CHAPTER - 2

REVIEW OF LITERATURE
2.1 AN OVERVIEW ON BANCASSURANCE.

In India, liberalization started in the year 1990 and in the insurance sector in particular, it started in 1999 with certain norms and regulations set up by Insurance Regulatory and Development authority (IRDA). Banks were permitted to undertake insurance business from the year 2002. As it offered a very attractive proposition to banks for generating additional fee based income against the backdrop of thinning spreads and severe competition, a series of tie-ups were announced immediately after the permission and are even continuing till date. Even many cooperative banks have announced tie-ups with insurance companies to distribute insurance products.

For the insurance companies also, it was an attractive proposal as it could now take the advantage of the wide network of the banks. An added attraction was that banks in India have the benefit of the trust and confidence of many customers, even though they have not been very satisfied with the service quality levels. Bancassurance as a channel has been increasingly becoming important for the insurance companies, especially for the new private insurance companies which have been started after the restructuring of the industry.

Bancassurance, in its early stages in India, has brought about a host of cultural, HR and Operational challenges along with it. The success of the players concerned would lie in how they are able to overcome the same. For the banks it is the challenge of making their employees cover
new ground by first undergoing mandatory hours of training, clearing a written test, getting themselves licensed and selling a new stream of products aggressively, in addition to their regular banking products. For the insurance companies, it is the challenge of facilitating this fledgling distribution channel to the fullest possible extent by designing appropriate products, a very conducive operational environment especially for the medical and financial underwriting process and designing effective training programs. Banks also have the vital task of managing long-term insurance contracts. Also it needs to improve the customized services offered by an individual agent so as to make an impact as a superior alternative channel of distribution.1

Banks are well-positioned to control their improvements in technology in order to develop their service quality. Internet and ATM channels can be very helpful facilitators in running the insurance contracts.

Against this background, this study aims to analyze comprehensively the various trends of bancassurance in India, opportunities, challenges and threats for bancassurance in India, the types of bancassurance models and products that are becoming popular in India distribution channels in bancassurance which are involved in implementing this concept successfully.

Before proceeding further for fulfilling the various objectives set out for this study, it is pertinent to review the available literature on the related aspects of the present study. However, in this chapter, an

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1 www.scribd.com/doc/26820212/Bancassurance-An-Indian-Perspective
attempt is being made to undertake the review of available literature published.

While reviewing, care has been taken to tap all possible sources such as books, journals, magazines, newspaper items, doctoral thesis and dissertation, souvenirs of conferences/ seminars/workshops and websites.

2.2 STUDIES RELATED TO THE BUSINESS PERFORMANCE OF INDIAN BANKS.

Singh (1990)\textsuperscript{1}, in his research study titled, “Productivity in Indian Banking Industry”, discussed the trends and changes in the productivity with particular attention on employee and branch productivity in the Indian banking industry. The researcher used seventeen indicators to analyze productivity trends. Banking being service industry, greater attention has been paid to employee productivity. He has made cross-sectional and inter-temporal analysis on the basis of these indicators and these have been divided into three categories:

- Per employee indicators (Labour productivity)
- Per branch indicators (Branch productivity)
- Financial ratios measuring productivity.

The study period (1969-85) was divided into four sub periods. In addition to the comparison of growth rates of various indicators, assessment of relative positions performance has been made on the basis of average T-scores and ranking based on it.
Amandeep (1991), in her thesis titled, “Profits and Profitability of Indian Nationalized Banks” opined that the banks have become an instrument to meet effectively the needs of the development of the economy to effect the total socioeconomic transformation. It has adversely affected the profitability of the bank operations. According to the researcher, the profitability of a bank is determined and affected mainly by two factors: spread and burden. The other factors determining bank’s profitability are credit policy, priority sector lending, massive geographical expansion, increasing establishment expenses, low non-fund income, deposit composition etc. She has chosen 11 factors affecting a bank’s profitability to identify the most significant variable affecting its profitability.

