International Journal of Engineering Technology Science and Research
IJETSR
www.ijetsr.com
ISSN 2394 – 3386
Volume 5, Issue 5
May 2018

Impact of Bancassurance Product on Banking Business and Customer Satisfaction

Manpreet Kaur

1.1-Abstract-:

Bancassurance is the Distribute insurance products through bank distribution channels. According to IRDA " Bancassurace" refers to banks acting as corporate agents for insurers to distribute insurance products. Life Insurance marketing and Research Association's insurance dictionary defines Banc assurance as 'the provision of life insurance services by banking and building societies" The presence of several banking groups as promoters of insurance companies is of great significance to this model. With a network of over 80,000 branches, spread across the length and breadth of the country, banks are having the necessary potential to make bancassurance the most efficient way to achieve financial inclusion in insurance sector also. The IRDA regulations, keeping in mind the objective of increasing penetration ratio, made it mandatory for the insurance companies to generate certain portion of their business from the rural areas and the segments of the economy which were earlier left untouched. And the existing direct agency force which was the sole selling insurance intermediary, could not assure the required returns. The Indian companies also found tying up with banks as the convenient route to reach out to the vast population and meet the IRDA guidelines. Thus, the insurance companies used the wide network of bank branches, the existing infrastructure facilities, the huge client base of the banks etc to create a synergy of results benefiting both – the bankers and the insurance companies in different forms.

Bancassurance, known as "ALFINANZ" and most popular in Europe is the simplest way of distribution of insurance products through a bank distribution channel. It is basically selling insurance products and services by leveraging the best customer base of a bank and fulfill the banking and insurance needs of the customers at the same time.

According to the European School of thought, "Bancassurance is the amalgamation of the assurance and banking business within a financial environment"

According to the Indian School of thought, it means selling insurance through bank staff, at bank counters, fully exploiting the synergies between banking and insurance, so as to develop and distribute cost effective banking products.

1.2 BANCASSURANCE PRODUCTS

A range of products have been developed for Bank customers within the Bancassurance umbrella. While these products would cater to specific needs of customers, the complexity involved in their respective selling process would also differ, and so would the appropriate sales process. A few broad examples of suitable products are given below:

Credit Protection: These are simple protection products that directly relate to traditional bank products and are sold with primary products such as mortgages, credit cards, auto loans and personal loans. These products are cheaply priced and guarantee repayment of the debt; should the insured event occur. Being simple products, the sales process involves minimal complexity, and is typically sold en-masse bundled with the primary bank product. A high take up rate is critical for success to avoid the insurer being selected against, leading to underwriting of sub-standard risk.

Off the shelf products: Being specially packaged savings and protection plans targeted at specific needs of customer segments, these products are parameterized and require little consultation in the sales process, e.g., tax hedge plan. These products can be effectively sold through the direct mail route and also across the teller counters of the Bank.

Group products: These products are packaged for specific savings and protection needs of certain groups, e.g., corporate employees. Being parameterized, these pose little complexity in the sales process, and can be sold effectively on the direct mail platform.

Unit linked products: These products primarily aim to satisfy the investment needs of the client and are a logical extension of other investment products sold by the bank. They involve a need based selling exercise, and the sales process follows a more complex and consultative approach. These products are best sold through trained financial planners who are able to identify a complex set of needs and offer a suitable solution to the customer.

Universal protection plans: These products address the risk protection needs of customers and aim to adequately provide for the family of the insured, should the insured event occur. These products are also based on the individual financial needs of the client, and are best sold through trained financial planners in a consultative setting.

1.3 BANCASSURANCE IN INDIA:-

The Insurance industry was opened up in the year 2000 but it was in the year 2002 that Banks in India were permitted to do insurance business for the first time. As it offered a very attractive proposition to the banks for generating additional fee based income against the backdrop of thinning spreads and severe competition, a series of tie ups were announced immediately after the permission and are even continuing till date. Even many cooperative banks announced tie ups with insurance companies to distribute insurance products. For the insurance companies also it was a winning proposition as it could now leverage the wide network of the banks immediately. An added attraction was that banks in India have enjoyed the trust and confidence of the customers, even though they have not been very pleased with the service quality levels.

