BANCASSURANCE: A SURVEY AMONG DELHI UNIVERSITY TEACHERS

Renu Ghosh,

Assistant Professor,
Department of Commerce
Rajdhani College,
University of Delhi, India.

Sumanjeet Kaur,

Assistant Professor,
Department of commerce
Shyam Lal College,
University of Delhi, India.

ABSTRACT

In this study we had conducted a survey among Delhi University Teachers in order to know whether they are aware of the concept of Bancassurance and exploring the reasons why customer would like to buy insurance products from banks. Customer attitude to two different distribution channels was calculated by getting the mean of 14 statements on Likert scale. 74% of the sample was aware of the fact that their banks sell insurance products. It was reported that the reference (56%) and bank employees (54%) are the two main information sources for these customers. The respondents emphasized Trust, convenience in terms of location as the main reasons for buying the insurance products from banks instead of Insurance agents and after analysing 14 statements administered among target sample population we can conclude: Customers feel that insurance agents have more expertise in insurance products than bank employees and can give better advice. It was also found that banks employees give them all the information needed than insurance agents and customers trust bank more than insurance company for all their financial requirements. Therefore, banks in India should try to exploit the existing opportunities to cross-sell insurance products through their branch network.

Keywords: insurance, banks, survey, Bancassurance.

Introduction:

Bancassurance means selling of insurance products by banks. In this type of arrangement, insurance companies and banks undergo a tie-up, in which banks are allowed to sell the insurance products to its customers. This is a system in which a bank has a corporate agency with one insurance company to sell its products. By selling insurance policies bank earns a revenue stream apart from interest. It is called as fee-based income. This income is purely risk free for the bank since the bank simply plays the role of an intermediary for sourcing business to the insurance company.

Coming to India, Bancassurance is a new buzzword in India. It originated in India in the year 2000 when the Government issued notification under Banking Regulation Act which allowed Indian Banks to do insurance distribution. It started picking up after Insurance Regulatory and Development Authority (IRDA) passed a notification in October 2002 on 'Corporate Agency' regulations. As per the concept of Corporate Agency, banks can act as an agent of one life and one non-life insurer. Currently Bancassurance accounts for a share of almost 25-30% of the premium income amongst the private players in India.

In India, rural market is still untapped by the insurance companies and setting up the branches in rural areas incurs huge cost, therefore no company would be ready in doing so. Therefore to such problems, the answer is Bancassurance. It would help the insurance companies to tap the rural market at a much lower cost.

Bancassurance in Indian Context:

In India, Bancassurance is a novel concept. Insurance and Banking is two different sectors and is regulated by different entities:

(1)All Banks come under the control of Reserve Bank of India (RBI)

(2)Insurance sector follow the guidelines of Insurance Regulatory Development Authority (IRDA). Hence, the banks entering into Insurance business has to follow the norms of both RBI and IRDA.

Few Tie-ups in India:

- Life Insurance Corporation (LIC) has a tie up with Corporation Bank, Indian Overseas Bank, Sahara Development Central Co-operative bank, and Vijaya bank.
- Birla Sunlife Insurance Co td has tie up with the following banks for the purpose of Insurance such as - Bank of Rajasthan, Andhra Bank,Citi Bank, Bank Of Muscat, Development Credit bank and Dutch bank.
- HDFC bank has tie up with Standard life, USA.
- ING Vysya Bank has tie up with Royal sundaram and ING life Insurance, Canada
- ICICI bank has tie up with Lombard insurance, England and Prudential life, England.

Research Objectives:

1. To examine whether Indian customers are aware of the concept of Bancassurance i.e. selling of insurance products by banks.
2. To examine the preference of Indian customer for buying insurance products from insurance company or the bank and the reason for such preference.
3. To investigate the factors that influence Indian customer's attitude towards banks and insurance companies.

Testable Hypotheses:

1. There is no significant difference between customer's preference for purchase of insurance from bank or insurance company.
2. Customer awareness about Insurance products is significantly high.
3. There is no significant difference regarding the awareness about Insurance products being offered by bank and non-bank Insurance Company.
4. Trust and convenience in terms of location are the important factors behind purchase of Insurance products from banks by customers.
5. References from friends, colleges and media advertisement are the main source of information about Insurance products.
6. Customers do not prefer insurance agents to bank employees as far as insurance products are concerned.

Data and Methodology:

A survey was conducted with a target population DELHI UNIVERSITY TEACHERS comprising men and women of over 21 years old, who have transactions with banks or an insurance company.

