

# Qualitative Research on Issues and Trends in the Bancassurance Model in India: An Interview Report

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## Abstract

The article attempts to understand the issues and challenges faced by the banking sector in implementing the bancassurance business model by using interview-based methodology. The study includes the challenges faced by supply side, that is, the banks or insurance's perspective. There have been prior researches on the issues and challenges existed but either from the customer's point of view or in general. The major issues and challenges that banks face include lack of awareness of customer, long-term vision, trust-high competition, different objective of partners, marketing-distribution channels, capital allocation, training and knowledge of staff, and complication of multiple tie-ups. On the other hand, trends in bancassurance include sales through multiple channels, telemarketing as the direct channel, bundling, digitalization, and multi tabs.

**Keywords:** Bancassurance, Bancassurance Trends, Bancassurance Challenges, Banking, Insurance Issues, Qualitative Research

## Introduction

### Bancassurance in India

Bancassurance was introduced in India in early 2000 when government issued a notification specifying 'Insurance' as a permissible form of business for banks under section 6 (1) (o) of Indian Banking Regulation Act, 1949. Bancassurance is supported in India because it helps the

banking industry to widen its area of working which may reach to every corner of the nation. It helps development and enhancement of channels through which insurance products can be made available to every person of India. It facilitates competition among private insurance companies and thus best possible and effective products availability to Indians. Bancassurance is related to service industry and intellectual knowledge is considered as capital especially in such an industry with related to finance, insurance, and banking. Therefore, experience and suggestion of experts can play a vital role in understanding and analyzing the current study.

It has been researched and found by Schultz and Avital (2010) that information systems' (IS) publications that use interviews for data generation provide very little insight into the research process and very few rely on a carefully chosen and well-articulated interviewing method. There is a wide variety of interviewing approaches available to qualitative researchers but IS discipline is lagging behind and can easily enhance its methodological sophistication. Interview-based research papers provide insight into people's experiential life; along with that researcher can provide various epistemological stances that can be taken while interviewing; there are three types of interview-based research: (1) appreciative, (2) laddering, and (3) photo-diary interviewing. These methods help generate situated accounts of an interviewee's own lived experience. These methods ultimately enhance the richness of data.

Despite the growing pressure to encourage new ways of thinking about research methodology, only recently have interview methodologists begun to realize that "we cannot

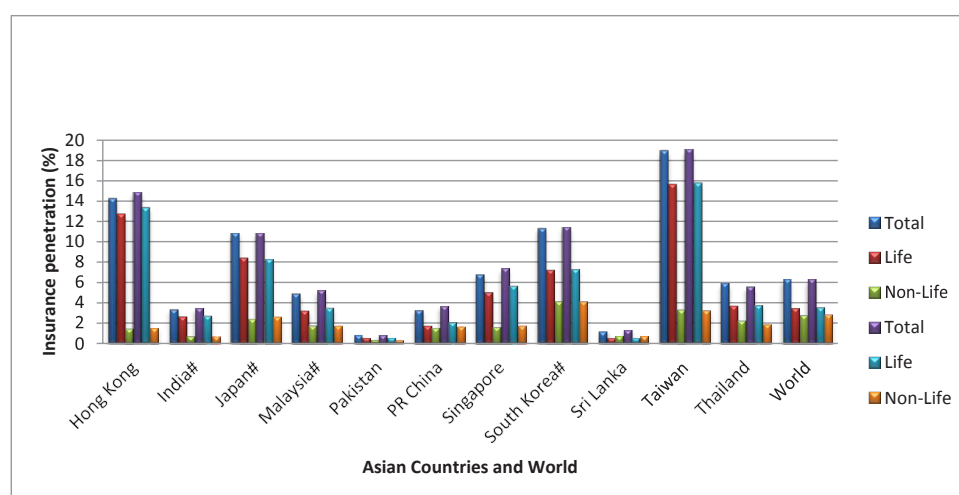
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lift the results of interviewing out of the contexts in which they were gathered and claim them as objective data with no strings attached". Individual and institutional are two types of dimensions of knowledge-sharing mechanisms. As explained by the author, individualized knowledge-sharing mechanisms are informal and unstructured, whereas institutionalized knowledge-sharing mechanisms are formal and embedded in organizational routines and structure.

