

CUSTOMERS' PERCEPTION REGARDING ASSURANCE AND EMPATHY OF BANCASSURANCE CHANNEL

Shigihalli V.G¹

Dr. Shobha C²

Abstract

Bancassurance was introduced by Insurance Regulatory and Development Authority (IRDA) which is relatively an emerging area in Banking Industry in India which acts as a strong distribution channel. The present study attempts to understand the role and emergence of Bancassurance through academic literatures and its implications. Besides, to understand the level of awareness and type of insurance policy preferred by the customers and also analyse the selected dimension of service quality model namely assurance towards bancassurance products in State Bank of India customers which is confined to Bangalore city. The study also tries to find out the impact of various demographic variables on customers' perception regarding assurance of bancassurance channel. The study finds that customers consider bancassurance channel having Moderate assurance in providing insurance services. It is also found in the study that there is no significant association between the demographic variables considered in the study and customers' perception regarding assurance of bancassurance channel.

Keywords: Service Quality, State bank of India, Bancassurance, customer perception

Introduction

Bancassurance is the term associated with financial services which is emerged as significant distribution channel of insurance products through banks in India. It provides lot of benefits to insurers, banks and customers. It is collaboration of banks and insurers to provide insurance products and services to banks customer base. Re, S. (2007) defines Bancassurance can be generally defined as the joint effort of banks and insurers to provide insurance products and services to the bank's customer base. This concept is originated in France in the year 1980's in response to various changes in banking sector to provide better facilities to the customers. In short, it is one-stop-shop for customers spread across United States and Asia region as well. In India, Bancassurance has become significant which acts as major distribution channel and insurance sales is the source of profitability to banks. Banks often sell insurance at better prices than any other channels. Moreover, it has developed good relationship with customers. It is cost effective system for Insurance company as their products route through the banks. In order to implement bancassurance operations, there are diverse forms of bancassurance models which are incorporated by banks which depends on numerous factors which includes socio-economic, cultural and regulatory environment of the market, the market infrastructure, as well as customer preferences. Any models can be used based on their business practices but they are not confined to only one model. Enlisted below are the models incorporated by banks on the basis of ownership structure

- a) **Strategic Alliance Model:** In this model, there is collaboration between a bank and insurance company in which banks promotes insurance products
- b) **Full Integration Model:** In this model, there is integration of banking and insurance services in which bank sells the insurance products providing financial solutions to customers. Besides, bank controls entire sales and insurer service levels and claims. In this system, bank performs additional core process similar to insurance company.
- c) **Mixed Model:** In this model, this approach requires very little technical investment and the marketing activity is performed by insurer's staff and bank takes care of generating leads. The database of bank is sold to insurance company.

¹ . Research Scholar, Bharathiar University, Coimbatore.

Assistant Professor, Dayananda Sagar College of Arts, Science and Commerce, Bangalore

² . Research Supervisor at Bharathiar university, Coimbatore.

Assistant Professor at Gopalraju Govt First Grade College, Anekal.

This paper intends to explore into the role and emergence of Bancassurance which is presented in section 2.0 Review of literature and further, addresses the customers' service quality levels of Bancassurance Channel.

Review of Related Literature

This section presents literatures pertaining to Bancassurance in foreign and Indian context. Before getting into literatures, the term Bancassurance is associated with joint efforts of Banks and Insurance agencies to offer insurance products and services to customers. In India based on recommendations of First Narasimhan Committee, the current models in banks have been reshaped which is offering various innovative products such as merchant banking, term finance, capital market, hire purchase. In the same way, banks have diversified into insurance segment which is financial services marketed by Banks and Insurance companies. The following literature review is bifurcated into three sections 2.1 Bancassurance in foreign context, section 2.2 in Indian context and section 2.3 Customers' service quality. Before embarking into the customers' service quality, Bancassurance in foreign and Indian context are presented in section 2.1 and 2.2

