



Bancassurance: Need to Tied The Knot or Not?

KEYWORDS

Bancassurance, insurance penetration, emerging market., network of banks

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ABSTRACT *New knot of banking and insurance service which is well aware by all mass with the term: bancassurance. This venture to the economy treaty (union) to both. Bancassurance dispense utilization of both sector at an economic of scale and provide wider scale –scope to them. In India both sector provide 7% contribution to GDP. Recent trend indicate banks adopt regulator and supervisor mode to assure customer. On the progressive field surely it turns to the “WIN- WIN” edge. For policy maker and researcher bancassurance derived maximum attention for unbelievable achievement.*

Introduction:

In India financial sector is mainstay of the economy which manages regulatory and standardized norms in developing economy. For any economy banking sector and insurance sector consider as predominant sector. With reform policy of 1991 new stride developed for financial reforms. Narasimham committee provided silhouette (shape) to the Indian economy.

E.g .Venture capital, merchant banking, credit rating, capital market development, equity market development etc. for a normal human services which are must to opt from banking institute and insurance for endurance. This entail (need) develop concept of bancassurance.

HISTORY OF BANCASSURANCE:

RBI maintains standardized financial activity in Indian economy as the prime authority regulatory body. Needful guideline and diversification in to the financial activity has been developing as per need of the time. While in insurance sector IRDA mange standardization for the economy as whole.

LITERATURE REVIEW

Banerjee A. (2009) in her research suggested that the concept of Bancassurance and its role in Insurance Industry. Bancassurance means selling insurance products by banks through their distribution channels has become one of the major Para-banking activates of the banks.

Andhra Business Bureau (April 2010) in an article titled “Bancassurance to touch 40 percent of premium income by 2012”. This survey suggests that with the help of other distribution channels’ it is possible to achieve 40% of the unexplored market of the economy. And such economic segmentation gives opportunities to un insure people to have such unveil service.

Gupta (2005), reveled his thoughts on the article “Bancassurance: The Buzzword in Insurance”, Rajkumari M. (2007) in the paper titled “A Study on Customers’ Preference towards Insurance Services and Bancassurance” examined the awareness, satisfaction and preferences of customers towards various Insurance services and bancassurance. To explore opportunity this study focus on the need of the customer and identify attitude of the customer’s need.

REAL GROUND:

Real scenario is totally different which lessen market for insurance. To understood this insurance penetration and low insurance density at the world glance and Indian context need to study.

The following table suggest life insurance density and insurance penetration at world glance.

Table 1: International Comparison of Life Insurance Density

Countries	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Developed Countries													
US	1602.0	1662.6	1657.5	1692.5	1753.2	1789.5	1922.0	1900.6	1602.6	1498.3	1631.8	1716	1808.1
UK	2567.9	2679.4	2617.1	3190.4	3287.1	5139.6	5730.5	5582.1	3527.6	3025.7	3436.3	3347	3255.8
France	1268.2	1349.5	1767.9	2150.2	2474.6	2922.5	2728.3	2791.9	2979.8	3251.9	2937.6	2638	2239.2
Germany	674.3	736.7	930.4	1021.3	1042.1	1136.1	1234.1	1346.5	1359.7	1390.5	1402.2	1389	1299.3
South Korea	763.4	821.9	873.6	1006.8	1210.6	1480.0	1656.6	1347.7	1180.6	1080.7	1454.3	1615	1578.1
Japan	2806.4	2783.9	3002.9	3044.0	2956.3	2829.3	2583.9	2869.5	3138.7	3865.8	3472.8	4138	4142.5
Developing Countries													
Brazil	10.8	27.2	35.8	45.9	56.8	72.5	95.3	115.4	127.9	139.4	169.9	208	225.5
Russia	33.2	23.1	33.9	24.8	6.3	4.0	6.1	5.4	4.50	4.30	6.4	8	12.1
Malaysia	129.5	118.7	139.8	167.3	188.0	189.2	221.5	225.9	206.9	198.2	282.8	328	329.9
India	9.1	11.7	12.9	15.7	18.30	33.2	40.4	41.2	47.7	52.2	55.7	49	42.7

