Does Bancassurance Products Flourishing in Tamilnadu Region?

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ABSTRACT *One of the most significant changes in the financial services sector over the past few years has been the appearance and development of bancassurance. Banking institutions and insurance companies have found bancassurance to be an attractive activity. The paper explores the scope for Bancassurance model by exploiting the synergy in the context of TamilNadu having the largest banking network on the one hand and lowers insurance penetration and insurance density on the other hand. A survey analysis has also been done so as to know the popularity and the growth perspectives of Bancassurance. The article examines inclination towards buying insurance products through banks i.e. Bancassurance products. Data were gathered through structured questionnaire from 289 valued professionals using convenient sampling method in TamilNadu region. Using Statistical package for social science (SPSS),Factor Analysis, Chi-Square, Reliability analysis tools were employed and Garret Ranking Technique to infer the various preferences to buy insurance products through banks instead from others .*

1. INTRODUCTION

'BANCASSURANCE' as term itself tells us what does it means. It's a combination of the term 'Bank' and 'Insurance'. It means that insurance have started selling their product through banks. It's a new concept to Indian market but it is very widely used in western and developed countries. Insurance company can sell both life and non-life policies through banks. In India Bancassurance in guided by Insurance Regulatory and Development Authority Act (IRDA), 1999 and Reserve Bank of India. It is predicted by experts that in future 90% of share of premium will come from Bancassurance business only. Currently there are more and more banking and Insurance Company and venturing into Bancassurance business for better business prospect in future. It is even profitable for Insurance Company as they receive more and more sales and higher customer base for the company.

2. REVIEW OF LITERATURE

T.Hymavathi Kumari (2012)[1] , A study on Customer attitude towards Bancassurance – An Indian perspective concluded, there is lot of opportunities available in the Indian market to the banks to cross sell insurance products. Identification of target customer market, and specific insurance products increases the banks' performance to cross-sell the insurance products. Therefore,

S Sarvanakumar,U.Punitha ,S. Gunasekaran & S Sankar (2012)[2] A study on Flourishing Bancassurance Business: An Indian Perspective concluded that Going by the present pace, Bancassurance would turn out to be a norm rather than an exception in future in India. Supervisory concerns as pointed out earlier could best be tackled by way of closer and systematized coordination between the respective supervisory authorities. There needs to be a clear cut identification of activities between banking and insurance at the institution's level as also at the level of regulators.

A. Karunagaran,(2006)[3] attempts to explore the scope for Bancassurance models as feasible source of sustainable income to banking sector by exploiting the synergy in the context of India having the largest banking network on the one hand and lower insurance penetration and insurance density on the other hand. While analyzing the present trend of banks handling insurance products, it also highlights some of the likely issues in general as well as specific from the point of regulator and supervisor. It concludes that going by the present pace, Bancassurance would turn out to be a norm rather than an exception in future in India.

Naveen Sethi[4] Bancassurance - An Emerging concept in India concludes that Where legislation has allowed, Bancassurance has mostly been a phenomenal success and, although slow to gain pace, is now taking off across Asia, especially now that banks are starting to become more diverse financial institutions, and the concept of universal banking is being accepted. In India, the signs of initial success are already there despite the fact that it is a completely new phenomenon.

3. STUDY OBJECTIVE

This Study analyses the proclivity towards Bancassurance products flourishing in perspective of TamilNadu Region

➢ To study preference of the major influencing factors towards Bancassurance(buying insurance products from bank).

➢ To study the preference of various insurance products from bank.

➢ To study and categorize the highly correlated variables into factors which influences Bancassurance products to be more beneficial to customers.

➢ To study the association of age group towards various insurance products through banks (Bancassurance products).

4. CONCEPTUAL FRAMEWORK OF THE STUDY

Based on the literature review, the following conceptual frame work has been developed A New Framework for proclivity towards Bancassurance products flourishing in perspective of TamilNadu Region , this model focuses on the factors that could have effect on the growth of bancassurance in TamilNadu. The predictors are Innovative and Better product

ranges, Reduced premium rate, Structured Selling Channel, Quality and Doorstep services, Financial Advisory services Under one Roof, Efficient Service, Easy Access for Claims, New product well received by Customers which are considered as a eight major factors leading to growth and development of Bancassurance in TamilNadu.

5. RESEARCH METHODOLOGY
Research Methodology
This study aims to analyze the inclination towards bancassurance products and its growth in TamilNadu/Coimbatore City. The study is based on the primary data through a well structured questionnaire which was finalized based on comments and suggestions given by researchers, experts and academicians. The relevant secondary data have been collected from various journals, magazines, books and websites.