The study recommended the banks to focus their attention on the management of spread, burden, establishment expenses, non-fund income and deposit composition. The banks need to adequately charge for various non-fund services (like merchant banking, consultancy, and factoring services) with proper cost benefit analysis, to have maximum profitability.

Subramanian and Swami (1994), in their paper, Comparative performance of public sector banks in India”, have analyzed and compared the efficiency in six public sector banks, four private sector and three foreign banks for the year 1996-97. Operational efficiency is calculated in terms of total business and salary expenditure per employee.

The analysis revealed that higher per employee salary level need not result in poor efficiency and business per employee efficiency co-
efficient was also calculated. Among the PSBs, Bank of Baroda registered the high efficiency and operating profit per employee. Among the private sector banks Indus Bank followed by Citibank Registered highest and second highest operating profit per employee respectively. However, among the Nationalized Banks there existed wide variations in efficiency. Frequent changes are order of the day for the topics of this nature.

Therefore, one should rely on latest information. Some organizations like, RBI, IBA, SBI and ICRA have carried out several research studies on various issues relating to banking and exclusive banking journals/periodicals like Bank Quest, The Bankers, RBI occasional papers, RBI bulletins and general magazines like Business Today, Business India, Finance India, have been publishing papers on various aspects like NPAs, capital adequacy, branch expansion, credit dispensation, deposit mobilization, service quality, technology, performance evaluation, etc. Same studies and papers suitable to this study are being reviewed here.

Bank in relation to Nationalized bank. A period of ten years from 1984 to 1993-94 is taken for the study. This study is undertaken to review and analyze the performance effectiveness of Syndicate Bank and other Nationalized banks in India using an Economic Managerial- Efficiency Evaluation Model (EMEE Model) developed by researcher. Thomas in this study found that Syndicate Bank got 5th Position in Capital adequacy and quality of assets, 15th in Profitability, 14th Position in Social Banking, 8th in Growth, 7th in Productivity and 15th position in Customer Service among the nationalized banks. Further, he found that five nationalized banks showed low health performance, seven low priority performance and eleven low efficiency performance in comparison with Syndicate Bank.

Narasimhan Committee (1998),\(^5\) In order to examine the various issues related to the technology upgradation in the banking sector, the Reserve Bank of India appointed Narasimhan committee in September 1998. The committee consists of representatives from the Government, Reserve Bank of India, banks and academic institutions associated with the information technology. The committee dealt with the issues on technology upgradation and observed that the most of the technology that could be considered suitable for India in some form or the other has been introduced in some diluted form or as a pilot project, but the desired success has not been achieved because of the reasons inter-alia lack of clarity and certainty on legal issues. The committee also suggested implementation of the necessary legislative changes, keeping in the view the recommendations of Shere committee. The need for addressing the following issues was also emphasized:-
- Encryption on Public Switching Telephone Network (PSTN) lines.
- Admission of electronic files as evidence
- Treating Electronic Funds Transfers on par with crossed cheques / drafts for purposes of Income Tax etc
- Electronic Record keeping
- Provide data protection
- Implementation of digital signatures
- Clarification on payment finality in case of Electronic Fund Transfer (EFT).

Taking into consideration the recommendations by various committees appointed by RBI and guidelines of RBI, banks have started using IT to automate banking transactions and processes.

**Malhotra (1999),** in her study, “Banking Sector Reforms: Experience of PSBs”, has analyzed the performance of PSBs as a result of banking sector reforms. The study is divided into two parts. In the first part, a brief review of banking reforms has been made. The major reforms being deregulation of lending/deposit rates, deregulation of entry, revamping of branch licensing policy, measures to improve the financial health, measures to improve the operating efficiency and reserve preemption.

**Sankaran M (1999),** studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage
relevant for Financial Service Industry are: a) product and process innovations, b) brand equity, c) positive influences of communication goods, d) corporate culture, e) experience effects, f) scale effects, and g) information technology.

**SBI Research Department in 2000**, through its paper “Performance analysis of 27 Public sector banks” by Economic Research Department of State Bank of India, is to analyze the Performance of the 27 Public Sector Banks for the year 1999-2000 vis-a-vis the preceding year. Selecting four different categories of indicators-Business Performance, Efficiency, Vulnerability and labor productivity indicators, carried out the analysis.

