

# A STUDY ON CUSTOMERS PERCEPTION TOWARDS BANCASSURANCE

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**ABSTRACT:** *The motives behind Bancassurance also vary. For banks it is a means of product diversification and a source of additional fee income. Insurance companies see Bancassurance as a tool for increasing their market penetration and premium turnover. The customer sees Bancassurance as a bonanza in terms of reduced price, high quality product and delivery at doorsteps. Actually, everybody is a winner here.*

*The main objective of the study is to analyse the factors affecting behaviour of customers in purchasing the insurance policies through the banks.*

**KEYWORDS:** *Bancassurance, Customers, Market Penetration, Perception.*

## I. INTRODUCTION

Finance sector of an economy is not exempted from competition that arises due to globalization, liberalization and technological advancements. These external environmental forces to businesses influence banks to search for alternative ways of managing the situation. It becomes a need and an ongoing process for firms to be innovative and creative. Deregulation in the modern banking has allowed banks to equally compete with the other segments of the financial sector. One area that deserves particular attention is regarding the bancassurance.

Bancassurance is a French word used to define the distribution of insurance products through banks. The banks sell their own insurance products and sometimes have tie-up with other insurance companies to sell their products through the banks distribution channel.

Banks are not in need to scratch from the beginning, they can market the product among their customers itself. It is the most important advantage to the banks in this competitive world. Customers preferences are changing day by day and they have the choice to obtain the insurance products from any distribution channel.

Increased competition makes it difficult for banks to retain their customers. Providing multiple services at one place to the customers enhanced the satisfaction level of customers.

Services are processes of activities aiming to provide solutions to customer's problems. The essence of services is "intangibility" although certain tangible elements may be included and it is this intangibility that leads that leads customers to perceive services in subjective and highly abstract ways. Insurance is an intangible service wherein the actual benefit of utility and resultant satisfaction can be assessed only after the contingency has happened and the claim has arisen. Similarly, although banking is also service, it has some element of tangibility in terms of ambience of the area, the comfortable location and set-up of the bank, etc.

For insurance companies, customer's satisfaction is a function of safety, trust, product selection and appropriate handling of paper-work by the insurer. While for the banks, general satisfaction, trust, reliability and professionalism are the parameters of measuring customer satisfaction.

Hence combining the tangible and intangible is expected to reap higher benefits for both and this has been envisioned with bancassurance tie-ups.

## II. LITERATURE REVIEW

According to Urvi Amin, For policy maker and researcher bancassurance derived maximum attention for unbelievable achievement. Andhra Business Bureau in an article titled "Bancassurance to touch 40 percent of premium income by 2012". Based on Towers Watson India Bancassurance Benchmarking survey 2009-10, it is expected that that banc assurance would generate 40 per cent of private insurers' premium income by 2012, Bright prospects for bank distribution in India, given the impressive branch banking architecture that reaches every part of the country and touches every economic segment of the population. John Cooper says Success in Bancassurance, The Global Insurance Consumer survey conducted among 24000 customers around the world depicts that "customers are seeking value, convenience and wanted to buy from banks they trust.

According to S. Saravan Kumar, the success of bancassurance greatly hinges on banks ensuring excellent customers relationship; therefore banks need to strive towards that direction. Deepika Upadhyaya, concluded in her study that 'although the satisfaction levels are on the higher side, yet there remains a lot to be done by the management of the retail life Insurance companies to maximize their customers' satisfaction and improve the quality of service. The satisfaction of the customer with the services of Life Insurance Companies is linked with the performance of the service.

## III. NEED FOR THE STUDY

Bancassurance is one of the new channels for selling of insurance products .Banking companies tie up with the insurance companies for cross selling of insurance products. Majority of the customers have been purchasing the insurance products from insurance agents. This study aims at understanding whether customers will prefer banks over insurance agents, who are offering them some commission also and bank's ability to work as an effective conduit for selling insurance products.

A single company cannot take up both life and non-life insurance activities in a competitive way as per law so a tie up with banks would help them to increase their revenue.

#### IV. STATEMENT OF THE PROBLEM

The Indian insurance sector has started showing signs of significant changes after opening of Industry to private players. With a large population base and huge untapped market, Insurance industry is a big opportunity area in India for national as well as for foreign investors. A huge uninsured population and low market penetration are the two main challenges to the Indian Insurance Industry. It is really an attempt on the part of the researcher to examine the role of bancassurance and to analyze customer awareness, satisfaction and perception towards purchase of Insurance products from banks. Taking Insurance is completely a customer focused business and therefore it is very important to understand the role and future trend towards banc assurance in India.

#### V. OBJECTIVES OF THE STUDY

- I. To study the customer perception and to examine the factors affecting buying of insurance policy from banks.
- II. To measure awareness of customers on Bancassurance.