Convenience sampling was used for survey. The final questionnaire was administered personally to 50 participants, representing both genders and different age groups with different designation and income. The respondents were from Delhi University. The survey was done in the month of March 2010.

Literature Review:

McGoldrick and Greenland (1992) in their study presented the results of bank-building society competition, illustrating the attributes and dimensions upon which consumers tend to base their choices. Financial services retailers are urged to base their marketing strategies upon a clear understanding of consumer needs and motives. As many product retailers have discovered to their cost, heavy marketing expenditure cannot be a substitute for a well-founded retail marketing strategy.

Morrison and Roberts (1998) in their paper studied the determinants consumers will consider for banking services. According to the model they developed consideration will depend on consumer's preference for banking services, their preference for distribution method or fit between the two.

Lee and Marlowe (2003) in their study investigated how consumers choose a financial institution and found that most consumers value convenience as one of the most important decision-making criteria however their definition of convenience vary as per their needs, experience and characteristics.

Boyd et al (1994) in their study conducted a survey of households to evaluate the relative importance attached to selection criteria used to choose a financial institution using a telephone survey. Ten selection criteria were provided relative to various characteristics including marital status, size of household, age, occupation, income and gender. The results of the study reveal that some criteria are viewed as having more importance than other criteria. More importance was given to reputation, interest charged on loans and interest on savings account and much less importance was given to friendliness of employees, modern facilities and drive-in service.

Polpi and Rao (2009) in their study conducted a survey in Delhi with respondent base 115. He found that opportunities exist for banks to cross-sell insurance products. These opportunities are based on customer's high usage rate of insurance, the low penetration of banks to insurance programs and customer's willingness to buy insurance from banks. The identification of specific insurance products and certain customer segments enhance the banks efforts to cross-sell insurance products.

Black et al (2002) with channels distribution changing rapidly and multi-channeling becoming increasingly widespread, studies of consumers will need to focus not just on understanding product choice, but also on understanding the reasons for channel choice. Based on the results of focus group discussion, the paper argues that channel choice in financial service can usefully be conceptualized as being determined by consumer, product channel and organizational characteristics, with product-channel interactions and consumer-channel interactions being particularly important.

Research Methodology:

A survey was conducted with a target population DELHI UNIVERSITY TEACHERS comprising men and women of over 21 years old, who have transactions with banks or an insurance company. Convenience sampling was used for survey. The final questionnaire was administered personally to 50 teachers, representing genders, different age groups, designation and different income level. The survey was done in the month of March 2010.

Questionnaire Design:

A questionnaire consisting of 14 questions was administered. The questionnaire has been adapted from the study Popli and Rao (2009). The questionnaire was pilot tested in Delhi University and based upon the feedback appropriate changes were made to improve the questionnaire to make it more respondents friendly. Participants were asked to express their consent level with 14 statements, which were related to whether they preferred the insurance agent or the bank. For the measurement of all these items a five-point Likert Scale was used (1 = strongly disagree to 5 = strongly agree).

In the beginning part, questions relating to the demographics of the respondents were included specifically- gender, age, education, designation and income.

Analysis Tools Applied:

➢ **Mean:** The mean of all the 14 statements administered from the respondents is calculated to know the average preference of customer for buying insurance from banks and Insurance agents. For this we have done the coding of responses such as

Strongly disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly agree	5

The mean responses of all the 14 statements are calculated using this scale.

➢ **Standard Deviation:** standard deviation of all the 14 statements administered among respondents is calculated to know the variability in response of each statement from the average response. If the standard deviation is less, it can be conclude that the responses are around mean response and the mean response is reliable and honest.

Empirical Results:
Table1: Respondent's Profile

Gender	Number	Percentage
Male	15	30
Female	35	70
Age		
21-30	24	48
31-40	13	26
41-50	3	6
51-60	5	10
60+	5	10
Education		
Post Graduate	16	32
M.Phil	15	30
Doctorate	19	38
Designation		
Guest Lecturer	7	14
Ad-hoc	15	30
Assistant Professor	15	30
Associate Professor	9	18
Professor	4	8
Income		
Less than Rs. 2 lacs	7	14
Rs.2lacs-4lacs	15	30
Rs.4lacs-6lacs	15	30
Rs.6lacs-8lacs	5	10
Rs.8lacs-10lacs	4	8
Rs.10lacs+	4	8

Exploring the reasons why customer would like to buy Insurance Products from Banks:

The respondents emphasized Trust, convenience in terms of location as the main reasons for buying the insurance products from banks instead of Insurance agents. This is shown as the percentage-wise in Table2.

