A STUDY OF BANKER’S PERCEPTION FOR THE FACTORS WHICH BANKS DELIVER TO CUSTOMERS IN BANCASSURANCE

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ABSTRACT
“Bancassurance” in its simplest form is the distribution of insurance products through a bank’s distribution channels. The life insurance industry in India has been progressing at a rapid pace since opening up of the sector in 2000. Due to integration of global financial markets, development of new technologies, universalization of banking operations and diversification in non-banking activities, the business of banking around the globe is changing. This study tries to analyze those factors which are delivered to the customers under bancassurance and also the psychological mind set of the bankers as what they do for the fullest satisfaction of the customers receiving the services of the banks.

This study would help not only to the banks or the insurance companies but also to the distributors or sales personnel who try hard to convince the customers and would keep in mind those factors which positively or negatively affect the mind set of customers as well as bankers.

Keywords: IRDA; Banc Assurance; Banker Perception; Quality and Innovation

INTRODUCTION
Meaning and Definition of Bancassurance
The banking and insurance industry have changed rapidly in the changing economic environment throughout the world. Together Banking and Insurance Industry contributes about seven percent GDP of our economy. The increased pace of market competition due to liberalization and privatization forced life insurers to be competitive by cutting cost and serving in a better way to the customers. In view to reach huge untapped market, the concept of Bancassurance was introduced by the IRDA.

In simple terms, Bancassurance means that the insurance company and the bank come together to offer insurance products from the counter of the banks to the common person who is the bank’s customer.

It is a new and an emerging model of channel of distribution adopted by almost all the life insurance players to increase the market share and insurance penetration. The word Bankassurance is a word derived from two French words Banque meaning Bank and Assurance which denotes insurance. These two words have joined to form the word “Bancassurance”. “Bancassurance refers to banks acting as corporate agents for insures to distribute insurance products”. IRDA
Swiss Re (2007) “Bancassurance can be generally defined as the joint effort of banks and insurers to provide insurance products and services to the banks’ customer base”.

According to Low no. 32/2000, the term bancassurance has also been defined, "intermediary activity of the insurance products which are complementary to the products of credit and non-banking financial institutions, taking into account the terms stipulated by the issued rules putting the law into operation”.

Some of the examples of Bancassurance are given below:

| Birla Sun Life Insurance | Bank of Rajasthan, Andhra Bank, Bank of Muscat, Development Credit Bank, Deutsche Bank and Catholic Syrian Bank |
| Aviva Life Insurance | Canara Bank, Lakshmi Vilas Bank, American Express Bank and ABN AMRO Bank |
| HDFC Standard Life Insurance | Union Bank Of India |
| ICICI Prudential | Lord Krishna Bank, ICICI Bank, Bank of India, Citibank, Allahabad Bank, Federal Bank, South Indian Bank, and Punjab and Maharashtra Co-operative Bank |
| LIC | Corporation Bank, Overseas Bank of India, Vijaya Bank, Bank Of Commerce |
| SBI LIFE | SBI, BNP Paribas |
| Tata AIG | HSBC, United Bank of India |
| Bajaj Allianz | Syndicate Bank, Centurion Bank and Standard Chartered bank |

Source: www.bimaonline.com

**Meaning of Perception and its importance**

Perception is our sensory experience of the world around us and involves both the recognition of environmental stimuli and actions in response to these stimuli. Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival. Perception not only creates our experience of the world around us; it allows us to act within our environment. Perception includes the five senses; touch, sight, taste smell and taste.

**How the word “perception is significant in Bancassurance?**

As we all know that all the marketing activities revolve around the customer, customer is the focal point of the marketing activities. All the activities start from the customer; (e.g. after recognition of the need of the customer/consumer, the product if manufactured) and the activities end also to the customer (e.g. customer satisfaction is done after sales service). In this its most important to know as what the customer needs? What are his requirements? How he would be satisfied? What’s going into his mind regarding a particular product or a service offered? After answering to all these or more questions only we can move a step forward in the field of success.