#### VI. HYPOTHESIS

**Ho(a):**Majority of people are not aware about Bancassurance

H1(a): Majority of people are aware about Bancassurance

Ho(b): Awareness level of Bancassurance do not influence the customers willingness to buy insurance products

H2(b): Awareness level of Bancassurance influences the customers willingness to buy insurance products

Ho(c): Income level of customers has no effect on investment in Bancassurance

H3(c): Income level of customers has a strong effect on investment in Bancassurance

Ho(d): Occupation of the respondents do not influence the decision making regarding Bancassurance.

H4: Occupation of the respondents influence decision making regarding Bancassurance.

#### VII. RESEARCH DESIGN

A survey was conducted with a target population of 115 respondents who have transactions with banks. Convenience sampling was used for the study. The final questionnaire was administered personally to 115 participants residing in city of Bangalore.

The research instrument used for collecting data is **questionnaire**.

#### VIII. ANALYSIS TOOL

The analysis is made on the basis of Chi-Square test, Correlation, descriptive analysis and simple arithmetical calculations and presented with the help of charts and diagrams like pie-chart.

#### IX. SIGNIFICANCE OF THE STUDY

The study is basically intended to know the level of customer awareness, satisfaction and perception towards buying insurance products from bancassurance. The findings and suggestions of the present study will improve the performance of bank and increase market penetration of insurance companies.

The synergies between insurance companies and banks will contribute more to the economy. Thus in this context the present study will be highly useful and relevant.

#### X. SCOPE OF THE STUDY

The present study has been made to examine the extent of customer awareness and factors affecting buying of insurance policy on Bancassurance.

#### XI. LIMITATIONS OF THE STUDY

The study was limited to Bangalore city. Out of 150 questionnaires being distributed, only 115 responses were received. Hence much accuracy in results cannot be expected. Advanced level of analysis of various factors influencing the buying behavior of customers was not focused.

#### XII. DATA ANALYSIS AND INTERPRETATION

**Ho: Majority of people are not aware about Bancassurance**

**H1: Majority of people are aware about Bancassurance**

##### Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	115.000 <sup>a</sup>	114	.456
Likelihood Ratio	106.268	114	.684

Linear-by-Linear Association	49.138	1	.000
N of Valid Cases	115		

**Interpretation:**

From the above table we can interpret that pearsons chi-square is 0.456. Which means that the value is more than significance level of 0.05. Hence H0 Null hypothesis i.e. Majority of people not aware about bancassurance is rejected. Ho is rejected as majority of people are aware of Bancassurance.

**Awareness level of Bancassurance and customers willingness to buy insurance products**

**Correlations**

		Awareness about bancassurance	Pension awareness	ULIP	One product insurance	Health insurance	Life insurance	Vehonaware
Awareness about bancassurance	Pearson Correlation	1	.739**	.572**	1.000**	.594**	.523**	.772**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	115	115	115	115	115	115	115
Pension awareness	Pearson Correlation	.739**	1	.774**	.739**	.803**	.708**	.957**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	115	115	115	115	115	115	115
ULIP	Pearson Correlation	.572**	.774**	1	.572**	.964**	.914**	.741**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	115	115	115	115	115	115	115
One product insurance	Pearson Correlation	1.000**	.739**	.572**	1	.594**	.523**	.772**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	115	115	115	115	115	115	115
Health insurance	Pearson Correlation	.594**	.803**	.964**	.594**	1	.881**	.769**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	115	115	115	115	115	115	115
Life insurance	Pearson Correlation	.523**	.708**	.914**	.523**	.881**	1	.677**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	115	115	115	115	115	115	115
Vehonaware	Pearson Correlation	.772**	.957**	.741**	.772**	.769**	.677**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	115	115	115	115	115	115	115

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Interpretation:**

From the above table we can interpret that there is very high correlation which means that relationship between awareness and customers' willingness to buy insurance products is very significant. Correlation value based on Awareness level is (0.772\*\*), on the basis of Pension is (0.957\*\*) ULIP is (0.772\*\*) One product insurance is (0.769\*\*) Health insurance is (0.677\*\*).

This depicts that there is very high relationship between customers awareness willingness to buy insurance products. Therefore null hypothesis is rejected and alternative hypothesis is accepted. i.e. customers buy more insurance products as awareness increases.

**As income increases investment in Bancassurance also increases.**

**H0: There is no significant relationship between income and investment.**

**H1: There is significant relationship between income and investment.**

**Correlations**

	Annual Income	Percentage of investment in bancassurance
Annual Income	1	.874**
Pearson Correlation		
Sig. (2-tailed)		.000
N	115	115
Percentage of investment in bancassurance	.874**	1
Pearson Correlation		
Sig. (2-tailed)	.000	
N	115	115

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Interpretation:**

From the above table we can interpret that as annual income increases percentage of investment in bancassurance also increases. Pearson Correlation value is 0.874, which depicts that there is very high correlation between annual income and percentage of investment in bancassurance. 0.874\*\* shows there is very high significant correlation i.e. the value is more than significance level of 0.05. Hence Null hypothesis is rejected and alternative hypothesis is accepted. There exists significant correlation between income and percentage of investment.

