



Bancassurance Business In India: Reviews From The Perception of Bank Employees

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ARTICLE INFO

Key Words: HRMS, Blowfish algorithm, Data, Multithreading, and management

ABSTRACT

Over the past one decade, financial market of India has witnessed a remarkable change in banking and insurance sector. The insurance company sells insurance related products with the help of bank sales channel. When these two big financial institutions join together with a mutual purpose, it gives birth to “Bancassurance”. The success of bancassurance business hinges on the employees’ attitude who executes bancassurance practices in banks. The purpose of the study is to provide better insights of the employees’ perspective on bancassurance. The study reviewed various research papers taken from relevant research databases. Further, study explains the analysis of employee’s perspective under three dimensions i.e. motivating factors of bancassurance, perceived benefits of bancassurance and problems of bancassurance. The results of the study revealed that positive perception of employees plays a vital role in success of bancassurance and enhances the excellent customer’s relationship.

Introduction

In any modern economy, the banking sector is considered as an important financial pillar of the economy. Various entities and commercial banks in financial sector have adopted portfolio diversification as a means of enhancing their overall financial

performance (Chepkori & Mugo, 2018). The customers of banks now a day are getting more sophisticated in their financial needs and lays greater emphasis on single provider for all financial products. For customer retention, it is therefore imperative for the Indian banks to include insurance in the product offering. On one hand, it is the banking sector which is highly

Received 5.03.2024; Accepted 20.04.2024

DOI: [10.48165/gmj.2023.18.2.9](https://doi.org/10.48165/gmj.2023.18.2.9)

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competitive and on the other hand the insurance sector which has a lot of potential for growth. The combination of these two sectors results in an innovative concept of “BANCASSURANCE”. Bancassurance is a French term that referring to the selling of insurance products through a bank’s established distribution channel (Kumaraswamy, 2012). The success of bancassurance hinges on the employees’ attitude who executes bancassurance practices in banks. Behavior of staff supposed to be determined the behavior of customers. A customer of bancassurance will neither get motivated if the employees don’t act in desired direction. Thus positive perception of employees plays a vital role in success of bancassurance and enchases the excellent customer’s relationship. The digital era brought about significant changes. Overall, the evolution of

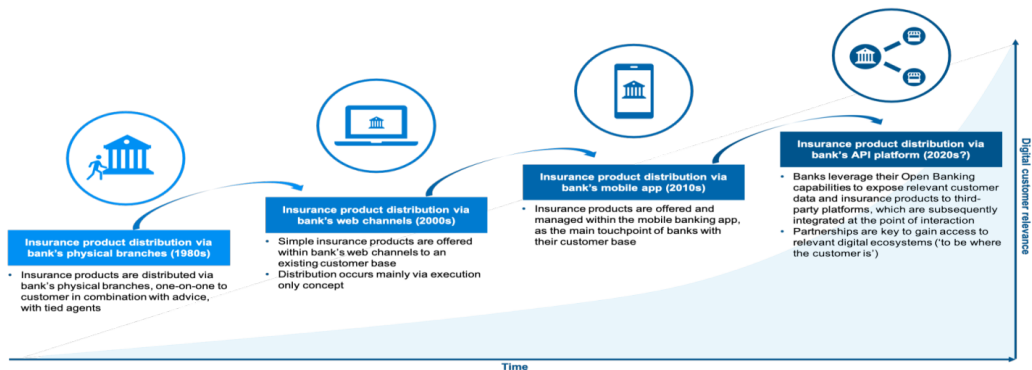
bancassurance enhances operational efficiency and customer experience by creating a connected ecosystem between banking and insurance services. The evolution of bancassurance summarized through several key stages:

Stage 1 (1980’s): In this phase banks sold insurance products through bank branches. It facilitates personal consultations.

Stage 2 (2000’s): In this phase bank distribute insurance products online, ensuring secure online environment and addressing privacy concerns.

Stage 3 (2010’s): In this phase insurance products offered with mobile banking app.

Stage 4 (2020’s): In this period Application Programming Interface enables third party developers to incorporate insurance services to their applications.



Source: Bakker et al., 2021

Research Methodology

Content Analysis method is followed for review of literature. It is an observational research which helps to identify the literature in terms of various categories and create research opportunities. The reviews include the published papers in various journals and thesis of different universities. Different academic sites like Sci hub, Google scholar, Research gate and Shodhganga were explored to have more access to the literature on Employees perspective on Bancassurance.

