

Introduction

The business of banking around the globe is changing due to integration of global financial markets, development of new technologies, universalization of banking operations and diversification in non-banking activities. Due to all these movements, the boundaries that have kept various financial services separate from each other have vanished. The coming together of different financial services has provided synergies in operations and development of new concepts. One of these is Bancassurance. Bancassurance means the distribution of insurance policies through the branches of banks. The financial liberalization and financial innovations have drawn the world of banking and insurance closer together, desegmenting the financial industry and spurring competition. Therefore, bancassurance has increasingly become an accepted norm rather than exception for the banks dealing in insurance products.

Significance of the study

Bancassurance attempts to integrate banking with insurance with the objective of promoting cross marketing in operations and synergy in financial dealings. The idea is to reduce distribution cost and create a single channel for policy distribution and premium collection through bank accounts. This would enhance banking business through active accounts and increase policy business through easy distribution. For the customers, the benefit is that products get integrated with bank accounts which promote ease in operation. However, such a distribution model creates challenges in terms of primary interest and supportive interest. The opportunities and challenges are thus examined.

Objectives of the study

The specific objectives of the study are the following:

1. To analyze the perception of bank managers about the opportunities of bancassurance in Kerala.
2. To study the factors which influence the attitude of bank managers towards bancassurance
3. To identify the various intrinsic and extrinsic challenges encountered by the bank managers
4. To identify the factors that motivate customers to avail insurance products from banks
5. To assess the level of awareness of the customers about the features of bancassurance products
6. To identify the various problems encountered by bancassurance customers
7. To compare the features of bancassurance products of banks with LIC

Hypotheses of the Study

The following hypotheses are formulated:

1. There is no significant difference in the perception level of bank managers of public sector, old private sector and new generation banks with respect to the opportunities of bancassurance in Kerala
2. There is no significant difference between the various intrinsic factors and extrinsic factors causing challenges to bank officials.
3. There is no association between the level of awareness of the customers and the features of bancassurance products in Kerala
4. There is no association between level of satisfaction of customers about bancassurance service and category of banks
5. There is no significant relationship among the factors that motivates customers to avail bancassurance products from public sector, old private sector and new generation banks in Kerala

6. There is no significant difference among the customers of public sector, old private sector and new generation banks on the mean yearly premium paid and the sum assured towards the bancassurance products
7. There is no significant difference in the features of bancassurance products of banks with LIC

Research Methodology

The study is based on data collected from 534 bank managers selected by using systematic sampling method and from 400 customers selected by using purposive sampling method. Both primary and secondary data are used for the study. Primary data are collected by using questionnaire. A five year period from 2007 to 2011 is selected for the present study. The tools used for data analysis includes F-test, Chi-square test, ANOVA, Karl Pearson's coefficient of correlation, Kruskal-Wallis (H) test and Factor Analysis

Findings of the study

The main findings are:

1. The main internal challenges of bancassurance are difficulty in maintaining quality service, dependence of insurance marketing on personal relationship with customers, difficulty in identifying potential customers, non consideration of insurance as core business, lack of sufficient training to bank staff and problems of back office to deal with customer data base.
2. The external challenges of bancassurance are value of market linked policies, intense competition in the market, unpopular agreement between banks and insurance companies and dual regulations of banking and insurance companies.
3. The opportunities of bancassurance includes fee income, cross selling of insurance policies, services under one roof, sales oriented culture, strong relationship between banks and insurance companies, increases productivity of bank staff and customer retention.
4. The main factor that motivates customers to avail to insurance products from banks is the existing relation with bank. The other factors are pressure from bank staff, quality of service, reputation of bank, adequate return, features of policies, and convenience.
5. It is also found that the main factors which influence the attitude of bank managers towards bancassurance are opportunity for new brand promotion, long term customer acceptance, scope for improvement in market value and reliant outlet for insurance and bank products.
6. Majority of the customers are aware about the level of protection (74%) and flexibility (82%), but with respect to service charges (84%) and age limits (76%), majority are not aware. Customers are moderately aware about premium level and medical examination.
7. The factor analysis revealed that the main problems of bancassurance customers are inactive deliberation of the officials and agents, restricted scope for diversity, high influence of specialized financial institutions, low stimulus and drive, improper independent market and high operating cost.

8. There is no significant difference in the perception level of bank managers of public sector, old private sector and new generation banks with reference to the opportunities of bancassurance in Kerala
9. There is no significant difference between the various intrinsic factors and extrinsic factors causing challenges to bank officials
10. There is association between the level of awareness of the customers and the features of bancassurance products in Kerala
11. There is no association between level of satisfaction of customers about bancassurance service and category of banks
12. There is significant relationship among the factors that motivates customers to avail bancassurance products from public sector, old private sector and new generation banks in Kerala
13. There is no significant difference among the customers of public sector, old private sector and new generation banks on the mean yearly premium paid and the sum assured towards the bancassurance products
14. There is significant difference in the features of bancassurance products of banks with LIC

Suggestions

For the growth and development of bancassurance, banks need to adopt a sales culture in tune with bancassurance, in addition to the traditional service culture. There should be reservation for those Bancassurance Field Executives for future permanent posts, especially marketing of bank's vibrant financial products. The banks should use multiple communication channels directly or indirectly to create awareness of various insurance policies to their customers. Banks can adopt direct marketing mediums such as communication through emails, telephone, SMS, customer newsletters, inserts with credit card billing and indirect marketing mediums such as print media, banners, posters, hoardings, press releases and announcements. Banks should update and up to date the centralized data base regularly and data mining should be more customers focused. The performance parameters should be expanded by inclusion of area of non interest income as a key performance indicator and appraisal focus should be moved to earnings in fee income by cross selling the insurance policies. Training to bank staff should be imparted on every aspect of client soliciting, concluding the sales and servicing the clients for a longer period. Since the insurance penetration is very low, the government should take measures for educating the people about the need of insurance for risk mitigation by launching insurance awareness campaign through various print and electronic medias. Government can form bancassurance task force at state level and national level with representation from RBI, IRDA, Banks, Insurance companies, and Government for closer interaction, sharing of information and sorting out issues. There should be academic inclusion of bancassurance details in all major curriculums, which deals with bank.