*Delhi Business Review ✠ Vol. 15, No. 1 (January - June 2014)*

# AN ANALYSIS OF EFFECTIVENESS OF BANCASSURANCE AS A DISTRIBUTION CHANNEL IN INDIA

Rupali Satsangi*

*BANCASSURANCE, which basically involves banks acting as corporate agents for insurers to distribute insurance products, has evolved as a strong distribution channel in many countries. Following the deregulation of the Indian insurance industry and the amendment of the insurance law, Indian banks have been looking towards bancassurance as a logical step in the expansion of their business and have planned to venture into this lucrative segment which has hitherto been dominated by few public sector companies. Similarly, new insurers have also viewed banks as an ideal mechanism to gain distribution power.*

*The present paper is an exploratory study to understand the effectiveness of Bancassurance on three dimensions:*

1. *The motivating factors behind the Bancassurance*
2. *Potential benefits of Bancassurance*
3. *Implementation problems of Bancassurance*

*Factor analysis that has been used to conclude the findings on one hand has identified greater fee based income, improved profit margins, effective utilization of resources are the motivators for banks to enter into bancassurance, on the other hand factors such as expansion of existing market, access to ready client base of banks and encashing the brand name of banks motivate insurance companies for the same. It also reveals that customers prefer bancassurance to purchase a policy due to more benefits and authenticity. The study concludes that successful bancassurance partnerships in India is due to the fact that by entering into this, both parties have win- win proposition since there is nothing to lose.*

***Purpose:*** *This study seeks to examine the relatively new trend in insurance distribution channels alternative; namely, Bancassurance: it's role, benefits, implication, and problems in India. Bancassurance is a new buzzword. While Bancassurance has developed into a tremendous success story in Europe, it has been constrained by legislation in USA and Canada. It is a relatively new concept in Australia and Asia. However, a sea change in the financial service industry is imminent with banks and insurance companies increasingly realizing the strategic significance of Bancassurance in the future viability of their businesses.*

***Design/Methodology/Approach:*** *The study examines how Bancassurance works in India. There are a number of theoretical reasons as to why banks should enter into the insurance market in India. The main reason behind the bancassurance partnerships in India has been the fact that the banks and insurance both tend to lose nothing. So, marketing of insurance products and earning an additional income is a blessing for the banks. The study is based on survey method.*

* *Assistant Professor (Economics), Dayalbagh Educational Institute, Agra, Uttar Pradesh, India.*

***Findings:*** *(i) Insurance industry has been growing at a commendable pace, (ii) Bancassurance has grown rapidly during the last 10 years, (iii) Private sector banks and private sector insurance companies have been more active, and therefore, beneficiaries of bancassurance, (iv) Private sector's (banks and insurers) performance has been better than Public sector (banks and insurers), (v) Further research is needed to investigate the relative failure of public sector in regard to bancassurance, (vi) Bancassurance offer huge business potential for banks and insurance companies because of growing banking and insurance sector, and growing economy.*

***Research Limitations:*** *The study has a number of implications for future research.The present study is restricted to Life Insurance Sector with special emphasis on Bancassurance in Agra District.The secondary information and data available through various official publications is not updated. It lagged behind at least by a year. Gap in data sometimes creates difficulty in drawing right conclusions and submitting worthwhile suggestions.*

***Practical Implications:*** *Analysis of the study is important for banks and insurance companies to play strategic role in Bancassurance.*

***Originality/Value:*** *Presently there are very few published academic studies on Bancassurance.It is an emerging field of research and to my knowledge, there are very few journals, which provide a discussion on effectiveness of Bancassurance in India.*

***Key Words: Bancassurance, Effectiveness, Distribution Channel.***

## Introduction

It is now over twelve years since the official opening of the insurance sector in India. With the private sector making an entry into what till now a highly protected business, is set for a complete overhaul and expect lot of actions in the days to come (Biju, 2006).

