



BANCASSURANCE – A CRITICAL STUDY

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ABSTRACT:

In today's financial sector insurance is playing vital role. Currently insurance sector has acquired new sources of creating business, in which bancassurance or banca channel provide assurance to bank and insurance company. In this paper the researcher critically reviewed the previous studies on bancassurance. Bancassurance is the allocation of insurance products through the huge network of banks whereby, banks act as a distribution channel for providing varieties of banking and investment products and services. This study will be helpful for new researchers for their further study in insurance sector.

Keywords: Bancassurance, Insurance, Channel.

INTRODUCTION:

A major contributor among huge service sector is the insurance sector which plays an important role in enhancing financial intermediation, creating liquidity and mobilizing savings in the country. The growing global insurance industry has brought new channels of distribution into existence, leading to a new concept called Bancassurance. Banks aims at a comprehensive bancassurance management with Core Banking platform ie; ease of premium payments using Auto Debit Cards, Net Banking, collection agencies etc. Bancassurance has eased the transactions of policies between the main insurance companies as well as the affiliated companies despite the distance and national restrictions. The present empirical based study was conducted with an objective to critically examine the previous study of bancassurance. The study was based on secondary data. The area of study is confined only to randomly selected research papers.

Bancassurance offers many advantages to banks, insurers and the customers. For the banks, income from Bancassurance is the only non-interest based income. The insurance company gets better geographical reach without additional costs. Providing multiple services at one place to the customers improves customer satisfaction.

OBJECTIVES:

1. To study the scope of existing research in bancassurance.
2. To study the neglected areas of research in bancassurance.

RESEARCH METHODOLOGY:

This study is based on secondary data. For this study the researcher selected existing research paper randomly. This is explanatory research.

REVIEW OF LITERATURE:

Sethi Naveen (2013), in his article on "Bancassurance – An Emerging Concept in India" writes that Bancassurance has answered the problems faced by insurance sector. Regarding distribution of insurance among widely spread population in rural and remote area, with the help of tremendous manpower of bank. Selling the insurance has become another means of earning revenue without much investment of capital for bank. If the Bank and Insurance companies efficiently focused on administration, Bancassurance is able to become strong distribution channel. He has done SWOT analysis and tried to focus on all four dimensions of Bancassurance. According to him Bancassurance has been slowed down because of countries regulatory barriers.

Pani Lalat K and Swain Sukhamaya (2013) , in their article on "Bancassurance and Indian Banks" observes that banks provide their customers data base to insurance company but with the compromising on data security. There is no action taken by bank regarding privacy of customer information . There is possibility of customers confusion about where he should invest. Because the interest getting from insurance and banking products are exactly the same. Approach and services provided by the bank are worst when they are

responsible to sell insurance products. Bancassurance channel can work best only all banks develop the IT infrastructure.

Mishra Nandita (2012), in her article on “Bancassurance – Problems and Challenges in India” states that banks have several benefits in Bancassurance, bank can sale insurance as complimentary product and will get fee income. After death of loan taker there will be no problem of recovery, loan will be automatically settled through the policy on loan. In India bancassurance still not reach the potential, because of low level of training, lack of operational coordination, unequal relationship, short duration of tie-ups, lack of specially designed products, non utilization of technology, poor services. Bancassurance has become the achievement for banking industry, because banks earning without tension of NPA.

Miss K. Pushpa Veni (2008), in her article on “Bancassurance – An Emerging Concept in India” finds that it is completely new phenomenon. Banks should focus on the customer relationship, because bancassurance is ensuring success through only that. In India, the regulations not allowing the banks to tie-ups with more than one insurance company. Banks no more interested to work like distribution channel, they are think to take equity stakes in insurance companies.

Pang-Ru Chang et.al,(2011) in his article on “A Comparison of Bancassurance and Traditional Insurer Sales Channels”, writes that Traditional sales channel working efficiently than Bancassurance. Major companies which have tie-ups with banks should do something to increase the efficiency of the bank. Life insurance companies are satisfied with their Traditional channel and not much focusing on bancassurance. The salesperson or Agent in Traditional sales channel sells various and different products to customer, but financial specialists in banks need more training about insurance products to work well in bancassurance.

T.Hymavathi Kumari, Dr. D. Rajasekar(2015), in their article on “Bancassurance – The Future of Indian Insurance Industry” observes that insurance penetration ratio is improving and ensuring that insurance will reach down to the grass- root level of the nation. The insurance sector is growing

because of efficient distribution channel and innovation in insurance products. The future of Bancassurance channel only depends on how banks and insurance company controls the challenges of operations.

G.Parvathi (2013), in her article on “Impact of Insurance Sector on Indian Economy”, states that insurance industry playing very important role in Indian economy through creating the opportunity of employment. India is a big country, because of that resources are still lacking in development of insurance sector. Comparing with the population of India, per capita insurance premium is small.

Marjorie Chevalier et.al. in Focus (oct 2005) in “Bancassurance”, mention that, in some countries the bancassurance try to identify the reasons for failure and trying to develop these activities on all different basis. In USA, UK or Germany bancassurance model never take off. For making some alliances, two industries need to know the exact reason of failure. Bancassurance is successful in China, India and Europe. Banking and Life insurance seem to be two intimately linked activities.

FINDINGS:

1. The previous study focuses on regulatory barriers of bancassurance channel in India.
2. In bancassurance banks are not providing protection to customers about personal information.
3. The bancassurance channel providing security to banks against NPA.
4. The specialist officers of banks are not efficient as compare to insurance agent in the selling of insurance.
5. The approach and services provided by the bank are worst about selling the insurance products.
6. Bancassurance channel still has lots of potential to create business for banks and insurance company.
7. Banks are no more interested to work like distribution channel, they are interested to take equity stakes in insurance companies.
8. Private insurance companies are more interested in bancassurance and not in traditional sales channel.

CONCLUSION:

From the above findings, it is made clear that much of the focal point of the past research was banks and insurance companies. However, awareness of customers and employees of bancassurance, satisfaction of customers, factors which influences the decision of customers, have remained neglected aspects in the above research on bancassurance.

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