

Bancassurance

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Abstract- *The concept of bancassurance originated from France in 1980's in response to certain changes like direct access to corporate funding market and the regulation of credit market in 1986. Bancassurance has been prevalent in Europe as it inculcates the vision of "one-stop-shop"*

Thus the bank in today's era have border horizons along with enlarge operations. Therefore, A bank acquiring a concept of bancassurance is a natural repercussion and is fully rational too as insurance is among one of the services needed by the bank customers.

Bancassurance as a supporter are all related with it viz. Banking sector, insurance area customers or the clients as well. It gives a pathway to banks following which they could expand the scope of items and administrations rendered by them and as wellspring of extra pay which is totally chance free. The insurance agencies exploit the certainty and trust that the bank has effectively earned through its customers and hence go into wide running partnerships as to augment their purview. The insurance agencies and banks in this way combination together to give undeniable bundle of money related administrations not exclusively to benefits clients yet in addition to maximize their benefits.

Keywords- Bancassurance, Banks, customers, Insurance.

I. INTRODUCTION

Bancassurance is defined as the selling of insurance products and services using bank as an outlet. Center for insurance and financial planning define it as "bancassurance assume a wide range of detailed arrangements between banks and insurance companies, but in all cases it includes the provision of insurance and banking products or services from the same sources or to the same customer base". It is a conglomeration between the bank and insurance company (both life and non-life) wherein the bank provides a platform to the insurance company to promote its products and services. It can be understood as a "give and take" phenomenon where the banks grants the insurance company access to their wide ranging customers to sell their products in return of which they earn proceeds which is known as the fee-based income. The income thus earned does not involve any sort of risk since the bank just acts as a mediator between the customers and the insurance company. Bancassurance is the

process of using a bank's customer relationship to sell life and non-life insurance products and it is emerging as a natural pathway for the effective development of insurance.

II. OBJECTIVES

- To study the overview of bancassurance.
- To examine the recent trends and present scenario of bancassurance business in India.
- To know the issues regarding the marketing of insurance products through bancassurance and make meaningful suggestions.
- To analyze the impact of bancassurance on performance of the banks.

Insurance Sector Reforms In India

Insurance sector experienced drastic changes during the late 1990s and 2000s onwards .On the recommendation of malhotra committee the amendments comprised of the establishment of IRDA(Insurance Regulatory Development Authority) in the year 2000 through the enactment of the IRDA Act 1999. The motive of this authority primarily was to look after development and regulation of the insurance sector. Analogous to RBI, as the prime governing body for the banking sector, this was made solely to deal with the insurance sector. Thereafter for every insurance company it was mandatory to get itself registered in IRDA and would abide to the norms and conditions formulated by it. Various other states like Insurance act 1938,General Insurance business nationalization act(GIBA)1972,LIC act 1956 were also marked by several amendment. Thereafter, the insurance sector thrived immensely under supervision of IRDA. Now the public sector companies that were previously working under general insurance company of India broke their alliance and started operating independently thereby increasing the competition in the insurance market. As anticipated these development resulted in the hiatus of monopoly by the public sector in the insurance sector, thereby carving out a pathway for other private ventures to explore the opportunities that lie un-availed in the insurance sector. In further gave them a idea of how to harness potential that lies within the insurance sector. This liberalization gave birth to the competition in the insurance industry and now the spark in insurance sector was ready to ablaze the industry.

III. BANCASSURANCE MODELS

- **Referral model\Mixed model**

Banks are not trying to include in any kind of hazard could embrace in referral/blended model wherein the bank just gives the insurance agency access to their client database for business lead and consequently to which gets certain measure of pay from the protection company. The primary demonstrations of exchanges with the planned customer if there should be an occurrence of referral model are finished by the personals of the insurance agency at their office or in the region of the bank itself. Many banks in India have officially received this model as their bancassurance strategy. Moreover this sort of course of action would be appropriate for a wide range of banks including the territorial country banks (RRB's)\corporative banks and even corporative social orders both in rural and urban. The principle reason being that it includes hazard free income, so for a beginning they can actualize this system and thereby move to different models as time advances.

