

An Emperical Study on Customer Attitude Towards Bancassurance Indian Perspective



Management

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ABSTRACT

The study in conducted to assess the awareness of life insurance about the customer preference especially in bancassurance. The reason for this study is to know the customer preference for buying the life insurance products through bank channels. The success of an organization depends upon the ability of its customers, it is said that a happy customer is a back bone of the sales. This study was conducted to know the satisfaction level of the customers. It helps to identify the awareness of customers on bancassurance and quality of the product delivery. As such it is now proposed to enquire into the levels of customer satisfaction in terms of (insurance) product, price, quality and awareness on Bancassurance and how far it is reached the objective of a country's development.

Introduction

Indian economy experienced a major structural change within the industrial sector as a result of the major drive for industrial diversification in the mid-fifties. While both the industrial and service sectors registered relatively high growth rates during recent period. This underlines a major structural shift in the Indian economy in recent years. Among various service sector activities **banking and insurance** plays a vital role. Bancassurance is defined as the insurance distribution model where insurance products are sold through bank branch network. Customer satisfaction is an integral part of life insurance organization. It is necessary to identify the key success factors in life insurance industry, in terms of customer satisfaction so as to survive in intense competition and increase the market share.

Objective of the Study:

- To know the customer attitude towards bancassurance, its price and product quality.
- To assess the factors affecting the customer satisfaction with their Bankers for insurance products.

Data Collection, Methodology and Sample size:

The study is mainly based on the Primary data. The questionnaire has been adapted from the study of Lymberopoulos K et al (2004). The questionnaire was pilot tested in Vizianagaram town. The questionnaire is mainly prepared based on the customer's attitudes towards the main distribution channels were measured on Reliability, Responsiveness, Assurance and Empathy Features of Life Insurance Services. These Features are based on standard SERVQUAL dimensions. For the measurement of all these items a five-point Likert Scale was used (1 = strongly disagree to 5 = strongly agree). In order to collect the opinion of life insurance policyholders, a survey was conducted with a target population comprising men and women of over 21 years old, who have transactions with banks or an insurance company. Convenience Sampling was used for survey. The final questionnaire was administered through personally to 300 respondents. The researcher got reply from 206 respondents (68.7%), representing both genders and different age groups. The respondents were from Vizianagaram town.

Results: All results i.e. tables are based on the primary data analysis.

Respondent's Profile:

The profile of the respondents is shown below. The profile focuses on the demographics of respondents. It shows that out of 206 respondents, 64% of the respondents are male and 36% are females. Most of the respondents are married (67%) and in the age group 25-35 year (48%). The highest education level attained by most of the respondents was degree level (52%), followed by masters (46%) and under graduation (2%). It shows that majority of respondents were educated with high qualifications.

Table 1.1 Number and Percentage of Respondents

Gender	Number	Percentage
Male	117	57
Female	89	43
Age		
21-30	45	22
31-40	49	24
41-50	58	28
51-60	33	16
60Above	21	10
Education		
High school	15	7
Graduate	100	49
Post Graduate	62	30
Doctorate	7	3
Others	22	11
Annual Income		
Rs. 2lacs to 4 lacs	37	18
Rs. 4 lacs to 6 lacs	62	30
Rs. 6 lacs to 8 lacs	43	21
Rs. 8 lacs to 10 lacs	33	16
Rs. 10 lacs Above	31	15

Source: Computed from the results of primary data collected

Table 2 Profile of customers who have already used their Bank in order to buy Insurance Products.

Age	21-30 Yrs.	31-50 Yrs	51 Above	Total
Number of users/Total Number	45/206	107/206	54/206	206
Percentage	21.74%	52%	26.26%	
Gross Monthly Income (Rs.)	2 to 6 lacs	6 lacs to 10 lacs	10 lacs +	206
Number of users/Total Number	99/206	76/206	31/206	
Percentage	48%	36.91%	15.06%	
Education	High school	Graduates	PG and Above	206
Number of users/Total Number	15/206	100/206	91/206	
Percentage	7.28%	48.54%	44.17%	

Source: Computed from the results of primary data collected

Exploring the reasons Customers would buy Insurance Products from Banks

The respondents emphasized on Trust, Personal relationship and Convenience as the main reasons for buying the insurance products from banks instead of Insurance Agents. This is shown as percentage-wise in the following Table.

Table 3 Reasons for buying Insurance Products from Banks instead of Insurance Agents

Reason	Number	Percentage
Existing personal relationship	159	77
Trust	170	83
Convenience in terms of location	136	66
Communication	103	50
Good Financial Terms	118	57
Expertise	130	63
Related services	118	57
Service Quality	150	73

Source: Computed from the results of primary data collected

Exploring Awareness and Willingness

86% out of the sample were aware of the fact that their bank sells Insurance Products. It was reported that the published marketing material (89%) and advertisement (Media-83%) available within the branch are the two main information sources for these customers.

