

# BANKASSURANCE: A GROWING CHANNEL FOR INSURANCE DISTRIBUTION

<sup>1</sup> Ms.L.TerinaGrazy,<sup>2</sup> Dr.G.Parimalarani

<sup>1</sup> Ph.D Full Time Scholar,<sup>2</sup> Associate Professor

<sup>1</sup> Alagappa Institute of Management,

<sup>1</sup> Alagappa University, Karikudi-630004, Tamil Nadu

**Abstract :** Life Insurance Industry in India has been progressing fast since this sector open up in 2000. The size of the country is filled with different types of people combined with problems and difficulties. Life insurance companies require enormous distribution of strength and large manpower to reach out to such a huge customer base. This distribution channel has undergone with paradigm shift as various insurance companies are proposing to bring insurance products into the lives of the common man by making them available at the most basic financial point like bank branches through Bancassurance. The Bank Insurance Model also sometimes known as Bancassurance is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel to sell insurance products. The main objective of the paper is to analysis the performance of the Bancassurance and to know the growing trends of the Bancassurance in insurance sector.

**IndexTerms-** Life Insurance, Bancassurance, Distribution Channels, Customers..

## I. INTRODUCTION

The reforms in insurance Sector in India have posed new Challenges to bring insurance products to the common man. The life insurance companies require enormous distribution channel for strengthening the market to reach out to a huge customer. The main function of a bank is to accept deposits and lend loans and advances. By lending the banks generate more interest income and by providing various other fee based services they earn non-interest income. In response to the globalised scenario banks have started expanding their business to securities, insurance and other sector by adding new range of banking products to the consumer. In search for new channels of distribution banks with their geographical spread and penetration in terms of customer reach of all segments, have emerged as viable sources for the distribution of insurance products.

The concept of bancassurance emerged to exploit synergies between both the insurance companies and banks. Bancassurance, concept has entered in the recent years. Bancassurance is an arrangement of mutual agreement between a bank and an insurance company, in which they form a partnership so that the insurance company can access to the banks client through selling its products. This partnership in fact can be profitable for both the companies. Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer bases. According to Insurance Regulatory and Development Authority (IRDA), bancassurance refers to Banks acting as corporate agents for insurers to distribute insurance products". In India, the process began in the year 2000.

### 1.1 Objectives:

1. The major objective of the study is to study the recent trends and growth rate of Bancassurance in India.

## II REVIEW OF LITERATURE:

Verma, A. and Bala, R. (2012) analyzed the scope for bancassurance in Indian life insurance sector and it was discovered that because of strong access of public and private sector banks, there is a good scope for banks to prove themselves as a cost effective channel to increase life insurance density. Lalat K Pani & Sukhamaya (2013) in their study they examined the regulation, benefit and status of the bancassurance and the role of insurance sector towards society. Dr. M. Gomatheeswaran & Joji Rajan M.F.C (2013) analysis the customer satisfaction and made a comparative study with public and private sector bank with Insurance Sector. Dr. Pradeep Asthana & Dr. Pooja Pandey (2015) analyzed the financial impact of bancassurance business in banks and to compare the financial position of banks dealing with insurance, and they examined the growth rate of insurance sector which may create a scope of selling bancassurance products by the banks in the long run. Dr. V. Neelaveni (2015) analyzed that the savings and investment are watched continually by the customer and they think that life insurance policies as one of the investment factor. There are numerous life insurance policies available in insurance sector. They mainly focused on growth and development of bancassurance in India and they outlined the regulatory framework of bancassurance business. N.M. Leepsal and Ranjit Singh (2017) observed the importance and benefits of bancassurance and to know the contribution towards the insurance sector. The main objective of their study is to know the financial performance of bancassurance towards the insurance sector.

### Research gap:

Many research studies have focused their attention on productivity, performance, business growth, roles and benefits of Bancassurance. The present study widened its' scope towards analyzing the growth as well as the trend of Bancassurance in Indian life insurance Sector.

**III GROWING ROLE OF BANCASSURANCE IN BANKING SECTOR:**

The growing importance for cross-selling of financial products and the rapid growth of insurance industry made a remarkable growth in the fee based income of the banks. The banks as well as the insurance companies are mutually benefited through bancassurance. For a Bank bancassurance is a diversification of products and for an insurance corporation it is possible to penetrate the market without much expenses. The statistical data provided by the IRDA in its' annual report stated that the list of corporate agencies registered as on 31.10.2017 is 499, out of that the registered banks. Cooperative societies are 238 and constitute 47.70 percentage in total agency distribution on par with other agency distribution (261 Units and Constituting 52.30 Percentage), which signifies the focus of banks towards bancassurance. Cooperative banks and regional rural banks are seen by the insurance companies as a cost-effective vehicle for insurers to grab into rural communities and fulfill their rural sector obligations.

**Table 1: Trend Analysis of Bancassurance Business in India during 2011-12 to 2016-17**  
(Premium in Rs. Crores)

S.no	Channel	Insurance Business	Bancassurance	% share of Bancassurance
1	2011-12	79065.45	9292.90	
2	2012-13	62240.82	10072.96	7.74
3	2013-14	60956.86	9523.00	-5.78
4	2014-15	55398.95	11547.45	17.53
5	2015-16	58321.18	13891.93	16.88
6	2016-17	77725.68	18250.35	16.23

Source: Hand Book on Indian Insurance statistics: 2016-17

Table 1 deal with the trend analysis of bancassurance business in India during 2011-12 to 2016-17. From the table it is noted that the total premium collected from the year 2011-12 to 2016-17 shows a fluctuating trend. From the year 2013-14 and 2014-15 the total premium amount collected by the insurance company is gradually decreasing. The insurance premium collected through bancassurance modal also experiences the same trend. The percentage share of bancassurance to the total shows a fluctuating trend and the year 2013-14 registered a negative share of 5.78%. A healthy sign of growth noticed from 2014-15 to 2016-17.