Altogether, 39 indicators were selected for this purpose. For the purpose of analysis, 27 PSBs disaggregated into four groups, namely, the SBI, ABs (7), the SBGs (8), the NBs (19). During 1999-2000, the PSBs exhibited better show in terms of several parameters studied above. Nevertheless, the problems of NPAs and capital adequacy remain to be taken care of.

Researchers in this paper opinioned that greater operational flexibility and functional autonomy should be given to PSBs especially to strengthen their capital base. Further, they felt that since net interest margin will continue to remain compressed in a deregulated interest rate regime, a lot of effect would have to be made to mitigate this through generation of non-interest income. As far as NPAs are concerned, they believe' that, the outdated laws and regulations that pose hindrance to banks in getting back their dues need to be suitably amended.
Prashanta Athma (2000),\textsuperscript{9} in his Ph D research submitted at Usmania University Hyderabad, “Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad, made an attempt to evaluate the performance of Public Sector Commercial Banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade.

In this study, Athma outlined the Growth and Progress of Commercial Banking in India and analyzed the trends in deposits, various components of profits of SBH, examined the trends in Asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI.

Statistical techniques like Ratios, Percentages, Compound Annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in India has been very impressive. All three types of deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.
Balasubramanya S. (2002)\textsuperscript{10} in his study analyzed that the automation in the banking sector has come a long way starting with the Rangarajan Committee report on the banking sector reforms during the eighties, followed by reports of the Narasimhan Committee in the nineties. With over 65,000 branches of the banks (public, private and the cooperative sector) in the country, the author found that the percentage of branches covered by automation was very low. Though many banks had claimed that more than 70\% business has been automated due to the enforcement of RBI guidelines, in reality it was much lower, as many functions in each branch were still done manually or with partial automation. Hence, there was a significant amount of automation work to be achieved in the banking sector.

Ram Mohan (2002)\textsuperscript{11} evaluated the performance of public sector banks (PSBs) since deregulation in both absolute and relative terms and also highlighted the reason underlying the improved performance of PSBs. The author mentioned that the banking system has neither collapsed nor there has been any banking crisis. One important point that advocates the improved performance of PSBs is the improvement in declining spreads of PSBs.

The author measured performance of PSBs during the period 1991-92 to 1999-00 on the basis of key performance indicators like interest spread, intermediation cost, non-performing assets, provision and contingencies and net profits as percentage to total assets. But in the relative performance he makes a comparison between public sector banks, private sector and foreign banks from 1994-95 to 1999-00. In this
category he also made comparison of the performance of PSBs and old private sector banks during the same period.

The author concluded that partly due to regulatory norms, the government owned banks have had minimal exposure to risky assets such as real estate and stock market. Another reason for survival of banks in the deregulation era was that the government wisely stayed away from the move towards full-blown capital convertibility. In his article, the author also talked of recapitalization requirement of PSBs. Not the least, government ownership facilitates recapitalization of banks at outset of reforms and this has arguably precipitated costlier bailouts down the road. Further, it was explained that the government had no choice but to infuse funds in the banking sector, the fiscal situation notwithstanding, thanks to mandatory Basel norms for banks.

Singh R (2003)\textsuperscript{12}, in his paper Profitability management in banks under deregulate environment, has analyzed profitability management of banks under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer noninterest income sources.

Pathak (2003)\textsuperscript{13}, while comparing the financial performance of private sector banks since 1994-95, explained that the private sector banks have delivered a new banking experience. Looking to the growing
popularity of services provided by them, their public sector counterparts have started emulating them. He studied the performance of these banks in terms of financial parameters like deposits, advances, profits, return on assets and productivity.

In this paper, the author made an attempt to have an insight into the financial operation of these institutions. A sample of 5 banks has been taken for financial analysis. Financial track record of all these banks was evaluated, and their financial performance was compared. The working of all the constituents was satisfactory but the HDFC Bank emerged as a top performer among them followed closely by the ICICI Bank.