Bancassurance is a new buzzword. It originated in India in the year 2000. Following the recommendations of First Narasimha Committee, the contemporary financial landscape has been reshaped. Thus, present-day banks have become far more diversified than ever before. Therefore**, their entering into insurance business is only a natural corollary** and is **fully justified** too as ***'insurance' is another financial product required by the bank customers*** (Reserve Bank of India)**.**

## Significance of the Study

Insurance has always been a big business in the developed markets. However, it has gained popularity in India after 1999. In the post liberalization scenario, it has seen a surge of new entrants. After the government notification, bancassurance has arisen as a boon which insurance sector was waiting for.

As the concept of bancassurance is of recent origin, the studies in related areas are limited. Jain, 2004; Bajpai, 2002; Singh, 2002; Maheshwari, 2005; Mishra, 2005, in their studies depicted that the potential entrants with the global expertise and the substitute financial products pose serious threats to insurers who were immune to competition and were enjoying the monopoly under the protective umbrella of state.

The sale of life insurance through banks will meet an important set of customer's needs. Bancassurance is a wining proposition for all the stakeholders i.e., banks, insurance companies, customers. (Kumar, 2003; Daswani, 2003; Pradhan, 2004; Bhatt and Dixit, 2005; Munich Re Group, 2006). In India, the bancassurance model is still in its nascent stage, but the tremendous growth and acceptability in the last three years reflect green pasture in future (Gupta, 2006, Manickavasagam and Pandikumar, 2007).

In the period of metamorphosis of Indian insurance sector, it is of prime importance that one analyzes the bancassurance as an intermediary, the motivating factors behind the bancassurance tie up, benefits of bancassurance tie up to all the stakeholders, and the problems associated with the implementation of bancassurance. The present study is an effort in this direction.

## Meaning of Bancassurance

**Bancassurance;** a term coined by combining the two words 'bank'and 'insurance'(in French) – connotes distribution of insurance products through banking channels. ***"Bancassurance is the provision of insurance and banking products and services through a common distribution channel and/ or to the same client base".***

### World's Perspective

While bancassurance has developed into a tremendous success story in Europe, it has been constrained by legislation in USA and Canada. It is a relatively new concept in Australia and Asia. However, a sea change in the financial service industry is imminent with banks and insurance companies increasingly realizing the strategic significance of bancassurance in the future viability of their businesses (Rangachary, 2003).

If we are look around the world, then we can see that European countries are doing better than others, where hardly 20% of US banks were selling insurance in 1998 against 70% to 90% in many European countries. Market penetration of bancassurance in new life business in Europe ranges between 30% in UK to nearly 70% in France. Almost 100% banks in France are selling insurance products. Bancassurance has been a successful model in the European countries contributing 35% of premium income in the European life insurance market. It contributes over 65% of the life insurance premium income in Spain, 60% in France, 50% in Belgium and Italy. Table 1 compares the bancassurance in Europe, Asia, and India (Vijayakumar, 2009).

### Bancassurance in India

Even though bancassurance has been in existence for quite some time in USA and in many western countries, it is only about six years old in our country. Liberalisation was started in banking industry during early 1990s; but Insurance sector was opened only at the end of 2000 and banks were allowed to act as corporate agents, only after October 2002, by an amendment to the Act of Corporate Agents.

Since the entry of the SBI, a number of other insurance companies have declared their desired banking partners. In this process, both life and non-life companies have tied up with banks and these alliances are listed in table 2. A number of interesting facts emerge from the table.

### Bancasurance Models in India

Three bancassurance models; their characteristics, advantages, disadvantages and the countries where these models are wide spread have been summarized in the table 3.

## Objectives of the Study

To make the study more scientific and systematic the researcher has made following objectives:

- To understand the concepts and models of bancassurance.
- To analyze the present scenario of bancassurance in India.
- To identify the reasons for banks entering into insurance sector.
- To study the future prospects of bancassurance as an intermediary.
- To identify the factors that determine the customer's choice of intermediaries.

