



Impact on Financial Inclusion with the help of Bancassurance in India

By

Pooja Kumari

Research Scholar

Dr. Bhimrao Ambedkar University Agra (UP)

&

Dr. Anil Saxena

Associate Professor, Dept. of Accounts & Law, Faculty of Commerce,

K. R. (PG) College Mathura, Affiliated to Dr. Bhimrao Ambedkar University, Agra (UP)

Bancassurance is an arrangement between banks along an insurance provider which permits that company to market its goods to the bank's customers. Both businesses may benefit from this collaboration arrangement. Selling insurance products helps banks make more money, and insurance companies grow their clientele without hiring more salespeople. By providing a variety of financial products and bringing in extra money, this strategy benefits banks as well as insurance firms. The government programs that provide the insurance product Bancassurance are PMSBY (Pradhan Mantri Suraksha Bima Yojana) and PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana). As a result, more people became financially included. Although it started slowly, although it started slowly, India's insurance market has been steadily growing since 2001–2002. The penetration of life insurance increased significantly between 2006–07 and 2009–10, after which it remained steady. All things considered, Bancassurance has a great deal of potential to improve financial inclusion in India. This methodology can help create a population that is more empowered and financially secure by tackling the issues and putting best practices into action.

Keywords: Bancassurance, Pradhan Mantri Surkasha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Introduction

Bancassurance, partnership between banks and insurance companies for selling insurance products through bank branches, is playing a key role in increasing insurance penetration in India. This model benefits banks by offering a wider range of financial products and generating additional revenue. Customers gain convenience and trust by purchasing insurance from their existing banks. Furthermore, government initiatives that include PMSBY and PMJJBY offered through bancassurance, contribute to financial inclusion. However, challenges like miss-selling by bank staff and limited product options require stricter regulations and improved financial literacy among customers. By addressing these issues, bancassurance can significantly enhance financial inclusion in India, leading to a more financially secure population. Bancassurance describes a partnership

between bank along with insurance company, wherein bank serves as a middleman and offers its clients insurance products. Through the sale of insurance products, including life, health, and general insurance, banks are able to expand their product offers and make more money. Additionally, it aids banks in improving client retention and loyalty. Through the bank's existing network, it also makes it easier for insurance companies to reach a larger consumer base and grow their distribution network. In addition to saving clients time and effort by allowing them to purchase insurance goods without having to look for a different insurance provider, bancassurance helps banks and insurance firms lower their marketing and distribution costs. People can already purchase a wide range of insurance policies at their neighborhood banks, such as health, property, and casualty insurance, across India.

India Bancassurance Market Trends

The expanding banking, financial services, and insurance (BFSI) industry and the country's expanding population are now two of the main reasons driving in Indian market. Additionally, the IRDAI (Insurance Regulatory and Development Authority of India) is regulating selling of insurance goods through banks by providing favorable norms, such as requiring banks to partner with a single insurance company. Additionally, the IRDAI establishes standards for the minimal training of bank employees, maintains records of client information, insurance products supplied, and commissions paid to the bank, and provides profitable expansion prospects to major market participants in the nation. In addition, the market is becoming more favorable due to quick modernization. In addition, a positive market outlook is being created by the quick digitization and growing use of digital channels for the sale of insurance goods through online portals. Furthermore, bancassurance gives banks and insurance providers the chance to expand their revenue streams through cross-selling. Additionally, bancassurance makes it easier for clients to obtain a variety of insurance plans via their banks and removes the need to contact several insurance companies, both of which improve client satisfaction. Furthermore, bancassurance companies are embracing artificial intelligence (AI) to create personalized insurance solutions that cater to the unique requirements of their clients. In order to boost consumer happiness and loyalty and stimulate the market, they are also concentrating on efficiently analyzing client data, enhancing risk management, lowering losses for insurance companies, and recognizing potential risks.