The transaction between the insurance companies and banks and customers would result positively and had healthy relationship only when the customer is satisfied by the services being provided; and further this is possible when one knows the psychological set of mind (what he desires? His choices? Type of services? Quality of products etc.)

Today’s customer is very demanding and sensitive too. Customer expectations in respect of service quality are quite high. Consumers insist on respectable behaviour from their banker. Now, when there are so many operators, they can always switch over their loyalty at any moment. Thus, there is a challenge before service providers that their clientele base is retained. In regard to quality of service, our public sector banks are certainly required to redefine their priorities and strategies because very often they are labeled as poor. The competitive state of market suits the consumer as customer care is
always better. The customer will be benefited the most if the market is developed and competition is aroused to a greater extent.

Factors Bank delivers to the Customers

There are several characteristics (factors) that are delivered to the customers, some of them are:

**Courteous:** Courteous behavior is expected from the Bank’s staff by every customer. Every customer who comes in shall be greeted in an appropriate manner with a smile and made to feel comfortable. Thus in view of every staff member of the bank this courteous behavior is the first and foremost thing which should be kept in mind while having all forms of non-face-to-face communication with the customer including telephonic calls and E-mail.

**Communication:** According to banker’s perception while communicating with customers, 3 Cs of good communication- Correctness, Conciseness and Considerateness must be followed. Wherever, channels like E-Mail, SMS etc. are employed for sending communication which is sensitive in nature or which has financial implications, necessary safeguards shall be observed so as not to compromise the interests of either the Bank or the customer.

**Efficiency and Timeliness:** The needs of the customers must be attended by the bankers promptly and efficiently, ensuring that the time norms laid down by the Bank are followed.

**Products and Services:** Services provided by the bank staff is an important factor that a customer normally observe in the bank. Bankers perceive that all kinds of services and the products are expected to have under one roof by every customer; hence the bank must strive to be a financial supermarket to the customer so that he can find solutions to all his banking needs under one roof.

**Knowledge:** The staff members manning points of interface with the customers are expected to be fully conversant with the products and services they handle so as to be able to answer any query from customers in a professional manner. Brochures/pamphlets on the products/services must be provided to the customers so as to assist them in making informed decisions.

**Going the extra mile for a customer:** There are some customers who may act as a fresher having nil knowledge and thousands of queries in mind; hence for them bank employees should make a conscious effort to assist a customer in finding what he or she needs and in resolving his problem. If the solution to a problem does not lie with the Bank, the staff shall to the best of their knowledge and capacity, extend necessary guidance to the customer with regard to the person/authority to be approached for resolution and the manner of doing so.

**Dress:** All employees of the Bank shall wear attire, which is proper and dignified, and in keeping with the professional appearance that they are expected to project.

**Measures to adopt while providing customer service**

To provide excellent Customer Service, the following aspects shall be adhered to with regard to General management of the branches:

a. Providing infrastructure facilities by branches by bestowing particular attention to providing adequate space, proper furniture (seating etc.), drinking water facilities, sufficient lighting, clean toilets, gum for pasting cut/mutilated currency notes etc., with specific emphasis on pensioners, senior citizens, disabled persons, etc.

b. Providing entirely separate enquiry counters at their large / bigger branches in addition to a regular reception counter.

c. Displaying indicator boards at all the counters in English, Hindi as well as in the concerned regional language. Business posters at semi-urban and rural branches of banks should also be in the concerned regional languages.
d. Posting roving officials to ensure employees’ response to customers and for helping out customers in putting in their transactions.

e. Providing customers with booklets consisting of all details of service and facilities available at the bank in Hindi, English and the concerned regional languages.

f. Use of Hindi and regional languages in transacting business by banks with customers, including communications to customers.

g. Reviewing and improving upon the existing security system in branches so as to instill confidence amongst the employees and the public.

h. Wearing on person an identification badge displaying photo and name thereon by the employees.

i. Periodic change of desk and entrustment of elementary supervisory jobs.

