

# **AN ANALYTICAL STUDY ON POLICY HOLDERS PERCEPTION TOWARDS BANCASSURANCE**

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**Abstract:** *The banking and insurance industries have developed rapidly in the changing and challenging economic environment all over the world. Due to merging of global financial markets, development of new technologies, universalization of banking industries and with the expansion of non-banking activities, the insurance industry has globally brought in new channels of distribution into existence. Nowadays Banks have started increasing their business to securities and insurance and other sectors by adding new range of products. The financial resources in the hands of people should be channelized in effective manner to increase the returns from the basic financial structure of nation and also the quality of living of people. This study focuses on the perception of the policyholders towards Bancassurance and its features.*

**Index Terms:** *Bancassurance, Policyholders, Perception, Awareness Level, Economic Environment, Financial Securities, Insurance.*

## **I. INTRODUCTION**

Insurance policies are instruments towards the cause. Bancassurance means the coalition between the bank and the insurance company (both life and non-life) wherein, the bank provides a platform to the insurance company to promote its products, policies and services. This new buss word Bancassurance originated in the year 2000, when the government issued notification under Banking Regulation Act which allowed Indian Banks to do insurance distribution. It started getting more recognition after Insurance Regulatory and Development Authority (IRDA) passed a notification in October 2002 of ‘Corporate Agency’ regulations. As per the concept of Corporate Agency, banks can act as an agent of one life and one non-life insurer. In bancassurance, bank provide insurance companies access to vast database of their customers without increasing their sales force or paying agent and broker commissions and in return earn fee based income that is entirely risk –free. Now a day’s bancassurance is the buzz word. Where in banks provide a platform to insurance companies to sell their products both life and non-life (general). In fact, it is more cheap and cost effective rather than selling through agencies and brokers.

The expected revenue generation through bank assurance is 13 to 15% in the coming five years. In, India many insurance companies have realised the importance of bancassurance and tied up with commercial, cooperative and rural banks to reach more customers and subsequently they closed the doors for traditional ways of selling policies. The booming market has even drawn the attention of foreign players to enter into Indian market so that they can easily penetrate in the market without putting much effort. Hence, a study has been undertaken in order to find out the perception of policyholders towards Bancassurance and its features with special reference to Hyderabad city.

## **II. REVIEW OF LITERATURE**

It includes the past studies undertaken in the field of bancassurance and has been reviewed in the same context before conducting this research study.

**Chevalier, Launay, and Mainguy (2005)** tried to draft overall bancassurance around the world. Authors made an effort to identify the causes of failure in “Anglo-Saxon” countries (Germany, Britain and America) where the role of bancassurance is now insignificant and needs to develop again on another base. They found positive factors that would determine where bancassurance is succeeding. In European countries bancassurance is now dominating and thus the banks and insurance industries are being rewarded by the bancassurance

**Ostaszewski (2003)** narrated that life insurance business is meant for security to human wealth and health and these are the financial tools for the insurance business. He proposed that the products like life insurance, disability insurance, annuities, and casual losses should be implemented well to discourse the doubts and shortcomings of the end users. This article recommended that these items can be seen as derivatives instruments made to address the instabilities and deficiencies of human capital, if human capital is seen as financial instrument.

**Carson (2002)** observed that due to commission system of agents there is always a conflict in insurance distribution. Researchers tried to examine the impact of commission system of agents on the product recommendations and found that the life span and mode of policy are not related to their commission rather than bulk of recommendations was for the trustworthy behaviour of the agents. Recommendation given by agents to customers influences the purchasing behaviour of the customers.

## **III. OBJECTIVES**

1. To study the level of awareness of the respondents about the features of bancassurance.
2. To analyse the factors that motivates the respondents to take up the bancassurance.

## **IV. METHODOLOGY**

The research methodology gives an idea about the type of research design, the sampling techniques, the process of data collection and the instrument used for data analysis. In order to achieve the objectives of the study and to analyse the data collected, an appropriate methodology has been developed. A research methodology is a master plan for the conduct of formal investigation. Research methodology is the pathway or an approach to get the needed information by locating the data from different sources which are primary and secondary. This chapter discusses the method of data collection and tools of analysis.

