

Study of Banc-assurance for the Muslim Co-Operative Bank, Pune

Ms. Ameena Mansoor

Abeda Inamdar Senior College, Azam Campus, Savitribai Phule Pune University, Pune, India

ABSTRACT

The changing economic environment have led to the rapid development of the banking and insurance industries at global levels. The insurance industry has brought in new channels of distribution into existence owing to the merging of global financial markets, development of new technologies, universalization of banking industries and with the expansion of non banking activities. This has resulted in a new form of business named "BANCASSURANCE" wherein two big financial institutions have come together and have integrated all their strength and efforts to generate new means of marketing for encouraging their products and services.

Key words: Banc assurance, Global, Markets, Insurance

I. INTRODUCTION

"Banc assurance" – a term coined by combining the two words bank and insurance (in French) – connotes distribution of insurance products through banking channels. Bancassurance encompasses terms such as 'Allfinanz' (in German), 'Integrated Financial Services' and 'Assure banking'. Banks, with their geographical spread and penetration in terms of customer reach of all segments, have emerged as viable sources for the distribution of insurance products. The ubiquitous agent is no more the only distribution channel today for insurance products. [6].

The motives behind bancassurance also vary. For banks, it is a means of product diversification and a source of additional fee income. Insurance companies see bancassurance as a tool for increasing their market penetration and premium turnover. The customer sees bancassurance as a bonanza in terms of reduced price, high quality

product and delivery at doorsteps. Actually, everybody can be a winner here. [6].

The size of the country, a diverse set of people combined with problems of connectivity in rural areas, makes insurance selling in India a very difficult proposition. Life insurance companies require immense distribution strength and tremendous manpower to reach out to such a huge customer base. This distribution will undergo a sea change as various insurance companies are proposing to bring insurance products into the lives of the common man by making them available at the most basic financial point, the local bank branch, through Bancassurance.[5].

II. CASE STUDY: OF THE MUSLIM CO-OPERATIVE BANK , PUNE

It was started in the year 1931. Earlier it was credit society and then converted into a co-operative bank in the year 1936, registered and incorporated. Mr. Ramzan Umar Shaikh and Mr. Abdul Kader Ibrahim established the Muslim Co-Operative Bank. The bank has been established to focus on the local needs of the communities specially the minority community, which is considered as economically and educationally backward.

To engage itself in creating awareness for saving by means of collecting deposits and the same to the needy people of the minority community.

It is a voluntary organisation open to all people irrespective of gender, social, political and religious persuasion. The traditional role of the bank is to provide financial intermediation between the depository and the borrower.

III. LITERATURE REVIEW

The term "Bancassurance" was first coined by France in 1980 to define it as "The scale of insurance products through bank's distribution channels." The Supply Chain Operations Reference (SCOR 2003) [4].

The Life Insurance Marketing and Research Association's (LIMRA'S) insurance dictionary defines bancassurance as "The provision of life insurance services by banks and building societies. [4].

The concept of bancassurance commenced in France in 1980's and have proliferated in different parts of Continental Europe, USA, Asia and in India. Banks started the process of selling life insurance decades ago and customers found the concept appealing. In Germany, bancassurance was called "ALLFIANZ" and it got well recognized in Europe also. In USA the practice of bankassurance got momentum in late 90's. Subsequently, it gained importance in Canada, Mexico and Australia. [4].

Bancassurance utilizes a wide range of distribution channels like salaried agents, bank employees, and brokerage firms. It provides a variety of products and services at one place, where a customer can apply for mortgages, pensions, savings and insurance products. The customer attains dual benefit i.e. of banks and insurance companies as costs get reduced. Thus, as the customers get a high quality product, at a lower price, delivered at their doorsteps it is mutually beneficial.

Following are the benefits of bancassurance to banks, insurance companies and customers: [4].

IV. BENEFITS OF BANCASSURANCE

Banks enjoy the following advantages:

1. The good will and brand name of banks contribute to make a loyal customer base. [4].
2. The efficiency level of employee workforce increases due to the increase in the return on assets (ROA) by creating fee income through the sale of insurance products. Thus, it also contributes to derive the operating expenses of the bank.
3. Bancassurance leads to increase in the productivity of the employees [4].