China	12.2	19.2	25.1	27.3	30.5	34.1	44.2	71.7	81.1	93.6	105.5	99	102.9
South Africa	377.2	360.5	476.5	545.5	558.3	695.6	719.0	707.0	574.2	498.2	854.6	823	882.3
Australia	1040.3	1010.4	1129.3	1285.1	1366.7	1389.0	1674.1	2038.0	1524.8	1328.6	1766.3	2077	1987.7

Insurance density is measured as ratio of premium (in US Dollar) to total population

Table :2 To measure penetration following data is been analyzed

Countries	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Developed Countries													
US	4.40	4.60	4.38	4.22	4.14	4.00	4.20	4.10	3.50	3.10	3.5	3.6	3.7
UK	10.73	10.19	8.62	8.92	8.90	13.10	12.60	12.80	10.00	9.20	9.5	8.7	8.4
France	5.73	5.61	5.99	6.38	7.08	7.90	7.30	6.20	7.20	8.40	7.4	6.2	5.6
Germany	3.00	3.06	3.17	3.11	3.06	3.10	3.10	3.00	3.30	3.50	3.5	3.2	3.1
South Korea	8.69	8.23	6.77	6.75	7.27	7.90	8.20	8.00	6.50	6.20	7	7	6.9
Japan	8.85	8.64	8.61	8.26	8.32	8.30	7.50	7.60	7.80	8.10	8	8.8	9.2
Developing Countries													
Brazil	0.36	1.05	1.28	1.36	1.33	1.30	1.40	1.40	1.60	1.62	1.6	1.7	2
Russia	1.55	0.96	1.12	0.61	0.12	0.10	0.10	0.00	0.00	0.00	0	.1	.1
Malaysia	3.38	2.94	3.29	3.52	3.60	3.20	3.10	2.80	2.90	3.10	3.2	3.3	3.1
India	2.15	2.59	2.26	2.53	2.53	4.10	4.00	4.00	4.60	4.90	4.4	3.4	3.2
China	1.34	2.03	2.30	2.21	1.78	1.70	1.80	2.20	2.30	2.60	2.5	1.8	1.7
South Africa	15.19	15.92	12.96	11.43	10.84	13.00	12.50	12.50	10.00	9.10	12	10.2	N.A.
Australia	5.70	5.02	4.42	4.17	3.51	3.80	3.80	4.40	3.40	3.10	3.1	3	2.8

Insurance penetration is measured as ratio (in per cent) of premium (in US Dollars) to GDP (in USD)

Above both table interpreted as compare to developed nation developing nation insurance density and penetration is not developed noticeable.

Insurance Market in India

In India insurance market managed by LIC as a master player. Till March 2006 monopoly managed by LIC only but after words many company entered to the sector and serve the large population. Within the new phase it is noticeable that growth of the sector at the noticeable level.

Mathur (2004) for instance, stated that in spite of significant growth of life insurance business through the outstanding efforts of LIC, only 25 to 26% of insurable population in India has been insured. In terms of 'insurance penetration ratio'(defined as ratio of insurance premium to GDP), a key indicator of the spread of insurance coverage and insurance culture, India compares poorly by international standards. The penetration ratio was less than one per cent in 1990s and it improved to 4.8% by end-March 2006.

TABLE :3 INSURANCE DENSITY IN INDIA:

YEAR	LIFE	NON LIFE
2001	9.1	2.4
2002	11.7	3
2003	12.9	3.5
2004	15.7	4
2005	18.3	4.4
2006	33.2	5.2
2007	40.4	6.2
2008	41.2	6.2
2009	47.7	6.7
2010	55.7	8.7
2011	49	10
2012	42.7	10.5

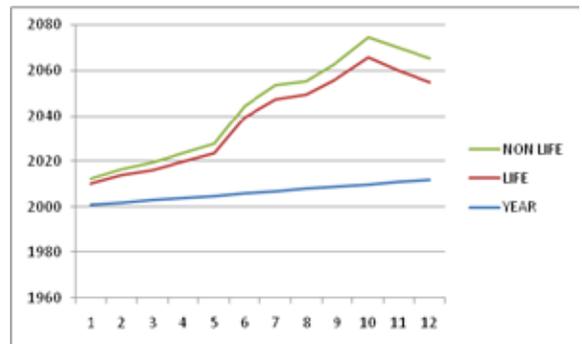
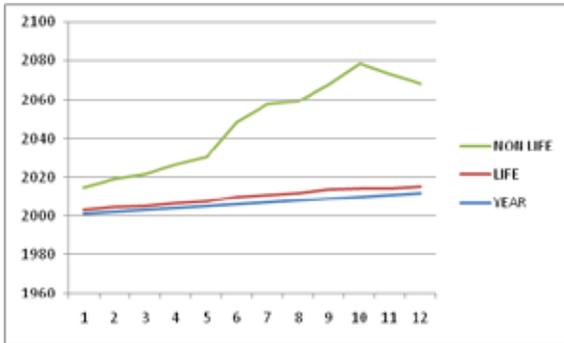