Bancassurance in Foreign Context

Brophy, R. (2013) has mentioned that in Ireland many banks engage insurers to create product to be sold via online or Internet model where as in Europe, bancassurance involves bank in developing insurance products. In this context, in developing a bancassurance product, regulatory settings does not favour banks which creates insurance products. So, this technique is suited to Irish market based on market size and channels of distribution. Further, the study emphasize on current trend of banks venturing into insurance segment in Ireland. In fact Bancassurance was a success business practices in European union but it is relatively new concept in Asia regions which emerged in the year 2001 as mentioned in the study done by **Wu, C. R (2009) et al.** This study has identified the preferable bancassurance alliance structure as far as management perspective is concerned. Further, analytical hierarchy process and Technique for order preference for order preference are discussed and finally, financial model in bancassurance alliance model has been preferred. Whereas in the study by **Fields, L. P (2007) et al** addresses the evidence on potential for bidder wealth gains in bancassurance mergers having examined sample of mergers between 1997 and 2002 in United States and Non United States. Further, the findings in the study says that there is positive bidder wealth gains effects which are significant related to economies of scale and location of bidders and CEO stock ownership which resulted in less positive gains for shareholders. Besides, financial companies in bancassurance architectural structure are quite beneficial and have played important role in future United States Financial systems. In case of Taiwan between 2004 and 2012 the study **Peng, J. L., (2007) et al** examined that bancassurance business lead to improvements in the efficiency and profitability by analyzing the impacts of Bancassurance using unique database of banks. The results from the study shows that that there is improvement in business process in banks eventually, incur profits as empirical results in the study provides evidence to support that bancassurance has substantial benefits to banks leading to an increase in shareholders' value. Further, results reveal that diversification strategy is incorporated in bancassurance which can have huge impact on bank performance.

Chen, Z., (2009) et al have investigated the risk and wealth effects of Seventy two mergers and acquisition in European banks during the period 1989-2004 in European banks. Results from Study indicate that acquirers' total risks remain constant relative to the world, home market indices and home banking index. There are no changes for the systematic risks (or beta) with respect to the world market index.

Bancassurance in Indian Context

Alavudeen, R., and KD, S. R. (2015) have mentioned in this study that global insurance industry has come up with new distribution channel in their portfolio leading to Bancassurance which is gaining popularity in India. This research study was confined to Thrissur district. Besides, addresses the various operational challenges faced by banks. Further, findings drawn from the study is applicable to three segments which includes Banks, Insurers and customers. Finally, the paper indicates that there is great potential for growth of Bancassurance in Indian insurance market. As there is problems of connectivity in rural regions, it makes difficult to sell Insurance. **Jan, A., & Baber, H. (2014)** describes that life insurance industry in India has been rising. As Life insurance products requires huge number of work force to cater to many customers so the concept of Bancassurance is a new phenomenon which acts as delivery channel to serve the insurance products needs of customers at respective banks. Due to globalization, Life insurance companies are proposing to bring in insurance products and making them accessible to customers at local bank's branch office through Banc assurance. The term Bancassurance is term coined by integrating two words Bank and Insurance through banking channels which is specified in the study **Neelamegan, R., & Veni, K. P. (2009)** and due to decline in margins of core business, Bancassurance was introduced for survival. Further, Bancassurance has array of opportunities and challenges to Banks and the study incorporates SWOT in undergoing experiment related to bancassurance in India. **Teunissen, M. (2008)** has mentioned that most significant changes in the financial services sector over the past few years have seen development of bancassurance. Indeed, the distribution of insurance products through banks is gradually mushrooming across world. This study emphasize on the role played by bancassurance as emerging distribution channel worldwide. Further, it is evident from the study that it provides considerable benefits to insurers, banks and customers and having great potential in future. In the next section, customers' service quality is being discussed.

Customers' Service Quality

It is being observed that there are various studies pursued in foreign context as compared to Indian context on customers' perception related to Bancassurance. This study intends to know the effect of Customers' service quality levels by quoting available literatures in Bancassurance.

