

A COMPARATIVE STUDY ON BANCASSURANCE AND INSURANCE COMPANIES AS A CHANNEL OF SELLING INSURANCE PRODUCTS IN VELLORE CITY

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Abstract: The Banking and Insurance industry plays a predominant role in economic development. Due to liberalization and privatization, there is increased in the pace of market competition which forces the insurance companies to be competitive by economizing the cost and render better service to the customers. In order to reach a huge unexploited market, the IRDA introduced a concept called Banc assurance. Banc assurance is a relationship between a bank and Insurance Company which aims to offer insurance products and its benefits to customers of banks. This paper is an attempt to find out the factors which influence the bank customers to prefer Banc assurance service and to understand the differences in services provided by banks and insurance companies as a channel of insurance.

Keywords: Banking, Insurance, Banc assurance, IRDA, WHO.

1. INTRODUCTION

Government of India issued notification under Bank regulation Act which allowed Indian banks to distribute insurance products to their customers. Banc assurance helps the insurance companies to expand their customer base, while banks can be able to earn extra revenue by selling the products of insurance. According to WHO report, the reach of insurance products among the world population will increase from 12% to 22% between 2015 to 2050. Due to increase in various deadliest diseases and aging population, it fabricates the need of various insurance products. So, there is a chance of dramatic change in increasing Banc assurance activities. Hence this study aims to identify the factors which influence the bank customers to prefer Banc assurance service in Vellore city.

1.2 OBJECTIVES OF THE STUDY

- To analysis the factor which influence the bank customers to prefer Banc assurance
- To compare the various service provided by insurance companies and Banc assurance as a channel of insurance.

2. REVIEW OF LITERATURE

1. Raju (2009) in his study he compares the factors of Brand of the Insurance products, future return of the policy, behavior of selling Intermediary, tax-saving benefit, growth to meet future needs ect are the factors which

influence the customer more and take decision – whether they need to get products from private sector companies or LIC.

2. Arora (2013) he states that insurance company needs huge distribution power to reach enormous customer base. This is possible by bring their products to the general public through the network called Banc assurance.

3. RESEARCH METHODOLOGY

3.1 Source of data collection

There are two types of data namely primary data and secondary data

Primary data collection

The method followed is obtaining the primary data through the structured questionnaire is a form prepared with all the important details regarding banc assurance.

Secondary data collection

Annual reports, journals magazines and internet. The respondents to questions indicate the degree of agreement or disagreement through their response. Bank on the response of all the questions, the attitude of the respondents is determined.

3.2 Sampling design

The research was carried on with the respondents who are availed various insurance products at bank.

The techniques adopted for the collection of data is **simple random convent sampling technique.**

3.3 Analysis of Data

Statistical tools applied in this study were percentage analysis and chi-square.

4. RESULTS AND DISCUSSION

TABLE NO: 4.1 – GENDER

Gender	Frequency	Percentage	Cumulative Percentage
Male	20	57.1	57.1
Female	15	42.9	100.0
TOTAL	35	100.0	

Source: primary data

From the above table, it is inferred that 57.1% of the respondent are Male and 42.9% of the respondent are Female. Form the above table it also observes that majority of the respondents are Male.

TABLE NO: 4.2 - OCCUPATION OF THE RESPONDENTS

OCCUPATION	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENTAGE
Government employee	6	17.1	17.1
Private employee	8	22.9	40.0
Self employed	14	40.0	80.0
Students	4	11.4	91.4
Others (specify)	3	8.6	100.0
TOTAL	35	100.0	

Source: primary data

From the above table, it is inferred that 17.1% of the respondents are government employee, 22.9% of the respondents are private employee and 40% of the respondents are self-employed further, 11.4% of the respondents are student and 8.6% of the respondents are belong to other categories (lawyer, auditor and accountant)

TABLE NO: 4.3 - MONTHLY INCOME OF THE RESPONDENTS

INCOME	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENTAGE
Below 20,000	6	17.1	17.1
20,001 - 30,000	8	22.9	40.0
30,001 - 40,000	10	28.6	68.6
40,001- 50,000	7	20.0	88.6
50,000 and above	4	11.4	100.0
TOTAL	35	100.0	

Source: primary data

From the above table, it is inferred that 17.1% of the respondent's income is below Rs 20,000, 22.9% of the respondent's income is in between Rs 20,001-Rs 30,000, 28.6% of the respondent's income is in between Rs 30,001-Rs 40,000, Further 20% of the respondent's income is in between Rs 40,001-Rs 50,000 and finally 11.4% of the respondent's income is above Rs50,000.