Sampling Design
Descriptive type of research was used. The study is infinite and hence the type of sampling method adopted was convenient (purposive) sampling. A survey was conducted with a target population comprising men and women professionals in various fields like software, banking, Industry, education and entrepreneurs, who have transactions with banks or an insurance. The final questionnaire was administered personally to 289 participants, representing both genders and different age groups in TamilNadu Region

Statistical Tools Used
The Statistical package for social sciences(SPSS) was used and the following tools were administered in this study a) Reliability analysis, b) Kolmogrov - Smirnov test, c)Garrett ranking, d)Factor Analysis, e) Chi- square

A) Reliability Analysis
The reliability of the data had been examined to check the consistency for all questions of this study through Cronbach's Alpha coefficient. From Table 1, it is clear that value of coefficient alpha obtained was **.874** which shows data has satisfactory internal consistency reliability.

Table 1 Reliability Statistics

Cronbach's Alpha	N of Items
.874	9

B) Kolmogrov - Smirnov test
An examination had been made for the normality of the data to check whether all the variables in the population are normally distributed by Kolmogrov Smirnov test. Table 2 shows that for all variables under study had obtained significant value less than .05(<.05) and hence it implies that the population taken for sampling is normally distributed.

Table 2 One-Sample Kolmogorov-Smirnov Test

	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
Safety Investment/ Savings	3.40	0.00
Tax Purpose	3.95	0.00
To Protect my Family	4.51	0.00
To Manage Uncertainties	3.86	0.00
Personal Relationship	2.70	0.00
Trustworthiness	2.78	0.00
Convenience	2.26	0.00
Easy to Communicate	3.56	0.00
Financial Soundness	3.31	0.00
Banker's Expertness	4.19	0.00
Service Quality	2.43	0.00
Life Term policy	5.38	0.00
Life Endowment Individual	6.25	0.00
Life Endowment Group	5.17	0.00
Health Individual	5.14	0.00
Accidental policy	4.26	0.00
Group Health policy	6.27	0.00
Children Growth Plans	7.67	0.00
Pension	7.67	0.00
Motor/Vehicle	6.01	0.00
Home Insurance	6.88	0.00
Appliances Insurance	8.44	0.00

C) Garrett Ranking
To study the most important factors which influence the perspicacity towards reasons to buy insurance products and buying it through banks i.e bancassurance products and their preferences towards various products like life, health and General insurance in TamilNadu region/ Coimbatore city, Garrett's ranking technique was used. As per this method, respondents have been asked to assign the rank for all the factors and outcome of such ranking have been converted into score value with the help of the following formula:

Percent Position = $100(R_{ij}-0.5)/ N_j$

Where, R_{ij} = Rank given for the ith factor by the jth respondents, N_j = Number of factors ranked by the jth respondents. By referring the Garrett's table, the percent position estimated is converted into scores. Then for each factor the scores of each individual are added and then mean values is considered to be the most important.

Table 3 Garrett Ranking selection factors results

Factors	Score	Rank
Personal Relationship	174.85	4
Trust worthiness	186.80	1
Convenience	178.45	3
Ease for Communication	181.77	2
Financial soundness	170.92	5
Bankers Expertise	163.18	7
Service quality	168.70	6

The table 3 exhibits Garrett's ranking and scores. The table highlights Garrett's scores which help to decide the most important factors considered for buying insurance products from bank instead from others. The highest score is 186.80, I rank for Trustworthiness on bank, and the lowest rank is 163.18, the last rank selected by the respondent is to Bankers expertise. It is inferred from these table that an individual chooses the factor based on his own perceptions in order to satisfy their routine needs.

Similarly the preference towards reasons for buying insurance products with reference to TamilNadu/ Coimbatore city also

has been studied using Garrett ranking technique. Below Table 4 shows the preference of towards buying insurance products.

Garrett's ranking selection factor result

Table 4 Preference towards reasons for buying insurance products		
Factors	Score	Rank
For Security	66.51	1
Safety Investment/Savings	43.67	5
Tax purpose	46.70	3
To protect my family	49.05	2
To Manage uncertainties	44.20	4

The table exhibits Garrett's ranking and scores. The table highlights Garrett's scores which help to decide the most important factors considered for taking insurance. The highest score is 66.51, I rank for Security, and the lowest rank is 43.67, the last rank selected by the respondent is for Safety Investment/Savings. It is inferred from these table that an individual chooses the factor based on his own perceptions in order to satisfy their routine needs.

D) Factor Analysis
The data obtained from the study were analyzed by using factor analysis for identification of the key factors that influences intensification of Bancassurance products in TamilNadu Region. Factor Analysis identifies common dimensions of factor from the observed variables that have a high correlation among the factor. Principal Component Analysis is the commonly used method for grouping the variables under few unrelated factors. The reliability of the samples collected was tested for internal consistency of the grouping of items in below Table 5 by KMO test and Bartlett's test of sphericity.

Table 5 KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.702
Bartlett's Test of Sphericity	Approx. Chi-Square	1681.44
	Df	28
	Sig.	0.00

The significance value .000 is less than assumed value 0.05. This means that the factor analysis is valid. Inferring the Kaiser-Meyer-Olkin (KMO) coefficient .702 the value is more than 0.5, so this implies that the factor analysis for data reduction is effective. Bartlett's test of sphericity is used to examine the hypothesis that the variables are uncorrelated It is based on chi-square transformation of the determinant of correlation matrix. A large value of test statistic will favor the rejection of null hypothesis. In turn, this would indicate that factor analysis is appropriate. Bartlett's test of sphericity chi square statistic is 1681.44, which show the statements are correlated as shown in below Table 6.