**Table 1: Comparing Bancassurance in Europe, Asia, and India**

| | Europe | Asia (general) | India |
|---|---|---|---|
| Regulation | Liberalized | Ranging from liberalized to forbidden | Supportive |
| Market growth | Mature market but pension reforms can spur growth in the life insurance sector | High growth potential | High growth |
| Bancassurance model | Highly integrated models | Mostly distribution alliances and joint ventures | Distribution |
| Major drivers | Tax concessions for life insurance premium paid Squeeze on bank margins | Squeeze on bank margins, insurer's growing cost pressure and desire to expand distribution capability, financial deregulation, foreign companies use bancassurance to enter Asian market | Tax free |
| Products | Mainly life insurance products to maximize tax benefits, mostly single premium | Mainly life insurance products linked to bank services and increasingly, products geared towards managed savings | Mainly non-unitized regular premium |
| Distribution | Multi-bank branches | Mainly bank branches | Bank branches |
| Major players | Domestic banks and insurances | Foreign companies are playing an important role. | Public & Private bank, and Insurance companies |
| Sophistication | High | Varied | Low |

**Source :** *This table has been adapted from a presentation by Swiss Re CEO Summit and another presentation by Krishnamurthy (2005).*

**Table 2: Existing Relationships between Insurance Companies and Banks**

| Life Insurance Company | Banking Partners |
|---|---|
| HDFC | Union Bank of India, Indian Bank, HDFC Bank |
| ICICI Prudential | Federal Bank, ICICI Bank, Bank of India, Punjab & Maharashtra Cooperative Bank, Allhabad Bank, South Indian Bank, Citibank, Lord Krishna Bank, Goa State Co-operative Bank, Indore Paraspar Sahakari Bank, Manipal State Co-operative Bank and Jalgaon People's Co-operative Bank, Shamrao Vithal Co-operative Bank. |

| Life Insurance Company | Banking Partners |
|---|---|
| Birla Sun Life | Citibank, Deutsche Bank, IDBI Bank, Development Credit Bank, Bank of Rajasthan, Bank Muscat, Catholic Syrian Bank Ltd. Andhra Bank, and Karur Vysya Bank Ltd. |
| Tata AIG | HSBC, Citi Bank, IDBI Bank, and Union Bank of India |
| Kotak Mahindra | None |
| SBI Life | SBI and BNP Paribas |
| ING Vysya | Vysya Bank and Bharat Overseas Bank |
| Allianz Bajaj | Standard Chartered Bank, and Syndicate Bank |
| Met Life | Dhanalakshmi Bank, J & K Bank, and Karnataka Bank |
| AMP Sanmar | Manjeri Cooperative, Perunthalmanna Bank, and Nilambur Bank (all Kerala based). |
| Aviva | ABN Amro, American Express, Canara Bank, and Lakshmi Vilas Bank |
| LIC | Corporation Bank, Oriental Bank of Commerce, recently signed MoU with Nedungadi Bank, Central Bank of India, Indian Overseas Bank, Bank of Punjab, Vijaya Bank, Centurian Bank, The City Union Bank Ltd., and Repco Bank |
| **Nonlife Insurance Company Banking Partners** | |
| Bajaj Allianz | Bank of Punjab, Bank of Rajasthan, Jammu & Kashmir Bank, Karur Vysya Bank, Lord Krishna Bank, Punjab & Sind Bank, Shamrao Vithal Co-operative Bank, and Karnataka bank |
| Royal Sun Alliance | Citibank, ABN Amro, Standard Charatered, American Express, Repco Bank, SBI-GE, and Karur-based Lakshmi Vilas Bank |
| Tata AIG | HSBC, IDBI, Development Credit Bank, and Union Bank of India |
| IFFCO Tokio | Not formally tied up with any bank as yet. |
| ICICI Lombard | ICICI Bank and others in the pipeline |
| Reliance | Not formally tied up with any bank as yet |
| United India | Punjab National Bank; Andhara Bank, Dhanalakshmi Bank Indian Bank, South Indian Bank, and Federal Bank |
| New India | Union Bank of India, SBI, Corporation Bank, and United Western Bank |
| Oriental Insurance Company | Department of Posts, Oriental Bank of Commerce, and State Bank of Saurashtra |

***Source:*** *Information updated from newspaper sources and websites of the respective banks and insurance companies (March 11, 2011).*