Table 2: Reasons for buying Insurance Products from Banks rather than Insurance Agents

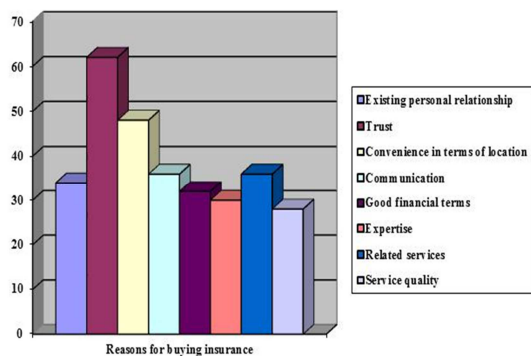| Reasons	Number	%
Existing personal relationship	17	34
Trust	31	62
Convenience in terms of location	24	48
Communication	18	36
Good financial terms	16	32
Expertise	15	30
Related services	18	36
Service quality	14	28

Figure 1

Exploring Awareness and Willingness:

74% of the sample was aware of the fact that their banks sell insurance products. It was reported that the reference (56%) and bank employees (54%) are the two main information sources for these customers.

Table 3: Sources of Information about the provision of Insurance   Products by banks

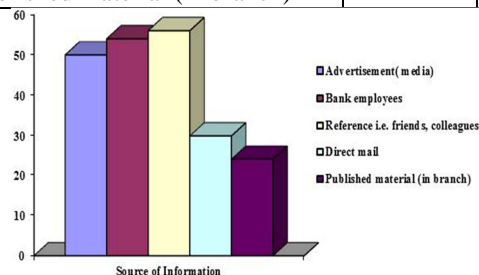| Source of information	Number	%
Advertisement(media)	25	50
Bank employees	27	54
Reference i.e. friends, colleagues	28	56
Direct mail	15	30
Published material (in branch)	12	24

Figure 2

Analysing customer attitude to two different distribution channels was calculated by getting the mean of 14 statements on Likert scale.

Each statement begins with: To what extent do you agree

Table 4: Analysing customer attitude to two different distribution channels

Code	Statements	Mean	Std. Dev.
A	Do you think that insurance agent is expert in insurance products?	3.42	0.971
B	Do you think that your insurance agent can better advise you on insurance products?	3.86	0.606
C	Do you think that insurance agent gives all the information needed?	3.00	1.010
D	Would you trust insurance agent over bank employee?	2.90	1.035
E	Do you think that bank employees give all the information needed?	3.24	1.061
F	Do you think that bank offers same insurance products?	3.22	0.910
G	Do you trust bank for all your financial needs?	3.34	1.002
H	Do you think that bank employees will not force you to buy insurance products?	3.10	1.233
I	Do you trust your insurance agent?	3.42	0.835
J	Do you trust the bank employees?	3.56	0.861
K	Do you think that bank employees can better advice on insurance products?	3.54	0.762
L	Do you feel that your insurance agent will not force you to buy insurance products?	2.76	1.117
M	Do you think that bank employees have expertise in insurance products?	2.94	0.998
N	Do you trust insurance company for all your financial needs?	2.80	1.069

As from the above Table 4, it can be concluded that customer think that Insurance agent is expert in selling insurance products, as the mean value is 3.42 (also the standard deviation is as low as equal to 0.971).

Similarly other statements are analysed. In the second statement they think that the insurance agents can advise them on insurance product as mean is 3.86(S.D is as low as equal to 0.606) the lower value of standard deviation represents that mean is reliable and there is little variation in the responses of various respondents.

The third statement was regarding whether insurance agents provided all the needed information. And the mean score was equal to 3 which represents that the customers are neither satisfied nor dissatisfied about it, they are just neutral about it (S.D. is as low as equal to 1.01)

In the fourth statements the customers trust bank employees equally or slightly more than insurance agents as mean is 2.9 which is as close to 3 (S.D is as low as equal to 1.035) representing the reliability and honesty of mean value.

The fifth statement was regarding the information provided by bank employees and the customers are satisfied with the information provided by bank employees as the mean is 3.24 and (S.D is as low as equal to 1.061).