India has 200 million middle-class people out of 1.34 billion population, which means that it has the huge pool of depositors. India has the highest potential to achieve financial inclusion in insurance sector through bancassurance. Insurance industry is able to penetrate despite having a large pool of customer. Pace of growth in India is less as comparison to other countries like South

Africa, South Korea, Japan, and many more. Market share of bancassurance is of 20.8%, whereas agents account for 71.4%, while 4.4% by direct insurance company, and 3.3% by others, which means that traditional channels like agents still lead the Indian market. India's share in global life insurance market was 2.24%, Insurance Penetration 3.44% in 2015 as compared to 3.3% in 2014. Bancassurance market size grew from Rs. 95 billion in FY14 (individual segment) to over Rs. 110 billion in FY15 driven by large unit-linked insurance policy sales. According to the industry estimates, insurance business through bancassurance accounts for about 7.5% of total insurance premiums. About 15,000 of India's 100,000 bank branches are engaged in selling insurance policies. Figure. 1 depicts the insurance penetration in Asian countries including India and also gives the penetration of world as well.



**Fig. 1: Insurance Penetration in Asian Countries and World\***

Source: \*Swiss Re, Sigma Volumes 4/2015 and 3/2016. Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars). Data pertains to the calendar year 2014 and 2015. Data relates to financial year 2014-15 & 2015-16.

## History of the Concept of Bancassurance

Banking and insurance industries have gone through rapid economic and financial changes and developed in the past many decades. For any developing economy in order to become developed economy, scarce resources have to be integrated, fully utilized, need to merge with of global financial markets. That is why, with the expansion of non-banking activities, universalization of banking and the insurance industry has brought in globally new channels of distribution into existence.

This has given the introduction of Bancassurance, where these different institutions have come together to form new type of business model; as the name suggests, it is the amalgamation of two words "bank" and "Insurance". It was first introduced in Europe in 1980 and from there, it has become popular worldwide. According to Insurance Regulatory and Development Authority (IRDA), "Bancassurance refers to banks acting as corporate agents for insurers to distribute insurance products". The bank-insurance model is a form of corporate restructuring.

Swiss Re (1992) “Bancassurance can be described as a strategy adopted by banks or insurance companies aiming to operate the financial services market in a more or less integrated manner”. Bancassurance is a partnership, wherein bank sells the partner insurance companies product using its network channels. Through this partnership, both bank and insurance are benefited as insurance company can penetrate to wider customer base using banks channel. Banks earn income as non-interest income. Banks help the insurance company better, as with limited investment it can have trust and relationship of bank’s customers.

### Global Landscape: Bancassurance

Globally, bancassurance has emerged as a crucial distribution channel for insurance that has allowed insurance companies to expand their geographic reach but also enabled banks to expand their overall product portfolio. Growth of bancassurance has been uneven across the world depending on demography, economic, and legislations. Analysts forecast global bancassurance market to grow at a compound annual growth rate (CAGR) of 6.16% over the period 2014-2019.

### Bancassurance in Asia Pacific

Bancassurance is a successfully proven model in Asia and is growing very quickly with expected market growth is of CAGR of 8.13% from 2013 to 2018. Some of the fastest growth markets for bancassurance activity include India, Korea, Singapore, Indonesia, China, and the Philippines according to report published in February, 2015 by Reportstack and Finaccord, titled “Bancassurance in the Asia-Pacific Region: Strategies of the Region’s Top 150 Retail Banking Groups”.

In terms of bancassurance’s market size in each Asian country, China’s performance is overwhelming compared to other countries. The total bancassurance premium income of the top three countries (China, South Korea, and Taiwan) accounts for about 76% of total bancassurance premium income of 17 surveyed selected countries according to the FALIA (The foundation for Advancement of life and Insurance Around the world) Bancassurance survey 2016. But Finaccord found in late 2014 that of

the 108 of China’s biggest banks that it analysed, only 54 offered some form of bancassurance, with much of the reticence towards this channel being attributed to a lack of transferable skills among Chinese banking professionals. Government regulation of communist country also restricts the growth of bancassurance. But optimistic believes that these conditions are only temporary. Technavio, an advisory firm, projects that China’s bancassurance market will have a CAGR of 15.91% from 2014 to 2018, with foreign insurers expected to significantly expand into China in the coming years as the aging population is still underpinned and the adequacy of the safety net provided by the health system will create significant additional demand for insurance product in China.

Adoption of bancassurance has been uneven across the various markets. In South Korea and Hong Kong, for example bancassurance holds more than a 50% share of total life insurance premiums. In Japan and Vietnam, it commands less than 10% the market.