Bancassurance as a business generating channel has been increasingly becoming important for the insurance companies, especially for the new private players which started functioning after the reforms in the industry. The early Bancassurance distribution arrangements in India were taking off under two categories: (a) distribution alliances by way of referral arrangements and corporate agency relationships, and (b) joint venture agreements. Pure distribution arrangements provide both banks and insurance companies with additional sales potential with minimum of investment. The referral form of distribution is a loose agreement, an opportunistic approach, whereby the bank effectively controlling access to the client base passes on business leads to career agents of the insurance company with which it has tied up. The insurance company assigns career agents to sit in the premises of specific bank branches, and for every lead passed on, the bank gets a referral fee commission (with some banks also permitting the staff to receive ‘incentives’ from the insurer concerned).

1.4 POTENTIAL OF BANCASSURANCE IN INDIA ECONOMY:-

As far as Indian economy is concerned, the Bancassurance was unknown before the passage of IRDA Act, 1999, (Aggarwal, 2004). Bancassurance still is in nascent stage in India and expected to make brisk walk in near future, (The Insurance Times, 2003, Sinha, 2005) but implementation of this new concept is one of the most challenging tasks (Maji and Dey, 2007). At very first, insurance industry was doubtful about the success of bancassurance in India, but soon the insurance industry realized the need of selling insurance policies through banks. Consequently, eleven life and non-life insurance companies had entered into tie-up with twenty one banks, (Pandey, 2004). In India, bancassurance accounted 22 per cent of the sale of private insurers (Gupta, 2006). Banks are the key pillars of the Indian financial system. Public have immense faith in banks. Well-functioning banks may increase the confidence of customers in other financial institutions and life insurers are the obvious example (Beck and Webb, 2003). India has more than 200 million middle class population, coupled with huge banking network with largest depositors base, that indicates the big scope for bancassurance (Neelamegam and Veni 2008).

The prospects of bancassurance in India are really bright because of following reasons:

1. Indian economy is growing.
2. Increasing PPP (purchasing power parity).
3. Huge inflow of FDI.
4. Expansion of middle income class Indians.5. Huge banking infrastructure across urban, semi urban & rural India.

1.5-Bancassurance tie ups in India

Insurance Company	**Bank**
Birla Sun Life Insurance	Bank of Rajasthan, Andhra Bank, Bank of Muscat, Deutsche Bank and Catholic Syrian Bank
AVIVA India Ltd.	Canara Bank, PNB, American Express, ABN Amro, Lakshmi Vilas Ban and 11 other cooperative banks.
HDFC Standard Life Insurance	Union Bank of India, HDFC Bank
ICICI Prudential	ICICI Bank, Lord Krishna bank, Bank of India, Citibank, Allahabad bank, Federal Bank, South Indian Bank and Punjab and Maharashtra Cooperative bank
Life Insurance Corporation of India	Corporation Bank, Indian Overseas Bank Centurion Bank, Allahabad Bank, Central Bank of India, Dena Bank, Vijaya Bank, Oriental Bank of Commerce and 3 other cooperative banks.
Met Life India Insurance Company	Karnataka Bank, J&K bank, Dhanalakshmi Bank.
SBI Life Insurance Company	State Bank of India
Tata AIG	HSBC, Citibank, IDBI Bank, Union Bank of India
ING Vyasya	Vyasya Bank, Bharat Overseas Bank
Allianz Bajaj	Standard Chartered Bank, Syndicate Bank

1.6 REVIEW OF LITERATURE:

This section entails an overview of theoretical foundations, challenges in Bancassurance market empirical review.

1. Sharma (2018) – This research paper aimed to investigate the scope of bancassurance. The time period of study is from 2003-04 to 2013-14. The study identified the parameters such as population size, population structure literacy rate and structure of banking sector, registered insurer in India, and insurance penetration and density. The research paper also analyzed share of individual new insurance premium of private life insurer and public life insurers. CAGR (compounded annual growth rate) was calculated to study the trend analysis of private life insurance as well as public life insurance for the Asian countries. The study found that bancassurance has vibrant prospectus in India.
2. Leepa (2017) The case study analyzed the benefit of bancassurance to Axis Bank because of acquiring stack in the Max New York Life Insurance Co. Ltd. It is a case study research method. This study focused on ratio analysis based on different parameters to AMEL model. It has been found that the financial performance of Axis Bank has improved and there is no impact of acquisition of shares in short period.
3. Nyakomitta (2017) The purpose of the study was to highlight the challenges faced by commercial banks in the bancassurance market in Kenya. The collection of the primary data was done. through structured questionnaires administrated to the managers of 31 locally owned commercial banks that are officially licensed by central Bank of Kenya and authorized by the insurance regulatory authority to transact Bancassurance business. The study identified the highly rated challenges in this market are political instability environment changes i.e. Global Warming, drought and inflation.
4. Karimian (2017) – This study discussed the effect of Bancassurance on Bank productivity and profitability, ARDL approach, for the time Interval of 1992-2016 and the target population of Iranian Banks. In this study found that there is a positive significant relationship between profitability and productivity.