Literature Review

Puja Dua et al. (2019) discussed the various bancassurance models available in India as well as the steps government of India has made to encourage financial inclusion. According to report, middle-class households benefit from the bancassurance mode. In order to broaden their scope, the insurance companies enter into extensive alliances, capitalizing on the trust and confidence that the banks have previously established through their customer relationships. Customers also express gratitude to the banks for offering a wide range of financial services under one roof, which strengthens client relationships and increases customer loyalty and retention rates. (Dua et al., 2019)

Pushpendra Singh and Veranda Kumar (2017) This study answers the question of whether health insurance programs have been successful in protecting a greater portion of the population from financial risk. The findings show that a very small population has been able to receive financial support from government-funded insurance programs that include the RSBY (Rashtriya Swasthya Bima Yojana), CGHS (Central Government Health Scheme), as well as ESIS (Employee State Insurance Scheme). Only 4.8% of people in Uttar Pradesh are enrolled in any type of health insurance program. Maximizing coverage under various health insurance plans in Uttar Pradesh is necessary since lowering high out-of-pocket expenses via coverage of health insurance is a major concern. If not, an increasing number of people will continue to live in poverty in the future. (Singh & Kumar, 2017)

Shaik Abdul Mazeed et al., The sole goal of the banks' business diversification is to give general public, who lack ability to utilize variety of securities and financial products, a wide range of investment options so they can optimize their profits. Research in this field has expanded due to bancassurance's growing popularity. The purpose of this study is to determine how bancassurance affected consumers' decisions to buy insurance policies. (Mazeed et al., n.d.)

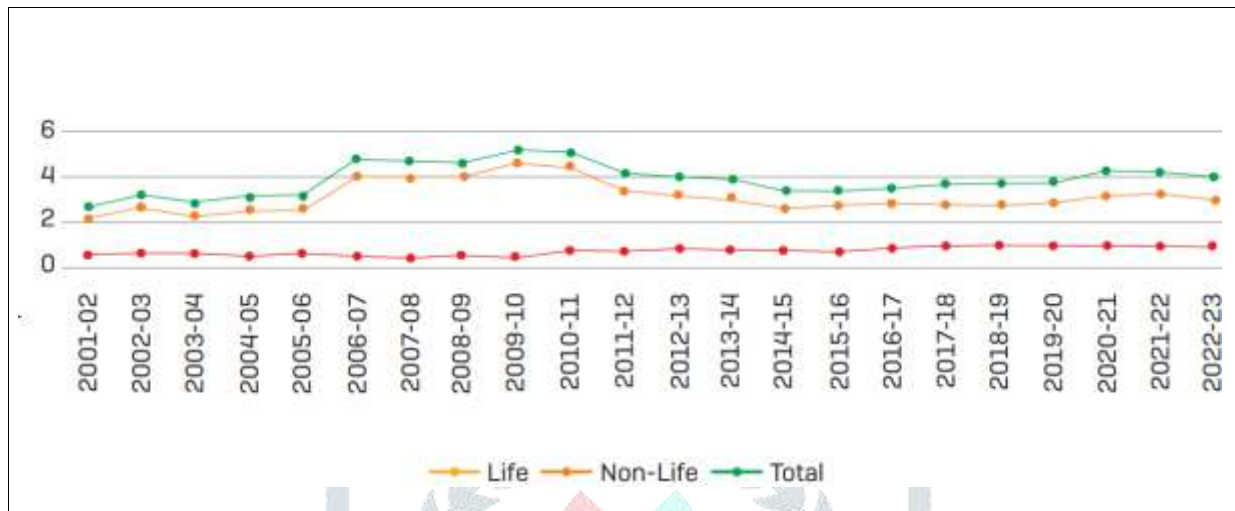
Sibaprasanna Pattanaik et.al. The aim of this research is to determine if bancassurance enhances Indian commercial banks' capital adequacy. 427 employees of the top 10 public as well as private sector banks in India, provided primary data for this study via a Google form that included pertinent questions about capital

sufficiency and was thoughtfully constructed using Likert's five-point scale. The findings indicated that bancassurance significantly affects the capital adequacy of Indian commercial banks that were taken into consideration for the stud.(Pattanaik et al., n.d.)