TABLE NO: 4.4 - PREFERENCE OF CUSTOMERS

PURCHASE	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENTAGE
Public sector bank	6	17.1	17.1
Private sector bank	12	34.3	51.4
Both	17	48.6	100.0
TOTAL	35	100.0	

Source: primary data

From the above table, it is inferred that 17.1% of the respondents are purchased their insurance policy in public sector bank, 34.3% of the respondents are purchased their insurance policy in private sector bank and 48.6% of the respondents are purchased their insurance policy both in private and public sector bank.

TABLE NO: 4. 5 - TYPES OF INSURANCE POLICY

TYPE S OF POLICY	FREQUENCY	PERCENT AGE	CUMULATIVE PERCENT AGE
Life insurance policy	16	45.7	45.7
Non life insurance policy	9	25.7	71.4
Both	10	28.6	100.0
TOTAL	35	100.0	

Source: primary data

From the above table, it is inferred that 45.7% of the respondents are purchased life insurance policy through bancassurance, 25.7% of the respondents are purchased non-life insurance policy through bancassurance and 28.6% of the respondents are purchased both the life and non-life insurance policies through bancassurance

TABLE NO: 4.6 - KNOWLEDGE ON BANCASSURANCE

FACTORS	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENT AGE
Published materials in brochure	12	34.3	34.3
Information from bank employees	6	17.1	51.4
By mail/phone from bank/insurance companies	8	22.9	74.3
Academic literature	4	11.4	85.7
Reference by relatives or friends	5	14.3	100.0
TOTAL	35	100.0	

Source: primary data

From the above table, it is inferred that 34.3% of the respondent (majority) came to know about bancassurance through published material in brochure and least Number of respondents, 11.4% are accepted that they came to know about bancassurance through academic literature.

**ANALYSIS PERTAINING TO FIRST OBJECTIVE
REASONS FOR PREFERRED BANCASSURANCE
TABLE NO: 4. 7**

Reason	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Existing Relation	28.6	51.4	8.6	2.9	8.6
Reputation of Bank	22.9	42.9	25.7	0.00	8.6
Quality of Service	22.9	28.6	22.9	17.1	8.6
Features of policies	22.9	31.4	20.0	20.0	5.7
Cheaper rates	17.1	34.3	37.1	5.7	5.7
Convenience	17.1	37.1	14.3	25.7	5.7
Pressure from bank staff	17.1	28.6	14.3	31.4	8.6
Pressure from relatives and friends	20.0	31.4	8.6	11.4	28.6

From the above table, it is inferred that 22.9% of the respondents are strongly agree that reputation of bank, Quality of service, features of policies are the main reasons for preferring Banc assurance, 51.4% of the respondents are preferring Banc assurance to maintain the Existing relationship with bank, 31.4%

& 28.6% of the respondents are Disagree and Strongly Disagree towards the statement 'pressure from bank staff 'and 'pressure from relatives and friends.

Association Between the Income and Preferring Bancassurance Because of the Pressure from The Bank Staff Table No: 4. 8

Monthly Income	Pressure from bank staff					Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
below 20,000	1	0	0	1	1	3
20,001-30,000	0	6	1	4	1	12
30,001-40,000	1	3	1	2	3	10
40,001-50,000	0	2	3	3	1	9
50,000 and above	1	0	0	0	0	1
Total	3	11	5	10	6	35

HYPOTHESIS

NULL HYPOTHESIS: (H₀) - There is no relationship between the income and preferring Banc assurance because of pressure from bank staff.

ALTERNATE HYPOTHESIS (H₁) - There is a relationship between the income and preferring Banc assurance because of pressure from bank staff.

TABLE NO: 4. 9 CHI-SQUARE TESTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.891 ^a	16	.117
Likelihood Ratio	18.554	16	.292
Linear-by-Linear Association	.068	1	.794
N of Valid Cases	35		

a. 25 cells (100.0%) have expected count less than 5. The minimum expected count is .09.

The calculated value is 22.891 and it significant at this level of significance .117 at the degrees of freedom 16.

