

“A STUDY ON CUSTOMERS’ PERCEPTION TOWARDS BANCASSURANCE IN KURNOOL CITY”

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Abstract: The reforms of the liberalization, privatization and globalization have drawn the worlds of the banking and allied activities closer together. Today’s modern banks are not only confines to the regular and traditional activities such as deposits and withdrawals. They are performing various activities which includes; insurance, consumer finance, foreign exchange trading, commodity trading, trading in equities, futures and options trading and money market trading. Among these services bancassurance is playing a major role in the terms of business, profits and market share.

Bancassurance, one such concept, has gained recognition in the recent years. Bancassurance means selling of insurance products by banks. In this agreement, insurance companies and banks go through a tie-up and thus allowing banks to sell the insurance products to its customers. As a result of the transformation, public, private and foreign banks are designing a range of new products to attract, sell and retain customers to become market leader in the sector.

The present study aims to analyze the perception of the customers towards the bancassurance services in the industry. It includes more detailed analysis such as Brand name, Sales Management, Branch Network, Insurance products and range and view of the Customer that affect their choices. The study is an empirical and descriptive in nature. To get the statistic data for the study, survey with 22 questions was done. And results were form based on the analysis, interpretation and empirical findings of the study. It also provides suggestions of disable people about the bancassurance services.

Index Terms - Bancassurance, Customer perception, Insurance, Insurance players.

I. INTRODUCTION

Bancassurance – a term coined by combining the two words Bank and Insurance (in French) – connotes distribution of insurance products through banking channels. Bancassurance encompasses terms such as ‘Allfinanz’ (in German), ‘Integrated Financial Services’ and ‘Assurebanking’. This concept gained currency in the growing global insurance industry and its 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. Presently, there’s more activity here than anywhere else. And everyone wants to jump onto the bandwagon for a piece of the action cake.

Bancassurance is a long-standing dream of offering a seamless service of banking, life & non-life products. India, being the one of the most populous country in the world with a huge potential for insurance companies, has an envious chain of bank branches as the lifeline of its financial system. Banks with over 65,000 branches & 65% of household investments are the backbone of the Indian financial market. In India, there are 75 branches per million persons. Banks have expertise on the financial needs, saving patterns and life stages of the customers they serve. Banks also have much lower distribution costs than insurance companies and thus are the fastest emerging distribution channel. For insurers, tying up with banks provides extensive geographical spread and countrywide customer access; it is the logical route for insurers to take. However, the evolution of Bancassurance as a concept and its practical implementation in various parts of the world, have thrown up a number of opportunities and challenges. Aspects such as the most suited model for a given country with its economic, social and cultural ramifications interacting on each other, legislative hurdles, and the mind set of persons involved in this activity, have dominated the study and literature on Bancassurance.

RECENT DEVELOPMENTS IN THE INSURANCE AND BANKING SECTOR

The New Economic Policy (NEP) was introduced in India in June 1991 by the then newly elected government and thus, the process of liberalization of Indian financial sector started. The main thrust of reforms in the financial sector was the creation of efficient and stable financial institutions and markets. Reforms in the banking and non-banking sectors focused on creating a deregulated environment, strengthening the prudential norms and the supervisory system, changing the ownership pattern, and increasing competition. The main idea was Globalization, Privatization, Deregulation and Liberalization.

In India, the reforms in the insurance sector (Life and General) commenced with the setting up of the **Committee on Reforms on Insurance Sector** under the chairman-ship of Dr. R. N. Malhotra, the ex- governor of RBI, by the Government of India in April 1993 for examining the structure of insurance industry. The recommendations of the Committee was submitted in 1994 which was accepted in principle by the government which started implementing the recommendations since December 1999, thus heralding an era of liberalization in the country’s insurance sector. The setting up of Insurance Regulatory and Development Authority (IRDA) and opening up of Insurance Business (life and general) to foreign capital up to 26 per cent were the initial steps in this direction.

