although few female respondents are housewives as well with 26.20 percent share. Most of the respondents are earning up to 2, 50,000 (40.8 percent) while 7.8 percent respondents have annual income above 10, 00, 000.

Table 1: Socio-Economic Profile of Respondents

Variables	Number of respondents (n)	Percentage
Gender		
Male	51	49.5
Female	52	50.5
Age		
21-30 years	68	66.0
31-40 years	17	16.5
41-50 years	9	8.7
Above 50 years	9	8.7
Educational Qualification		
Higher secondary	17	16.50
Graduation	48	46.60
Post-Graduation	32	31.06
Doctorates	6	5.84
Occupation		
Govt. employee	16	15.5
Private employee	47	45.6
Businessmen	13	12.6
Housewife	27	26.2
Annual Income		
Up to 250000	42	40.8
250000-500000	31	30.1
500000-1000000	22	21.4
1000000-1500000	4	3.9
Above 1500000	4	3.9

Source: Primary Survey

Table 2 depicts the relationship between gender and awareness of Bancassurance among respondents. It shows that 54.90 percent male and 50 percent of female respondents were not at all aware about Bancassurance. However 27.45 percent male and 30.76 percent female respondents were partially aware and 0 percent male and 5.76 percent female respondents were completely aware about Bancassurance. Overall, it was found that maximum male and female respondents were not at all aware about Bancassurance.

Table 2: Gender and Awareness about Bancassurance

Gender	Awareness of Bancassurance				
	Not at all	Partially	Significantly	Completely	Total
Male	28 (54.90%)	14 (27.45%)	9 (17.64%)	0 (0%)	51
Female	26 (50%)	16 (30.76%)	7 (13.46%)	03 (5.76%)	52
Total	54	30	16	3	103

Source: Primary Survey

Table 3 depicts the relationship between age group and awareness about Bancassurance. It shows that respondents who were in the age group of 21-30 years and 31-40 years were not at all aware about Bancassurance but respondents who were in the age group of 41-50 years were partially aware about the concept. However, half of the respondents of age group of above 50 years of age were significantly and half of the respondents were not at all aware about Bancassurance.

Table 3: Age and Awareness about Bancassurance

		Awareness about Bancassurance				Total
		Not at all	Partially	Significantly	Completely	
Age	21-30	37 (54.41%)	19 (27.94%)	10 (14.70%)	2 (2.94%)	68
	31-40	11 (64.70%)	6 (35.29%)	0 (0%)	0 (0%)	17
	41-50	2 (22.22%)	4 (44.44%)	2 (22.22%)	1 (11.12%)	9
	Above 50	4 (44.44%)	1 (11.11%)	4 (44.45%)	0 (0%)	9
	Total	54	30	16	3	103

Source: Primary Survey

Table 4 depicts relationship between educational qualification and awareness of Bancassurance. It shows that maximum respondents with 76.47 percentages who were in higher secondary, 54.16 percent respondents who were graduates, 37.5 percent respondents who were post graduates and 50 percent respondents who were doctorates were not at all aware about Bancassurance. It was interpreted that maximum respondents were not at all aware about Bancassurance and least

percentage of respondents were completely aware about it whether in graduates, post graduates or doctorates category.

Table 4: Educational Qualification and Awareness of Bancassurance

	Awareness of Bancassurance				Total
	Not at all	Partially	Significantly	Completely	
Higher secondary	13 (76.47%)	3 (17.64%)	1 (5.89%)	0 (0%)	17
Graduate	26 (54.16%)	17 (35.44%)	4 (8.33%)	1 (2.08%)	48
Postgraduate	12 (37.5%)	8 (25%)	11 (34.37%)	1 (3.12%)	32
Doctorate	3 (50%)	2 (33.33%)	0 (0%)	1 (16.67%)	6
Total	54	30	16	3	103

Source: Primary Survey

Table 5 depicts the relationship between occupation and awareness of respondents about Bancassurance. It shows that maximum respondents who were government employees were significantly aware about Bancassurance with 50 percentages. 46.80 percent respondents who were private employees were not at all aware about the concept of Bancassurance. 53.84 percent respondents who were businessmen were partially aware about it and 77.78 percent housewives were not at all aware about Bancassurance. Overall, it was found that maximum respondents were not at all aware about Bancassurance.

Table 5: Occupation and Awareness of Bancassurance

	Awareness of Bancassurance				Total
	Not at all	Partially	Significantly	Completely	
Govt. employee	5 (31.25%)	3 (18.75%)	8 (50%)	0 (0%)	16
Private employee	22 (46.80%)	18 (38.29%)	5 (10.63%)	2 (4.25%)	47

	Businessmen	6 (46.15%)	7 (53.84%)	0 (0%)	0 (0%)	13
	Housewife	21 (77.78%)	2 (7.40%)	3 (11.11%)	1 (3.70%)	27
	Total	54	30	16	3	103

Source: Primary Survey

Table 6 shows the relationship of awareness with annual income of the respondents. It was found that 71.42 percent respondents with maximum share who were earning up to 2, 50,000 were not at all aware about Bancassurance. 48.38 percent respondents who were earning up to 5, 00,000 were also not aware about Bancassurance. Those who were earning in the scale of 5, 00,000 to 10, 00,000 and up to 15, 00,000 were partially aware about Bancassurance. Further, half of those who were earning more than Rs. 15, 00,000 annually were significantly aware and half were not at all aware. Overall, it was found that respondents were not at all aware about Bancassurance.