### Bancassurance Penetration in America

The Glass-Steagall Act of 1933 prevented the banks of the United States from entering into the alliance with different financial services providers, which means life insurance was sold mainly by individual agents; but in 1999, it was reapplied and after passing the Gramm Leach Bliley Act 1999 bancassurance gained popularity in the United States.

In North America, bancassurance penetration is very low and struggling to grow as the customer prefer more established distribution channels like agents and brokers over it. Bancassurance market revenue in America is growing at CAGR of 0.85%. In contrast in South America, bancassurance is witnessing widespread audience. In Brazil, for example, bancassurance accounts for around 80% of the life insurance premiums. In Mexico, bancassurance rose to 44% of aggregate deals in 2013 and it is broadly considered to have been developed from that point forward. To some degree, this development happened because of favourable political environment which regularly works in both Brazil and Mexico. Yet, it has also been encouraged by the prevalence of large foreign players who are leveraging partnerships with large banking groups to develop new bancassurance channels.

## Europe: Birthplace of Bancassurance

Europe is the place where bancassurance was born (in France 1970), but the adoption of the concept differs regionwise. About 55% of insurance is sold through banks in the continent. In a few markets, for example, Turkey, Portugal, Italy, and Spain, bancassurance is the overwhelming model, catching nearly 70% of life coverage premiums. Yet, in the United Kingdom, Belgium and Austria, broker and traditional agents are the dominant players. Furthermore, in Germany, bancassurance development is limited due to the control of the government. But the market still shows the positive signs of development and is expected to appreciate at a CAGR of more than 6% from 2013 to 2018 to achieve a figure of nearly US\$200 billion. To a limited extent, this is because the insurance penetration stays low in numerous European nations—life protection in Spain and Italy is 5.2% and 7.6% individually, in contrast to 12.2% and 10.7% in the United Kingdom and the United States, as indicated by OECD (The Organisation for Economic Co-operation and Development) details. Furthermore, less than a quarter of the bank clients in Italy (28% of those in Spain) as of now have purchased life insurance products. *Therefore*, there is hope for the growth in a few markets.

## African and the Middle Eastern countries

Rapid economic growth and improved regulatory system has attracted many insurance companies like AXA, AIG, and Metlife to emerging economies of Middle Eastern and African countries. In Africa, banks have seen significant growth in insurance sales through the bundling of products. According to a report by Finaccord, approximately 90% of mortgages and personal loans are bundled with credit life insurance policies. Additionally, household insurance and personal automobile insurance are also commonly bundled with lending products.

In Turkey, bancassurance dominates distribution in life insurance products, with approximately 80% the market share. It is becoming more and more important in the UAE, particularly Dubai, and has gained attention and prominence in Pakistan, too. In 2008-14, the bancassurance business grew by a CAGR of 95%, though from a low base. Currently in the Middle East, life insurance penetration is very low (the average penetration

is less than 1%). Given that in the UAE almost 40% of all premiums earned by insurers come through the bancassurance channel, it seems clear that customers in the region are open to the model. In contrast, in Saudi Arabia the Insurance Intermediaries Regulation issued by the industry regulator in 2011 has made the selling of insurance through banks more difficult. Meanwhile, bancassurance that is compliant with the Islamic faith, called “Bancatakaful”, is expected to play a major role in the development of the market as Takaful products may continue to gain acceptance.

## Regulations of Bancassurance India

The banking and insurance sectors in India are regulated by two separate entities (banking by Reserve Bank of India and insurance by IRDA) and bancassurance being the combination of two sectors comes under the purview of both the regulators. Each of them has very elaborate and descriptive rules, restrictions, and guidelines. The Reserve Bank of India, which is an apex bank of the country has laid down the following guidelines for a bank willing to enter into alliance with an insurance company to sell insurance products:

1. Banks having a net worth of not less than Rs. 500 Crores and a CRAR (capital to risk weighted assets ratio) of not less than 10%, having a reasonable level of Non-Performing Assets can enter into joint ventures with insurance companies with risk participation, provided further that they have a net profit for the last three continuous years.
2. In case the banks are not eligible to enter into JVs under (1.) above, the banks have an option of investing up to 10% of their net worth or Rs. 50 crores, whichever is lower, in an insurance company.
3. Banks work as agents of insurance companies on a fee basis with zero-risk participation. Data show that the bancassurance market size grew from Rs 95 billion in FY14 (individual segment) to over Rs 110 billion in FY15 driven by large unit-linked insurance policy sales. There is huge scope since public sector banks with 400 million accounts have an insurance penetration of just over 1%.