4. Banks can be chiefly influential in attracting customers as they have extensive experience in marketing to both existing customers and non-existing customers by making use of various technologies such as e-banking, statement inserts, direct mail, ATMS, telemarketing etc. [4].

FROM THE INSURER'S POINT OF VIEW

The benefits of the Insurance Companies are listed as follows:

1. It has a capacity access to bank's huge customer base which would create a positive motivational influence on the insurance companies. The insurance company can increase their business by taking advantage of the banking distribution channels. [4].
2. It can establish market presence rapidly without the need to build up a network of agents. [4].
3. It makes use of the different channels owned by banks that led to reduce their dependence on traditional agents by making. [4].
4. Bancassurance can result in the building up of innovative financial products by collaborating with their bank partners [4].

FROM THE CUSTOMER'S POINT OF VIEW

Customers can get following benefits from bancassurance:

1. It helps in building better relationship with the bank by encouraging customers of banks to purchase insurance policies and further [4].
2. The people who are unaware of and who are not in reach of insurance policies can take the advantage of the widely distributed networks and better marketing channels of banks. [4].
3. Customised and innovative product ranges can be provided according to the needs of the customers, which otherwise would not have been possible if banks and insurers worked independently. [4].

WHY BANCASSURANCE IN INDIA?

The management of the new Indian operations are conscious of the need to grow quickly to reduce painful start-up expense overruns. Banks with their huge networks and large customer bases give insurers an opportunity to do this efficiently. [5].

Regulations requiring certain proportions of sales to the rural and social sectors give an added impetus to the drive for bancassurance. Selling through traditional methods to these sectors can be inefficient and expensive. Tying up with a bank with an appropriate customer base can give an insurer relatively cheap access to such sectors. This is still an issue for insurers despite the recent widening of the definition of the rural sector (so that it now accords with the census definition). [5].

V. BANCASSURANCE IN INDIA- A SWOT ANALYSIS

STRENGTHS

- In a country of 1 Billion people, sky is the limit for personal lines insurance products. There is a vast untapped potential waiting to be mined particularly for life insurance products. There are more than 900 Million lives waiting to be given a life cover (total number of individual life policies sold in 1998-99 was just 91.73 Million).[5].

WEAKNESSES

- The IT culture is unfortunately missing completely in all of the future collaborators i.e. banks, GIC & LIC. A late awakening seems to have dawned upon but it is a case of too late and too little. [5].

OPPORTUNITIES

- Banks' database is enormous even though the goodwill may not be the same as in case of their European counterparts. This database has to be dissected variously and various homogeneous groups are to be churned out in order to position the bancassurance products. [5].

.THREATS

- Success of a bancassurance venture requires change in approach, thinking and work culture on the part of everybody involved. Our work force at every level are so well entrenched in their classical way of working that there is a definite threat of resistance to any change that bancassurance may set in.

VI. RESEARCH METHODOLOGY-

This is descriptive study based on primary and secondary data.

OBJECTIVES OF THE STUDY:

1. To identify the recent trends of bancassurance business and present an overview of the banking sector.
2. To study the customer behaviour with respect to bancassurance products.
3. To identify the issues regarding the marketing of insurance products through bancassurance and provide suggestions thereon. [4].
4. To analyze the financial impact of bancassurance product on performance of the bank. [4].

Type of questionnaire-Structured

Type of questions-Close ended questions: limited options were provided

Sample Design-Sample size- 388 customers and 37 employees, Sample element- Customers and employees of Muslim cooperative bank. Sample extent : Pune

Type- Convenience sampling

LIMITATIONS OF THE STUDY

The study is carried out only in Muslim cooperative bank, thus the results may vary in other banks.

VII. ANALYSIS AND INTERPRETATION-

To study the need of bancassurance, the researcher felt the need to conduct a survey analysis among the customers as well as the employees of muslim cooperative bank .The questionnaires were filled by 50 different customers and 20 employees of the above mentioned bank. The sample size and the result of survey conducted are as under: [4].

This questionnaire has been filled by 50 customers of muslim cooperative bank. The collected data from such survey has been put in pie-charts and bar graphs. This has been produced by using the tabulated data, which has been incorporated at appropriate places in the analytical interpretative text which has been drawn below [4].

