

# A Study on Bank Employees Perception to Bancassurance

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**Abstract:** Bancassurance simply means selling of insurance products by banks. This is a system in which a bank has a corporate agency with one insurance company to sell its products. The present study focus on the bank employee's perception to bancassurance.

**Keywords:** Bancassurance, Banking Industry, Insurance Industry.

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## 1. INTRODUCTION

The business of banking around the globe is changing due to integration of global financial markets, development of new technologies, of banking operations and diversification in non-banking activities. On one hand it is the Banking sector which is very competitive and on the other hand is Insurance sector which has a lot of potential for growth. When these two join together, it gives birth to BANCASSURANCE big financial institutions have come together and have integrated all their strength and efforts and have created a new.

### IMPORTANCE OF THE STUDY

The main focus of this project is on bank employee's perception to the selling of insurance products along with the routine work. . By selling insurance policies bank earns a revenue stream apart from interest. It is called as fee-based income.

This income is purely risk free for the bank since the bank simply plays the role of an intermediary for sourcing business to the insurance company

### STATEMENT OF THE PROBLEM

The aim of the study is to do a detailed analysis on bank employee's perception to selling of insurance products (bancassurance).

### SCOPE OF THE STUDY

This study is only based on the perception of bank employees. The study is limited to the bank employees in Ernakulam.

### OBJECTIVES OF THE STUDY

- To study the employees perception and effectiveness of Bancassurance.
- To know the problems faced by the employees in selling insurance products.
- The effect of cross-selling in bank and its customers
- To know whether bancassurance has a good future.

## 2. LITERATURE REVIEW & THEORETICAL FRAMEWORK

Bancassurance is the distribution of insurance products through the bank's distribution channel. It is a phenomenon wherein insurance products are offered through the distribution channels of the banking services along with a complete range of banking and investment products and services. To put it simply, Bancassurance, tries to exploit synergies between both the insurance companies and banks. Bancassurance can be important source of revenue. With the increased

competition and squeezing of interest rates spread, profits are likely to be under pressure. Fee based income can be increased through hawking of risk products like insurance. Bancassurance if taken in right spirit and implemented properly can be win-win situation for the all the participants' viz., banks, insurers and the customer.

**L.Sunil Mahajan(2016)** Insurance industry in India for fairly a longer period relied heavily on traditional agency (individual agents) distribution network IRDA (2004). As the insurance sector had been completely monopolised by the public sector organisations for decades, there was slow and rugged growth in the insurance business due to lack of competitive pressure. Therefore, the zeal for discovering new channels of distribution and the aggressive marketing strategies were totally absent and to an extent it was not felt necessary. The insurance products, by and large, have been dispensed mainly through the following traditional major channels:

- (1) development officers,
- (2) individual agents and
- (3) direct sales staff.

**Sasindra M(2017)** It was only after IRDA came into existence as the regulator, the other forms of channels, viz., corporate agents including bancassurance, brokers (an independent agent who represents the buyer, rather than the insurance company, and tries to find the buyer the best policy by comparison shopping), internet marketing and telemarketing were added on a professional basis in line with the international practice. As the insurance sector is poised for a rapid growth, in terms of business as well as number of new entrants tough competition has become inevitable. Consequently, addition of new and more number of distribution channels would become necessary.

#### **REGULATIONS FOR BANCASSURANCE IN INDIA**

1. **RBI** Norms for banks entering into Insurance sector
2. **IRDA** Norms for Insurance companies tying up with Banks

##### **RBI Norms for banks**

RBI Guidelines for the Banks to enter into Insurance Business Following the issuance of Government of India Notification dated August 3, 2000, specifying 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1) (o) of The Banking Regulation Act, 1949, RBI issued the guidelines on Insurance business for banks.

1. Any scheduled commercial bank would be permitted to undertake insurance business as agent of insurance companies on fee basis without any risk participation
2. Banks which satisfy the eligibility criteria given below will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such a bank can hold in the Joint Venture Company will normally be 50% of the paid up capital of the insurance company. The eligibility criteria for joint venture participant are as under:
  - i. The net worth of the bank should not be less than Rs.500 crore
  - ii. The CRAR of the bank should not be less than 10 per cent
  - iii. The level of non-performing assets should be reasonable;
  - iv. The bank should have net profit for the last three consecutive years
  - v. The track record of the performance of the subsidiaries, if any, of the concerned bank should be Satisfactory
3. In cases where a foreign partner contributes 26% of the equity with the approval of Insurance Regulatory and Development Authority/Foreign Investment Promotion Board, more than one public sector bank or private sector bank may be allowed to participate in the equity of the insurance joint venture. As such participants will also assume insurance risk, only those banks which satisfy the criteria given in paragraph 2 above, would be eligible.
4. A subsidiary of a bank or of another bank will not normally be allowed to join the insurance company on risk participation basis.

5. Banks which are not eligible for 'joint venture' participant as above, can make investments up to 10% of the net worth of the bank or Rs.50crore, whichever is lower, in the insurance company for providing infrastructure and services support. Such participation shall be treated as an investment and should be without any contingent liability for the bank. The eligibility criteria for these banks will be as under:

- i. The CRR of the bank should not be less than 10%;
- ii. The level of NPAs should be reasonable;
- iii. The bank should have net profit for the last three consecutive years.

6. All banks entering into insurance business will be required to obtain prior approval of the Reserve Bank. The Reserve Bank will give permission to banks on case to case basis keeping in view all relevant factors including the position in regard to the level of non-performing assets of the applicant bank so as to ensure that non-performing assets do not pose any future threat to the bank in its present or the proposed line of activity, viz., insurance business. It should be ensured that risks involved in insurance business do not get transferred to the bank. There should be 'arms length' relationship between the bank and the insurance outfit.