Table 6: Annual Income and Awareness of Bancassurance

	Awareness of Bancassurance				Total	
	Not at all	Partially	Significantly	Completely		
Annual Income						
	Up to 250000	30 (71.42%)	8 (19.04%)	2 (4.76%)	2 (4.76%)	42
	250000-500000	15 (48.38%)	9 (29.03%)	7 (22.58%)	0 (0%)	31
	500000-1000000	6 (27.27%)	10 (45.45%)	5 (22.73%)	1 (4.54%)	22
	1000000-1500000	1 (25%)	3 (75%)	0 (0%)	0 (0%)	4
	Above 1500000	2 (50%)	0 (0%)	2 (50%)	0 (0%)	4
	Total	54	30	16	3	103

Source: Primary Survey

Table 7 shows the relation of awareness of respondents about Bancassurance with types of banks in which respondents were holding their accounts. It shows that 53.12 percent respondents who were holding their accounts in public sector banks and 51.28 percent respondents who were holding accounts in private sector banks, both were not at all aware about Bancassurance.

However, 4.68 percent respondents from public sector banks were completely aware about Bancassurance but majority of respondents were not aware about it.

Table 7: Type of Banks and Awareness of Bancassurance

Type of bank	Awareness of Bancassurance				Total
	Not at all	Partially	Significantly	Completely	
Public sector bank	34 (53.12%)	16 (25%)	11 (17.18%)	3 (4.68%)	64
Private sector bank	20 (51.28%)	14 (35.89%)	5 (12.82%)	0 (0%)	39
Total	54	30	16	3	103

Source: Primary Survey

Table 8 shows the relationship of awareness of respondents with the frequency of their visit to banks. It shows that those customers who visit bank daily, monthly and weekly were not at all aware about Bancassurance but those who visit banks fortnightly were significantly aware about it. It was found that maximum respondents were not at all aware about Bancassurance whether they visit banks or not.

Table 8: Frequency of visits and Awareness of Bancassurance

Frequency of visits	Awareness of Bancassurance				Total
	Not at all	Partially	Significantly	Completely	
Daily	5 (83.33%)	1 (16.67%)	0 (0%)	0 (0%)	6
Fortnightly	2 (25%)	2 (25%)	4 (50%)	0 (0%)	8
Monthly	43 (53.08%)	26 (32.09%)	9 (11.11%)	3 (3.70%)	81
Weekly	4 (50%)	1 (12.5%)	3 (37.5%)	0 (0%)	8
Total	54	30	16	3	103

Source:

Primary

Survey

5. Policy Implications and Suggestions

The results interpreted from the data available above was not that acceptable as Bancassurance concept is around 20 years old, still people are not very much aware about the concept. The relationship of demographic variables with awareness of respondents about Bancassurance revealed negative relationship as majority of respondents were not aware about the concept. Therefore, steps are required to be taken in order to make consumers aware about the concept of Bancassurance.

- (i) There is a need to increase Bancassurance income. Therefore, new policies and products need to be launched and implemented. In order to make customers more aware about products and services of Bancassurance, special programmes are required to be launched in proper system and manner.
- (ii) Training classes for bank staff needs to be provided in order to motivate them for making more of their customers buying insurance policies from banks only.
- (iii) There are many people in India who are still unaware about insurance and its various products and are waiting for someone to guide them properly.
- (iv) Mostly managers working in banking sector believed that for selling insurance to customers a need for change in the mind set of customers was required. There were many cases where requirement of insurance was there but bankers were unable to convert that requirement in to need of the customers for insurance. Therefore, policies and strategies for the same need to be introduced and implemented as well.

6. Conclusion

From the study, it can be concluded that insurance service provided by banks is an important part of bank customer's daily life but customers do not take that service as important in their daily lives. From the survey it was found that customers were not at all aware about the concept of Bancassurance and majority of respondents whether holding accounts in public sector banks or private sector banks were least aware about Bancassurance. Overall it was concluded that customers from different regions were not as much aware about the insurance services provided by their banks and maximum respondents were in favour of taking insurance from insurance agents or insurance companies. Therefore, steps for making customers aware about the Bancassurance need to be taken. There is a need to increase Bancassurance income. Therefore, new policies and products need to be launched and implemented. In order to make customers more aware about products and services of Bancassurance, special programmes are required to be launched in proper system and manner.

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