1.7 OBJECTIVES OF STUDY:-

1. To examine the recent trends and the present scenario of Bancassurance business in India.
2. To analyze the impact of bancassurance on bank, insurers customers.
3. To review and compare the financial position of banks.
4. To analyze the financial impact of bancassurance product on performance of banks.

1.8 UTILITIES OF BANCASSURANCE:-

1. Utilities of bancassurance for Banks.

1) As a source of fee based income.

2) Product diversification.

3) Building close relations with the customers.

2. Utilities of bancassurance for Insurance Companies.

1) Stiff Competition.

2) High cost of agents.

3) Rural penetration.

4) Multi channel distribution.

5) Targeting middle income customers.

1.9 SCOPE OF THE STUDY:-

The present study is about the impact of bancassurance on banking and insurance industry in India and the selection of samples will be made from amongst the banks having one of the products as insurance.

Many banks and financial institutions have set up joint ventures with insurance companies. Following banks are randomly selected.

1. State Bank of India.
2. ICICI Bank.

Thus, the scope of this study is limited to the following parameters.

I. Emergence of bancassurance in India.

II. Evolution and historical developments.

III. Relevance of bancassurance in Indian financial sector.

IV. Utilities and advantages of bancassurance to banks, insurance companies and customers.

V. Regulatory norms (RBI and IRDA).

VII. Distribution channels of bancassurance and

VIII. SWOT analysis.

In order to understand how far bancassurance has captured a position in the hearts of people in India, survey analysis has also been done.

1.10-Conclusion:-

The insurance indurestry in India has been progressing at a rapaid speed since the inception of this sector. In a country like India which consists of a diverse set of people combined with problems of connectivity in rural areas makes the insurance selling a very difficult task. So due to this reason, insurance companies require good distribution strength and huge manpower to reach out to such a huge customer base.

The concept of bancassurance in India is still in its emerging stage. But an incredible potential reveals that bancassurance inIndia has a very bright future. Recently various innovations have taken place in the insurance sector to suit and satisfy the growing needs of various customers. So, there is every reason to be optimistic that bancassurance in India will play a long inning.

However,bancassurance segment is still facing many problems because of poor manpower management, lack of call centers, less personal contact with customers, insufficient incentive to the agent etc.

Following conculsions were drawn from the survey analysis done among 115 customers and 30 bank employees of eight different bank vododara district.

1.11 REFERENCES :-

- Paniz Hazi Karimain (2017) The effect of Bancassurance on Bank productivity and profitability ARDL approach (Evidences from Banking Industry in IRAN) American Journal of Economics, P-ISSN 2166-4951
- Edward Pielichaty (2017) Accounting rules for revenues arising from insurance products offered in Banks. Central Europen Review of Economics and Management ISSN 2543-9472 Vol. 1, No. 3 85-105
- George Odhiambo (2017) Challenges faced by commercial banks in the Bancassurance.
- Sibi, M.S., Dr. A.A. Ananth (2017) Financial Inclusion: Flourishing Bancassurance Business. International Journal of Emerging, Research in Management and Technology ISSN -2278-9359 (Volume 6, Issue 4)
- Eva Vavrova (2017) The level of Integration of Bancassurance products of financial groups
- Erste group Bank, Uni, Credit Group and KBC Group in selected countries. DOI, 10.5817/FA/2017-2-4.

- Saxena (2017) Scope of bancassurance, IPASJ International Journal of Management Volume 5, Issue 9 September 2017, PP016-024 ISSN 2321-645X.

1.12Wablography-:

www.goole.com

www.LIC.india.com

www.sbi.co.in

www.HDFCinsurance.com