According to the new regulations which came out in September 2015, IRDAI (Insurance Regulatory and

Development Authority of India) has allowed corporate agents to sell policies of up to nine insurance companies in the same line of business. As corporate agents, banks under open architecture can sell policies of up to three life insurers, three non-life insurers, and three health insurers.

According to the IRDA Annual Report, 2016 there are total of 23 registered private companies in life insurance segment as against Life Insurance Corporation of India, which is public company. There are a total of 23 private companies in Non-life insurance including five Standalone Health Insurers; and in the public sector, there are six major companies, which include two specialized insurance companies too. Out of all, eight of the private and forty six of the public major insurance companies engaged with the banks in both Life and Non-life insurance business. The full list of most of the player in bancassurance is given in the Table 3( See Appendix).

## Research Methodology

A sample design is a definite plan for obtaining a sample from a given population. For this research conducted a sample design of 14 qualitative interviews were taken. These interviews were taken from those who were working in the sector and also those who very senior and experienced top banking officials recognised as experts in the Bancassurance Industry.

Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23)

**Methodology:** First and foremost, an interview guide was created which was based on exhaustive secondary research and literature review. The interview guide do created was pilot run and after the inputs from a few set of interviews conducted a series of nine questions was created as the final open ended Interview schedule(See Appendix). Based on the interview guide, all the interviews have been taken from those people who are either working in the bancassurance or possess an exhaustive knowledge of bancassurance industry. In order to connect with the manager, officials or respondents' formal emails were sent on social media platforms like LinkedIn as well as

on their personal mails. Since some of the officials do not have enough time to give full-fledged telephonic or face-to-face interview, they have send their responses or in acceptable format written form. The interview questions were both open-ended as well as close-ended and mostly included an open-ended question to give interviewee greater space to express his/her point of view. All the respondents had more than 5 years of experience in selling insurance product of partner company and were aware of the regular functions and norms of the bancassurance industry. In order to assess and judge the right kind of audience for the research factors like job description, day to day functioning, work experience, level of education in the industry were taken into consideration.

## Results

### Issues and Challenges in Bancassurance in India

One of the primary issues of bancassurance model is the "Customer Awareness" of the insurance products. Most of the managers working in the banking sector believe that selling an insurance product requires a change in the customer mind-set. It is possible that there is a *requirement* for an insurance product but the conversion of that requirement into a *need* is the biggest hurdle for bankers. According to one of the very experienced manager of public sector bank, "*Lower awareness about risk covering need among customers is really one of the issues being faced by the industry today*".

This means that people still do not consider insurance as a need. Insurance penetration is only 3.3% in India. One of the main reasons of low penetration quoted in more than one interview was that, "*Risk perception of people is not beyond present material requirements*". As explained by an Assistant manager, who regularly deals with the metropolitan customer says that the very first question that she faces while pitching an insurance product is "why do I need this product". Medi-claims and General insurance are usually famous among the customer otherwise, people do not want to invest in insurance. This is just the sneak peak of the deeper problem that rooted in Indian Economy today (as India is an agrarian economy and majority of the population lives in the rural area). Most of the policies are purchased by either corporates

or educated individual for investing or covering risk. Insurance business will only grow at an incremental pace when there will be greater awareness among uninsured people specially belonging to the rural areas. Changing the perspective of customers is very difficult as Indian psyche do not want to invest their money in a product which does not give an immediate profit and hence there is resistance to purchasing insurance.

Apart from the lack of awareness, Indian customer want their corpus amount back which they had initially invested otherwise the plan becomes seemingly unattractive to them. As explained by one bank official with an example that if the customer has invested in an accidental insurance product and have never faced a situation as mentioned in the terms and condition, he would ask for his invested amount back and in this situation, it becomes difficult for a banker to explain the basic logic of how insurance runs.

Persuading a rural customer is far more difficult for a banker but the bancassurance margins can only grow if the network of banks and insurance companies will reach to the remotest areas of the nation that is to the last mile. Given the size of the geographically dispersed population, there is a huge opportunity for both insurance and banking industry in our country today. Rural customers do not understand the importance of not only the insurance but of any financial service, therefore the degree of awareness is much lower there. *Ultimately, "People need to buy rather than being sold"* as very candidly put by a public bank branch manager who was interviewed.

High competition in the market is the next challenge as the size of the opportunity is very large, the threat of new entrants is high in the bancassurance and insurance industry. As observed by one of the respondents who stated that "In the past few years the insurance companies are not only establishing their business but are actually growing at a compound rate. Competition is an unavoidable challenge in any industry."

