



STUDY OF VARIOUS FACTORS CONSIDERED BY BANK CUSTOMERS FOR BUYING GENERAL INSURANCE

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ABSTRACT

The concept of bancassurance has emerged as a significant distribution channel in the financial services sector, enabling banks to offer insurance products alongside traditional banking services. This study aims to analyze the various factors considered by bank customers while purchasing general insurance through banks. The research focuses on understanding customer behaviour, preferences, and decision-making criteria such as trust, convenience, pricing, service quality, and brand reputation.

The study adopts a quantitative research approach using primary data collected through structured questionnaires. The findings reveal that trust in banks, ease of access, and bundled financial services play a crucial role in influencing customer decisions. The study also highlights the importance of awareness and financial literacy in shaping insurance purchasing behaviour.

Keywords: Bancassurance, Customer Behaviour, General Insurance, Decision Factors, Financial Literacy

INTRODUCTION

The Indian financial sector has undergone rapid transformation with the integration of banking and insurance services. Bancassurance allows banks to distribute insurance products, offering customers a one-stop solution for financial needs.

General insurance products such as health insurance, motor insurance, travel insurance, and property insurance are increasingly being sold through banks due to their wide customer base and established trust.

Customers today consider multiple factors before purchasing insurance, including:

- Trust in the institution
- Premium cost
- Claim settlement ratio
- Service quality
- Convenience

This study aims to explore these factors in detail and analyze how they influence customer decisions.

STATEMENT OF THE PROBLEM

Despite the growth of bancassurance, many customers remain uncertain about purchasing general insurance through banks. Factors such as lack of awareness, perceived complexity, and trust issues affect decision-making.

There is a need to identify and analyze the key factors that influence customers while purchasing general insurance through banks.

OBJECTIVES OF THE STUDY

1. To identify factors influencing customers to buy general insurance from banks
2. To analyze customer preferences and behaviour
3. To evaluate the role of trust and convenience
4. To study the impact of pricing and service quality
5. To suggest improvements in bancassurance services

SIGNIFICANCE OF THE STUDY

- Helps banks improve insurance sales strategies
- Assists insurance companies in product development
- Enhances customer awareness and satisfaction
- Contributes to academic research in financial services

LITERATURE REVIEW (DETAILED)

The literature review provides a theoretical foundation for understanding customer behaviour in purchasing general insurance through banks (bancassurance). Various researchers and institutions have studied financial decision-making, behavioural biases, and service-related factors influencing insurance adoption.

1. Prospect Theory – Kahneman & Tversky (1979)

Kahneman and Tversky introduced **Prospect Theory**, which explains how individuals make decisions under risk and uncertainty. According to this theory:

- Individuals are **loss-averse**, meaning losses have a stronger psychological impact than gains
- Customers tend to avoid risks unless they perceive high benefits
- Insurance purchasing is influenced by fear of future financial loss

Relevance to Study:

Customers often purchase general insurance (like health or motor insurance) to avoid potential financial losses rather than to gain benefits. This explains why risk perception plays a key role in insurance buying behaviour.

2. Behavioural Finance – Hersh Shefrin (2000)

Shefrin emphasized that financial decisions are not always rational and are influenced by psychological biases such as:

- Overconfidence
- Herd behaviour
- Emotional decision-making
- Mental accounting

Relevance to Study:

Customers may buy insurance because others are buying it (peer influence) or due to fear created by external events (e.g., pandemics), rather than logical evaluation.

3. Financial Literacy – Lusardi & Mitchell (2014)

This study highlighted that:

- Financial literacy significantly affects decision-making
- People with low financial knowledge are less likely to purchase insurance
- Awareness leads to better financial planning

Relevance to Study:

Customers with higher financial awareness are more likely to understand the importance of general insurance and purchase suitable policies.

4. Trust and Relationship Banking – Berry (1983)

Berry introduced the concept of **relationship marketing**, emphasizing long-term customer relationships.