Literature Review

1. **Karunagaran (2006)** highlighted the scope of bancassurance as a feasible strategy of sustainable income to banking sector in India. The study also

highlighted some issues in general as well as specific from the point of supervisor and regulator. The study revealed that success of bancassurance hinges on banks that required excellent customer relationship. It was recommended that clear identification of activities between banks & insurance at the institution’s level and adequate training could avert the banks’ staff resistance that would be proved a win-win situation for parties’ involved.-banks, insurance companies and customers.

2. **Agrawal & Hajela (2012)** in the study ‘Bancassurance -A Challenging Convergence in Indian Prospective’ observed bank employees are usually over-burdened due to work load itself and they are not much interested to participate in selling and promoting insurance products. The financial benefits and commission do not come directly to

- the employees' pocket. Therefore interest of selling insurance is automatically lost.
3. **Grover (2014)** explored the bankers and customers perspectives on bancassurance in Punjab. Primary data was collected from 551 customers and from 184 bank employees of from three cities of Punjab. It was also found that perceived benefits from Bancassurance affect significantly the banker's desire to initiate Bancassurance in Punjab. Employees also faced various problems in implementation of Bancassurance practices.
 4. **Satsangi (2014)** studied on effectiveness of bancassurance as a distribution channel. Data was collected from 200 policyholders, 25 banks and from 20 insurance company managers of Agra district. The study explored effectiveness of bancassurance on three factors i.e. motivating factors, benefits and implementation problems of bancassurance. It was found that fee based income, effective utilization of the resource and improved profit margins, were motivated factors for banks to enter into bancassurance. The study concluded that private sector banks and insurers performed more effectively as compared to public sector banks and insurers.
 5. **Aravind (2015)** examined the opportunities and challenges of bancassurance in Kerala. This study conducted two surveys i.e. one among bank managers and other among customers. The sample size consisted of 534 bank managers and 400 bancassurance customers. Study examined the perception of manager towards bancassurance. It is revealed that main opportunity of bancassurance business was generation of fee income for banks but the main problem was uncertain value of the market linked policies. It was suggested that some measures related to marketing, HR, technology and operations should be improved and banks should periodically examined the performance of bancassurance channel in branches.
 6. **Popli & Popli (2015)** highlighted the Opportunities, Challenges and Problems of bancassurance business in India. Primary data covered 75 bank officials, 75 bank customers, 75 insurance officials and 25 Govt. officials of Delhi. Two different questionnaires were developed i.e. one for officials and another for bank customers. It was observed that banks and insurance companies' employees had faced various problems in their tie ups. The study suggested that to ensure smooth working environment, banks and insurers should try to resolve these issues.
 7. **Dharamarajan (2017)** in his doctoral work analyzed the perception of bank Manager towards bancassurance. Data was collected from 141 managers of five banks (two public sector and three private sector) in Tamilnadu. The element insurers support, perceived benefits, management commitment, support systems, training and development and customer focus had analyzed. The results revealed that the banks are proactive towards implementation of bancassurance practices due to attention and commitment is extended by top management.
 8. **Ranganath & Rao (2017)** conducted the study on performance of bancassurance from Bankers Perspective. Primary data was collected Srikakulam District through judgmental sampling technique. The study explored that key success factors of bancassurance are regulations/tax, banking network, consumer habits, and managements. It was found that overall efficiency of banks regarding insurance policies depends on these factors and all the factors positively influence the effectiveness of bancassurance.
 9. **Thiruveenatraj & Ramya (2017)** studied on employee's perception towards bancassurance. The study explains the different factors that influence the employee's perception. It is found that different problems like rigid rules & regulations and undefined goals affected the employee's performance. The study suggested that training programmes should introduce to further development of bancassurance business.
 10. **Bansal & Anil (2018)** conducted research to study the issues and trends of bancassurance business in India. Data collected through 14 qualitative interviews from experienced top banking officials who were experts in Bancassurance business. The study finds out the various issues and challenges faced by bank staff. The major issues and challenges that banks face includes lack of trust, competition, long term vision, lack of awareness and complications of multiple tie-ups. The study concluded that success of this business is dependent upon the integration of bank's long term programmes with insurance partner.