As illustrated through a real situation, one of the bankers with a public bank stated, "*When we offer insurance to our rural clientele they will start comparing that product with other companies or government offered product like "Pradhan Mantri Suraksha Bima Yojana" and accidental insurance, where there is a one lakh claim by paying Rs .12 and for life insurance they have to pay rupees 330. The lower income group customer base is highly prices sensitive.*"

Most of the Insurers felt that "*Target Oriented Approach may disorient the real benefits both to customer and Bancassurance organisation*". In other words, most banks have target based jobs and the manager is compelled to pitch the product to each customer. One of the senior banking officials from the banking industry reiterated that half-hearted efforts will neither earn profits to banks nor to the partners (Insurance partner) but of course, there are great advantages of the bancassurance business also that is why it is still existent.

The distribution model for multiple companies is a big challenge as of now for Indian banks. The band width issue of the staff and management of multiple tie-ups in terms of compliance and penetration is a future challenge. For Banks having multiple tie-ups makes it difficult for the banker who is directly linked to the customer to understand and comply with the different standards of each company. These are the major factor for the disassociation or breakup in the partnerships. Reduction in the Customer footfall at the bank is also one of the major issues in deploying the bancassurance model in India in 2017 according to one of the senior official of a leading insurance company. Selecting a right channel for marketing the insurance product is also a critical factor for the success of bancassurance, marketing and selling channels may include online or offline, direct selling, telemarketing or through emails.

Lack of Employee training is yet another pertinent issue for the slow progress of Indian bancassurance industry. In general, the success rate of any product can be enhanced directly with the service quality of front-end employees and their knowledge about the product is also one of the significant factor *serviceability*. A banker does not consider selling an insurance product as the core operation of banks and hence consider it as income from other sources. They consider selling insurance product as an additional burden along with their operational tasks. Many of the industry officials who were interviewed stated that "A person who is sitting at the bank is in the direct contact with him and if we are unable to handle a query then it also affects the customer and the bank relationship due to the fact that employee does not have enough knowledge about the product and thus the bank's reputation is also at a stake. Therefore, mis-selling by bank employees due to lack of awareness about the products they are dealing in, is also an intimidating factor for the bancassurance industry.

The business of banks will be at a loss if the employees are not properly trained, for example, a customer deposits in some policy and requests for the claim, and the employee is not enough aware of claim settlement procedure then there will be difficulty in settling the claim. Ultimately customer will lose his confidence and as the bank employee is unable to settle the customer's claim in a minimum time.

Training for Insurance product is also a critical component in bancassurance. A banker revealed that there are training session given to them when they join ranging from hours to weeks which depends on the bank and insurance company's mandate as to what extent they want to train them.

One of the respondent stated that *"we have been trained in banking products only but regarding the insurance product we have learnt from customers and colleagues so it is learning primarily while doing. We learn about the insurance product needs from our daily interaction"*.

According to another respondent, *"learning a theoretical concept and then actually pitching the product are two different things"*, while she accepted the fact that bankers are given some certificate training in insurance and are also further examined but also agreed to the fact that knowledge of agent as compared to the banker will always be of higher quality.

Some banker felt that simultaneously working with operational tasks and learning while doing is an issue while some senior official stated, *"that selling insurance product is not that of an issue. People in most jobs learn while doing. In banks also there are about 28-30 product, if we look into banking product, a person cannot have all*

*the knowledge about all banks product. Employees do not have full knowledge of banking products also and as the number of their experience grow so as their knowledge"*.

Trust factor also plays a major role in financial services as investing may involve a risk factor and people want a trusted organisation when it involves 'money'. LIC is a market leader in insurance industry holding 70% of the market share. The immediate challenge that banker's face is, *that customer are comfortable in buying an insurance product from insurance companies but not from the banks*. They might purchase it from the LIC but will not be comfortable in banks especially in rural area.

Capital allocation is also a challenge for bancassurance whose income is considered under "income from other sources" in the balance sheet. If the banks get its returns from the capital allocation then only then the bank can afford to invest in bancassurance. Lack of long term vision by banking partner is an issue. As explained a senior expert through an example:

In the Joint venture model, suppose Punjab National Bank has invested in 100 Crore on its subsidiary PNB housing and it is earning a good return on its equity only then it can further invest in Bancassurance. If the PNB has put investment in this model and it is growing at 18-20%, then only it is profitable for Bank to invest in the bancassurance. In the opposite scenario with lower or negative profits, the government would say do not scatter your capital and only put in the core banking operations. So bancassurance is not a principal business but an additional source of business for a bank. On the other hand, if the bancassurance is highly profitable, all the investments are getting high returns it will be a profitable venture.