**V. RESULTS & DISCUSSION**

**A. Level of awareness of the respondents towards features of bancassurance.**

Table-1: Level of awareness of the respondents towards features of bancassurance

Parameters		Unaware	Partly aware	Fully aware	Total
Level of Protection	Count	29	73	23	125
	%	23.2	58.4	18.4	100
Medical examination	Count	13	41	71	125
	%	10.4	32.8	56.8	100
Premium level	Count	11	34	80	125
	%	16.8	40	34.4	100
Age limits	Count	19	61	45	125
	%	15.2	48.8	36	100
Flexibility	Count	17	35	72	125
	%	13.6	28	56.8	100
Service Charges	Count	3	2	120	125
	%	2.4	1.6	96	100

Source: Primary data

Table-1 depicts the level of awareness of the respondents towards features of bancassurance products. Table-1 depicts that 96.0 percent of the respondents are fully aware of the service charges levied by the bankers for the purpose of bancassurance, 56.8 percent of the respondents are fully aware of the medical examination procedures conducted by the banks at the time of registration of bancassurance, 56.8 percent of the respondents are fully aware of the flexibility of procedures followed by the bank, 58.4 percent of the respondents are partly aware of the level of protection given by banks, 48.8 per cent of the respondents are partly aware of the age limits fixed by the banks, 40.0 per cent of the respondent are partly aware of the premium level fixed by bancassurance.

**B. Level of agreeability of the respondents towards the factors that motivate them to take bancassurance**

Table-2: Level of agreeability of the respondents towards the factors that motivate them to take bancassurance

Parameters		Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree	Total
Existing Relation	Count	76	38	8	2	1	125
	%	60.8	30.4	6.4	1.6	0.8	100
Reputation of Bank	Count	65	43	14	3	0	125
	%	52	34.4	11.2	2.4	0	100
Quality of Services	Count	21	50	43	11	0	125
	%	16.8	40	34.4	8.8	0	100
Features of Bank	Count	24	58	31	10	2	125
	%	19.2	46.2	24.8	8	1.6	100
Cheapest rate	Count	31	59	20	11	4	125
	%	24.8	47.2	16	8.8	3.2	100
Convenience	Count	12	25	43	20	25	125
	%	9.6	20	34.4	16	20	100
Pressure from Bank	Count	24	23	20	24	34	125
	%	19.2	18.4	16	19.2	27.2	100
Pressure from relatives and friends	Count	1	1	10	79	34	125
	%	0.8	0.8	8	63.2	27.2	100

Source: Primary data

Table-2 depicts the level of agreeability of the respondents towards the factors that motives them to take insurance policy from bank. Table-2 depicts that 63.2 per cent of the respondents have disagreed to the point that pressure from relatives and friends have motivated them to take bancassurance,

60.8 per cent of the respondents have strongly agreed that the cordial relationship they have with the bank has been the main motivation for taking up bancassurance in the same branch, 52.0 per cent of them have strongly agreed that the cordial reputation of their bank have motivated them to take up bancassurance, 46.2 per cent of them have agreed that the features of the bank have motivated them to take bancassurance, 40.0 per cent of the respondents have agreed that the quality of service given by bank have motivated them to take bancassurance, 34.4 per cent of the respondents have moderately agreed that they feel convenient in taking up insurance from banks, 27.2 per cent of the respondents have strongly disagreed that they do not get any kind of pressure from bank staff to take up bancassurance.

**C. ANOVA Test Results**

**Hypothesis (H0):** The awareness of the respondents towards the features of bancassurance products does not differ significantly based on the demographic variables viz., age, educational qualification, number of members in family, number of earning members in family, family monthly income, occupational status and area of residence.

Table-3: Level of awareness of the respondents towards the features of bancassurance Vs. Demographic variables

VARIABLE	SOURCE	MEAN	SD	Count	SIGNIFICANT VALUE	F	Sig.
Age	18-25 years	2.3421	0.37341	19	0.921	0.164	NS
	26-35 years	2.3733	0.42236	25			
	36-45 years	2.4167	0.48378	36			
	Above 45 years	2.3963	0.43724	45			
Educational Qualification	Illiterate	2.1667	0.28868	3	0.017	3.543	NS
	School level	2.2273	0.47107	33			
	Graduate	2.4691	0.34269	81			
	Professional	2.3333	0.38832	8			
Number of member's in family	01-02	2.4333	0.36623	15	0.559	0.692	NS
	02-04	2.4005	0.39526	72			
	04-05	2.4038	0.4376	26			
	Above 5	2.2361	0.3292	12			
Number of earning members in family	01-02	2.419	0.39705	105	0.129	2.084	NS
	02-03	2.2456	0.35298	19			
	2	.	1				
	Above 3						
Family monthly income	Below Rs.50,000	2.3241	0.41005	72	0.004	4.636	S
	Rs.50,001- Rs.1,00000	2.5784	0.34386	34			
	Rs.1,00,001- Rs.2,00,000	2.3846	0.33599	13			
	Above Rs.2,00,001	2.1111	0.13608	6			
Occupational status	Students	2.35	0.42637	10	0.842	0.353	NS
	Employee	2.3792	0.36814	69			
	Business	2.4167	0.44171	22			
	Unemployed	2	.	1			
	Others	2.4275	0.43177	23			
Area of residence	Rural	2.4167	0.38404	22	0.933	0.07	NS
	Semi-urban	2.378	0.42983	41			
	Urban	2.3871	0.37907	62			