**Table 3: Bancassurance Models**

| Model | Description | Advantages | Disadvantages | Country where the model is widespread |
|---|---|---|---|---|
| **Referral Model** | Banks act as an intermediary. | Operations start quickly. No capital investment (less costly). | Lack of flexibility to launch new products. Possibility of differences in corporate culture. | USA, Germany, UK, Japan, India, and South Korea. |
| **Deposit Linked Insurance Schemes** | Banks in partnership with one or more insurance companies. | Fee-based income to the banks or increase low cost deposits. | Difficult to manage in the long term. | Itly, Spain, Portugal, and South Korea. |
| **Corporate Agency Model** | Maximum involvement by banks. | Same corporate culture. | Substantial investment. | France, Spain, Belgium, UK, Ireland, and India. |

## Research Methodology

To make the findings of this research more reliable and valid, the researcher has used both types of data i.e., primary as well as secondary. The primary data is organized as:

| **Parameters** | | **Particulars** |
|---|---|---|
| Sample area | – | Agra district |
| Sample Population | – | 200 (policy holders)+25Banks+20 Insurance company managers |
| Research Tool | – | Self constructed questionnaire and structured interviews |
| Sampling Method | – | Convenient Sampling |
| Research Scale | – | Five point Likert Scale |
| Statistical Tool | – | Average, weighted average, standard deviation, coefficient of variation, skewness, and factor analysis. |

The secondary data has been collected from annual reports of IRDA, various text books of insurance, magazines, newspaper, journals and reports, internet, etc.

## Effectiveness of Bancassrance in India

To measure the effectiveness of bancassurance in India, three sets of structured questionnaires were used, which were administered on conveniently selected 200 customers, 20 respondents from companies and 25 from banks. Each set of questionnaire comprised of statements related to- (***a)The motivating factors behind the bancassurance; (b)Potential benefits of bancassurance;*** (***c)Problems associated with the implementation of bancassurance.*** Each section of questionnaire is comprised of a number of factors. The respondents were asked to rank the factors in order of their preferences. The highest rank i.e., one was given to the most important and the most preferred statement and the lowest rank was to be attributed to the least preferred statement depending upon the number of statements. The findings of study have been described and analyzed in the following table from the view point of banks, insurance companies, and customers.

### Analysis of the Study

To know the effectiveness of bancassurance, a survey was conducted in Agra district of Uttar Pradesh state in India through three sets of self-structured questionnaires administered upon the three groups of respondents which consist of conveniently selected 250 customers, 34 respondents from insurance companies and 30 respondents from banks. After cleaning the data, responses of only 200 customers, 20 insurance companies and 25 banks were found to be valid on the basis of consistency of responses, and hence considered fit for inclusion in the sample for analysis.

All the participants were personally contacted by the investigator during the office hours and requested to express their spontaneous views administered individually in the method of study. The participants were explained before he/she really started responding to the items. The data were treated with different techniques for meaningful interpretation.

Table 4 depicts the sample insurance companies, their partner banks, number of banks, branches under bancassurance in Agra, duration of tie-up and model adopted.

**Table 4: Sample Insurance Company and Their Partner Banks**

| Company | Banks | Number of bank Branches in Agra using Ban-cassurance | Duration of tie up | Model adopted |
|---|---|---|---|---|
| Bajaj Allianz | Radhasoami Urban Co. bank | One | One year | Referral arrangement |
| ICICI Prudential | ICICI Bank, Bank of India | Two | Four year | Referral arrangement |
| Oriental Insurance | Punjab National Bank | Four | Three year | Corporate agent |
| SBI Life | State Bank of India | Three | Three year | Joint venture |
| HDFC Standard Life | Union Bank of India | Three | Three year | Joint venture |
| Aviva | Canara Bank | Two | Two year | Referral arrangement |
| Max. new life | Punjab and Sind Bank | One | One year | Referral arrangement |

**Source :** *Primary data*

**The Motivating Factors**

There are a number of theoretical reasons as to why banks should enter into the insurance market in India. Table 5 depicts the findings which reveal that the main reason behind the bancassurance partnerships in India has been the fact that the banks and insurance both tend to lose nothing. So marketing of insurance products and earning an additional income is a blessing for the banks. By deploying the excess staff in marketing of insurance products and to harness their existing customer base, the banks are eyeing partnership as a win-win situation.