11. **Chepkorir & Mugo (2018)** explored the influence of bancassurance on financial performance of commercial banks in Kenya. The study targeted the 11 commercial banks and data was collected from 55 head portfolio managers. It was found that bancassurance had a weak correlation with financial performance. The study recommended that the more studies need to be undertaken to ascertain whether fee based income increases due to the adoption bancassurance product, whether selling through the banks enhance portfolio performance and promotes bank's efficiency and whether selling through bank increase bank's commission income, non interest income and shareholders' value.
12. **Gujral (2018)** assessed the Development of bancassurance in India. Primary data was taken from 115 customers and 30 employees of eight different banks in Vadodara district. The study analyzed the response of employees for examine whether bancassurance increased the productivity of the banks. It revealed that majority of the employees consented that bancassurance increased the productivity of the banks. The study concluded that success of this business depends on how well insurers and banks understand each other.
13. **Joshi (2019)** conducted the study on perception among employees of banks towards the bancassurance in Nepal. Quantitative data was collected from 100 employees of 20 commercial banks. Data analyzed with descriptive as well as inferential statistics (correlation and regression). The study explored the perception of employees which categorized under awareness, tools used to make aware, contributing factor on success of bancassurance and type of insurance product sold by banks. Study concluded that major factors that affect the bancassurance status were design of product and brand image. Awareness of retail banking and distribution channel not affects the status of Bancassurance in Nepal.
14. **Kumar & Giridhar (2019)** highlighted the various problems faced by employees in selling insurance product. For this purpose data was collected from 40 employees. It was revealed that respondents consider less faith in banks is the main problem in selling insurance products. The study suggested that employee should undergo frequent training to understand the specialized products. Regular products should be customized to meet the customer's requirements.
15. **Pius (2019)** studied the employee's perception towards bancassurance in Ernakulam of Kerala state. For this purpose data was collected from 60 employees. Findings of the study revealed that bancassurance helps the employees in increasing their productivity but the major problem faced by employees is poor customer response, poor returns and over workload. The study suggested that banks should take consideration to control workload of employees and rewards should introduced for motivates the employees for further increase the sale of bancassurance.
16. **Darak (2020)** conducted his doctoral work on SBI's Performance of bancassurance. For this purpose 80 rural and 80 urban branches 8 districts of Marathwada Region of Maharashtra State were selected. Data was collected from 800 customers and 480 bank employees. Study stated that Bancassurance segment of SBI created some problems to the employees these included problems related with human Resources, infrastructure work Environment, marketing and training. It is recommended that the Banks should make an arrangement to appoint 'Relationship Manager' to develop the good relations with the customers.
17. **Ghazaryan (2020)** explained the motivated factors of bancassurance striving for a sustainable future. The study revealed that bank's motivations included diversification of revenues, different product and services, strengthening the interaction between customer and bank, Commission, competitive advantage, maintenance of banking branches and increasing employee competences. The study concluded that bancassurance was strategic form of alliance for insurance company and banks, as it helped to maintain competitive advantage and strive for a sustainable future.
18. **Kalaivani & Karunanithi (2020)** highlighted the banker's opinion towards marketing practices of LIC products through bancassurance channel. The primary data were collected from 200 bankers of Madurai division. The study explored the thirteen different statements that influence the bank manager towards bancassurance which shows that

for public sector manager, most influence factor was marketing expertise of bank and for private banks indispensable product based services. Study concluded that bankers have good opinion about the performance of bancassurance business.

19. **Mishra & Pradhan (2022)** investigated the perception of bankers and customers towards bancassurance. Primary data was consisted 50 customers and 50 employees of SBI, Canara, PNB and Indian bank. It is concluded that Canara bank has high level of attitude towards bancassurance and display material in branches have most effective way to spread the information regarding bancassurance products among customers.
20. **Nanda (2023)** explored the perception of bank employees towards bancassurance. For this purpose data was collected from 200 employees of SBI and ICICI bank. The objectives of the paper was to identify the factors influence the perception of bank employees, assess the knowledge level of employees towards products and examine the challenges and opportunities faced by employees on sale of insurance products. The study concluded

that employees have positive perception towards bancassurance but they face number of problems such as lack of training, regulatory compliance and competition from other distribution channels.

Theoretical Perspectives of Employee's Perception towards Bancassurance

The perception of bank employees towards bancassurance can vary. Some may see it as a valuable opportunity to enhance customer relationships and increase revenue while others might view it as a distraction from their core banking responsibilities. The motivation to sale a product is highly associated with the benefits and perks associated with the sale of product. In contrast, the motivation is adversely affected by the problems attached in selling products. Factors like motivation, perceived benefits and problems identify from the different literature that influence the employee's perception. These are given below:

Factor & Study	Relevant Findings
<p>MOTIVATIONAL FACTORS (Kalaivani & Karunanithi, 2020; Mishra & Pradhan, 2022; Kumari & Giridhar, 2019; Satsangi ,2014; Aravind, 2015; Ghazaryan, 2020; Grover, 2014; Ranganath & Rao, 2017.</p>	<ul style="list-style-type: none"> • More financial services under one roof • Marketing expertise of bank staff • Sales oriented culture • Availability of Huge customer database • Reliable and Trustworthy image of the bank • Product diversification • Risk free income for banks • Less requirement of additional capital • Already existing marketing and processing Capabilities • Employees Familiar with financial language and terminology
<p>PERCEIVED BENEFITS Kumari & Giridhar, 2019; Dharamarajan, 2017; Satsangi, 2014; Aravind, 2015; Mishra, 2012; Popli & Popli, 2015; Grover, 2014.</p>	<ul style="list-style-type: none"> • Service synergies • Cost saving due to efficient utilization of databases • Improve customer retention • New way of generating fee income • Increases the productivity of employees • Increase in the size of market • Bancassurance increases brand visibility of bank • Increase in return on assets • Reduction on reliance on traditional products • Diversion of surplus work force

PROBLEMS

Nanda & Bhol, 2023; Kumari & Giridhar, 2019; Satsangi, 2014; Aravind, 2015; Mishra, 2012; Popli & Popli, 2015; Bansal & Anil, 2018; Grover, 2014; Darak, 2020; Pius, 2019; Agrawal & Hajela, 2012.

- Absence of posters and communication on Bancassurance
- Dual regulation of banks and insurance companies is a great challenge for Bancassurance
- Difficult to find potential customers from huge number of bank customers
- Insurance marketing mainly depends on personal relationship with customers which is very difficult in banks
- No sharing of commission as incentives to bankers
- Banks have agreement with one or two insurance companies leads to frustration among employees
- Bank staff is not getting sufficient training about education for dealing with insurance products
- Value of market linked insurance policies depends on market, which may adversely affect customer satisfaction
- Difficulty in maintaining the same level of technical standard as that of insurance company
- Lack of Involvement of top management

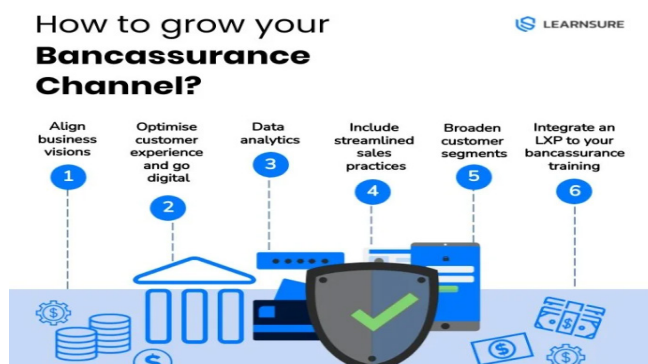
Suggestions and Policy Implications of The Study

Bancassurance channel is growing through various tie-ups between banks and insurance companies, but the pace of growth is considered to be slow in India. Here, an attempt is made to suggest some measures to improve performance of the bancassurance channel. These are explained below:

1. Bank officials should concentrate on providing quality insurance service after evaluating the attitude, habit and requirement of the customers.
2. Separate bancassurance officer should be appointed in the branch for dealing with the distribution

and promotion of insurance policies so that the performance of bancassurance business can be further improved.

3. Banks should 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.
4. Banks should devise policies to offer attractive incentive remuneration packages to bank staffs involved in cross selling of insurance products.
5. Banks should periodically evaluate the performance of bancassurance business in the branches.



Source: Deshmukh, 2021

The analysis reveals number of theoretical reasons as to why banks should enter into the insurance market in India. It is seen from above discussion that Bancassurance seems lucrative to banks because it is a source of additional income and keeps on yielding in form of commission. But to implement Bancassurance properly they are still facing problems. Therefore, study provides valuable suggestions to overcome these problems.

Limitations Of The Study And Future Prospects In The Field

1. The study is conducted by analysing the perception of bank employees only. Another possibility is the comparing the perspective of insurance companies on insurance products.
2. The views of customers are also play a vital role in the success of Bancassurance business, are not surveyed. Future studies may analyse the perception of customers towards Bancassurance business.
3. The review based study may be susceptible to publication bias, as it relies solely on published literature. However information collected by conducting primary survey will provides more meaningful results.

Conclusion

Indian insurance companies are looking for the competitive advantage based on key success indicators in related to technology, distribution channels, distribution marketing etc. to create a sustainable business model. Hence “Bancassurance” model is suited model to make money. The success of bancassurance business hinges on the employees’ attitude who executes bancassurance practices in banks. Behavior of staff supposed to be determined the behavior of customers. A customer of bancassurance will neither satisfied and get motivated if the employees doesn’t act in desired direction i.e., employees must be inclined/motivated to sale policies of insurance. So there should be proper policy implementation and incentives designed for the further growth of bancassurance. Additionally, employees should be educated on risk management and

compliance to navigate the complexities of insurance services within a banking context. Ongoing training to stay updated with industry trends is crucial for the success of bancassurance initiatives.

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