**H0: There is no significant relationship between occupation and buying of insurance products.**

**H1: There is significant relationship between occupation and buying of insurance products.**

**Correlations**

	Occupation	Insurance product being used by you
Occupation	1	.872**
Pearson Correlation		
Sig. (2-tailed)		.000
N	115	115
Insurance product being used by you	.872**	1
Pearson Correlation		
Sig. (2-tailed)	.000	
N	115	115

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Interpretation:**

From the above table we can interpret that as occupation increases buying behaviour also increases. Pearson Correlation value is 0.872\*\* which depicts that there is very high correlation between occupation and buying of insurance products through bancassurance. 0.872\*\* shows there is very high significant correlation. Since the value is more than significance level Null hypothesis is rejected and Alternative hypothesis is accepted. Hence there exists very high significance relation between occupation and consumers buying behaviour.

**XIII. FINDINGS**

- Chi-square test and Correlation were the tools which were applied to analyze the significance level.
- Pearson's chi-square test was applied and the studies revealed that majority of people are aware about bancassurance. And the value is 0.456 which is greater than the significance level. This means that the value is more than significance level of 0.05.
- Through chi-square test Null hypothesis is rejected and Alternative hypothesis is accepted. As majority of them are aware with the concept of bancassurance.
- The overall study is analyzed through descriptive analysis.
- The frequency table also depicted that 83% of the respondents had knowledge about bancassurance.
- A majority of people are buying life insurance policy for tax benefits.
- Trust and safety is one of the reason for which most of the respondents buy life policy through banks. People have more faith on banks when compared to other modes of distribution channel.
- Most of the respondents (37 out of 115) are only moderately satisfied with various services of banks. Therefore banks need to improve the quality of its services to get more customer and high satisfaction.
- There is very high significance relationship between customer's awareness and willingness to buy insurance products. This was proved using Correlation.
- There exists very high significance relation between income and percentage of investment and occupation and investment in Bancassurance respectively.
- Only 37.4 percent are willing to take life insurance policy in future which means that other investment options are more preferred by customers than insurance.
- 90 percent out of 95 respondents buy from banks because of trust, convenience and easy accessibility wherein only 10 percent out of 95 respondents looked for expert advice from bank staff in purchasing an insurance policy from Banks.
- It has been observed that all the consumers are availing insurance products.
- The highest usage rates are for vehicle and life insurance products and majority of them are aware about bancassurance. This could be related to the fact that vehicle insurance is legal requirement in India and Life Insurance offers both security cover as well tax benefits.
- Table no 15,16,17,18 and 19 shows that informed customers are more willing to purchase insurance from banks than those of not-so-well informed.

**XIV. SUGGESTIONS**

- Customers prefer to purchase insurance products from banks due to existing personal relationship with banks. The banks that offer bancassurance must also think of new media channels to reach the customers.
- Banks should do the settlement of claims which will increase the trust and reliability of the customers on the banks.
- Need to spread much more awareness among the customers about bancassurance and its benefits.
- Attractive incentives and proper motivation should be given to the marketing personnel of the bank in order to sell insurance products in a bigger way.
- Insurance companies must come up with more customized products for bancassurance.
- To offer best product to the customers in a low cost effective way.
- Better trained bank employees as well as the informative marketing material can give boost to business

**XV. FURTHER SUGGESTIONS**

This research was an attempt to study the customer perception towards bancassurance and the factors affecting their purchasing of insurance products through banks. However, further research needs to address other possible determinants such as product factor, promotional effort of the company, customer's expectations and various other services while purchasing an insurance policy.

It is also necessary to expand the scope of the study to a wider group of respondents to get a better accurate result. This study was only conducted in a smaller group and was limited to Bangalore city. Also advanced level of analysis among various factors can also be done.

**XVI. CONCLUSION**

Overall it can be concluded that customers are aware of bancassurance as a medium of insurance distribution and are also willing to adapt it as their future mode of buying life and non-life insurance. Respondents in Bangalore are more in favour of purchasing directly through bancassurance while the intention of buying policy from banks in future is moderate.

The reasons for this shift have been noted as ease in payment of premium, timely intimation of policy details and also satisfaction with bank services.

Hence banks and insurance companies need to work on the whims and fancies of the customers and improve upon the factors that inhibit them from going ahead and accepting banks as a single window solution for all their investments need. If nurtured properly banks can go a long way in contributing to the insurance growth in the country.

Bancassurance is beneficial to the entire concerned viz. Banking sector, Insurance Sector and the customers. It provides an opportunity to banks for product diversification and a source of additional income. The enormous trust that the banks command in the minds of the public is an important reason why Insurance Companies seek to enter into wide ranging banking partnerships.

The banks in turn, find that customers appreciate the provision of integrated financial services at the bank branches, which in turn builds better customer loyalty and retention levels.

Insurance companies see bancassurance as a tool for increasing their market penetration and premium turnover. The customer sees bancassurance as a bonanza in terms of reduced price, high quality product, professional guidance and delivery at doorsteps. The Insurance companies and Banks together find that their collaboration at providing a package of financial services not only benefits customers but also maximizes their profits.

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