

Bancassurance : A Comparative Study on Customer Satisfaction Towards Public and Private Sector Banks in Pathanamthitta District- Kerala

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ABSTRACT

A sound and effective banking system is needed for a healthy economy. The Indian banking system is not hassle free but it is able to meet the new challenges posed by the technology. In the recent years new trends have raised in the banking sector. The business of banking around the globe is changing due to globalization and liberalization. The boundaries that have kept various financial services separate from each other have vanished. The wave of financial deregulation and the changes in customer demands paved the way for the emergence of financial conglomerates which resulted in “Bancassurance”. As a result of the increased competition it makes it difficult for the banks to retain their customers. This comparative study with public and private sector banks focuses on the level of customer satisfaction on bancassurance services. The population of the study is based on the customers from selected public and private sector banks in Pathanamthitta district. The study is based on primary and secondary research.

KEYWORDS: Banks, Bancassurance, Customer Satisfaction, Public Sector Banks, Private Sector Banks.

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I. INTRODUCTION

Finance sector of an economy is not exempted from competition that arises due to globalization liberalization and technological advancements. These external environmental forces to businesses influence banks to search for alternative ways of managing the situation. It becomes a need and an ongoing process for firms to be innovative and creative. Deregulation in the modern banking has allowed banks to equally compete with the other segments of the financial sector. One area that deserves particular attention is regarding the bancassurance. Bancassurance is a French word used to define the distribution of insurance products through banks. It is also known as “allfinanz” that designates a package of financial services which can full fill both banking and insurance needs of the customers at the same time. Through this new service banks earn a profit apart from interest which is purely risk free to the banks. The banks sell their own insurance products and sometimes have tie- up with other insurance companies to sell their products through the banks distribution channel.

Banks are not in need to scratch from the beginning, they can market the product among their customers itself. It is the most important advantage to the banks in this competitive world. Customers preferences are changing day by day and they have the choice to obtain the insurance products from any distribution channel. Increased competition makes it difficult for banks to retain their customers. Providing multiple services at one place to the customers enhanced the satisfaction level of customers. The satisfaction levels of the customers were measured on the basis of five variables; *Customer benefit, Convenience, Acquisition cost, Value added services and Customers trust.*

1.1. Objectives of the study

- To study the profile of the respondents of selected Public and Private sector banks.
- To study the image of bancassurance among the customers.
- To study the level of customer satisfaction towards the bancassurance services.

1.2 Statement of the Problem

Few years back, the bank was considered only as an intermediary between the individuals to accept deposits and to give loans. Today the scenario has changed; after the liberalization along with the normal facilities banks started selling insurance products through the wide network it reaches every person in all the nook and corner of our nation as “one stop shop” giving multiple services. It helps the banks to attain extra revenue which in turn contributes to the GDP of the nation. The present study focuses on the satisfaction level of customers who are the back bone of bancassurance business in the banking industry based on certain variables such as customer benefits, convenience, acquisition cost, value added services and customers trust.

1.3 Hypothesis of the Study

*H0*¹: There is no significant relationship between the performances of public and private sector banks with customer satisfaction.

*H0*²: There is no significant relationship between status and level of effectiveness of customer satisfaction on bancassurance service provided among public and private sector banks.

*H0*³: There is no significant relationship between the numbers of family members with the satisfaction level of bancassurance customers.

*H0*⁴: There is no significant difference between the number earning members in the family with the satisfaction level of bancassurance customers.

*H0*⁵: There is no significant difference between occupation and the level of customer satisfaction in bancassurance service.

*H0*⁶: There is no significant difference between reasons for taking insurance policies from banks with the level of customer satisfaction.

1.4 Scope of the Study

The present study has been made to analyze the extent of “Customer satisfaction towards Bancassurance by selected customers of Public and Private sector Banks.

1.5 Methodology of the study

1.5.1 Sampling Design

The validity of any research is based on the systematic method of data collection and analysis of the data collected. The study is based on the data collected from individual bancassurance investors of Public Sector and Private Sector Banks from Pathanamthitta district collected through purposive sampling method.