Kalita (2004), in his article titled, “Post-1991 Banking Sector Reforms in India: Policies and Impact” stated that the banking sector reforms in India were started as a follow up measure of the economic liberalization and financial sector reforms in the country. The banking sector being the life line of the economy was treated with utmost importance in the financial sector reforms. The reforms were aimed at to make the Indian banking industry more competitive, versatile, efficient and productive, to follow international accounting standards and to free from the government's control. The reforms in the banking industry started in the early 1990s have been continued till now. Firstly, in his paper the author highlighted the major reform measures and policies regarding the banking industry formulated by the Government of India and the Central Bank of India (i.e. Reserve Bank of India) during the last fifteen years. Secondly, the author studied the major impact of those reforms upon the banking industry. But at the same time, the
reforms have failed to bring up a banking system which is at par with the international level and still the Indian banking sector is mainly controlled by the government as public sector banks being the leader in all the spheres of the banking network in the country.

The author concluded that the banking sector in India has provided a mixed response to the reforms initiated by RBI and the Government of India since 1991. The Indian banking system is growing in a robust manner. The sector has responded positively in the field of enhancing the role of market forces, measures of prudential regulations of accounting, income recognition, provisioning and exposure, introduction of CAMELS supervisory rating system, reduction of NPAs and regarding the upgradation of technology. The financial sector reforms have brought the Indian financial system closer to the global standards. But it can be stated without any hesitation that Indian banking sector has still a long way to go to catch up with their counterparts.

Ram Mohan and Ray (2004)\textsuperscript{15}, in their article titled, “Comparing Performance of Public and Private Sector Banks: A Revenue Maximization Efficiency Approach” made a comparison of performance among three categories of banks - public, private and foreign banks - using physical quantities of input and outputs and comparing the revenue maximization efficiency of banks during 1992-00. The findings of the study showed that public sector banks performed significantly better than the private sector banks but in no way different from foreign banks.

In this study, a comparison of public, private and foreign banks in India has been made using data envelopment analysis (DEA). In DEA,
physical quantities of inputs and outputs are used. Therefore measures of efficiency based on output-input quantities may be more suitable.

In the Indian context, the approach of using deposits and loans as output has been appropriate in the nationalized era when maximizing these was indeed the objective of a bank. But the main business of the banks is to maximize their profits. Interest expense and operating expense are treated as input when amount to maximizing revenue. Finally they concluded that the superior performance of PSBs is to be described as higher technical efficiency rather than higher allocative efficiency.

Ananthakrishnan G. (2005)\textsuperscript{16}, described customer’s services in the banks. The discriminating customer’s expectations have begun to change in terms of quality and service. With the advent of computers and ATMs, the gap between the customers and the banking personnel is widening. Unless a change of heart occurs, even the largest banks will find it hard to survive on their assumed false glory. Banks which take care to see the reality and react early will survive and prosper, while those who continue the traditional path will find their market share eaten away.

Nowadays customers are no longer willing to wait in long queues or tolerate arrogant behaviour of the employees. As applicable to banking, “customer service” may be defined as the ability to satisfy the customer’s requirements and needs to the fullest extent and be able to replicate this on an on-going basis. The four factors for ensuring customer service are:

> What satisfies the customer?
Devising quantifiable determinants.
Continually monitoring and improving these parameters.
Seeking customer feedback to ensure alignment with customer needs.

These four approaches can go a long way in helping the banks to achieve its quality goals. Customers, who are central to the banking service, are not a homogeneous class. They come from varying socio-economic and cultural backgrounds. Their perception about the banking services is so dynamic that it may differ from customer to customer and even for the same customer at different points of time, depending on their mood and mind-set. Successful banking relationships are formed at a human level. Factors which help in retaining the existing customers are:-

- Past experiences with the bank.
- Familiarity with the services offered by the bank and simplified procedures.
- Knowledge of or experience with competitor’s products and services.
- Brand image-banking with a particular bank is regarded as a status symbol.
- Overall ambience at the bank premises.
- Extra services or value addition provided by the bank.