- **Corporate agency\Strategic alliance**

Corporate organization or key collusion is another type of hazard free distribution channel. This sort of alliance plans to up aptitude the bank staff to assess and offer the items to the clients. The bank here goes about as a corporate specialist for the insurance agency consequently to a fee\commission which it receives. This course of action is conceivable for fair sized banks in India which has huge staff and carters to significantly greater number of customers than the banks associated with the referral model. Also the pace of commission on instance of key union more note worthy than that of the referral model. This however, is inclined to reputational danger of advertising bank. Some down to business troubles identified with the expert information of the protection items may likewise arise. Besides that, feigns from staff to deal with absolutely new products\services can likewise turn into a matter of concern. This could anyway be emanated by giving thorough preparing to picked staff bundled with legitimate in the underlying stage. This kind of model or proper for the greater part of the banks including major urban helpful banks in light of the fact that neither there is a hazard sharing nor does it require gigantic contributions on the type of infrastructure but could be and exceptional wellspring of salary.

- **Fully integrated financial services\Joint ventures**

Unlike the above two, fully integrated financial services involves much more labyrinthine and compressive

conglomeration between the bank and the insurer where in bank functions universally and selling of insurance product is a just one more function within. Banks have a separate counter for selling\marketing of these insurance products as an internal part of its rest of the activities. This includes banks having a wholly owned insurance subsidiary with or without foreign participation. As far as Indian banks concerned, ICICI bank and HDFC bank in private sector and state bank of India in the public sector, have already have taken a lead in resorting to this type of bancassurance model and have acquired sizable share in the insurance market, also made a big stride within a short span of time. This type of strategy may be favorable for banks having better infrastructure and sound financials .The results of this strategy have been the best globally.

Need And Scope Of Bancassurance:

This contemporary period denotes the prominence of protection items in Indian economy. Going through the records of protection companies, it has been observed that the center of society used to take at least one policy, either for self or family. Customarily there are two ways of selling protection products, first being the one which is sold straightforwardly by the organization and second one in selling through agents. Now the immediate selling through organizations have been prominent among corporate while the specialists handle the retail offering to the individual clients. In this way with expanding progression and globalization, there emerged a need to plan strategies which could further extricate the wealth and use the assets of the protection segment to the ideal level. The promulgation of budgetary changes market the improvement of nontraditional appropriation channel i.e bancassurance, where one dissemination channel(banks)could b as a device to offer two items synchronously i.e retail banking and protection products. Before entry of private insurers, state-claimed insurance agencies depended completely on the tied organization power and their very own employees. But with the appearance of the idea bancassurance ,the banks goes about as a foundation of these insurance agencies to sell their products, thus giving them access to their gigantic database of clients consequently of which they gain income which is known as a charge based income. For, the bank this salary is totally free hazard.

This idea work support of both the bank just as the insurance agency.

In nutshell, bancassurance has demonstrated to be an effectors assets for banking and the protection segment

One of the essential reasons for the clients to embrace bancassurance is that the conventional financial framework is

viewed as more reliable. Banking does not have a similar disgrace that life coverage carries. Since the clients do not effectively depend upon the agents, selling through banks fills in as an elective channel since they have picked up the certainty of the clients in this way mailing it for insurance agencies to sell their items by giving them a stage to do so. Blending it with tremendous financial system with the biggest investor base, there is a more noteworthy extension for the utilization of bancassurance.

Advantages to banks:

- Alternative approach to win expense based income. To conceal the declining benefits accruing because of customary banking systems, the non-premium pay in this manner earned encourages them to accomplish their productivity target. Moreover, this simply dangers free income. In different words increment in comes back to assets by distributing protection items and administrations
- Proximity items and administrations
- Proper utilization of existing infrastructure
- Optimizing the labor usage so as to expand adequacy efficiency
- Access funds that are generally kept with life insurers, who here and there advantage from Expense advantage

Advantages to the insurers:

- Insurers can outfit the shrouded potential in banks 'wide range of system of branches for conveyance of products. The officially existing outlets of banks in the country can be used to sell items in those zones
- Access through a vast client base, whole monetary profile is known viz. Financial Status, spending habits, investment and pursue ability can be utilized to tweak items according to their reasonableness and sell as their needs
- Economy is conveyance cost
- Using banks as a platform to expand the degree of protection infiltration in the nation
- Develop new budgetary items all the more effectively as a team with their bank partners
- Establish showcase nearness quickly without the need to development a system of Specialists

Advantages to customers:

- An amalgamation of monetary services under one rooftop i.e. along with banking facilities, for

example, accounting, loans, mutual reserves etc, insurance administrations are given

- Professional ability and prepared administrators are there to offer them an appropriate Guidance
- The chance inclusion at bank itself
- Ease of reestablishment and different conventions
- Easy access for cases