1.5.2 Collection of Data

Source of Data

This study uses the primary data as well as secondary data.

II. PRIMARY

In this study the researcher collected the primary data from customers of Public sector Banks; SBI, Canara Bank, Central Bank, Union Bank and Indian Overseas Bank and from the private sector; Federal Bank, Catholic Syrian Bank, South Indian Bank, DhanaLekshmi Bank and ING Vysya Bank. Here a well-structured questionnaire has been prepared with all the important details regarding bancassurance and about the habits of customers. It has both open ended and close-ended questions.

2.1. Secondary data

It has been collected from books, journals, newspapers, magazines, bulletins issued by RBI and other commercial banks.

2.2. Frame work Analysis

To analyze the collected primary data Karl –Pearson’s correlation, Mean and ANOVA is used as the statistical tool. The applications of this tool were identified as relevant to the objectives of the study framed.

2.3. Karl- Pearson's Correlation:

A statistical relation between two or more variables such that systematic changes in the value of one variable are accompanied by systematic changes in the other. Correlation analysis typically gives us a number result that lies between +1 and -1. The + ve or –ve sign denotes the direction of the correlation. The positive sign denotes direct correlation whereas the negative sign denotes inverse correlation. Zero signifies no correlation. And the closer the number moves towards 1, the stronger the correlation is. Usually for the correlation to be considered significant, the correlation must be 0.5 or above in either direction.

2.4.ANOVA

The basic principle of ANOVA is to test the for differences among the means of populations by examining the amount of variation within and between each sample groups. In this study one way ANOVA is used to know the difference between the variables such as occupation and the reasons for taking the bancassurance policies.

2.5.Rating Scale

The rating scale used in this research study is Likert-type scale. This helps the respondent's to precise it as favorable or not.

2.6.Limitations of the study

The survey is conducted only in Pathanamthitta one of the 14 districts of Kerala. Hence the results arrived from the study may or may not be applicable to other districts. The sample size for collecting the primary data was meager as it includes only 100 respondents from among each bank, hence the conclusion would not be a universal one. Personal biases and prejudices of the customers may also affect the study.

2.7.Review of Related Literature

John Cooper (2013)¹ Success in Bancassurance, The Global Insurance Consumer survey conducted among 24000 customers around the world depicts that “customers are seeking value, convenience and wanted to buy from banks they trust. S.SaravanKumar et al (2012)²The success of bancassurance greatly hinges on banks ensuring excellent customers relationship; therefore banks need to strive towards that direction.

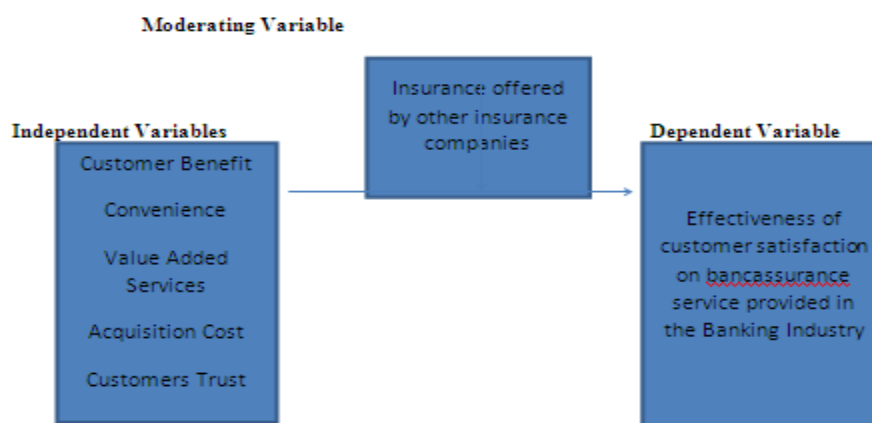
2.8.DeepikaUpadhyaya, (2011)³ concluded in her study that 'although the satisfaction levels are on the higher side, yet there remains a lot to be done by the management of the retail life Insurance companies to maximize their customers' satisfaction and improve the quality of service. The satisfaction of the customer with the services of Life Insurance Companies is linked with the performance of the service.