j. Training of staff in line with customer service orientation. Training in Technical areas of banking to the staff at delivery points. Adopting innovative ways of training / delivery ranging from job cards to roving faculty to video conferencing.

k. Visit by senior officials from controlling offices and Head Office to branches at periodical intervals for on the spot study of the quality of service rendered by the branches.

l. Rewarding the Best branches from customer service point of view by annual awards/running shield.

m. Customer service audit, customer surveys.

n. Holding customer relation programs and periodical meetings to interact with different cross sections of customers for identifying action points to upgrade the customer service with customers.

o. Clearly establishing a New Product and Services Approval Process which should require approval by the Board especially on issues which compromise the rights of the Common Person.

p. Appointing Quality Assurance Officers who will ensure that the intent of policy is translated into the content and its eventual translation into proper procedures.

Source: Syndicate Bank—“Bank’s Policy on Customer Service”

LITERATURE REVIEW

Tiwari and Yadav (2012) discussed about the customer’s awareness, satisfaction and perception towards buying life insurance products from banks as well as its role in Indian life Insurance Industry. They found that the settlement of claims, service quality, performance appraisal, sales training of bank managers etc. could increase the trust and reliability of the customers on the banks. Also attractive incentives, proper motivation and the spread of awareness among the people are required about bancassurance and its benefits.

“Bancassurance is the process through which the insurance products are sold to customers at their local banks” Sarvanakumar, Punitha, Gunasekaran, Sankar (2012). According to them, with the opening of the Indian Insurance sector, the competition has become very intense between the private and the public sector. Insurance selling has become very difficult due to the size and diverse set of people in rural areas. By giving the examples of ICICI Bank, SBI & HDFC Bank, they said that these insurance companies are subscribers of their respective holding companies. For e.g. – ICICI Bank has partnership arrangements with 19 banks & 200 corporate tie-up arrangements.

- ICICI prudential has tie-up with a no. of Regional Rural Banks.
- Aviva Insurance with 22 banking companies which include private, public and foreign banks.
- Birla Sun Life Insurance with 10 leading banks in the country. Similarly Life Insurance Corporation has reported to have tie-up with 34 banks in the country. SBI Life Insurance is
placed in a unique position for a larger customer base. In short, bancassurance strategy could be a win-win situation for the parties—customer companies and banks.

The factors that influence the bancassurance products were mentioned by Constantinescu (2012) in his study such as: distribution, clients, competition, tax, legal system, supervision, internal resources, social security etc. (Mainz, S., 2004) Some of the factors had also been analyzed that increase the speed of transactions well as that must be attached to the distributed insurance products like adoption to the banking system, synchronized to the selling procedure of the bank, standard application forms, simple medical or financial selection. He also focused on the situation as when the consumers’ interest rises and that is when the insurance products are associated with the banking products. For e.g. personal needs credits or consumption credits and the attached life insurance, car credits, motor insurance, real estate or mortgage credits and attached property insurances.

As analyzed by Mishra (2012) in Bancassurance Sales Model, the importance is given to the customer. The customer according to this model; has been informed as why his purchase of insurance is important for him. The most common and basic problem of establishment of relationship had also been highlighted. The model has two phases:

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Relationship-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell the policy</td>
<td>Product sell</td>
</tr>
<tr>
<td>“analysis”</td>
<td>Presentation of analysis</td>
</tr>
<tr>
<td>Fact-finding</td>
<td>Quality fact-finding</td>
</tr>
<tr>
<td>Little time spent</td>
<td>Depth fact-finding with more time</td>
</tr>
</tbody>
</table>

In the Transactional phase, sales person only “sells”, while in the Relationship based, financial professional “helps customers buy”.