- Trust is a key determinant of financial service adoption
- Customers prefer institutions they are already associated with

Relevance to Study:

Bank customers trust their banks more than unknown agents, making bancassurance a preferred channel.

5. Service Quality Model – Parasuraman, Zeithaml & Berry (SERVQUAL Model)

The SERVQUAL model identifies five dimensions of service quality:

- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles

Relevance to Study:

Service quality in banks directly influences customer satisfaction and their willingness to purchase insurance products.

6. IRDAI Reports (India)

The Insurance Regulatory and Development Authority of India (IRDAI) reports indicate:

- Increasing penetration of insurance through bancassurance
- Low insurance awareness in rural areas
- Growth in digital insurance distribution

Relevance to Study:

Bancassurance is becoming a major channel for insurance distribution, but awareness gaps still exist.

7. Indian Empirical Studies (2015–2023)

Recent studies in India have found:

- Customers prefer **convenience and one-stop solutions**
- Price sensitivity affects insurance purchase decisions
- Digital banking has increased insurance accessibility
- Trust in banks is higher than in independent agents

8. Role of Technology and Digitalization

Studies highlight that:

- Mobile banking and online platforms increase accessibility
- Digital interfaces simplify policy comparison
- Customers prefer quick and paperless transactions

Summary of Literature Review

The review indicates that customer decisions are influenced by:

- **Financial Factors:** Price, income, affordability
- **Behavioural Factors:** Risk perception, emotions, peer influence
- **Institutional Factors:** Trust, service quality, brand reputation
- **Technological Factors:** Ease of access, digital platforms

RESEARCH METHODOLOGY

Research methodology refers to the systematic, logical, and scientific approach used to conduct the research study. It includes techniques and procedures used for data collection, analysis, and interpretation to achieve the research objectives.

This study focuses on analysing the factors influencing bank customers in purchasing general insurance through bancassurance.

1. RESEARCH DESIGN

Research design is the blueprint of the study that guides data collection and analysis.

Type of Research Design Used:

- **Descriptive Research Design**
- **Analytical Research Design**

Explanation:

- **Descriptive Design** helps in describing customer characteristics such as:
 - Preferences
 - Awareness
 - Behaviour
- **Analytical Design** helps in:
 - Studying relationships between variables
 - Testing hypotheses

Justification:

This design is suitable because the study aims to both describe customer behaviour and analyze influencing factors.

2. RESEARCH APPROACH

The study uses a Quantitative Research Approach.

Features:

- Data is numerical
- Allows statistical analysis
- Objective and unbiased

Advantages:

- Easy comparison of responses
- Supports hypothesis testing
- Provides measurable results

3. RESEARCH TYPE

- **Empirical Research** – Based on real-world data
- **Applied Research** – Aims to solve practical problems in banking and insurance

4. VARIABLES OF THE STUDY

Independent Variables:

- Trust in bank
- Premium cost
- Service quality
- Brand reputation
- Convenience

Dependent Variable:

- Customer decision to purchase general insurance

Control Variables:

- Age
- Income
- Education

5. DATA SOURCES**A. Primary Data**

Collected directly from respondents using a questionnaire.

Advantages:

- Specific to study
- More accurate
- Updated information

B. Secondary Data

Collected from:

- IRDAI reports
- Research journals
- Banking websites
- Books and articles

Purpose:

- To support theoretical framework
- To compare findings

6. POPULATION OF THE STUDY

The population includes:

- Bank customers
- Individuals aware of insurance products
- Customers using banking services

Exclusions:

- Insurance agents
- Corporate clients

7. SAMPLING TECHNIQUE**Method Used: Convenience Sampling****Reasons:**

- Easy access to respondents
- Timesaving
- Cost-effective

Limitation:

- May not represent entire population

8. SAMPLE SIZE

- Total sample: **100–150 respondents**

Justification:

- Adequate for statistical analysis
- Suitable for academic research



9. RESEARCH INSTRUMENT (QUESTIONNAIRE DESIGN)

A structured questionnaire is used.