2.9.J.D.Power and Associates(2008)⁴ A customer satisfaction study conducted by J.D.Power and Associates reveal that routine service interaction between customer and their insurer has a considerable impact on overall satisfaction.

2.10. Blanchard and Galloway, (1994)⁵The service management literature discuss that customer satisfaction is the outcome of a customer's perception of the value received in a transaction or relationship – (see: Blanchard and Galloway, 1994; Heskett et al., 1990) (Zeithaml et al., 1990)

2.11. Anderson and Narus, (1990)⁵ has measured *trust* as a feature with a great influence on the degree of satisfaction at the level of the relationship between producers and consumers through distribution channels. The author noticed from the above mentioned studies that bancassurance provides a creamy layer income to the bank with the existing customers. Like all other business entities, customers are the back bone and they seek better relationship, convenience, and value added services and above all they need to get things from the banks they trust.

2.11. CONCEPTUAL FRAME WORK



2.12. DATA AND METHODOLOGY

In India, banks could play a major role in the insurance market. As banks have a huge network across the country. Therefore it is easy for the banks to gain an extra income with the same effort or more by offering a fee-based income for the employees for insurance sales. For example, if a bank gives out a home loan, it might insist on a life insurance cover so that in case of death of the borrower, there is no problem in paying off the home loan. Similarly, for educational loan also it is necessary to cover insurance.

2.13. Analysis and Interpretations.

Data analysis is the process of summarizing data with the intent to extract useful information and to develop conclusions. Here it explains the analysis and interpretation of data that were collected from the respondents and it is used clearly to make meaningful information from the raw data.

		Correlations	Decision
Relationship between the performances of public and private sector banks with customer satisfaction	Pearson Correlation	-.149	Significant
	Sig. (2-tailed)	.000*	
	N	988	

* Correlation is significant at the 0.05 level (2-tailed).

2.14. Correlation Analysis

Pearson’s correlation is used to study the relationship between the level of customer satisfaction with the performances of public and private sector banks. The relationship shows a low negative degree of correlation of (-.149) at 5% level which is significant.

TABLE 2 (a) : Result of relationship between the status and level of effectiveness of customer satisfaction.

a. Public			
		Correlations	Decision
Customer Benefits	Pearson Correlation	.096	Significant
	Sig. (2-tailed)	.033*	
	N	490	
Convenience	Pearson Correlation	.039	Not Significant
	Sig. (2-tailed)	.409	
	N	490	
Acquisition Cost	Pearson Correlation	.135	Significant
	Sig. (2-tailed)	.003*	
	N	490	
Value Added Services	Pearson Correlation	.233	Significant
	Sig. (2-tailed)	.000*	
	N	490	
Customers Trust	Pearson Correlation	.283	Significant

* Correlation is significant at the 0.05 level (2-tailed)

The table 2 (a) shows the relationship between the status and level of effectiveness of customer satisfaction on bancassurance service provided among the public sector banks. Based on the predictor variables the correlation is significant at 5% level of significance. Among the variables convenience is not significant which has a very low degree of correlation. Customer benefit (0.096), acquisition cost (0.135), Value added services(0.233) and customers trust (0.283).The variables are significant but shows a low degree of correlation.

TABLE 2 (b) : Result of relationship between the status and level of effectiveness of customer satisfaction

(b). Private

		Correlations	Decision
Customer Benefits	Pearson Correlation	.143	Significant
	Sig. (2-tailed)	.001*	
	N	498	
Convenience	Pearson Correlation	.277	Significant
	Sig. (2-tailed)	.000*	
	N	498	
Acquisition Cost	Pearson Correlation	.195	Significant
	Sig. (2-tailed)	.000*	
	N	498	
Value Added Services	Pearson Correlation	.261	Significant
	Sig. (2-tailed)	.000*	
	N	498	
Customers Trust	Pearson Correlation	.499	Significant

* Correlation is significant at the 0.05 level (2-tailed).