**Perceived Benefits of Bancassurance**

Factor analysis has also been carried out to find the perception and viewpoint regarding the benefits of the bancassurance tie-up depicted in Table 6. It has been used to identify the important and pertinent characteristics (factor) or features which the bancassurance tie-up have brought to all stakeholders i.e., the insurers, the banks and customers. Exploratory Factor analysis using PCA was carried out for the variables.

**Factor Matrix** Factors are combinations of the characterstics which the bancassurance tie-up

**Table 5: The Motivating Factors for Banacassurance**

**Factors which motivate banks for tie-up with insurance companies**

| **Factors** | **Rank Acc to Mean** | **Mean** | **Std. dev** | **Mini.** | **Maxi.** | **N Label** |
|---|---|---|---|---|---|---|
| Improved profit margins | I | 1.00 | 0.00 | 1.00 | 1.00 | 25 |
| Effective utilization of resources | II | 1.52 | 0.714 | 1.00 | 3.00 | 25 |
| Assets securitization by selling insurance products | III | 2.00 | 0.957 | 1.00 | 4.00 | 25 |
| Huge pool of professionals | IV | 2.60 | 1.22 | 2.00 | 5.00 | 25 |
| Exploiting the huge base of customers | V | 3.36 | 0.637 | 3.00 | 5.00 | 25 |
| Value addition to their services | VI | 4.28 | 0.936 | 3.00 | 5.00 | 25 |
| Greater fee based income | VII | 4.30 | 0.800 | 4.00 | 5.00 | 25 |
| **Factors Which Motivate Insurance Companies for Bancassurance Tie-Up** | | | | | | |
| **Factors** | **Rank Acc to Mean** | **Mean** | **Std. dev** | **Mini.** | **Maxi.** | **N Label** |
| To expand the existing market | I | 1.15 | 0.366 | 1.00 | 2.00 | 20 |
| To tap the wide pressure of bank branches in urban and rural area | II | 1.75 | 0.444 | 1.00 | 2.00 | 20 |
| To reduce the administration and marketing cost of selling policies | III | 2.60 | 0.680 | 2.00 | 4.00 | 20 |
| To gain access to ready client base of banks | IV | 3.05 | 0.604 | 2.00 | 4.00 | 20 |
| Encash the brand name of the banks to increase sales | V | 3.40 | 0.502 | 3.00 | 4.00 | 20 |
| **Factors Which Motivate Customers to Purchase a Policy through Banks** | | | | | | |
| **Factors** | **Rank Acc to Mean** | **Mean** | **Std. dev** | **Mini.** | **Maxi.** | **N Label** |
| More benefits | I | 1.16 | 0.372 | 1.00 | 2.00 | 200 |
| Bank's wide area coverage | II | 1.32 | 0.649 | 1.00 | 3.00 | 200 |
| Easy accessibility | III | 1.57 | 0.888 | 1.00 | 4.00 | 200 |
| Authentic media | IV | 2.04 | 1.22 | 1.00 | 4.00 | 200 |
| Multi products | V | 2.80 | 1.25 | 1.00 | 4.00 | 200 |
| Loyal customer | VI | 3.36 | 0.849 | 5.00 | 5.00 | 200 |