Sections of Questionnaire:

Section A: Demographics

- Age
- Gender
- Income
- Occupation

Section B: Awareness

- Knowledge about general insurance
- Awareness of bancassurance

Section C: Factors Influencing Purchase

- Trust in bank
- Premium affordability
- Service quality
- Brand image
- Convenience

Section D: Behavioural Aspects

- Risk perception
- Emotional factors
- Peer influence

Section E: Satisfaction Level

10. SCALING TECHNIQUE

5-Point Likert Scale

Scale Meaning

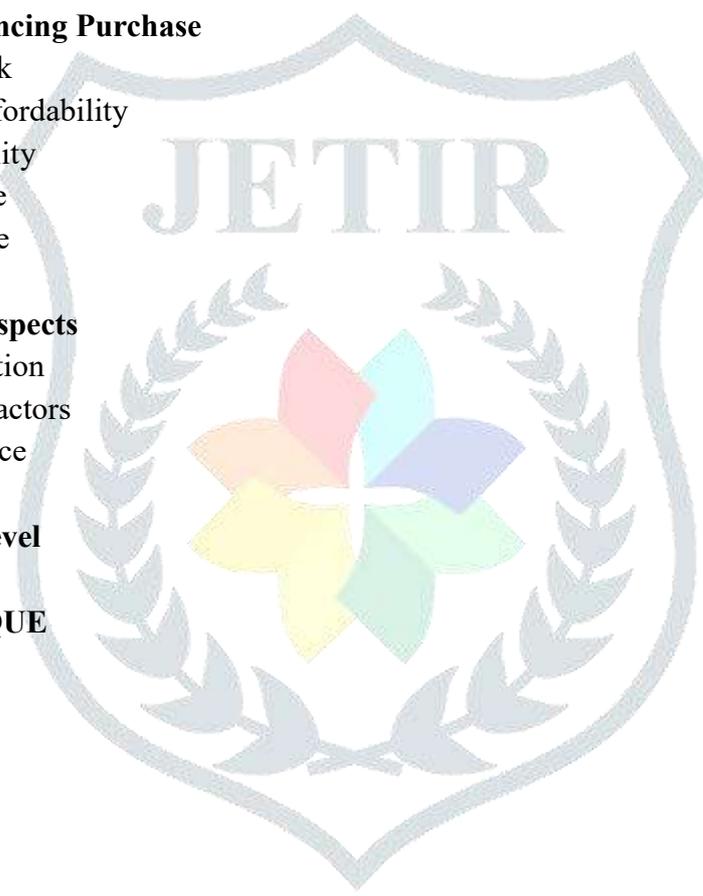
- 1 Strongly Disagree
- 2 Disagree
- 3 Neutral
- 4 Agree
- 5 Strongly Agree

Importance:

- Converts opinions into measurable data
- Easy to analyze statistically

11. DATA COLLECTION PROCEDURE

1. Questionnaire prepared
2. Distributed via:
 - Google Forms
 - Offline surveys
3. Responses collected
4. Data verified and cleaned



12. DATA PROCESSING

Steps:

1. **Editing** – Remove incomplete responses
2. **Coding** – Assign numerical values
3. **Classification** – Group data
4. **Tabulation** – Create tables

13. TOOLS & TECHNIQUES FOR DATA ANALYSIS

A. Descriptive Statistics

- Percentage analysis
- Frequency distribution
- Mean & standard deviation
- Pie charts & bar graphs

B. Inferential Statistics

1. Chi-Square Test

Used to check relationship between variables

Example:

- Trust vs Purchase Decision

2. Correlation Analysis

Measures strength of relationship

3. Regression Analysis

Examines impact of independent variables

14. HYPOTHESIS TESTING

Example Hypothesis:

- **H₀**: Trust does not influence purchase decision
- **H₁**: Trust influences purchase decision

15. RELIABILITY OF THE STUDY

Measured using **Cronbach's Alpha**

- Value > 0.7 = Reliable

16. VALIDITY OF THE STUDY

Types:

- **Content Validity** – Based on literature
- **Construct Validity** – Based on variables

17. ETHICAL CONSIDERATIONS

- Participation is voluntary
- Confidentiality maintained
- No misuse of data

18. LIMITATIONS OF RESEARCH

- Small sample size
- Sampling bias

- Limited geographical area
- Respondent bias

19. SCOPE OF THE STUDY

- Focus on bank customers only
- Limited to general insurance
- Applicable mainly to urban areas

20. FLOW OF RESEARCH METHODOLOGY

1. Problem Identification
2. Literature Review
3. Objective Setting
4. Questionnaire Design
5. Data Collection
6. Data Analysis
7. Interpretation
8. Conclusion

HYPOTHESIS

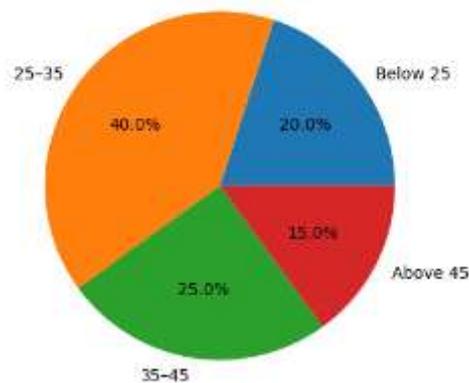
- **H0:** There is no significant relationship between trust in banks and insurance purchase
- **H1:** There is a significant relationship between trust in banks and insurance purchase

DATA ANALYSIS AND INTERPRETATION

1. Age Distribution

Age Group	Respondents	Percentage
Below 25	20	20%
25–35	40	40%
35–45	25	25%
Above 45	15	15%

Age Distribution of Respondents



Interpretation:

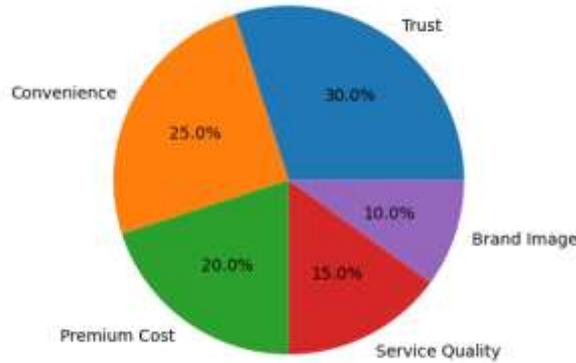
Majority customers (40%) belong to the 25–35 age group, indicating young adults are more inclined toward insurance purchase.

2. Awareness of Insurance

Response Percentage

Yes	70%
No	30%

Factors Influencing Insurance Purchase



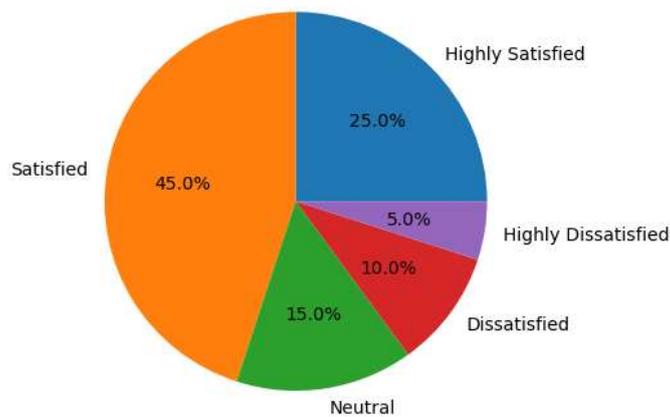
Interpretation:

Most customers are aware of insurance products, but a significant portion still lacks awareness.