Table 4 Sources of Information about the Provision of Insurance Products by Banks.

Source of Information	Number	Percentage
Advertisement	171	83
Bank Employees	152	74
References viz., friends, colleagues	99	48
Direct Mail	111	54
Published Material	183	89

Source: Computed from the results of primary data collected

Exploring Consumer Attitudes to Insurance Agents

Analyzing customer attitudes to two different distribution channels was calculated by getting the mean of 14 statements on Likert Scale. Among the given statements, bankers have been rated as better experts than to Insurance Agents. The trust level is again better in Bankers than in Insurance Agents. Further it has been observed that customer's attitude towards Insurance Agents is low as compare to Bankers.

Customer's attitudes towards SERVQUAL dimensions Tangibles, Reliability, Responsiveness, Assurance, and Empathy

The descriptive statistics have been used to find out the mean and standard deviation of each of SERVQUAL statement. Each Statement begins with : To what extent do you agree? alpha cronbach test values for six factors were (af 1 = 0.912, af2=0.551, af3= 0.701, af4=0.733, af5=0. 742 and af 6 = 0.802), which indicates the existence of reliable scales.

Kaiser-Meyer-Olkin Measure and Bartlett's Test Table 5

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.779
Bartlett's Test of Sphericity	Approx. Chi-Square	3.194E3
	df	561
	Sig.	.000

Source: Computed from the results of primary data collected by using SPSS 16.0

Factor Analysis to Determine the Factors which Customers keep in Mind while purchasing Life Insurance Policy from Life Insurance Companies

In order to provide a more parsimonious interpretation of the results, 42-item scale used then Factor analyzed using the Principal Component method with Varimax rotation and Factor Analysis, a widely used multivariate technique in research, reduces data complexity.

In the present study Factor Analysis exhibits the rotated factor loading for the statements (Variables) of Quality of Service rendered by Life Insurance Companies in India. It is clear from that all the 34 statements have been extracted into nine critical factors namely F1, F2, F3, F4, F5, F6, F7, F8, F9. Adequacy of the data is tested on the basis of results the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity (homogeneity of Variance) provided. The KMO measure of sampling adequacy is 0.779, which indicates the present data suitable for factor analysis. This is a goodness fit coefficient whose value varies between 0 and 1 and we take values over 0.5 to represent good factor analysis (i.e., data reduction is effective).

Similarly, Bartlett's test of sphericity is significant (p < 0.001); that explains existence of sufficient correlation between variables to proceed with the analysis. The Bartlett's test statistic is approximately distributed and it may be accepted when it is significant at p < 0.05. Most of the extracted Commonalities are acceptable and all variables are fit for the factor solution as their extraction values are large. After Analyzing the Total Variance Explained it can be found that 34 statements can be grouped under 9 Factor Groups of questions.

The Factor Analysis made so far using SPSS version 16.0 helps extract nine factors, viz., Pricing, Employee Competence, Product & Service, Technology, Physical Appearances, Trust, Service Delivery, Advertising and Service Management from variables and these factors contributed variation in consumer behavior in purchase of Life Insurance Policy.

Findings:

- It has been observed through the Research Findings 80% of the customers are aware of Bancassurance and 66% of customers are taken insurance policy from their banks.
- The kind of insurance policy especially based on loan. 80% said that they took the insurance policy because of security benefits. 65% said that since, they trusted their bank, they took the policy.
- There was 40% who said that the brand image of the company also mattered. Only 28% said that savings was a reason that encouraged them to buy insurance policy. 50% people preferred agents because they provide personalized services.
- 20% took insurance from companies because of their trust on the company. 95% people said that they believe that Bancassurance has a very bright future.
- This research managed to identify that the "customer relationship management" should be the focus area for the bancassurance companies as more than 75% of the customers said that they would prefer to buy insurance products from banks due to existing personal relationship with banks.
- The customer relationship management will in turn help in building "Trust" which has got highest priority from the customers. The banks that offer bancassurance should

think of new media channels to reach the customers.

- Advertisements are one of the main sources of information for customers. Better trained bank employees as well as the informative marketing material can give boost to business.
- Banks should focus an integrated marketing communication strategy that encompasses advertising, public relations and direct marketing in order to inform their customers about the provision of insurance services via their branch network.

Suggestions:

- Insurance agents and banks should create the awareness about the bancassurance.
- Banks may try to offer more attractive products according to the needs of different customers.
- Employees of banks may provide good service to the customers and they should maintain good customer relationship.

Conclusion: one may conclude that opportunities exist for banks to cross-sell insurance products. These opportunities are based on customer's high usage rate of insurance, the low penetration of banks to insurance programs and customer's willingness to buy insurance from banks.

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