If the significant value is less than 0.005 then reject null hypothesis and accept alternate hypothesis. In the above obtained results the significant value is more than 0.005 i.e. 0.117 so, reject alternate hypothesis. Hence there is no significant relationship between the income and preferring Banc assurance because of pressure from bank staff.

ANALYSIS PERTAINING TO SECOND OBJECTIVE COMPARING BANCASSURANCE AND INSURANCE COMPANY AS A CHANNEL OF INSURANCE

TABLE NO: 4. 10

FACTORS	BANCASSURANCE			INSURANCE COMPANY		
	High (%)	Medium (%)	Low (%)	High (%)	Medium (%)	Low (%)
Transparency in service	14.3	68.6	17.1	40.0	28.6	31.4
Quality of service	11.4	77.1	11.5	17.9	60.0	22.1
Supply of necessary information	28.6	62.9	8.5	22.9	54.3	22.8
Degree of personal contact with staff	28.6	42.9	28.5	34.3	34.3	31.4
Felling of overall satisfaction	28.6	40.0	31.4	34.3	34.3	31.4
Rate of service charge	40.0	25.7	34.3	54.3	22.9	22.8

From the above table, it is inferred that 40% of the respondents are accepted that transparency in service is more in Insurance company compared to Banc assurance, 77% of the respondents are Moderately agree that Banc assurance provide more Quality of service than Insurance company and 54.3% of the respondents are agree that Insurance companies are rating high charges than in Banc assurance.

ASSOCIATION BETWEEN THE PURCHASES OF THE INSURANCE POLICY FROM BANK AND FEELING OF OVERALL SATISFACTION WITH STAFFS. TABLE NO: 4. 11

Purchase insurance policy * overall satisfaction

Purchase Insurance Policy	Overall Satisfaction			Total
	Low	Medium	High	
Public sector bank	1	2	3	6
Private sector bank	5	5	2	12
Both	5	11	1	17
Total	11	18	6	35

HYPOTHESIS

NULL HYPOTHESIS: (H₀) - There is no significant relationship between the purchase of

insurance policy from bank and feeling of overall satisfaction with staffs

ALTERNATE HYPOTHESIS (H₁) – There is significant relationship between the purchase of insurance policy from bank and feeling of overall satisfaction with staffs.

TABLE NO: 4. 12
Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.178 ^a	6	.164
Likelihood Ratio	7.859	6	.249
Linear-by-Linear Association	.102	1	.749
N of Valid Cases	35		

a. 9 cells (75.0%) have expected count less than 5. The minimum expected count is .17.

The calculated value is 9.178 and it significant at this level of significance 0.164 at the degrees of freedom 6.

If the significant value is less than 0.005 then reject null hypothesis and accept alternate hypothesis. In the above obtained result the significant value more than 0.005 i.e., 0.164 so, reject alternate hypothesis Hence there is no significant relationship between the purchase insurance policy from bank and the feeling of overall satisfaction with staffs.

SUGGESTIONS AND CONCLUSION

SUGGESTIONS

- Banks can introduce more non-monetary benefits in order to improve the good relationship with the customers. So thus creates the positive impact towards bank and customer will prefer banc assurance automatically.
- Banks can conduct few meetings or have some good interaction with customers, in order to know the needs of customers regarding various insurance policy

- Banks can be more transparent in rendering banc assurance services
- Banks can appoint a person who is specialized in insurance so that they can render correct and prompt service based on the needs of the customers.

CONCLUSION

This study examined the banc assurance in Vellore city by circulating questionnaires. Social demographic analysis indicates that, bancassurance consumers in Vellore are belongs to younger middle-income group. Majority of the customers prefer the life insurance policies through banks, and they are purchasing their insurance products both in public and private sector banks.

In today's world need for insurance is increasing and peoples are having great awareness towards the needs of various insurance policies. So, it is necessary that all insurance companies should tie up with banks and they should reach the customers

From the study, it shows that majority of the respondents are satisfied towards the banks providing insurance product. However, it can tap the rural peoples with cheaper products and smaller policy terms.

Majority of the respondents are accepted that they prefer banks to get insurance policy just to maintain the relationship with existing banks and because of reputation of the banks. It shows that customers are very much satisfied with the service rendered by the banks. In order to maintain that banks should set their insurance policies according to needs of customers in this way they can easily acquire and satisfy many customers.

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