**Source :** *Primary data*

**Table 6: Factor Loading of Potential Benefits of Bancassurance Variables at a Glance**

| Factor (Eigen Value) | Variables | Commu-nality | Factor Loading: Factor One | Factor Loading: Factor Two | Vari-ance |
|---|---|---|---|---|---|
| **For Banks** | | | | | |
| **Return on assets (7.813)** | Fee based income | 0.941 | 0.767 | 0.594 | 86.177 |
| | Lower cost/sales | 0.952 | 0.967 | 0.133 | |
| | Assets securitization by selling insurance product | 0.964 | 0.979 | 0.081 | |
| | Increase in the size of market | 0.981 | 0.936 | -0.324 | |
| **Resource Utilization (0.723)** | More profitable resource utilization | 0.922 | 0.957 | 0.082 | 8.85 |
| | Efficient utilization of multiple communication channel | 0.945 | 0.876 | -0.422 | |
| | Use of huge data base | 0.943 | 0.910 | 0.340 | |
| | Value addition to their services | 0.963 | 0.975 | -0.108 | |
| | Service synergies | 0.940 | 0.968 | 0.0457 | |
| **For Insurance Companies** | | | | | |
| **Tap the Service Synergies (6.436)** | Quicker geographical reach | 0.964 | 0.911 | 0.367 | 80.444 |
| | Channel diversification | 0.862 | 0.737 | 0.565 | |
| | Leverage upon service synergies | 0.934 | 0.948 | 0.1870 | |
| | To gain access to ready client base of banks | 0.938 | 0.966 | 0.072 | |
| **Maximizing Benefits (0.923)** | Resource utilization of banks | 0.947 | 0.966 | -0.114 | 11.54 |
| | To reduce the administration and marketing cost | 0.911 | 0.937 | -0.181 | |
| | Quality of leads | 0.889 | 0.793 | -0.510 | |
| | Expansion of market | 0.913 | 0.888 | -0.352 | |
| **For Customers** | | | | | |
| **Factor (Eigen Value)** | **Variables** | **Commu-nality** | **Factor One** | | **Vari-ance (%)** |
| **Customer Satisfaction (6.092)** | Product according to customers need | 0.816 | 0.903 | | 87.035 |
| | Services pre and post | 0.815 | 0.903 | | |
| | Easy accessibility | 0.898 | 0.948 | | |
| | Satisfaction of more financial needs | 0.841 | 0.917 | | |
| | Authentic channel | 0.845 | 0.919 | | |
| | Lower premium | 0.927 | 0.963 | | |
| | Return on investment | 0.949 | 0.974 | | |

**Source:** *Primary data*

has brought to all stakeholders in the bancassurance tie-up. Factors are linear equation of the statements (variables) measured during the course of study and account for variance in data as a whole. Each factor is a weighted, linear combination of the two variables analyzed. The best combination makes up the first component and is the first factor. How the factors are correlated with the statements is given by factor loading.

**Communality and Eigen Value** Communality indicates the proposition of variance in response to statements which are explained by the two factors. Eigen value is used to indicate how well any given factor fits the data from all the respondents on all of the statements.Each value of above 1or close to 1 are considered best. **The Kaiser (1960) criterion.** First, we can retain only factors with eigen values greater than 1. In essence this is like saying that, unless a factor extracts at least as much as the equivalent of one original variable, we drop it. This criterion was proposed by Kaiser (1960), and is probably the one most widely used. In our example above, using this criterion, we would retain 2 factors (principal components).

The effectiveness of bancassurance from the point of view of banks, insurance companies, and customers results from the balancing and summation of much specific importance on the variables in bancassurance over a period of time. Factor analysis of the selected 24 variables of bancassurance resulted in five important factors. The resulted factors are *return on assets* (banks), *resource utilization* (banks), *tap the service synergies* (insurance companies), *maximizing benefits* (insurance companies), *customer satisfaction* (customers). All the variables with high communality values indicate that the variables within each factor have very high association among them.

The factor **'return on assets'** (for banks), **'tap the service synergies'** (for insurance companies), and **'customer satisfaction'** (for customer) have accounted for 86.177%, 80.444%, and 87.035% of variance, and the Eigen value for these three factors is 7.813, 6.346, 6.092 respectively which is greater than 1.0 indicating that they best fit the data obtained from the responses, which indicates that the factors contain very high information than other factors. This factor provides the maximum insights of potential benefits of banks in bancassurance.

## Problems Associated with the Implementation of Bancassurance in India

Bancassurance is a new concept in India. It is seen from above discussion that tie-ups between banks and insurance companies are growing successfully in India. But to implement bancassurance properly they are still facing problems. The problems identified in informal discussions were asked to be ranked by the two partners in bancassurance tie-up according to their preferences. These problems have been depicted graphically in the Figure 1.