**Table 1: Summary of Major Issues and Challenges**

Issues and Challenges	Details
Lack of Awareness of customer	Emerging economy like India has very low penetration and customers do not consider insurance as an important asset.
High Competition	Like any other industry, existence competition is always there
Different Objective of Partners	Banks core business is different from that of insurance companies and combining the operations of selling insurance may become a challenge.
Lack of long term vision	If the bank has entered into partnership just to increase income from <i>other sources</i> and does not hold long term vision. It will result in the lack of motivation and hence may also act as a hurdle.
Lack of Trust	Trust factor also plays a major role in financial services as investing may involve a risk factor. Indian customer may trust government organisation over private.

Marketing Distribution channels	As each product is different, general marketing channel (Online/offline) does not work, therefore selecting the right distribution medium is a challenge.
Capital Allocation	If the banks get its returns from the capital allocation than only it can afford to invest bancassurance.
Training and knowledge and Motivation of Staff	Banks employees lack training as compare to the traditional individual agents. Therefore, They lack may lack knowledge about the insurance product
Tie-up with multiple companies	Each insurance companies has its own products and policies, as a result, it become complicated to manage all tie-ups

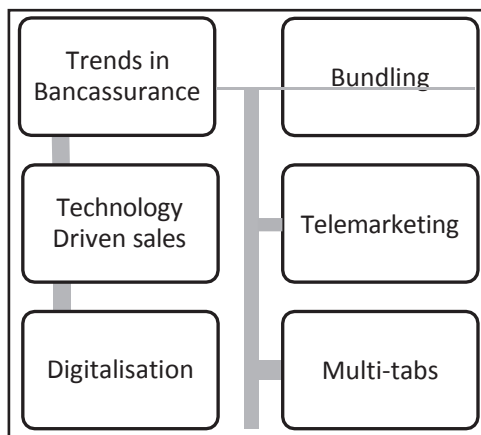
The table 1 above is an attempt to summate the issue and challenges being discussed and analysed till now in this research. Customer awareness and training of the staff members are the most prominent challenges for bancassurance model. In countries like Korea, because of different business objectives and competition to increase the market share resulted in breaking of bancassurance partnerships. The banks also fear that at some point the insurance partner may end up cross-selling banking products to their policy holders. If the insurer is selling the products through agents as well as banks then there is a risk of clash between both if the agents are targeting the same customers. Government regulation and policies also play a major role in the success of the partnership between banks and insurance sector. IRDA allows banks for partnering with maximum of nine insurance companies as of 2015 guidelines.

### Trends in Bancassurance Model in India

1. **Sales through multiple channels:** Sales through multiple channels are the upcoming model for Bancassurance. An insurance product should be sold through numerous channels for example with the coordinate mailer, through In-branch sales or digital platforms, ATM, Mobile apps. But here it is important to note that all the products cannot be sold through all channels. The quality investigation of different distribution channels with regard to a specific product is an absolute necessity before a product is launched in the market. Trends in Western countries like creative thinking in product development are being adopted by developing countries like India at a rapid pace.
2. **Telemarketing as a direct channel:** Telemarketing is the direct and personal reach to individual customers through telemarketers. It is suited for those customers who have limited range and do not have time. Telemarketing requires a substantial amount of database and banks usually have data maintained about their existing customer but the conversion rate is always a challenge.
3. **Bundling:** It is a marketing strategy wherein banking and insurance products are combined together to sell them as a single unit. Bundling allows convenience to the customer to buy several products from the same bank. Bundling will allow the user to buy a product package of insurance and banking product and this strategy will definitely be used as a popular strategy in the coming years in the bancassurance business.
4. **Digitalization:** Digitalization is the most prevalent current and future trend not only in insurance and banking industry but the bancassurance industry too. Government support with digital India campaign has also given immense support to this trend. Banker explain that they urge their customer to avoid paper documentation and fill all required information on-line through their accounts. Banks offer all the insurance and banking product information online. Although, digitalization is a trend but the implementation will take time according to respondents. Untill then it will benefit only a small proportion of customer base. The larger benefits will come but in the longer run and hence it will take time.
5. **Technology driven sales, the new trend:** Using technology solution like Need Analysis software by banks which allows the customer to calculate risk coverage and helps them choose right product is the new trend catching up in the industry. Similarly, the graphical display gives users convenience and gives better information to them.
6. **Multi-tabs :** One of the observed trends an expert from bancassurance industry says is "Multi-tabs". Multi-tabs means if the customer of banks wants to move to any other insurance product, now they do not have any option, for instance, a customer of HDFC bank only purchase an HDFC Life Insurance.