Kumaraswamy (2012) focused on the phenomenon of “Universal Banking”, which is built on the principle of leveraging existing networks to broaden its portfolio offerings. A bank or a branch becomes a one stop financial provider or a super market of financial services to the customers; when that bank offers vastly expanded and more sophisticated range of products to the customers from the same branch and ultimately this phenomenon is known as “Universal Banking”. How insurance is an option for banks? – It fulfills the requirements like asset management, investment skills distribution and capital adequacy, competitive edge over competitors, greater life cycle management, diversification and growth of revenue, diversification of risks by tapping another area of profitability. How bancassurance is beneficial for customers? The ways are – Delivery of all financial services at the doorstep, advisory services under one roof, relief from efforts from search for person or service/products, benefits of choosing multiple products at one place, satisfaction of brand strength of banks, better value and cheaper premiums, reduced premium charges, high quality products and trust on banks.

Boon, Chein and Yittjia (2012) examined those factors that influence the consumers’ acceptance toward the new marketing products of bancassurance and how the consumers could accept the brand-new concept of bancassurance. By adopting Rogers’ Five Factors they have measured the user acceptance of bancassurance. For the banker and insurer it had come into notice about the most important factors that affect the consumer for accepting bancassurance. Hence the advertisement of the bancassurance product could be given in the right way which may provide an effective strategy. It has been concluded that the only three of the Roger’s five factors emerged to be of significance to the user acceptance, namely relative advantage, trialability and observability and these three criteria could be used to locate the true consumer for the correct marketing strategy.

The bancassurance concept has two aspects and there is distinction between assurfinance and all finance (Van den Berghe and Verweire 1998) Assurfinance is the provision of financial/banking products by insurers. It seems to be a less successful trend with respect to bancassurance, probably
because the banks are in a better position to be considered by customers as a unique intermediary able to satisfy all their financial needs Sorina (2012). The term ‘all finance’ is quite a general one, indicating the bundling of different products to offer integrated and personalized financial solutions to customers. Also the consumer perceptions of banks versus insurance companies were noted down on the basis of the comparison made between the insurance companies and the banks, where; Banks were found to be one-stop shop and interested in selling as more products as possible. While on the other hand, insurance companies were considered to be as better financial advisor and better accessibility for multiple channels. In 2010 Bancassurance was the main distribution channel for life insurance products in many western European countries. In Portugal it represented up to 84.5% of the total life insurance business. The role of bancassurance remained, however, limited in two large western European markets: Germany and the UK. In Germany, this low penetration (20%) may be related to the large number of small and regional banks, which impedes the rapid and widespread distribution of standardized products throughout the whole country. In the UK, financial institutions accounted for about 17% of new individual sales and only 2% of new group sales. Low market shares of the bancassurance channel were observed in eastern European countries

The factors that influence the agents’ perception towards Life Insurance Corporation of India as mentioned by Bala & Sandhu (2011) are (i) customer target (ii) competitive advantage predicates (iii) material hallmarks (iv) promising products and process (v) service enhancements (vi) exclusive attention. Staff coordination is considered to be the most important factor to influence agents’ perception. The agent has to deal with the dilemma between making sales (self interest) and providing service (customer benefit) (Oakes, 1990). Customers are, therefore, likely to place a high value on their agents’ integrity and advice (Zeithaml et al.1993). Agents are the indeed ambassadors and the backbone of the insurance industry (Malliga, 2000). For the insurance company’s agents’ serve as the kingpin; seeking to provide traditional and innovative products and focal points for customers seeking to procure insurance coverage and long term saving.

Customers’ expectations and their perceptions related to various services offered by banking industry were examined by Arora (2010). The factors that affect the expectations of the customers regarding the services being offered by banks are prior experience, personal needs and word of mouth communication.

Wallace & Herrick (2009) stated that there is constant need for the business models, capabilities & the practices of the financial services to get change along with the changing regulation & consumer expectations. Security, stability, growth & capital are those four factors of banks that cause the business nature to get changed for the public & private sectors according to time.

Further they stated as there is a sort of rivalry between healthcare & education professionals, the same case may be with private & public sectors for the talent in the upcoming future. Focusing on the customer’s point of view they said that customers would perceive only those banks as the best one that would provide the services according to their requirements as well as the secure & stable services.