In present day Banks have to face stiff competition from insurance companies and individual agents of particular channels, the major challenge to Banks is to entice and retain their customers which is indicated in the study by **Munusamy et al, 2010**, customer satisfaction is the key of business strategy by providing assurance. Providing assurance in banking service has significant impact on customer satisfaction (**Nautiyal, 2014; Selvakumar, 2015**). Further, the study reveals that satisfied customer is vital element for long term strategic success (**McCull-Kennedy and Scheider, 2000**). In the same line, the literatures found in **Kristensen et al., 1992 and Zeithami et al., 1996** have the similar point of view on Customer satisfaction. Besides, a study conducted in Bangladesh reveals that there is medium to high correlation among customer satisfaction and five dimensions of service quality consisting of tangibility, reliability, assurance, responsiveness and empathy. In the same way, **Singh and Kaur (2011)** indicates that tangibles, reliability, assurance, accessibility, pricing, problem solving ability and convenient working hours are key elements of customer satisfaction in insurance industry as perceived by customers. Similarly, **Singh et al, 2014** states that four major factors which affects customer perception of service quality are responsiveness, assurance, convenience, tangibles, empathy. Another important feature that affects customer perception of life insurance industry is peace of mind after getting insured from the company (**Anjor et al., 2014**)

Sulieman (2013) has mentioned in the study that assurance has impact on customer satisfaction level. As far as quality determinants are concerned to the factors namely reliability, assurance, and empathy have always played a vital role in customer satisfaction (**Selvakumar, 2015**). In similar line, **Mengi (2009)** found that factors namely responsiveness and assurance are more important. Further, the study by **Lo, Osman, Ramayah, and Rahim (2010)** found that in Malaysian retail banking industry that empathy and assurance had the maximum influence on customer satisfaction. After having reviewed the related literatures on Bancassurance, this study addresses the effect of Customers' service quality on Bancassurance channels with respect Life Insurance products.

Rationale of the Study

This study is being done to explore the Bancassurance in Banking industry giving emphasis on Life Insurance Products.

Objectives of the Study

- To find the prevalence of Bancassurance in Banking sector
- To analyse the customers' awareness level towards life bancassurance products in banks
- To study the source and type of insurance policy preferred by Customers'.
- To study the influence of demographic variables on customers' perception of assurance of bancassurance channel.

Hypothesis

The hypothesis considered for the study is as follows:

There is no significant association between the demographic profile and customers' perception of assurance of bancassurance channel.

Methodology

The methodology adapted in this study was first secondary data analysis study of existing literature in Foreign and Indian context. Quantitative research was adopted and responses were collected using convenience sampling method by sending structured questionnaires with Likert scale to 120 respondents out of which 100 were considered from State Bank of India situated at Bangalore south and secondary sources of data through market reports, web sources etc., Further, analysed the selected dimension of customers' service quality of Bancassurance products using Cronbach's alpha, Mean, Standard deviation, Cramers' V test and Multiple regression analysis are used to arrive at the results.

Data Analysis and Findings

Reliability Test

The questionnaire was tested for its reliability by using Cronbach's Alpha. The following Table-1 shows the result of the test.

Table 1. Reliability test values.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
.883	.883	4

Source : Questionnaire

The reliability of the scale was evaluated and the coefficient of Cronbach's alpha was found to be 0.883 for 4 items (or statements) considered for the study. A high value of Cronbach's Alpha which is 0.883 indicates a high degree of reliability of the scale and it also shows that the items are highly correlated. A Cronbach's Alpha which is higher than 0.7 is considered to be a good measure of reliability of the scale. (Nunnally, 1978)

Measuring the Awareness level, source and type of insurance products preferred by Customers

Table 2: Showing the extent of awareness level about the bancassurance service provided by the bank.

	Frequency	Percent
Significantly	59	59.0
Partially	41	41.0
Total	100	100.0

The above table shows the extent of awareness regarding bancassurance service provided by the bank. Out of total respondents 59% responded that the knowledge about the bancassurance channel is significant and remaining 41% responded that the awareness is only partially.

Table 3: Showing the type of insurance policy taken by the respondent

	Frequency	Percent
Life insurance	36	36.0
General insurance	42	42.0
Both	22	22.0
Total	100	100.0

The above table shows the type of insurance policy purchased through bancassurance service. 42% respondent said the insurance policy taken was general relating to vehicle and health insurance. 36% said policy were relating to life and remaining 22% responded they have bought both life and general insurance.

Table 4: Showing the sources of information regarding the bancassurance service provided by the bank.