Objective

1. To analyze the growth of different government schemes through financial inclusion.
2. To assess the potential of bancaassurance model in India.

Trend in Insurance penetration in the India (in percent)



Source- irdai annual report

The insurance penetration in India, from the year 2001-02, has been slow but shows steady upward trend. Life insurance penetration showed significant increase in 2006-07 and 2009-10; after that, it remains stable. The non-life insurance penetration has also increased, but when we compare it to life insurance its growth is slower. Overall, the total insurance penetration, including both lives along with non-life insurance, followed a similar trend.

Different initiatives launched for financial inclusion through bancassurance

Pradhan Mantri Sukshrasha Bima Yojana

The program is open to everyone with a bank account who is between the ages of 18-70years and who consents to enrol or allow auto-debit by May 31st at the latest. The coverage term will run from June 1st to May 31st on yearly renewal basis. Main KYC for bank accounts would involve Aadhaar. Plan offers ₹1lakh for partial disability as well as ₹2lakh for accidental death and full disability. Yearly premium of ₹20 should be taken out of account holder's bank account in one single instalment utilizing 'auto-debit' characteristic. Public sector general insurance agencies or else other general insurance provider ready to make program available under similar terms with necessary permission along with bank partnerships are offering the scheme. As of June 30, 2022, there are around 29.01 crore people enrolled in PMSBY overall.

Duration	Gross-Enrolments (in crore)	No. of claim received (in No.)	No. of claim disbursed (in No.)
2019-20	15.74	41,601	32,904
2020-21	18.76	51,111	39,995
2021-22	23.36	58,967	45,674

2022-23	28.37	1,22,082	97,227
2023-24	33.78	1,46,717	1,15,294
2024-25	44.09	1,77,659	1,35,780

(Source: Department of financial services)

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

PMJJBY has been available to anyone within 18-50years of age who has a bank account along with authorization to enroll or permit auto-debit. Aadhaar serves as primary KYC for bank accounts. ₹2lakh life insurance policy lasts for a year, from June 1 to May 31. It is renewable. In the event that the insured individual passes away for any reason, this plan provides ₹2lakh in risk coverage. If the subscriber so desires, the ₹436 annual premium will be automatically taken out of his bank account in a single instalment prior to May 31 of each year the plan is in effect. LIC (Life Insurance Corporation) has offered the plan along with several life insurers who have been willing to provide products under similar circumstances and have necessary bank partnerships and approvals.

Duration	Gross-Enrolments (in crore)	No. of claim received (in No.)	No. of claim disbursed (in No.)
2019-20	5.99	1,48,276	1,37,298
2020-21	7.08	1,94,025	1,80,848
2021-22	10.32	2,56,523	2,39,605
2022-23	12.77	6,04,889	5,76,121
2023-24	16	6,90,509	6,60,383
2024-25	20.07	8,18,161	7,85,803

(Source: Department of financial services)

Pradhan Mantri Jan-dhan Yojana (PMJDY)

Hon'ble PM proclaimed the Pradhan Mantri Jan Dhan Yojana as National Mission on Financial Inclusion during his speech on Independence Day on 15August, 2014. Goal of this program has been to confirm that every household in the country has full utilization of banking services as well as financial inclusion. Without having to fulfil any minimum balance criteria, this enables someone who doesn't currently have savings account to open one. In addition, people can open a small account if they self-certify that they lack legally recognized documents required to start a savings account. Consequently, PMJDY makes banking services as well as financial product knowledge easily accessible to unbanked people through financial literacy campaigns. Clients can also obtain an overdraft facility along with a RuPay debit card with ₹2lakh in built-in accident insurance coverage after 6months of effective account operation or credit history. Furthermore, via Social Security schemes of Prime Minister, that been introduced by Hon'ble PM on May 9, 2015, every eligible account holder may utilize their bank account's personal accident insurance coverage under PMSBY, life insurance coverage under PMJJBY, as well as ensured at least pension to subscribers under Atal Pension Yojana.