## The Bancassurance Opportunity

Banks are major players in the Indian financial system:

- 66,000 branches (32,000 rural and 14,700 semi urban).
- Enormous retail account base of 440 mn deposit accounts.
- Total deposit base of Rs. 14 trillion (USD 300 bn).

Large structure governed through regulations:

- Four categories of banks – foreign banks, nationalized banks, private sector banks and co-operative banks catering to distinct customer segments.
- Over 2500 banks spread nationally and geographically.

Banking habits of customers

- Propensity to visit bank branches.

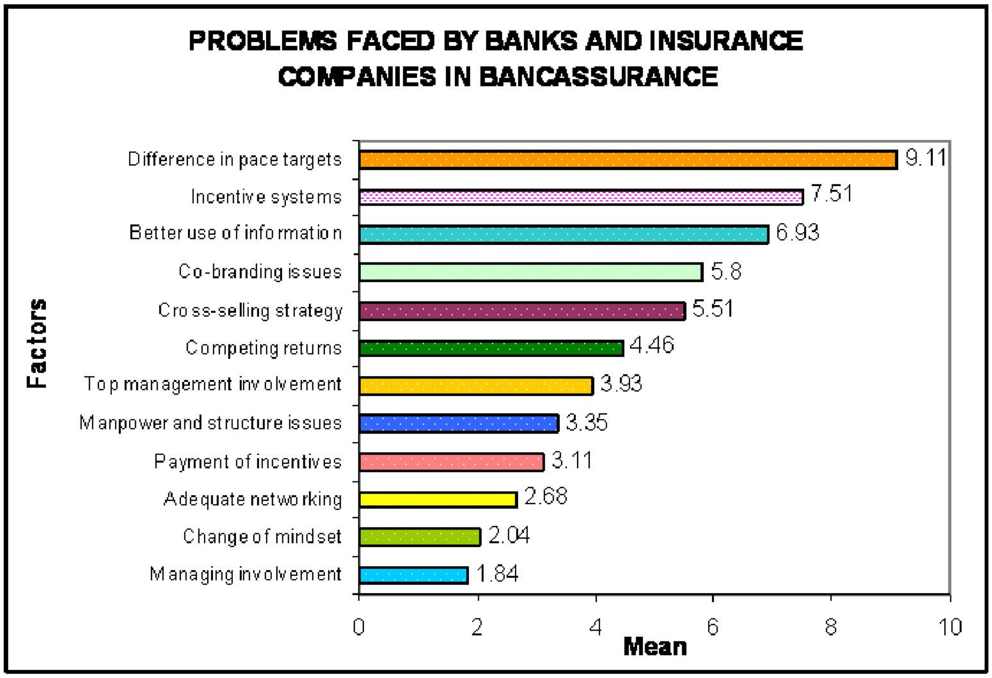


**Figure 1**

***Source: Primary Data.***

- High trust in the banking system.
- Bank managers looked upon as "Financial Advisors".

## Findings

- Insurance industry has been growing at a commendable rate.
- Bancassurance has grown rapidly during the last 10 years.
- Private sector banks and private sector insurance companies have been more active and therefore, beneficiaries of bancassurance.
- Private sector's (banks and insurers) performance has been better than public sector (banks and insurers).
- Further research is needed to investigate the reasons of relative failure of public sector with regard to bancassurance.
- Bancassurance offer huge business potential for banks and insurance companies because of growing banking and insurance sector, and growing economy.

## Conclusion

To conclude, one can say that bancassurance is indeed a win –win situation for all the parties involved- the customer, the insurance companies, and the banks. The benefits of such a channel clearly states that it is best suited for distributing insurance products in India. The rural and semi urban areas have till date remained unscathed from this distribution channel. The penetration level of life insurance in the Indian market is abysmally low. So, there is every reason to be optimistic that bancassurance in India will play a long inning.