	Frequency	Percent
News paper	11	11.0
Friends	30	30.0
Bank staff	18	18.0
Advertisement	3	3.0
Insurance agent	21	21.0
Electronic and internet	17	17.0
Total	100	100.0

The above table depicts the sources of information regarding bancassurance service provided by the bank. Majority of the respondent told the source of information was from friends (30%). Out of remaining 21% said insurance agent, 18% said bank staff, 11% newspaper and remaining 3% responded advertisement.

Measuring the perception of Customers towards Assurance of Bancassurance Channel

Table 5. Item statistics for measuring assurance of bancassurance channel

Statements	Mean	Std. Deviation
Employees of the bank are consistently courtesies with you	3.86	1.189
Employees of the bank have sufficient knowledge to answer your question	4.18	1.095
The behaviour of employees of the bank instils confidence in customers	4.01	1.185
The operating hours of the bank are convenient to all its customers	3.93	1.273

Source : Calculated from the questionnaire

Table -5 measures the customer perception towards assurance relating to bancassurance channel is relatively high with respect to factors such as “employees of the bank have the knowledge to answer to your question” and is relatively low regarding factors such as “employees of the bank are consistently courtesies with you”.

Table 6. scale statistics for assurance of bancassurance channel.

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
15.98	16.686	4.085	4

Exhibit 1: Interpretation table showing the Assurance score relating to bancassurance Channel

Perception score	Interpretation
<12	Low level of assurance
12–16	Moderate level of assurance
>20	High level of assurance

Table 6 depicts the mean score which is 15.98. It fall in the category of Moderate level of assurance as presented in Exhibit 1. Thus, It can be interpreted that customers of bancassurance perceive that banks provide a Moderate degree of assurance regarding insurance related services.

Impact of the Demographic Profile on Customers’ Perception towards Assurance relating to Bancassurance Channel.

The Impact of the Demographic Profile on Customers’ Perception regarding assurance of Bancassurance is presented under the following paragraphs.

Age of Customers and Customers’ Perception regarding Assurance of Bancassurance Channel.

The relation between the age of Customers and Customers’ perception of assurance of bancassurance channel is presented in Table 7

Table 7. Age of customers and Customers’ perception of assurance

		Age				Total	
		Below 30	31-40	41-50	above 51		
Assurance total	low	Count	0	0	1	0	1
		% within assurance total	0.0%	0.0%	100.0%	0.0%	100.0%
		% within age	0.0%	0.0%	3.4%	0.0%	1.0%
	moderate	Count	7	11	8	2	28
		% within assurance total	25.0%	39.3%	28.6%	7.1%	100.0%
		% within age	53.8%	23.4%	27.6%	18.2%	28.0%
	high	Count	6	36	20	9	71
		% within assurance total	8.5%	50.7%	28.2%	12.7%	100.0%
		% within age	46.2%	76.6%	69.0%	81.8%	71.0%
Total	Count	13	47	29	11	100	
	% within assurance total	13.0%	47.0%	29.0%	11.0%	100.0%	
	% within age	100.0%	100.0%	100.0%	100.0%	100.0%	

Source : Compiled from the questionnaire

There is no significant correlation between the age of customers and their perception regarding assurance of bancassurance. This is because the Approx. Significant value of Cramer’s V test is 0.198 , which is more than 0.05 (5% Level of Significance)

Gender of Customer and their perception regarding Assurance of Bancassurance Channel

The correlation relation between the Gender of Customers and their perception of assurance of bancassurance channel is presented in Table 8

Table 8: Gender of customers and their perception of assurance

		Gender		Total	
		Male	Female		
assurance total	low	Count	1	0	1
		% within assurance total	100.0%	0.0%	100.0%
		% within Gender	1.7%	0.0%	1.0%
	moderate	Count	15	13	28
		% within assurance total	53.6%	46.4%	100.0%
		% within Gender	25.4%	31.7%	28.0%
high	Count	43	28	71	

	% within assurance total	60.6%	39.4%	100.0%
	% within Gender	72.9%	68.3%	71.0%
	Count	59	41	100
Total	% within assurance total	59.0%	41.0%	100.0%
	% within Gender	100.0%	100.0%	100.0%

Source : Compiled from the questionnaire

The relationship between the gender of the customers and their perception regarding assurance of bancassurance is not significant. This is because the Approx. Significant value of cramer’s V test is 0.105, Which is more than 0.05 (5% level of significance).