But through multi-tabs, there would be an option to HDFC customer to buy 3-4 other companies product also. Just like in any bank customers can buy any company's mutual funds which are there. Similarly, a customer will have even more than one option to buy same insurance from different banks. Customer may buy from HDFC, ICICI or Axis Bank.

Figure 5 depicts the summary of all the above trends in Indian bancassurance industry today.



**Fig. 5: Trends in Bancassurance**

## Conclusion

An attempt has been made through this research to bring to light the major issues and challenges faced by banking partner in deploying bancassurance model in India. It also carried out the objective of bringing the light to some of the major trends in the industry. Global bancassurance is growing and its market across the globe is sizable but the success of the model is not uniform world wide. As evident, it is most acceptable in European countries where most of the life insurance policies are being sold by banks, on the other hand in U.S or India most of the policies are still dominantly sold by direct agents. In India insurance penetration is very low a but there still remains a huge opportunity for bancassurance to cover the major chunk of the population though this opportunity also comes with various challenges of different shapes and sizes.

This qualitative research attempted to highlight that lack of awareness in customer as one of the biggest challenges for the Indian bancassurance industry. Since

the customer does not consider insurance an important asset, it becomes more difficult for bankers to convince them, especially the rural customer base. A customer also resists from buying a product from bank or product of a private company as the trust factor plays an important role where money is involved. From the supply side lack of training and awareness for the insurance product of the banks' employees is critical as it could lead to mis-selling or even the loss of business. The target-based approach of banks also becomes a challenge for insurance partner as it may disorient the real benefits for both customer and organisations. Banks sell policies of various companies and each has its own rules and thus with an open architecture distribution, it becomes difficult to manage all the multiple relations. Extreme competition among the private and public players is also a challenge for banks selling insurance.

The success of bancassurance is dependent upon the integration of Banks's long term plans with insurance partner which also include factors like adequate capital allocation in the bancassurance business and hence making full utilisation of their synergies. These combined synergies will not only lead to customer satisfaction but also will be instrumental in the fulfillment of business goals.

Some of the trends that the study brought to light were the role of technology, telemarketing, bundling of insurance and banking products, digitalization, use of multiple distribution channels and the merit of multi-tabs. Finally, the research proposes that Banks and Insurance companies in Bancassurance should offer customer-centric product after significantly researching the needs and requirements of the target customer. Presumably with all this done the Indian Bancassurance with its merits already documented in other countries can grow in leaps and bounds in the years to come.

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## Appendix

### Issues and Trends in the Bancassurance Model

#### Interview Guide

According to IRDA “Bancassurance refers to banks acting as corporate agents for insurers to distribute insurance products”. Objective of the current study is to find the issues and challenges faced by banks in implementing the model. Along with the issues study also aim to find future trends in the bancassurance industry prevailing in India. It is qualitative study using case study as a methodology and include both primary and secondary research.

1. Which banks do you feel would excel in bancassurance? Rate them accordingly.
  - Public Banks
  - Private Banks
  - Foreign Banks
2. What are major issues and challenges faced by banks in deploying the Bancassurance model in 2017 India?
3. What are the current trends in bancassurance industry?
4. Does this bank face any kind of difficulty in selling insurance of another bank to customers?
5. What are the advantages and disadvantages of bancassurance?
6. Do you think bancassurance has a good future? If yes, to what extent?
  - Yes
  - No
7. What could be the reason for low penetration of Insurance? How can the bank improve this situation and gain from opportunity in bancassurance Industry?
8. After government de-regulation what could be the prospects in bancassurance for particularly banking industry?
9. What the trends in banking sector that could impact the future of Bancassurance industry?