“Banks are the heart of the global economy, whether regional, specialist, government controlled or privately held or universal players.”

Bancassurance is considered to be the customer friendly channel due to the ease of payment of premium and the facility of maturity/claim payments through the bank account, according to Goverdhan (2008)

Rajkumari (2007) described the awareness, satisfaction and preferences of customers towards various Insurance services and bancassurance. Further for the identification of the customer's attitude towards purchase of insurance products and their knowledge on the products; thorough study was conducted. Suggestions for the improvement of customer awareness on banc assurance and performance of banks in selling insurance policies were given.
OBJECTIVES OF THE STUDY

1. To study the factors which affect the likes and dislikes of the customers.
2. To study the image of bancassurance among the customers.
3. To study the banker’s perception for the services delivered to the customers by them.
4. To study the service characteristics provided under the bancassurance activity.

STATEMENT OF THE PROBLEM

The term ‘bancassurance’ encompasses a wide range of distribution structures including: banks owning insurance companies outright; banks and insurance companies in corporate joint ventures; and insurers selling their products to customers of banks under distribution agreements. But the most important problem lies under the satisfaction level of the customers and this could only be possible when the bank employees come to about their choice, likes or dislikes.

The present study focuses on the factors which bank delivers to customers in bancassurance based on certain variables such as trust and reliability, user friendliness and easiness, regulated services and quality and innovation.

HYPOTHESIS OF THE STUDY

H01: Trust and reliability is delivered to customers as bancassurance factor which bank delivers.
Ha1: Trust and reliability is not delivered to customers as bancassurance factor which bank delivers.
H02: User Friendliness and Easiness is delivered to customers as bancassurance factor which bank delivers.
Ha2: User Friendliness and Easiness is not delivered to customers as bancassurance factor which bank delivers.
H03: Regulated Services are delivered to customers as bancassurance factor which bank delivers.
Ha3: Regulated Services are not delivered to customers as bancassurance factor which bank delivers.
H04: Quality and Innovation is delivered to customers as bancassurance factor which bank delivers.
Ha4: Quality and Innovation is not delivered to customers as bancassurance factor which bank delivers.

SCOPE OF THE STUDY

The present study has been made to analyze the “Banker’s perception for factors which bank delivers to customers in Bancassurance” by some bankers of both Public and Private sector Banks.

RESEARCH METHODOLOGY

Sampling Design

The validity of any research is based on the systematic method of data collection and analysis of the data collected. The study is based on the data collected from individual employees of Public Sector and Private Sector Banks from Udaipur district collected through convenience sampling method.

Collection of Data

Source of Data

This study uses the primary data as well as secondary data.

In this study the researcher collected the primary data from the bank employees of Public sector Banks; SBI, Allahabad, SBBJ; and from private sector RBL Bank and IDBI Bank from Semi- Gov. Bank.
Here a well-structured questionnaire has been prepared with all the important details regarding bancassurance and about the factors affecting the habits of the customers. It has close-ended questions.

Secondary data has been collected from books, journals, newspapers, magazines, websites, bulletins issued by RBI and other annual reports of the banks.

LIMITATIONS OF THE STUDY

The survey is conducted only in Udaipur district. Lack of awareness about the term “bancassurance”. Personal biases and prejudices of the customers may also affect the study. There are only 50 respondents i.e. employees of the bank.

DATA ANALYSIS AND INTERPRETATION

In this section of analysis the banker’s perception for the characteristics delivered to the customer under Bancassurance were examined by the researcher. Questionnaire consisting 20 different factors for the banker’s opinion was measured by Likert 5 scale point basis. The Questionnaire contained all the possible direct and indirect service advantages of Bancassurance.

According to the Table 1 of the customer section analysis all the 20 statements of the questionnaire were put into examination by factor analysis, where four different factors were extracted. These four factors were trust and reliability, user friendliness and easiness, regulated services and Quality and Innovation. In this section of analysis the same class or group of characteristics were used for examining banker’s perception. Average score of the statements clubbed together under factor analysis was used to calculate the significance of the factors. To examine the significance non parametric chi square test was applied.