Duration	No. of Account (in crore)	Deposited in (RS. Crore)	Account rural & urban	
			Rural (Crore)	Urban (Crore)
2019-20	35.27	96,107	20.9	14.33
2020-21	38.33	1,18,434	22.63	15.7
2021-22	42.83	1,42,948	28.53	14.31
2022-23	46.1	1,71,616.7	30.78	15.32
2023-24	49.63	1,99,984.1	33.07	16.56
2024-25	52.99	2,28,361.93	35.27	10.72

(Source: Department of financial services)

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

The PMVVY was created by government to protect individuals 60years of age and above from potential drops in interest income caused by uncertain market circumstances and to offer social security in old age. Subscriptions for program, which has been run by LIC (Life Insurance Corporation) of India, are accepted through March 31, 2023. over the fiscal year 2020–21, PMVVY provides an assured rate of return of 7.40% annually over a ten-year policy period. Beginning on April 1st of the fiscal year, the certain rate of return will be reset yearly as long as the scheme is in operation to correspond with the applicable rate of return of the SCSS (Senior Citizens Saving Scheme), up to 7.75% maximum. If this threshold is breached at any time, a new evaluation of the scheme will be conducted. The Yojana provides pensions on a monthly, quarterly, half-yearly, or else annual basis, dependent on subscriber's preference. Under program, the lowest cost of buying for minimum pension of ₹1000/month is ₹1,62,162/-, and the highest purchase price for a senior citizen to get a pension sum of ₹9,250/- per month.

Conclusions

Bancassurance has been emerging as a powerful tool in India for financial inclusion. With the support of large network of banks, insurance products are made available to wider population, in rural areas especially. Due to the convenience and the trust factor associated with banks, this led to increase in insurance penetration. Government initiatives that include PMSBY as well as PMJJBY are offered through Bancassurance. This led to increase in financial inclusion. However, there are some drawbacks of Bancassurance, like miss-selling and limited product. It is crucial to ensure proper training of bank staff and transparent customer centric approach to maximize its benefits in increasing financial inclusion. Bancassurance proved its effectiveness. But challenges are still there, one of the major challenges is miss-selling of insurance products by bank staff, that may be, they sacrifice the needs of customer to prioritize their own commission. This can lead to purchasing of unsuitable products by the customer, which does not meet their expectations. To tackle this type of situation government should impose strict regulations to ensure ethical practice and transparency. Further, there is need to improve financial literacy among potential customers. By educating the customer about various risks of health and life, the numerous insurance products are available, they can make choices that align with their financial goals. Overall, Bancassurance has significant opportunity to enhance India's financial inclusion. By tackling the challenges and implementing best practices, this model can contribute to a more financially secure and empowered population.

References:

- Investopedia. Retrieved from <https://www.investopedia.com/terms/b/bancassurance.asp#:~:text=Bancassurance%20is%20an%20arrangement%20between,be%20profitable%20for%20both%20companies.>
- Imarc Transforming Ideas into Impact. Retrieved from <https://www.imarcgroup.com/india-bancassurance-market>
- Department of financial services. Retrieved from <https://financialservices.gov.in/beta/en/pmsby>
- Dua, P., Sahay, N., & Deol, O. S. (2019). Bancassurance model and its impact on Financial Inclusion: Review and Analysis. *International Journal of Research and Analytical Reviews*, 6(2), 661–669.
- Mazeed, S. A., Reddy, R. S., & Lakshmi, C. S. (n.d.). Bancassurance—A Panacea for Increased Sales: Insurance Companies Perspective. *Age*, 71(41), 13.
- Pattanaik, S., Patjoshi, P. K., & Nandini, G. (n.d.). *Examining the Effect of Bancassurance on Capital Adequacy of Public Sector and Private Sector Banks in India*.
- Singh, P., & Kumar, V. (2017). Insurance coverage under different health schemes in Uttar Pradesh, India. *Clinical Epidemiology and Global Health*, 5(1), 33–39.