3. Factors Influencing Purchase

Factor	Percentage
Trust in Bank	30%
Convenience	25%
Premium Cost	20%
Service Quality	15%
Brand Image	10%

Customer Satisfaction Level

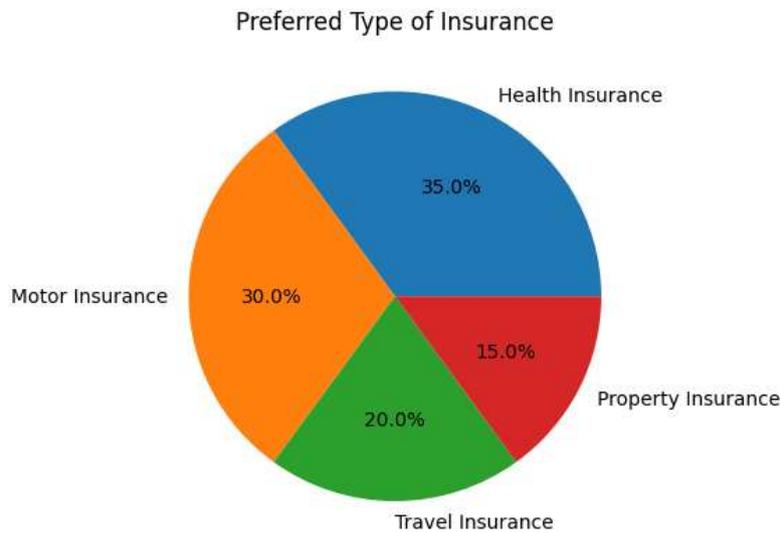


Interpretation:

Trust is the most important factor influencing customer decisions.

4. Preferred Type of Insurance

Type	Percentage
Health Insurance	35%
Motor Insurance	30%
Travel Insurance	20%
Property Insurance	15%



Interpretation:

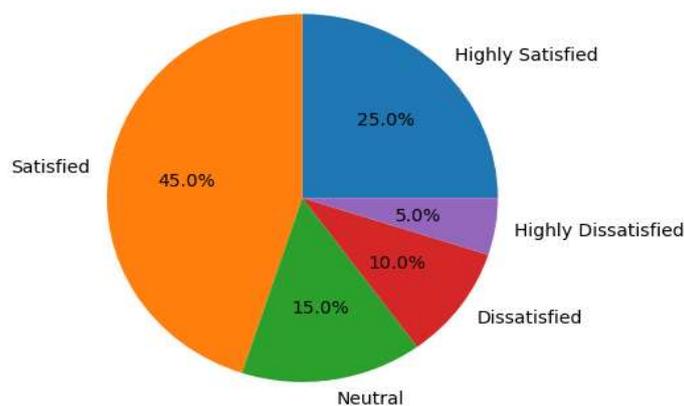
Health insurance is the most preferred product among customers.

5. Satisfaction Level

Response	Percentage
Highly Satisfied	25%
Satisfied	45%
Neutral	15%
Dissatisfied	10%
Highly Dissatisfied	5%



Customer Satisfaction Level



Interpretation:

Majority customers are satisfied with bancassurance services.

FINDINGS

1. Trust in banks is the most important factor influencing purchase decisions
2. Customers prefer convenience and easy access to services
3. Pricing plays a significant role but is secondary to trust
4. Awareness levels are improving but still insufficient
5. Young customers dominate insurance purchases.

CONCLUSION

The study concludes that bancassurance is a growing channel for selling general insurance. Customers prefer buying insurance from banks due to trust, convenience, and integrated financial services.

However, lack of awareness and understanding remains a challenge. Banks must focus on educating customers and improving service quality to enhance adoption.

RECOMMENDATIONS

1. Increase awareness through campaigns and seminars
2. Simplify insurance products and documentation
3. Improve digital platforms for easy access
4. Train bank staff for better customer guidance
5. Offer customized insurance plans

LIMITATIONSS

- Limited sample size
- Convenience sampling bias
- Responses may be subjective

SCOPE FOR FUTURE RESEARCH

- Comparative study between banks and agents
- Study on digital insurance platforms
- Regional analysis of customer behaviour

REFERENCES

1. Kahneman & Tversky (1979)
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3. Lusardi & Mitchell (2014)
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