It is evident from the table that bancassurance is gaining momentum and year-by-year their contribution to insurance business is gradually picking up.

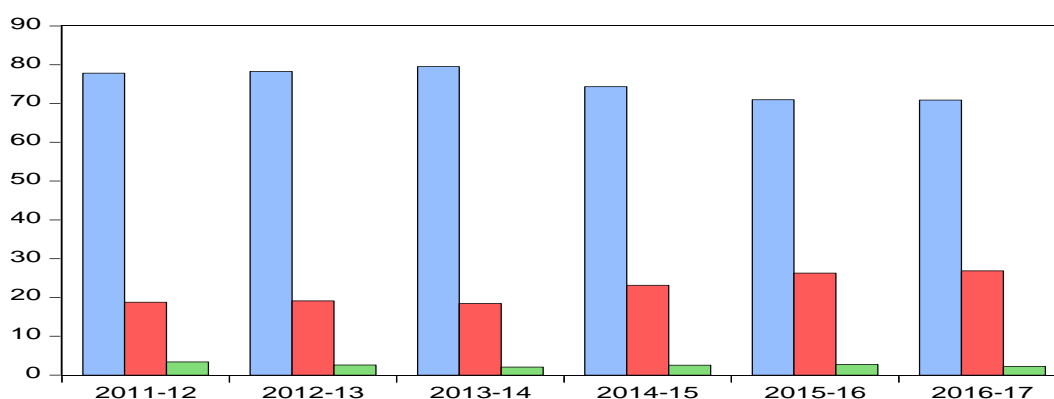
**Table 2: Share of Bancassurance New Business: Channel wise Analysis**  
(Amount of premium individual and group)

		Rs. In Crores					
S.No	Channels	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	Individual Agents	53113	49761	48831	41246.70	41175.78	54983.81
		(77.83)	(78.28)	(79.52)	(74.32)	(70.98)	(70.89)
			-6.74	-1.90	-18.39	0.17	0.11
2	Bancassurance	12811	12154	11327	12830.52	15253.83	20049.29
		(18.77)	(19.12)	(18.44)	(23.12)	(26.29)	(26.86)
			-5.41	-7.30	11.72	15.89	15.98
3	Corporate Agents	2322	1653	1252	1421.1	1582.02	1335.6
		(3.40)	(2.60)	(2.04)	(2.56)	(2.73)	(2.25)
			-40.47	-32.03	11.90	10.17	9.8
4	Total	68246	63568	61410	44498.32	58011.63	76368.7
		(100)	(100)	(100)	(100)	(100)	(100)

Source: Handbook on India Insurance statistics (2016-17)

Table 2 shows the channel wise analysis about the growth rate of Bancassurance. In 2012-13 the premium collected through Bancassurance recorded negative growth of 5.41 percentages and increased to 15.98 percentages in the year 2015-16. It may also observed that corporate Agency other also recorded remarkable growth rate from negative growth of 40.47 percentage in 2011-12 to 9.80 percentage in 2016-17, however it recorded decreased growth rate of percentage in the year 2016-17. The individual agents as a traditional channel of insurance industry recorded minimum growth rate of 0.11 percentages in the year 2016-17.

**Figure 2 Share of Bancassurance New Business**



**Table 3: Share of Bancassurance (New Business): Channel wise Analysis  
(No. of lives covered, individual plus group)**

							Rs. In Lakhs
S.No	Channels	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	Individual Agents	478 (86.44)	510 (80.19)	484 (81.62)	285.89 (40.90)	248.01 (39.88)	237.03 (26.07)
2	Bancassurance	48 (8.68)	52 (8.18)	56 (9.44)	68.99 (9.87)	85.16 (13.69)	57.77 (13.49)
3	Corporate Agents	27 (4.88)	74 (11.64)	53 (8.99)	344.16 (49.23)	288.74 (46.43)	69.96 (60.44)
4	Total	553 (100.00)	636 (100.00)	593 (100.00)	699.04 (100.00)	621.91 (100.00)	364.76 (100.00)

Handbook on India Insurance statistics (2016-17)

The present table elucidates information relating to the share of bancassurance (New business): Channel wise analysis number of lives covered, individual plus group.

The channels are classified into three categories namely individual agents, bancassurance and corporate agents.

The share of individual agents to the total has declined from 86.44% (2011-12) to 26.07% (2016-17). The number of lives covered by the individual agents shows a fluctuating trend. The share of bancassurance to the total has gradually increased from 8.68% (2011-12) to 13.49% (2016-17). The number of lives covered by through bancassurance model has also increased to a greater extent. The share of corporate agents to the total has also registered a growth from 4.88% (2011-2012) to 60.44% (2016-17).

From the table it is noted that bancassurance model and corporate agents are picking up the market and they are taking lot of effort to increase their business. The number of lives covered by the individual agents is not appreciable.

#### IV CONCLUSION:

The growth of bancassurance in India witness that the customers have abundance of trust in the banks and their reliance on banks for insurance products, hence, both banks and insurance companies should improve the product frequently as per the changing needs of the consumers. Since traditionally insurance business is individual agents centric, better trained bank employees as well as the informative marketing techniques may boost up the insurance business. The banks are having much scope in increasing their share in insurance penetration. They have the leverage to make use of their existing Capabilities in terms of database and face-to-face contract to market insurance products to generate more income.

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