Marital Status of customers and their perception regarding Assurance of Bancassurance Channel

The influence of the Marital status of customers on their perception of assurance of bancassurance is given in Table 9.

Table 9 Marital status of customers and their perception of assurance

			Marital status		Total
			married	Unmarried	
		Count	0	1	1
	low	% within assurance total	0.0%	100.0%	100.0%
		% within Martial status	0.0%	1.2%	1.0%
		Count	7	21	28
assurance total	moderate	% within assurance total	25.0%	75.0%	100.0%
		% within Martial status	38.9%	25.6%	28.0%
		Count	11	60	71
	high	% within assurance total	15.5%	84.5%	100.0%
		% within Martial status	61.1%	73.2%	71.0%
		Count	18	82	100
Total		% within assurance total	18.0%	82.0%	100.0%
		% within Martial status	100.0%	100.0%	100.0%

Source : Compiled from the questionnaire

There is no significant correlation between the marital status of customers and their perception regarding assurance of bancassurance. This is because the Approx. .significant value of Cramer’s V test is 0.120 ,which is more than 0.05 (5% level of significance).

Occupation of Customers and their Perception regarding Assurance of Bancassurance of Bancassurance Channel

The correlation between Occupation of Customers and their Perception regarding Assurance of Bancassurance Channel is presented in Table 10

			occupation			Total
			Govt Employee	Private employee	Business	
assurance total	Low	Count	0	1	0	1
		% within assurance total	0.0%	100.0%	0.0%	100.0%
		% within occupation	0.0%	4.0%	0.0%	1.0%
	Moderate	Count	10	8	10	28
		% within assurance total	35.7%	28.6%	35.7%	100.0%
		% within occupation	23.8%	32.0%	30.3%	28.0%
High	Count	32	16	23	71	
	% within assurance total	45.1%	22.5%	32.4%	100.0%	
	% within occupation	76.2%	64.0%	69.7%	71.0%	
Total	Count	42	25	33	100	
	% within assurance total	42.0%	25.0%	33.0%	100.0%	
	% within occupation	100.0%	100.0%	100.0%	100.0%	

Source : Compiled from the questionnaire

The correlation between the occupation of customers and their perception regarding assurance is not significant. This is because the Approx. Significant value of Cramers' V test is .138 ,which is more than 0.05 (5% level of significance).

Nature of Family of Customers and their Perception regarding Assurance of Bancassurance Channel

The correlation between the Nature of Family of Customers and their Perception regarding Assurance of Bancassurance Channel is presented in Table 11

Table 11 Nature of Family of customers and their perception of Assurance

			Nature family		Total
			Nuclear	Extended	
assurance total	low	Count	1	0	1
		% within assurance total	100.0%	0.0%	100.0%
		% within Nature family	1.7%	0.0%	1.0%
	moderate	Count	15	13	28
		% within assurance total	53.6%	46.4%	100.0%

		% within Nature family	25.0%	32.5%	28.0%
		Count	44	27	71
	high	% within assurance total	62.0%	38.0%	100.0%
		% within Nature family	73.3%	67.5%	71.0%
		Count	60	40	100
Total		% within assurance total	60.0%	40.0%	100.0%
		% within Nature family	100.0%	100.0%	100.0%

Sources: Compiled from the questionnaire

The correlation between the Nature of the family and their perception regarding Assurance is not significant. As the Approx. Significant value of Cramers' V test is .112, which is more than 0.05 (5% level of significance). Thus, it can be concluded that there is no significant relationship between Nature of the family and Assurance.