At present there are 21 private life insurers operating in the Indian life insurance market along with the only state owned life insurer Life Insurance Corporation of India (LICI). The total volume of premium reached to Rs. 221,791 crore in 2008-2009 from Rs. 24,630 crore in the year 1999-2000 which is little more than 800% increase by 22 numbers of insurers (including LICI) in India. In India, private life insurers are slowly gaining the momentum to penetrate the market with their new products, services and the global knowledge of expertise in doing life business. This can be witnessed from their growing market share statistics

which shows nearly 30 percent of the market are in their hands at the end of 2018-19 financial year. Most important aspect is that their acceptability is on the rise though it is an urban phenomenon.

Table -1: Key players in Bancassurance Sector

S. No	Company Name	Market place	Market Share in %
1	ICICI Prudential Life	1	6.92%
2	Bajaj Allianz Life	2	4.79%
3	SBI Life	3	3.25%
4	HDFC Standard Life	4	2.50%
5	Birla Sun Life	5	2.06%
6	Reliance Life	6	2.22%
7	Max New York Life	7	1.73%
8	TATA AIG Life Insurance Company	8	1.23%

Source: <http://www.bancassurancesummit.com/>

II. REVIEW OF LITERATURE

A.Muthumari. & Dr. K. Pushpaveni., (2017)¹ has exposed in their study that customers expect the bank to rectify the problem and to update the banking services in bancassurance products for improving customer service loyalty services, the customers are satisfied with the bank in future.

Ranjit Singh et al., (2015)² the customers consider bancassurance channel having high responsiveness in providing insurance service. It is also found in the study that among the demographic variables considered age, marital status, family size and education of customers have significant impact on their perception regarding responsiveness of bancassurance channel.

Dr. V. Sreedevi and Lovelin Auguskani (2014)³ in their study are revealed that Banks, in particular, stride into several new areas and offer innovative products, viz., merchant banking, lease and term finance etc. Today banks have become far more diversified than ever before. Therefore banks are entering into the world of bancassurance - an innovative financial product as required by bank customers.

Liaqat Ali and Pooja Chatley (2013)⁴ are concluded in their study, After agents, banks are the preferred medium of buying insurance because of banks commitment, cost effectiveness, return on investment. Also, given the benefits of updated policy information and ease in premium payments and claims receiving, a majority of the customers are willing to purchase their future insurance policies through the bancassurance mode. Hence, conveying that future of bancassurance can be bright in India too if the tying up companies can channelise their efforts effectively to tap the customer's needs.

Dr. Tiwari Anshuja and Yadav Babita (2012)⁵ is opined that together Banking and Insurance Industry contribute about seven percent GDP of our economy. The increased pace of market competition due to liberalization and privatization forced life insurers to be competitive by cutting cost and serving in a better way to the customers. Banc assurance is a new and an emerging model of channel of distribution adopted by almost all the life insurance players to increase the market share and insurance penetration. The major finding of the study bancassurance would accelerate the growth of life insurance business, reduce cost, low awareness of banc assurance among customers and second preferred distribution channel by customers.

NEED & SIGNIFICANCE THE STUDY

The Business organizations and individuals have to make use of opportunities in ever changing competitive world. There are number of studies available on post LPG of Indian Banking and Insurance sectors individually, but the studies related to both sectors on customer perspective are very few. Hence, the present research is undertaken to explore customer perception on bancassurance in Kurnool city.

SCOPE OF THE STUDY

The present is based on descriptive type of research and for the analysis purpose the sample size of 238 as used. The study has been conducted with reference to the Kurnool city in the state of Andhra Pradesh. The primary data has used in this study with collecting information from the customers of different banks through using structured questionnaire. The questionnaire prepared based on the objectives of the study.

OBJECTIVES OF THE STUDY:

1. To study customers perception towards bancassurance in Kurnool city.
2. To examine factors that influences the customer perception towards bancassurance.

Hypotheses

- ✓ **H₁:** There is a significant relationship between bank brand name and customer perception.

III. RESEARCH METHODOLOGY

The present study is an empirical research in nature. The descriptive research procedure is also used for describing the present scenario in bancassurance sector.