Table No. 1

Awareness	No. of Individuals	Percentage
YES	30	60%
NO	20	40%
TOTAL	50	100%

From table 01, 60% of the respondents were aware that their banks provide bancassurance. They knew with which insurance company their banks have tie-ups. Also they were aware about various policies provided by their banks. However, 40% of the respondents were amused with the term bancassurance and didn't know anything about it and the services provided by the banks. [4].

Table No. 2

Reasons For Taking Insurance	No. of Individuals	Percentage
Personal Relationship	39	78%
Trust	44	88%
Convenience	36	72%
Communication	29	58%
Financial Soundness	32	64%
Expertise	35	70%
Service Quality	39	78%

From the above table it is clearly known that the bank is providing the finest service quality and they are maintaining customer relationship management for the bancassurance. More than 80% of the customers have trusted their bank. This shows that there is a huge opportunity for bancassurance business in India. [4].

Table No. 3

Distribution Channel	No. of Individuals	Percentage
Agents	24	48%
Insurance Companies	12	24%
Banks	11	22%
Brokers	3	6%
Total	50	100%

From the above table it is observed that 48% customers preferred agents because they provide personalized services. 24% took insurance from companies because of their trust on the company. 22% said they would buy insurance from banks because of the brands name and their trust on banks. Only 6% said that they would buy insurance from brokers. [4].

Table No. 4

Insurance Products	No. of Individuals	Percentage
Vehicle Insurance	50	100%
Life Insurance	39	78%
Health Insurance	35	70%
Pension Insurance	12	24%
Unit Linked Insurance	36	72%

It has been observed from the above table that almost all the customers are availing insurance products from the banks. The highest usage rates are for vehicle and life insurance products. This could be one of the facts that vehicle insurance is a chief requirement in India and life insurance offers both security cover as well as tax benefits. [4].

Table No. 5

Source	No. of Individuals	Percentage
Advertisement	41	82%
Bank Employees	35	70%
Friends	28	56%
Internet	34	68%
Published Materials Like Brochures Etc.	45	90%

From the above table it is observed that advertisements are one of the major sources of information for the customers. Better trained bank employees as well as the informative marketing techniques can give boost to the business. The banks that offer bancassurance as one of their products should think of the new media channels which may help the banks to reach out to more customers [4].

Table No. 6

Types of Banks	No. of Individuals	Percentage
Public Banks	19	38%
Private Banks	45	90%
Foreign Banks	35	70%

We can infer from the survey that 90% respondents said that private sector banks would excel in bancassurance because of their powerful selling policies and they provide quality services to the customers. 70% votes were given to foreign banks because they have proper management and aggressive selling strategies. The public sector banks were given the least votes i.e. 38% because of their laid back attitude towards their work. [4].

Table No. 7

Future of Bancassurance	No. Of Individuals	Percentage
Yes	45	90%
No	5	10%
Total	50	100%

From the above findings, 90% of the respondents said that they believe that bancassurance has a very bright future because there is an immense potential for the insurance industry in India. But 10% believe that due to the emergence of the new technology the visits in the branches are going to be less because of ATM's and e-banking. So there is not much scope for it.

ANALYSIS OF RESPONSES ON QUESTIONNAIRES FROM EMPLOYEES OF THE BANKS:

This questionnaire has been filled by 20 employees working in eight different banks. The collected data from such survey has been put in pie-charts and bar graphs which have been produced by using the tabulated data, have been incorporated at appropriate places in the analytical interpretative text which has been drawn below. [4].

Table No. 8

Bank's Involvement	No. of Individuals	Percentage
Yes	15	75%
No	5	25%
Total	20	100%

Out of total 20 bank employees surveyed, 75% of employees are involved in the activity of bancassurance and remaining 25% employees are not involved in the activity of bancassurance. It is observed that, major portion of the employees area involved in the activity of bancassurance. [4].

Table No. 9

Training Given	No. of Individuals	Percentage
Yes	8	40%
No	12	60%
Total	20	100%

Out of 20 employees, 40% employees have been given formal training for cross-selling of bancassurance products and the remaining 60% have not been given any training for bancassurance. It has been observed that, maximum number of employees have not been given training for cross-selling of bancassurance products [4].

Table No. 10

Diversification of Revenue	No. of Individuals	Percentage
Yes	16	80%
No	4	20%
Total	20	100%

Out of 20 employees, it is observed that major portion i.e. 80% employees told that bancassurance is helping in the diversification of revenue to the bank and the remaining 20% of the employees say that it is not helping in the diversification of revenue to the banks. [4].