**Table 3: Number of Companies in Insurance Industry in India**

Type of Insurance	Public Sector	Private Sector	Total
Life	1	23	24
General	6	18	24
Health	0	5	5
Reinsurance	1	0	1
Total	8	46	5

Source: Annual Report 2015-16, IRDA

**Table 4: List of Bancassurance Agreements in India**

Insurance Agencies In India	Banks In Tie-Up With Insurance Agencies
Life Insurance Corporation (LIC) of India	Corporation Bank, Oriental Bank of Commerce, Nedungadi Bank, Central Bank of India, Indian Overseas Bank, and Bank of Punjab, Vijaya Bank, Centurian Bank, The City Union Bank Ltd, Repco Bank , recently signed MoU with Axis Bank
Bajaj Allianz life Insurance Company Limited	Standard Chartered Bank, Syndicate Bank
ICICI Prudential life insurance Company Limited	Federal Bank, ICICI Bank, Bank of India, Punjab & Maharashtra Cooperative Bank, Allahabad Bank, South Indian Bank, Citibank, Lord Krishna Bank, Goa State Cooperative Bank, Indore Paraspar Sahakari Bank, Manipal State Cooperative Bank and Jalgaon People's Co-operative Bank, Shamrao Vithal Co-operative Bank.
HDFC standard life Insurance Co. Ltd.	HSBC, Citibank, IDBI Bank, Union Bank of India
Birla sun life Co. Ltd.	Citibank, Deutsche Bank, IDBI Bank, Development Credit Bank, Bank of Rajasthan, Bank Muscat, Catholic Syrian Bank Ltd, Andhra Bank, Karur Vysya Bank Ltd
SBI life insurance Co. Ltd.	State bank of India, BNP Paribas
Oriental Bank Insurance Co. Ltd. of Commerce Life	Canara Bank, HSBC Bank, OBC Bank
ING Vysya Life Insurance	Vysya Bank, Bharat Overseas Bank
Metlife	Dhanalakshmi Bank , J&K Bank, Karnataka Bank, UTI Bank
Aviva	ABN Amro, American Express, Canara Bank, Lak shmi Vilas Bank
Non-Life Insurers	Banks In Tie-Up With Non-Life Insurers
United India Insurance company (UIIC) Co. Ltd.	Punjab National Bank; Andhra Bank, Dhanalakshmi Bank, Indian Bank, South India Bank, Federal Bank, Syndicate Bank
Max Bupa Health Insurance Co. Ltd.	
Bajaj Allianz General insurance Co.Ltd.	Bank of Punjab, Bank of Rajasthan, Jammu & Kashmir Bank, Karur Vysya Bank, Lord Krishna Bank, Punjab & Sind Bank, Shamrao Vithal Cooperative Bank, Karnataka Bank, Deutsche Bank, United Bank of India, HDFC Bank, Yes Bank.

Overview of codes

Parent code	Code	Coded segme...	Coded segme...	Author	Creation date	Code alias	% Coded seg...	% Coded seg...	Documents
	Future Trends	3	3	jyoti	...1/2017 2:27 PM		4.35	4.35	3
	Problem in Rural	4	4	jyoti	...1/2017 2:28 PM		5.80	5.80	4
	employee trainin...	11	11	jyoti	...1/2017 2:28 PM		15.94	15.94	7
	Bancassurance s...	9	9	jyoti	...1/2017 2:29 PM		13.04	13.04	7
	challenge	13	13	jyoti	...1/2017 2:53 PM		18.84	18.84	8
	Customer Aware...	5	5	jyoti	...1/2017 2:26 PM		7.25	7.25	5
	Suggestion 1: D...	3	3	jyoti	...1/2017 2:56 PM		4.35	4.35	3
	Digitisation	3	3	jyoti	...1/2017 2:27 PM		4.35	4.35	3
	Suggestion 2: E...	2	2	jyoti	...1/2017 2:56 PM		2.90	2.90	2
	Demonitisation	4	4	jyoti	...1/2017 2:57 PM		5.80	5.80	4
	issues	6	6	jyoti	...1/2017 2:48 PM		8.70	8.70	3
	current trend	2	2	jyoti	...1/2017 2:49 PM		2.90	2.90	1
	Bancassurance a...	4	4	jyoti	...1/2017 2:50 PM		5.80	5.80	4

Fig. 6: Screenshot of Overview of Coding in the MAXQDA Software

The screenshot displays the MAXQDA software interface. On the left, there are two tree views: 'Document System' and 'Code System'. The 'Document System' lists documents like 'Bhaskar and roshni', 'Ashwini', 'deepak Ojas', etc. The 'Code System' lists codes like 'challenge', 'Bancassurance as an opportunity', 'current trend', etc. The central pane shows a document titled 'Prem Sibbal' with text about 'subsidiary PNB housing' and 'Bancassurance'. A red vertical line indicates a selected segment labeled 'challenge'. On the right, the 'Retrieved Segments' panel shows search results for 'Suggestion 2: Employee issue'.

Fig. 7: Screenshot of MAXQDA Software Analysis