7. Holding of equity by a promoter bank in an insurance company or participation in any form in insurance business will be subject to compliance with any rules and regulations laid down by the IRDA/Central Government. This will include compliance with Section 6AA of the Insurance Act as amended by the IRDA Act, 1999, for divestment of equity in excess of 26 per cent of the paid up capital within prescribed period of time.

8. Latest audited balance sheet will be considered for reckoning the eligibility criteria.

#### **IRDA (Licensing of Bancassurance Entities) Regulations, 2012**

In exercise of the powers conferred by sub-section (2) of section 114A of the Insurance Act, 1938 read with sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999, the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely

##### **Short title and commencement**

1. (1) These regulations may be called the Insurance Regulatory and Development Authority (Licensing of Bancassurance Entities) Regulations, 2012

(2) They shall come into force on the date of their publication in the Official Gazette. However, the banks and Non-Banking Financial Companies (NBFC) licensed under IRDA (Licensing of Corporate Agents) Regulations, 2002 shall be governed by these regulations on expiry of the license or on termination of the existing license.

##### **RESEARCH DESIGN**

The research design of the study is descriptive in nature. The population for the study consists of the employees of various banks in Ernakulum district and the population size is 5432 employees as on 31<sup>st</sup> March 2019.

##### **SAMPLING TECHNIQUE**

The samples used for this study are selected using simple random sampling technique.

##### **SAMPLE SIZE**

The Sample size for this study consists of the employees of banks in Ernakulam and the sample size taken is 60 employees selling insurance products.

### **3. DATA ANALYSIS AND INTERPRETATION**

**Table 1: showing the employees level of knowledge about Insurance Products.**

RESPONSE	FREQUENCY	PERCENTAGE
VERY GOOD	18	30
GOOD	27	45
SATISFACTORY	12	20
POOR	3	5
TOTAL	60	100

**INTERPRETATION:** The above table and figures show that 45% of employees have a GOOD knowledge about the Insurance Products, and 30% have VERY GOOD knowledge about the products, where as 5% is not much aware about the Insurance products.

**Table 2: showing the assistance from Insurance Company for selling Insurance Products.**

RESPONSE	FREQUENCY	PERCENTAGE
VERY GOOD	45	75
GOOD	6	10
SATISFACTORY	6	10
POOR	3	5
TOTAL	60	100

**INTERPRETATION:** The above table gives a clear view that the good assistance from Insurance Company.

**TABLE 3: showing the comparison of Insurance products to other cross selling products.**

RESPONSE	FREQUENCY	PERCENTAGE
VERY GOOD	12	20
GOOD	30	50
SATISFACTORY	12	20
POOR	6	10
TOTAL	60	100

**INTERPRETATION:** The above table gives a clear view that 70% of employees says that comparing to other cross selling products, Insurance Products are preferable.

**TABLE 4: showing the amount of increase in productivity on selling bancassurance.**

RESPONSE	FREQUENCY	PERCENTAGE
YES	48	80
NO	12	20
TOTAL	60	100

**INTERPRETATION:** The above table and chart has clearly stated that bancassurance helps the employees in increasing their productivity.

**TABLE 5: Showing the main problems faced by the employees by selling Insurance products.**

RESPONSE	FREQUENCY	PERCENTAGE
POOR CUSTOMER RESPONSE	9	15
WORD LOAD	21	35
LACK OF ASSISTANCE	12	20
OTHER	18	30
TOTAL	60	100

**INTERPRETATION:** The above table and chart says that 35% problem is work load due to routine banking activities and the 30% says that the problem is because of other reasons. So the main problems are work load, poor customer response, other reasons, and lack of assistance.

**TABLE 6: showing the drawbacks of Insurance Products.**

RESPONSE	FREQUENCY	PERCENTAGE
POOR RETURNS	36	60
COMPLEXITY IN SCHEMES	6	10
POOR CUSTOMER SERVICE	12	20
OTHER	6	10
TOTAL	60	100

**INTERPRETATION:** Poor customer response, return, complexity etc are that there main drawbacks of SBI-Life products.

TABLE 7: showing that whether bancassurance has a good future.

RESPONCE	FREQUENCY	PERCENTAGE
YES	54	90
NO	6	10
TOTAL	60	100

**INTERPRETATION:** 90% employees says that bancassurance has a good future.

#### 4. FINDINGS

- Majority employees say that they have good knowledge about bancassurance and some employees don't have much awareness about bancassurance.
- Employees clearly say that bancassurance helps the employees in increasing their productivity.
- The major problem faced by the employees is over workload and poor customer response.
- As per employees views that the main drawbacks of insurance products are poor returns and customer service.
- Majority of the employees have the opinion that bancassurance has good future.

#### 5. SUGGESTIONS

- It is very important to provide better and good training facilities to all the employees in the field of bancassurance.
- The bank should also take into consideration various measures to control the work load of the employees.
- Rewards or praises or appreciation works as a magic for an individual and motivates the employees to increase the sale.
- The management should also give due importance to the mental relaxation and social cultural development of employees who work hard in the field of bancassurance.

#### 6. CONCLUSION

This research was conducted to find out the employees perception to bancassurance. Inorder to improve the employees perception about the Insurance products. The bank should see that the workload of the employees should be reduced so that they will be able to give dual focus on both bank work and also in the field of bancassurance. They should also be provided with necessary stress relief programmes and appreciation for their job, which will in turn helps them to increases the productivity of the bank and also their own productivity.

This will ultimately helps the bank to increases the effectiveness of bancassurance and also increases the productivity of the bank with help of sale of bancassurance, also improve the employees perception towards their job.

#### LIMITATIONS OF THE STUDY

- The study was restricted to Ernakulam district.
- The accuracy of survey is subject to the honest response of the respondents

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