Table No. 11

Increase in Customer Loyalty	No. of Individuals	Percentage
Yes	18	90%
No	2	10%
Total	20	100%

Out of 20 employees, it is observed that major portion i.e. 90% employees told that bancassurance is helping in increasing the customer loyalty to the banks and the remaining 10% of the employees say that it is not helping in increasing the customer loyalty to the banks. [4].

Table No. 12

Increase in Total Income	No. of Individuals	Percentage
Yes	14	70%
No	6	30%
Total	20	100%

Out of 20 employees, it is observed that major portion i.e. 70% employees told that bancassurance is helping in increasing the total other incomes of the banks and the remaining 30% of the employees say that it is not helping in increasing the total other incomes of the banks [4].

Table No. 13

Enriches Work Content	No. of Individuals	Percentage
Yes	16	80%
No	4	20%
Total	20	100%

Out of 20 employees, 85% employees told that their work content is enriched by the activity of bancassurance and the remaining 15% of the employees say that it is not enriched by the activity of bancassurance. It is observed that maximum number of employees told that their work content is enriched by the activity of bancassurance. [4].

Table No. 14

Increases Productivity	No. of individuals	Percentage
Yes	16	80%
No	4	20%
Total	20	100%

Out of 20 employees, it is observed that major portion i.e. 80% employees told that bancassurance is helping in increasing the productivity banks and the remaining 20% of the employees say that it is not helping in increasing the productivity of the banks. [4].

ADVANTAGES OF BANCASSURANCE FROM EMPLOYEES POINT OF VIEW:

1. It results in providing incentive to employees thus contributing in increase in income of employees and the bank. [4].
2. The entire outstanding loan amount will be reimbursed by the insurance company. Hence, no Non-Performing Assets (NPA) on account of death of the borrower because [4].
3. The existing staff can be utilised to manage the bankassurance business. Hence, efficiency can be drastically increased. [4].
4. The bank staff will be motivated when there is no further scope in their career progression. [4].
5. Bancassurance will bring in more customers to the bank. [4].

VIII. FINDINGS

The finding of the research study are stated as follows:

- Quite a few people are aware about bancassurance and the various insurance products. On the contrary, there exist customers who are not aware about bancassurance as a concept. [4].
- The research study indicates that banks have wide range of prospects to cross sell insurance products. The insurance companies may take hold of the advantage of bank's wide network and other opportunities to sell their products. [4].
- A brand's name and its image plays a significant influential role in marketing a product line. Hence the banks and the insurance companies are urged to collaborate with the right partner that generates a better image in the minds of the customers. [4].
- It has been found from the study that Customers hold trust on the banks and because of this reliance the customers may obtain insurance products from banks. [4].
- Private sector banks and foreign banks have a better future in bancassurance. [4].
- The awareness about bancassurance is limited to few people. A huge potential is there before them to be tapped for life insurance business. [4].
- In the present scenario, banks offer various services to its customers. So by providing insurance, banks can incur income on extra service to their catalogue. [4].

IX. CONCLUSION AND SUGGESTIONS

- Appropriate training on “Insurance Selling” is required to be provided to employees of the selected bank.
- The insurance companies are required to customise product considering the need of the customers with reference to insurance and banking sector.
- After sales services are required to be provided by banks.
- In order to increase the sale, banks are expected to be robust in selling the insurance products. [4].
- Settlement of claims by banks is a must that shall enhance the trust and reliability of the customers on the banks. [4].
- Public sector banks are well known for their lethargic attitude and for providing poor quality of customer services. In order to succeed in bancassurance business, they should reconstruct their imperfect image. [4].
- The bank's management and the management of the insurance company should amicably be able to resolve any conflicts arising between them in future. [4].
- Banks and insurance companies should improve the products frequently according to the needs of the customers. [4].

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AUTHOR BRIEF:



Ms. Ameena Mansoor Sabooni is presently working as an Asst. Professor at Abeda Inamdar Senior College, Azam Campus, Pune. Having an MBA Finance Specialization and currently pursuing a dual MBA in International Business Management at Savitribai Phule Pune University, Pune, India.

Her area of interest is to understand teaching pedagogy and practical use of research in academic for the interest of aspirants to make a career as an academician.

E-mailId: aameenasabooni@gmail.com