## Recommendations

- In Indian context, bancassurance also need to be viewed from societal perspective and if successful, can be a long lasting solution for the prevalent problem of financial exclusion.
- The growth in insurance business on account of bancassurance can also result in reduced cost of insurance, of course, in the long-run. Hence, it should be treated as a tool for financial inclusion.
- Policy makers, regulators and players themselves must make concerted efforts for the success of bancassurance.

## References

Bajpai, G.N. (2002), The Challenges before the Insurance Industry in India, *The Journal of Insurance Institute of India*, Vol. XXVIII, Jan-June, pp.3-5.

Bhatt, R. and Dixit, M.R. (2005), Insurance Industry in India Structure, Performance and Future Challenges, *Vikalpa, The Journal for Decision Makers*, Published by Indian Institute of Management Ahmdabad, India, Vol. 30, No. 3, July-September, pp.93-120.

Biju, M.R. (2006). Development Management Under Globalization, Accessed on December 10, 2013, *http://books.google.com/books?id=bDRzkhoWUdMC&pg=PA257&lpg=PA257&dq=With+the+private+sector+making+an+entry+into+what+till+now+a+highly+protected+business,+is+set+for+a+complete+overhaul+and+expect+a+lot+of+action+in+the+days+to+come&source=bl&ots=aJouH5RLyX&sig=P3U1RcPK2nF34-W-zu1UAYhSFIs&hl=en&sa=X&ei=OVmEU562EIjroASlnYDIDA&ved=0CCgQ6AEwAA.*

Daswani, N. (2003), Building A Long Term Solution Partnership, *Insurance Chronicle*, ICFAI Press, Hyderabad, June, pp.18-19.

Gupta, M. (2006), Bancassurance: Taking the Lead, *The Financial Express News Paper*, January 1, 2006, p.4.

Munirich Re Group (2006), Bancassurance in Practice-Munich, *www.marclife.com/business/group.html*, p.138.

Jain, A.K. (2002), Need of the Hour: Risk Management vis-a-vis Insurance Education (Role of Insurance Institute of India in Liberalised Environment), *The Journal of Insurance Institute of India*, Bombay, July-December, Vol. XXVIII, pp.64-68.

Kaiser (1960), Principal Components and Factor Analysis, Accessed on December 10, 2013 *www.obgyn.cam.ac.uk/cam_only/statsbook/stfacan.html.*

Kumar, J. (2003), Bancassurance – A Distribution Channel of Insurance Product, The Insurance Times, Vol. XXII, No. 12, December, pp.15-18.

Maheshwari, S. (2005), Insurance Industry in India Structure, Performance and Future Challenges, *Vikalpa, The Journal for Decision Makers*,Vol. 30, No. 3, July-September, pp.93-120.

Manickavasagam, and Pandikumar, M.P. (2007), Swot Analysis of Bancassurance, *The Insurance Times*, Vol. XXVII, No. 5, May, pp.21-27.

Mishra, K.C. (2005), Prospecting – An Effective Selling Process, *The Insurance Times*, Vol. XXV No. 1, Kolkata, January, p.25.

Pradhan, S. (2004), Bancasurance – The New Paradigm in Financial Services, *ANWESA – The Journal of F.M. University*, Vol. 2, No. 2, December, pp.23-29.

Reserve Bank of India, Accessed on December 20, 2013, *http://www.rbi.org.in/scripts/PublicationsView.aspx?id=9773.*

Singh, H. (2002), Bancassurance Trends and Development, Industrial Herald Banking and Finance, Chennai: Goyal Company Publications, pp.12-15.

Vijayakumar, A. (2009), Indian Insurance Sector in 21st Century: An Outlook, Accessed on October 30, 2013, *http://books.google.com/books?id=KKKbfK_ui40C&pg=PA125&lpg=PA125&dq=Market+penetration+of+bancassurance+in+new+life+business+in+Europe+ranges+between+30+%25+in+UK+to+nearly+70%25+in+France&source=bl&ots=oLO20sUq1o&sig=9Ooepag-NfVxbb7JdsWOUoG4ouY&hl=en&sa=X&ei=rlmEU9KsCYP7oATnm4CwCA&ved=0CDYQ6AEwAg.*