TABLE :4 INSURANCE PENETRATION IN INDIA:

YEAR	LIFE	NON LIFE
2001	2.15	11.5
2002	2.59	14.7
2003	2.26	16.4
2004	2.53	19.7
2005	2.53	22.7
2006	4.1	38.4
2007	4	46.6
2008	4	47.4
2009	4.6	54.3
2010	4.4	64.4
2011	3.4	59
2012	3.17	53.2



Above both graphs suggest need to explore new market where uninsured people get chance for new market opportunity and survival. With some boost up support of the regulatory financial body new market available for the exploration. Continuous support gives services to the uninsured people.

TABLE :5 Register insurer in India (as on 30th sep.2013)

Type of business	Public sector	Private sector	Total
Life insurance	1	23	24
NON life insurance	6	21	27
Re insurance	1	0	1
Total	8	44	52

Models of bancassurance business in India:

- (A) Referral model:
- (B) corporate agency :
- (C) Joint venture/ insurance as fully integrated financial service:

Classification based on product:

- (A) Stand alone insurance products:
- (B) Blend of insurance product with bank product/ services

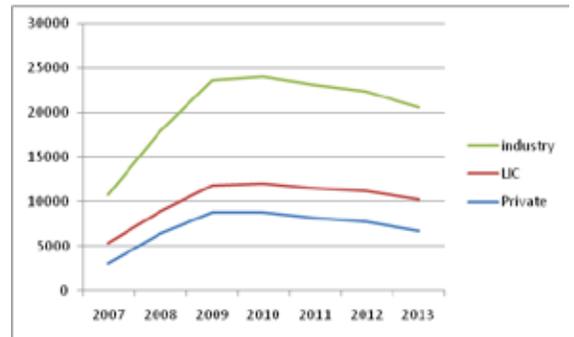
REASONS FOR ENTERING INTO BANCASSURANCE :

Insurance is an ideal option as banks feel they fulfill the three major requirements for a successful Insurance business that is asset management, investment skills and capital adequacy. Banks would also like to fulfill all the financial needs of their customers. For the following reasons banks are entering into Insurance business such as:

1. Wide network of branches
2. Customer database-
3. Cross-selling products-
4. Fee based service-
5. Rural Penetration-

Table :6Number of life insurance offices:

Insurer	2007	2008	2009	2010	2011	2012	2013
Private	3072	6391	8785	8768	8175	7712	6759
LIC	2301	2522	3030	3250	3371	3455	3526
industry	5373	8913	11815	12018	11546	11167	10285



The above graph indicate improve into the private sector slowly but gradually upward bases . for a industrial development need to have a new sector which ensure growth and expansion of services of insurance.

For customer better off:

Today a major issue for a customer to have consolidated financial services at door steps. With bancassurance it is ensure for a customer to have better services at door steps. Along with that banking institution also provides – mutual fund, loans and advances.

FUTURE ASPECT OF BANCASSURANCE IN INDIA:

For any developing nation to provide basic facility to the mass of the public is the main aim. To explore any service in to the market need to develop large scale channel of distribution. With this intension insurance services added to the banking sector . Along with agents and institute to have readymade market for the economic development banking sector diversify own product portfolio to the economy. Multit-level distribution helpful for the untapped opportunities available in to the economy.

CONCLUSION

Insurance is basically customer focused concept which provides essential services to the needy of the economy. Banking institution have wide established network and with adoption of bancassurance only utilization of the market where customer has more sophisticated services for explosion. It is expected generate 40% of private insurer’s premium income by 2012, which is significantly higher than the current 25% to 28% multichannel distribution and marketing of the product helpful to explore ruler segment market and diverse set of people with connectivity. LIC need immense distribution channel and manpower to reach out the huge customer base.

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