The table 2 (b) shows the relationship between the status and level of effectiveness of customer satisfaction on bancassurance service provided among the Private sector banks. Based on the predictor variables the correlation is significant at 5% level of significance. Among the variables convenience is not significant which has a very low degree of correlation. Customer benefit (0.143), acquisition cost (0.195), Value added services(.261) and customers trust (0.499).All the predictors are significant, customers trust shows a moderate degree of correlation and the other variables have a low degree of correlation.

TABLE3: Relationship between the number of family members with the satisfaction level of bancassurance customers.

	Members	N	Mean	Mean Difference	Sig. (2-tailed)
Satisfaction level of bancassurance customers	less than 4	527	4.1626	.0838	.022
	greater than 4	441	4.0788		

Difference is significant at the 0.05 level (2-tailed).

The above table shows that among the total sample in a family were the members are less than four have taken majority of the bancassurance policies. Its gives a mean difference of (0.838) which is significant at 5% difference in level of significance.

TABLE4: Relationship between the number of earning members in the family with the satisfaction level of bancassurance customers.

	Earning Members	N	Mean	Mean Difference	Sig. (2-tailed)
Satisfaction level of bancassurance customers	1 member	434	4.1281	.0113	.759
	more than 2	543	4.1168		

Table 4 indicates that a family which have more than 2 earning members have availed more bancassurance services. It shows a mean difference of (0.113)which is not significant.

TABLE5: There is no significant difference between occupation and the level of customer satisfaction in bancassurance service.

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.469	2	.235	.717	.488
Within Groups	321.501	982	.327		
Total	321.971	984			

One way ANOVA is applied to know the occupation factor has any effect on the level of customer satisfaction on the bancassurance service provided in the banking industry. The F value (0.717) as it is less than the table value it is not significant.

TABLE 6: There is no significant difference between reasons for taking insurance policies from banks with the level of customer satisfaction.

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.081	2	.041	.124	.883
Within Groups	321.889	982	.328		
Total	321.971	984			

Table 6 shows the reasons for taking bancassurance polices based on the variables such as saving, retirement income, tax benefit, for the purpose of taking loans and by the compulsion or influence of other sources. It has a variance of (0.041) between the groups and (0.328) within the groups. The F value is (0.124) which is less than the table therefore it is not significant.

TABLE 7: Result of effectiveness level of customer satisfaction.

Effectiveness level of customer satisfaction	Public Sector		Private sector		TOTAL	
	Mean	Interpretation	Mean	Interpretation	Mean	Interpretation
Customer Benefits	4.15	Effective	3.93	Effective	4.04	Effective
Convenience	4.16	Effective	3.95	Effective	4.055	Effective
Acquisition Cost	4.23	Effective	4.01	Effective	4.12	Effective
Value Added Services	4.10	Effective	4.07	Effective	4.085	Effective
Customers Trust	4.21	Effective	4.05	Effective	4.13	Effective
Weighted Mean	4.17	Effective	4.002	Effective	4.086	Effective

The table 7 depicts the effectiveness level of customer satisfaction gained through the public and private sector banks providing the bancassurance services. From the services provided customers are effectively satisfied with the cost of availing the insurance it has a mean value of (4.12). Bancassurance investors are effectively satisfied and trusting the Public and private sector banks with a composite mean of (4.13). Public and private sector banks are competitively providing value added services to its customers the survey shows that have an average mean of (4.085). With customer benefits and the convenience offered also shows that the investors are effectively satisfied with the available services.

III. CONCLUSION

Today all the banks are giving importance to retain their customers as they are the inevitable part of the business. Bancassurance income can only be raised by providing better services. In this part, the public and private sector banks are competing each other which in turn influence the economy. And majority of the general public is not giving much importance to public or private sector banks instead they are giving priority for the convenience.

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