IV. OPPURTUNITIES AND CHALLENGES FOR BANCASSURANCE

As indicated by an ongoing sigma study, of the bancassurance has hustled, particularly in rising markets Around the globe, insurance companies, have been effectively utilizing bancassurance to increase an dependable balance in business sectors with low protection infiltration and a constrained assortment of conveyance channels. The utilization of banks as a platform for distributing items and administrations by the insurance agencies is a set up and developing channel for protection distribution, though its entrance shifts crosswise over various markets Europe has the most noteworthy bancassurance infiltration rate. In contact entrance is lower in north America, partly mirroring the stringent administrative policies. In asia, however the proclamation of bancassurance is spreading at a better than average pace, particularly in china, where progression of changes prompts a simplicity in limitations. The examination on bancassurance depicts that social and social factors alongside the administrative contemplations and item complexity, plays a significant job in deciding how successful bancassurance is in a specific market.

India is being considered as one of the quick creating economy among the developing business sector economies. Reserve bank of India estimates the gross household product (GDP) To develop around 7.7% in 2017-18 after excruciating long stretches of sub - 5% growth. Moreover it likewise expressed that "The Indian economy remains at an intersection that could take a moderate rough path to a faster interstate." With more prominent political soundness and a steady arrangement framework, investment could pivot and the economy is poised to make a move to a higher development trajectory (RBI 2013-14). Developments are relied upon to challenge customary bancassurers in the accompanying ways

- The progress from assembling to unadulterated circulation expects banks to adjust the motivating forces of different providers with their own
- Increasing offers of non-life products, to the degree those dangers are held by the banks, require refined items and hazard the board

- The closeout of non-life items ought to be weighed against the greater expense of overhauling those strategies
- Banks should be set up for potential reactions emerging from increasingly visit in- disaster protection guarantees by the customers upsetting the bank-client relationship

Despite the fact that the underlying objective of bancassurance was the mass market, the bancassurance have begun rehearsing fine division of the market as result of which new items were defined which are selective for each section.

Some market lean toward versus contact, which will in general advocate the improvement of bancassurance. Nevertheless, banks are beginning to uphold direct advertising and web banking as instruments to administer protection products. New and unfolding channels are winding up progressively competitive, due to unmistakable money saving advantages implanted in item valuing or through the intrigue of innovation. Finally, the promoting of increasingly complex items has additionally inserted its foundations in some countries, alongside a progressively committed spotlight on specialty customer segments and the distribution of non-lie products. The journey for item expansion harvests up as bancasurers understand that over-dependence on specific items may prompt undue instability in business salary.

V. FINDINGS

- The analysis reveals that the main opportunities of bancassurance were generation of fee income, selling of insurance policies, services under single roof, sales oriented culture, strong relationship between banks and insurance companies, increases productivity of bank staff and customer retention.
- The study also reveals that the internal challenges of bancassurance were difficulty in maintaining quality service, difficulty in identifying potential customers, dependence of insurance marketing on personal relationship with customers, non consideration of insurance as core business, lack of training to bank staff and problems of back office to deal with customer data base.
- The external challenges of banc assurance were intense competition in the market, Value of market linked policies ,unpopular agreement between banks and insurance companies, dual regulations of banking and insurance companies.

VI. SUGGESTIONS

The proper implementation of bancassurance is still facing some problems such as, poor manpower management, lack of sales culture with in the banks, detachment of branch manager, insufficient product promotion, managerial database expertise, inadequate incentives, negative attitude towards insurance etc. In order to get the full benefit of it the following steps can be taken:-

- i) Service delivery mechanism should be strengthened.
- ii) Knowledge of target customer needs should be developed.
- iii) Extensive and high quality training should be ensured.
- iv) Strategies consistent with the banks vision should be developed.
- v) Bank's data base system should be made flexible to cope with the change.

VII. CONCLUSION

The triumph of bancassurance propels banks to strengthen the clients relationship, therefore the banks should try towards. The actuality that the financial activities in India, unlike in other created countries, are still branch situated and physically worked versus exceptionally motorized and mechanized banking channels. Reforms ought to be figured permitting banks mix with more than one insurance agency giving different decision to the customers. Owing to the contemporary pace of bancassurance, it would end up being a standard as opposed to a special case in future in India. Supervisory worries as pointed out before could be handled by method for closer and systematized coordination between respective supervisory authorities. Decent drizzling combined with sufficient motivator framework could turn away the banks staff obstruction authorities. Decent current situation of the blending markets where the entrance of bancassurance id low, further visualized and anticipated that the up and coming contemporary period will check the advancement and achievement of bancassurance.

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