

# Study on Bancassurance: the Way Ahead – An Affiliated Agreement between Banks & Insurance Companies

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**Abstract:** *Financial inclusion is the new concept which is emerging nowadays; it is a process through which all the financial products are provided even to the weaker section of the society. With the help of banking the financial inclusion is possible government can use the wide network of bank branches to reach even to the rural segment. Under universal banking bank can provide all the financial products under one roof which also includes insurance. The distribution of insurance through the bank network is called as the bancassurance; insurance company uses the bancassurance channel to enlarge its market, the present article focus on the bancassurance concept, its efficiency, and problems in the implementation. Bancassurance refers to an agreement between a bank and an insurance company. In bancassurance, the insurance company can use the bank's distribution channels to sell products. Banks, in return, receive a certain fee from the insurance company.*

**Keywords:** Bancassurance, Universal Banking, Financial Inclusion, Agreement, Bank Network.

## I. INTRODUCTION

Bancassurance refers to an agreement between a bank and an insurance company. In bancassurance, the insurance company can use the bank's distribution channels to sell products. Banks, in return, receive a certain fee from the insurance company. Innovation is the new mantra of the Indian financial sector. New innovations are emerging in almost all the sector in the form of new products, process or services. Bancassurance is also a new innovation in the banking sector. It is a process where Insurance products are sold to the bank customers at the bank premises. Awareness level of bancassurance is less among Indian Customers which necessitates the banker to create more awareness and promotional activities for bancassurance for the success of bancassurance it requires bankers to understand the need of the customer's, frequent interaction with the customers makes banker to understand the customer's needs and in turn creates awareness of bancassurance products among customers. In future nearly 50 percent of the population will come under "income earner group" which will provide an opportunity for bancassurance to be successful in India for a long run. If the concept of bancassurance is properly implemented not only bank, insurance company but it will also provide benefits to the customers, there are many challenges which banker as well as insurance company has to face such as creating bancassurance awareness, products should be tailored made, adopting appropriate marketing strategies, training to bank employees. Bancassurance is a concept which is emerged as a concept of universal banking and the time will come when through this channel only the insurance products can be made available to the potential customers. Both the insurance and the Banking sector were functioning separately. Integration of these two sectors made it easy for tapping the uninsured segment and created synergy in their functioning.

Bancassurance was a controversial issue in many countries as many were of the opinion that it will provide bank over control to. But later many countries have accepted it and it is considered as one of the potential distribution channel and India also have accepted and adopted it. Since now bancassurance is showing a positive growth for the country and benefitting to the various stake holders such as customers, banks, Insurance companies, and government.

## II. REVIEW OF LITERATURE

The review is done on the literature of bancassurance its practice, customer's perception, distribution strategies and Financial Inclusion its effect on bancassurance in India.

Richa Sharma Vyas (2008) in the article entitled “A study of customers’ perception of cross selling” author stated that there is a heterogeneous opinion about cross selling, among customers. In modern marketing, it is a contemporary practice, author has also suggested marketer to increase bancassurance effectiveness by incorporating element of customers perception in their experience, cross selling future, author is also of the opinion that if it is implemented properly, it will lead to highest conversion ratio, or else it will jeopardize customers and firms relations instead of building on it. She also highlighted importance of personal relationship in bancassurance.

Dr. Nandita Mishra (2012) in her article entitled “Bancassurance – Problems and challenges in India” has found that bancassurance is well established and growing distribution channel, when compared to the penetration rate of insurance, Europe has higher penetration rate than North America, he is of the opinion that cultural, social, Product complexity, regulatory framework, are the factors which makes bancassurance to be successful.

S. Sarvana Kumar, U. Punitha et al (2012), in the article titled “Flourishing bancassurance Business” in the concluding part of the article author stated that there is a change in the customers mindset which offers a wide scope for bancassurance in India. For the successful of bancassurance, banks good relationship with customers should be maintained. Regarding regulations he is of the opinion that regulators should allow banks to tie up with more than one insurance company to provide customers with wide variety of choice.

In an article by Hymavathi Kumari (2012), entitled “customer attitude towards bancassurance- An Indian Perspective” the author made a study on customer’s attitude towards bancassurance. For the study they selected customers of 10 banks and it was found that seniors citizens and youngsters have less awareness of bancassurance product and author has also examined that, Indian prefers life insurance for security purpose and non-life insurance for vehicle. In comparison to agents with banks, statistics shows that preference level is more for banks than insurance agents. He has suggested creating bancassurance awareness among youngsters and senior citizens, to boost bancassurance. As majority of youngsters will be earners in future. This can be done by the way of trained staff, Informative books, and publicity.

Nirjhar Majumdar (2014), in his empirical study “How bancassurance can help to tap huge untapped potentials of insurance market of India” to develop bancassurance author has offered strategies for insurers, banks, and intermediaries. It includes insisting bank employees to sell bancassurance products. As in India majority of employees are working in unorganized sector with little retirement benefits and majority of medical expenses are paid out of the pocket. These two sectors provide ample opportunities for bancassurance.

**The major findings through the existing literature are:**

- Bancassurance is practiced by all the bank branches, not even a single branch is having exemption from practice of bancassurance.
- Reasons of Insurance Company to adopt bancassurance has a significant positive effect on bancassurance business.
- Bank limitations in selling insurance products have a positive impact on bancassurance business.
- Bancassurance is effectively practiced in almost all the bank branches.
- Lack of commitment from senior manager is also one of the main problems in selling insurance products for bank customers.
- Lack of understanding of insurance leads to problem in selling the insurance products to bank customer.

**III. CONCLUSION**

The bancassurance is almost implemented in all the bank branches. It is almost successful in all the branches, bank employees are selling the products but lacking knowledge about the specialized products, bank is adopting all the strategies to sell the bancassurance products but still it is not able to tap the potential market. Even though the bancassurance in initial stage in India, but the growth of bancassurance has started and it will take a major part in the development of banking and insurance sector along with customer’s satisfaction in future.

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