{Chi-Square: The chi-square test is a statistical test that can be used to determine whether observed frequencies are significantly different from expected frequencies. Based on the outcome of the chi-square test we will either reject or fail to reject the null hypothesis. Chi-square tests enable us to compare observed and expected frequencies objectively, since it is not always possible to tell just by looking at them whether they are "different enough" to be considered statistically significant. Statistical significance in this case implies that the differences are not due to chance alone, but instead may be indicative of other processes at work.}

Table 1. Descriptive Statistics of Banker’s perception for factors which Bank delivers under Bancassurance to customer

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust and Reliability</td>
<td>50</td>
<td>3.7060</td>
<td>.60757</td>
<td>2.50</td>
<td>5.00</td>
</tr>
<tr>
<td>User friendliness and Easiness</td>
<td>50</td>
<td>3.4800</td>
<td>.70682</td>
<td>2.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Regulated Services</td>
<td>50</td>
<td>3.2900</td>
<td>1.07423</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Quality and Innovation</td>
<td>50</td>
<td>3.4500</td>
<td>.71607</td>
<td>2.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Source: Primary Data

According to the Table 1 it could be observed that for all the factors mean score value is more than 3 and tends to 4 which represent the great extent of acceptance from the bankers for all the statements. Standard deviation value for all the factors presents wide coverage and variation among the responses of bankers.
### Table 2. Test statistics of Banker’s perception for factors which Bank delivers under Bancassurance to customer

<table>
<thead>
<tr>
<th></th>
<th>Trust and Reliability</th>
<th>User friendliness and Easiness</th>
<th>Regulated Services</th>
<th>Quality and Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>22.520(^a)</td>
<td>23.080(^a)</td>
<td>23.360(^a)</td>
<td>21.400(^a)</td>
</tr>
<tr>
<td>Df</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td>.002</td>
</tr>
</tbody>
</table>

**Note:** a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.1

**Source:** Primary Data

According to Table 2 it was observed that for trust and reliability factor chi square value was 22.520 and degree of freedom was 6 and sig. value was .001, which all represents that bankers responses for the trust and reliability factor shows significance, which means all the statements of this factor are significantly delivered to the customers under Bancassurance. For User friendliness and easiness factor chi square value was 23.080 and degree of freedom was 6 and sig. value was .001, which all represents that bankers responses for the User friendliness and easiness factor shows significance, which means all the statements of this factor are significantly delivered to the customer under Bancassurance. For Regulated services factor chi square value was 23.360 and degree of freedom was 6 and sig. value was .001, which all represents that bankers responses for the Regulated services factor shows significance, which means all the statements of this factor are significantly delivered to the customer under Bancassurance. For Quality and innovation factor chi square value was 21.400 and degree of freedom was 6 and sig. value was .002, which all represents that bankers responses for the Quality and innovation factor shows significance, which means all the statements of this factor are significantly delivered to the customer under Bancassurance.

From the above observations following inferences were derived:

- H01 is accepted as trust and reliability is offered to customers as banker’s perception.
- H02 is accepted as user friendliness and easiness is offered to customers as banker’s perception.
- H03 is accepted as regulated services are offered to customers as banker’s perception.
- H04 is accepted as quality and innovation is offered to customers as banker’s perception.

Thus it can be concluded from the above analysis that all the services (factors affecting customers behavior) are positively and effectively provided by the bank employees whether they are of public or the private sector banks. Customers are fully satisfied according to the banker’s perception.

### CONCLUSION

In the present scenario Bancassurance has become not only the part of providing insurance services to the customers but also along with that reaching at their full satisfaction level; as customer is the focus point of marketing strategy which begins with customers and with customers. Thus all the banks are striving hard to provide their best of the services. And for this purpose bankers must well understand the psychological mind set of the customers and prepare them accordingly.

### REFERENCES