In the sixth statement the customers are indifferent between the products being offered by banks as well as non-bank insurance company as the mean score is 3.22 and the standard deviation is as low as equal to 0.91

In the seventh statement the trust level of customer for bank employees for all their financial need were analysed and it is concluded that they trust bank employees as the mean score is 3.34 and standard deviation is as low as equal to 1.002 representing reliability of mean value.

In the eighth statement customers were asked whether bank employees push them to buy insurance products and the customers are neither satisfied nor dissatisfied i.e. neutral on an average as the mean score is 3.1 and the standard deviation is as low as equal to 1.233.

In the ninth and tenth statement the customers were asked about their trust level on insurance agent and bank employees and it can be concluded that people trust both their insurance agent as well as bank employees for buying insurance products as the mean score is 3.42 and 3.56. Also it can be concluded that people trust bank employee's more than insurance agent for buying insurance product. The standard deviation is as low as equal to 0.835 and 0.861for the statements.

In the eleventh statement it was found that the customers think that insurance agents can better advise them about insurance products as the mean score is 3.86as compared to the mean score which is 3.54 for the advice given by bank employees for insurance product.

In the twelfth statement the respondents were asked whether insurance agent push them to buy insurance products and we found most of them to be dissatisfied with the statement means they found insurance agents to be pushing them to buy insurance product as the mean score is 2.76 and the standard deviation is as low as equal to 1.117

From the thirteen statement it can be concluded that people think that insurance agents have more expertise in insurance products than bank employees as the mean score for this statement is 2.94 less than that of first statement representing the expertise of insurance agent and the standard deviation is as low as equal to 0.998.

From the fourteenth statement it can be concluded that the people trust bank more than insurance company for all their financial need as the mean score for trust on insurance company is 2.86 less than trust for bank which 3.34 and the standard deviation is as low as equal to 1.069 representing the reliability of mean value.

Preference of customer for buying Insurance from bank or insurance company:

After conducting survey and getting responses we came to conclude that out of a sample of 50 persons, 40 have Life insurance policies. Out of 40 insured persons only 24 respondents have provided the information that from where they have purchased it and out of those 24 persons 21 have insurance from LIC (life insurance Corporation of India) and 1 from HDFC standard life, 1 from TATA-AIG and 1 from ICICI Insurance Company. So we can say that people trust Insurance Company over bank for buying insurance products.

Conclusions:

From the 14 statements administered among target sample population we can conclude:

- Customers feel that insurance agents have more expertise in insurance products than bank employees.
- Customers feel that insurance agents can better advice than bank employees on insurance products.
- Customers feel that banks employees give them all the information needed than insurance agents.
- Customers trust bank more than insurance company for all their financial requirements.
- Customers trust bank employees over insurance agents.
- Customers feel that insurance agents push them to buy insurance products than bank employees.

Therefore, banks in India should try to exploit the existing opportunities to cross-sell insurance products through their branch network, by designing a clear and effective marketing strategy aimed at increasing awareness and customer's willingness to choose banks as insurance providers. Banks should focus an integrated marketing communication strategy that encompasses advertising, public relations and direct marketing in order to inform their customers about the provision of insurance services via their branch network (Popli and Rao, 2009).

Limitations of the Study:

- The research was conducted only among Delhi University Teachers. A more diverse sample can be used.

- The survey examined only 14 questions. More questions regarding pricing, servicing, product feature can be added.

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Appendix -1

List of Life Insurers:

1. Bajaj Allianz Life Insurance Company Limited
2. Birla Sun Life Insurance Company Limited
3. HDFC Standard Life Insurance Company Limited
4. ICICI Prudential Life Insurance Company Limited
5. ING Vysya Life Insurance Company Limited
6. Life Insurance Corporation of India
7. Max Newyork Life Insurance Company Limited
8. Met Life India Insurance Company Pvt. Limited
9. Kotak Mahindra Old Mutual Life Insurance Company Limited
10. SBI Life Insurance Company Limited
11. Tata AIG Life Insurance Company Limited
12. Reliance Life Insurance Company Limited
13. Aviva Life Insurance Co. India Pvt. Limited
14. Sahara India Life Insurance Co. Ltd.
15. Shriram Life Insurance Co. Ltd.
16. Bharti AXA Life Insurance Co. Ltd.
17. Future General Life Insurance Co. Ltd.
18. IDBI Fortis Life Insurance Co. Ltd.

Note: Source http:/www.irdaindia.org/productlist

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