Family Income of Customers and their Perception regarding Assurance of Bancassurance Channel

The correlation between the Family Income of Customers and their Perception regarding Assurance of Bancassurance Channel is presented in Table 12

Table 12 Family Income of the customers and their perception of Assurance

		Family income			Total	
		below 50,000	50,001-1,00,000	1,00,001 - 1,50,000		
		Count	1	0	0	1
	low	% within assurance total	100.0%	0.0%	0.0%	100.0%
		% within Family income	5.0%	0.0%	0.0%	1.0%
		Count	6	15	7	28
assurance total	moderate	% within assurance total	21.4%	53.6%	25.0%	100.0%
		% within Family income	30.0%	25.4%	33.3%	28.0%
		Count	13	44	14	71
	high	% within assurance total	18.3%	62.0%	19.7%	100.0%
		% within Family income	65.0%	74.6%	66.7%	71.0%
		Count	20	59	21	100
Total		% within assurance total	20.0%	59.0%	21.0%	100.0%
		% within Family income	100.0%	100.0%	100.0%	100.0%

Source : Compiled from the questionnaire

The correlation between the family Income and their perception regarding Assurance is not significant. As the Approx. Significant value of Cramers' V test is .152 ,which is more than 0.05 (5% level of significance). Thus, it can be concluded that their no significant relationship between the family Income and their perception regarding Assurance .

Family Size of Customers and their Perception regarding Assurance of Bancassurance Channel

The correlation between the Family Income of Customers and their Perception regarding Assurance of Bancassurance Channel is presented in Table 13

Table 13 Family Size and their Perception of Assurance

		Family size				Total	
		less than 3	3 -5	6-8	above 8		
assurance total	low	Count	0	1	0	0	1
		% within assurance total	0.0%	100.0%	0.0%	0.0%	100.0%
	moderate	% within Family size	0.0%	1.9%	0.0%	0.0%	1.0%
		Count	2	14	9	3	28
	high	% within assurance total	7.1%	50.0%	32.1%	10.7%	100.0%
		% within Family size	22.2%	25.9%	30.0%	42.9%	28.0%
Total	low	Count	7	39	21	4	71
		% within assurance total	9.9%	54.9%	29.6%	5.6%	100.0%
	moderate	% within Family size	77.8%	72.2%	70.0%	57.1%	71.0%
		Count	9	54	30	7	100
	high	% within assurance total	9.0%	54.0%	30.0%	7.0%	100.0%
		% within Family size	100.0%	100.0%	100.0%	100.0%	100.0%

Source : Compiled from the questionnaire

The correlation between the family size and their perception regarding Assurance is not significant. As the Approx. Significant value of Cramers' V test is .097 ,which is more than 0.05 (5% level of significance). Thus, it can be concluded that their no significant relationship between the family size and their perception regarding Assurance .

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.175 (a)	.031	.054	.495

From Table 14 ,it can be concluded that only 3.1% of the variance in customers' perception regarding assurance of bancassurance channel is accounted for by the independent variables.

Table 15: ANOVA

Multiple linear regression analysis is also performed to study the correlation between demographic variables and customers perception regarding assurance of bancassurance Channel. The result of the test is shown in tables 14 and 15

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.708	8	.088	.361	.938 ^b
Residual	22.292	91	.245		
Total	23.000	99			

Table 15 shows that ANNOVA is not significant. This is because the value of significance for ANNOVA is 0.983 , which is more than .05.

From tables of 14 and 15 ,it can be concluded that since the value of R square is very low(0.031) and the significant value for ANNOVA is more than .05 there is no significant correlation between the demographic variables and customers perception regarding assurance of bancassurance Channel.

Conclusion and Policy Implications

The study found that customers perceive that the bancassurance channel has Moderate assurance in case of producing insurance related services. This indicates that customers feel that banks provide modest information ,safety and confidence in their insurance related services. This finding is important as the bank instil confidence among customers. However Employees of the bank should be motivated consistently to be courtesies with the customers and also the bank has to ensure that the operating hours is convenient to all its customers. For complex insurance products, the employees must provide clear explanation of each product to customers so that they feel confident about the services provided by the Banks.

The study also aims at findings out the influence of the demographic variables on customers' perception regarding assurance of bancassurance Channel. It has been found that Demographic variables have no significant influence on customers perception regarding assurance. This is supported by both the Cramer V test and the multiple linear regression analysis. Therefore, it is irrelevant for the service providers to consider the Demographic profile of customers in framing polices regarding customers' perception of assurance of Bancassurance channel.