Source: Computed by Author. NS- Not Significant, S- Significant

There is no significant difference in the level of awareness of the respondents towards the educational qualification, number of members in the family, number of earning members in the family, occupational status and area of residence. Thus null hypothesis is accepted.

**D. ANOVA Test Results**

Hypothesis (H<sub>0</sub>): The level of agreeability of respondents towards the factors that motivate them to take bancassurance does not differ significantly based on the demographic variables viz., age, educational qualification, number of members in family, number of earning members in family, family monthly income, occupational status and area of residence of the respondents.

Table-4: Level of agreeability of the respondents towards the factors that motivate them to take Bancassurance Vs. Demographic variables

VARIABLE	SOURCE	MEAN	SD	Count	SIGNIFICANT VALUE	F	Sig.
Age	18-25 years	3.8224	0.37341	19	0.098	2.145	NS
	26-35 years	3.875	0.42236	25			
	36-45 years	3.6076	0.47917	36			
	Above 45 years	3.6889	0.4659	45			
Educational Qualification	Illiterate	3.6667	0.50518	3	0.594	0.635	NS
	School level	3.7765	0.58859	33			
	Graduate	3.7222	0.39726	81			
	Professional	3.5312	0.38816	8			
Number of members in family	1-2	3.6667	0.35565	15	0.766	0.383	NS
	2-3	3.7396	0.48378	72			
	4-5	3.6683	0.43724	26			
	Above 5	3.8125	0.45383	12			
Number of earning members in family	1-2	3.7107	0.46361	105	0.163	1.84	NS
	2-3	3.8289	0.37779	19			
	Above 3	3	0	1			
Family monthly income	Below Rs.50,000	3.7448	0.48862	72	0.774	0.372	NS
	Rs.50,001- Rs.1,00000	3.7316	0.38819	34			
	Rs.1,00,001- Rs.2,00,000	3.6442	0.49699	13			
	Above Rs.2,00,001	3.5833	0.33229	6			
Occupational status	Students	3.7625	0.25987	10	0.921	0.231	NS
	Employee	3.7482	0.50023	69			
	Business	3.6477	0.48125	22			
	Unemployed	3.75	0	1			
	Others	3.7011	0.36877	23			
Area of residence	Rural	3.9205	0.48265	22	0.08	2.578	NS
	Semi-urban	3.6799	0.45591	41			
	Urban	3.6815	0.43282	62			

Source: Primary data

There is no significant difference in the level of agreeability of the respondents towards the factors that motivate them to take bancassurance based on age, educational qualification, number of members in family, number of earning members in family, family monthly income, occupational status and area of residence. Thus, null hypothesis is accepted.

**VI. SUGGESTIONS**

Banks must take huge efforts to create awareness about bancassurance among the illiterate people as most of them are unaware of the features of bancassurance products and its benefits. Policy holders have been motivated to take up bancassurance from public sector banks because of the trust and cordial relationship they have with them. Hence, the private sector banks need to take some measures to improve their service quality. Policy holders have blindly taken up bancassurance from the same bank in which they hold account, so it is the prime duty of the insurance companies and the other banks to attract the customers by introducing new schemes that cater to the need of the present era.

## **VII. LIMITATIONS**

The following are the limitations of the study:

1. The study covers a sample of 125 respondents in and around Hyderabad City. Due to time constraint and therefore the findings on the Policyholders perception on Bancassurance cannot be generalised universally.
2. The study is based on the primary data by collecting opinions of the respondents and it may vary from time to time.

## **VIII. CONCLUSION**

Overall it can be concluded that the 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 Hyderabad are more in favour of purchasing bancassurance directly from the same bank which they hold an account. The first and foremost reason of the people for preferring bancassurance is their existing relation with the bank followed by the reputation of the bank and its features and quality of service given by them etc. The concept of Bancassurance is still in its emerging state. If nurtured properly, banks can go a long way in contributing to the insurance growth in the country.

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