Table 6 Correlation Matrix

	Quality and Doorstep services	Financial Advisory services Under one Roof	Easy Access for Claims	Innovative and Better product ranges	New product well received by Customers	Reduced premium rate	Structured Selling Channel	Efficient Service
Quality and Doorstep services	1.000							
Financial Advisory services Under one Roof	0.759	1.000						

	Quality and Doorstep services	Financial Advisory services Under one Roof	Easy Access for Claims	Innovative and Better product ranges	New product well received by Customers	Reduced premium rate	Structured Selling Channel	Efficient Service
Easy Access for Claims	-0.024	0.043	1.000					
Innovative and Better product ranges	0.041	-0.025	0.128	1.000				
New product well received by Customers	0.008	0.028	0.827	0.161	1.000			
Reduced premium rate	0.098	0.073	0.130	0.784	0.159	1.000		
Structured Selling Channel	0.056	0.034	0.154	0.818	0.169	0.840	1.000	
Efficient Service	0.813	0.804	0.014	0.058	0.052	0.110	0.078	1.00

There are different factors that influence the inclination of customers towards bancassurence products. 8-factors are generated for measuring respondent's opinion on 5-point scale towards various perspectives which benefits buying insurance products from banks instead from others. Factor Matrix and their corresponding factor loading after varimax rotation are presented in the Table 7.

Table 7 Rotated Component Matrix[a]			
	Component		
	1	2	3
Quality and Doorstep services	.043	.923	-.027
Financial Advisory services Under one Roof	-.008	.921	.032
Easy Access for Claims	.072	.000	.954
Innovative and Better product ranges	.925	-.008	.067
New product well received by Customers	.102	.020	.949
Reduced premium rate	.930	.073	.066
Structured Selling Channel	.943	.029	.085
Efficient Service	.057	.939	.020
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

E) Chi Square test
H_0: There is no association between the Age and buying various insurance products from bank.

H_1: There is an association between the Age and buying various insurance products from bank.

Table 9 Test Statistics		
	Age	Type of prdt frm bank
Chi-Square	65.47750865	98.85467128
Df	3	9
Asymp. Sig.	0.000	0.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 72.3.		
b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 28.9.		

Above Table 9 exhibits that significant value **.000** which could be inferred as there is no evidence to accept the hypothesis H_0.Hence it can be interpreted as there is an association between the Age and preference towards buying various insurance products from Bank.

Table 10 Type of product from bank * Age Crosstabulation

		Age				Total
		Upto 25yrs	26 to 35 yrs	36 to 44 yrs	45yrs & above	
Type of product from bank	Life Insurance	6	0	0	14	20
	Health	11	19	0	0	30
	Motor/Vehicle	33	0	0	0	33
	Life & Motor/ Vehicle	13	7	6	0	26
	Life & health	0	59	13	0	72
	Life & Pension	0	16	0	0	16
	Health & Motor/Vehicle	0	20	12	6	38
	Health & Pension	0	6	0	0	6
	Life,Health & Motor/ Vehicle	0	0	30	0	30
	Life, Health, Motor & Pesion	0	0	6	12	18
Total		63	127	67	32	289

People in the age group of 'Upto 25 yrs' would prefer to buy 'Motor/Vehicle' insurance product from bank. Similarly most of the Middle age group (26 to 44yrs) preferred to buy combination of both Life and Health insurance and people above 45yrs prefer to buy Life insurance products from bank as exhibited in the above table 10

6. CONCLUSION

Opportunities exist for banks to cross sell insurance products from bank in Tamilnadu. The present study made an intense effort to study the proclivity towards Bancassurance products flourishing in perspective of TamilNadu Region. In the ultimate analysis of the study, individual and family characteristics such as age, gender, marital status, annual income, awareness about various insurance products, reason for buying insurance products from instead from others and various factors that forces them to go for bancassurance products like trustworthiness, easy for communication, service quality, financial services under one roof influence the customer's perception to buy the insurance products through banks, determines the growth of bancassurance and their inclination to buy various insurance products from banks in the study region. The study hypotheses were tested by Garrett ranking technique, Factor analysis and Chi-Square test, all the hypotheses were verified. Thus, study result shows that community in TamilNadu region gives first choice to buy insurance products from bank instead from other as Trustworthiness on bank, easy for communication and the last preference goes to Bankers expertise as inferred from in Garrett Ranking technique. In Factor analysis, as well those similar variables are factorized under three categories as Customer Delight-Customer perspective, Service Quality - Bankers perspective, Easy for Accessibility- Insurers perspective which is highly correlated to each other in right of way order. This study also evidences that Age factor is influenced by their preferences and choice to go with various insurance products with reference to the proclivity towards Bancassurance products flourishing in perspective of TamilNadu Region.

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