3.1 Population and Sample

The study comprised of 238 respondents' opinion in the terms demographic and psychographic dimensions.

3.2 Data and Sources of Data

For the present study, the data has been gathered from both primary and secondary sources. The primary data has been collected by administrating a well designed structured questionnaire and personal interviews from customers. The secondary data has been gathered from Internet, books, research articles, survey reports, newsletters, various journals and magazines.

3.3 Statistical tools and econometric models

The collected data is analyzed and interpreted based on Weighted Averages, Mean and Correlation coefficient analysis with the aid of SPSS-22 Version.

3.4 Limitations of the Study

1. This study is limited to bancassurance, Kurnool City only.
2. The results of the research cannot be generalized to other insurance services.
3. The accuracy of given information may owe to change by time, place and individual factors.

IV. RESULTS AND DISCUSSION

Table-4.1- Demographic Profile of the respondents

Demographic Profile of the respondents		Frequency	Percent
Gender	Male	141	59.2
	Female	97	40.8
	Total	238	100
Age	20-25	42	17.6
	26-30	48	20.2
	31-35	66	27.7
	35 and above	82	34.5
	Total	238	100
Educational Qualification	SSC	48	20.2
	UG	42	17.6
	PG	66	27.7
	Professional	82	34.5
	Total	238	100
Occupation	Government Sector	54	22.7
	Private Sector	84	35.3
	Business	51	21.4
	Agriculture	24	10.1
	Other	25	10.5
	Total	238	100
Annual income	1 lakhs - 5 lakhs	81	34
	5 lakhs - 10 lakhs	114	47.9
	More than 10 lakhs	43	18.1
	Total	238	100

Source: Primary Data

Table-1 exhibits the response rate for the gender, age, educational qualifications, Occupation and Annual Income of the respondents. The table shows majority of the respondents are belongs to male category, of them having the age of 35 years and above, majority of their qualification is professional, occupation is employees of private sector and having an annual income of Rs. 5-10 lakhs.

Table- 4.2: Type of Insurance obtained?

Element	Age Wise Respondents				Total
	20-25	26-30	31-35	35 and above	
Vehicle Insurance	42	42	0	0	84
Life Insurance	0	6	57	0	63
Health Insurance	0	0	9	42	51
Pension Insurance	0	0	0	40	40
Total	42	48	66	82	238

Source: Primary Data

Table- 4.3: Factors that influences to take the insurance?

Element	Annual income of the respondents			Total
	1 –5 lakhs	5 –10 lakhs	More than 10 lakhs	
Personal Relationship	57	0	0	57
Bank Name/Trust	24	84	0	108
Convenience	0	30	9	39
Communication	0	0	21	21
Service Quality	0	0	13	13
Total	81	114	43	238

Source: Primary Data

Table- 4.4: Medium of Customer Awareness?

Element	Gender Wise Respondents		Total
	Male	Female	
Advertisements	42	0	42
Banks	99	45	144
Friends	0	27	27
Internet	0	25	25
Total	141	97	238

Table- 4.5: Customer Opinion on Risk Involvement?

Element	Gender Wise Respondents		Total
	Male	Female	
High Risk	18	0	18
Low Risk	27	0	27
No Risk	96	97	193
Total	141	97	238

Source: Primary Data

Table- 4.6: Correlation Coefficient B/w Bank Name and Customer Perception

	Variables	Brand Name	Perception
Bank Name	Pearson Correlation	1	0.087**
	Sig. (2-Tailed)		0.000
	N	238	238
Customer Perception	Pearson Correlation	0.087**	1
	Sig. (2-Tailed)	0.000	
	N	238	238

** Correlation is significant at the 0.01 Level (2-Tailed).

Source: Primary Data

Status of the Hypothesis Statements

- ✓ There is a significant relationship between bank brand name and customer perception.
- ✓

ACCEPTED

CONCLUSION:

The present study is an empirical gist of the customers' perceptions in terms of different bancassurance schemes available in the market. The findings of the study prove that majority of the respondents purchasing vehicle insurance which provides low risk and influenced by factors like trust & relationship with bank employees.

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