In this article the author also studied the factors which irk (trouble) the customers and they are:

- Poor service attitude
- Long queues
- Inability of the bank to meet customer needs
Lack of proper ambience
Lack of humility that prevents banks from meeting customer needs

Author also mentioned that by adhering to the following factors customer’s complaints could be avoided:

- Prompt collection of cheques
- Faster payment/receipts in cash counter
- Positive attitude of the counter staff
- Proper adherence to the standing instructions to the customers
- Correct crediting of interest on deposit accounts and avoiding fraudulent withdrawals
- Timely honouring of invoked LCs, guarantees, etc.
- Seeking only required documents for processing loan applications
- Timely sanctioning of loans at reasonable market related interest rates.

Mishra A. K\textsuperscript{17}. described that the Internet banking is a cost-effective delivery channel for financial institutions. The author also describes the advantages of internet banking, current status of internet banking in India, and the mechanism to protect the customer’s data. The advantages of internet banking are:

- To improve customer access
- To facilitate more services
- To increase customer loyalty
- To attract new customers
- To provide services offered by competitors
- To reduce customer attrition
Current status of internet banking is:

- Throughout the country, the Internet Banking is in the emerging stage of development
- In general, these Internet sites offer only the most basic services. 55% are so called 'entry level' sites, offering little more than company information and basic marketing materials. Only 8% offer 'advanced transactions' such as online funds transfer, transactions & cash management services.
- Foreign & Private banks are much advanced in terms of the number of sites and their level of development.

Jain (2006)\textsuperscript{18}, in his article titled, “Ratio Analysis: An Effective Tool for Performance Analysis in Banks” discussed various ratios relating to profitability of the banks. The author classified the various ratios under three categories, viz. Costing Ratio, Returns / Yield Ratio and Spread Ratios. Such ratios can be used to understand a bank’s financial condition, its operation and attractiveness as an investment. He explained that such ratio analysis can be used to make an inter-branch comparison for investigating the strengths and weaknesses of individual bank’s and to enable them to take strategic decisions and initiate necessary corrective actions. Under costing ratio, the author advocated for computation of average cost of deposits, average cost of borrowings, average cost of interest bearing liabilities, average cost of funds and operating expenses to average working funds. Similarly under yield/return category, he computed ratios like yield on advances, yield on investment, average return on interest earnings, average return on funds and noninterest income to average working funds and total
income. Under spread category, he sub-categorized the ratios like interest spread, net interest margin and burden ratios.

The author discussed the significance of ratio analysis as a tool for evaluating the performance of different banks / bank branches. Apart from profitability ratios, the author mentioned the following categories of ratios for undertaking comparative performance of banks, viz. Productivity Ratios, NPA Ratio, Efficiency Ratio, Ratios on Shares (Shareholders front).

**Leeladhar (2006)**\(^{19}\), in his paper titled, “Indian Banking - The Challenges Ahead” revealed that in the recent years, there has been a considerable widening and deepening of the Indian financial system, of which banking is a significant component. The growing role of the financial sector in the allocation of resources has significant potential advantages for the efficiency with which our economy functions. Given the significance of the Indian banking system, one cannot afford to underplay the importance of a strong and resilient banking system.

The enhanced role of the banking sector in Indian economy, the increasing levels of deregulation and the increasing levels of competition have placed numerous demands on banks. Operating in this demanding environment has exposed banks to various challenges like customer service, branch banking, competition, technology, Basel-II implementations, improving risk management systems, implementation of new accounting standards, transparency and disclosures, supervision of financial conglomerates, know your customer (KYC) guidelines and corporate governance.
The author concluded that it is crucial for the banking industry to meet the increasingly complex savings and financial needs of the economy by offering a wider and flexible range of financial products tailored for all types of customers. With the increasing levels of globalization of the Indian banking industry, evolution of universal banks and bundling of financial services, competition in the banking industry will intensify further. Strong capital positions and balance-sheets place banks in a better position to deal with and absorb the economic shocks. Banks need to supplement this with sophisticated and robust risk management practices and the resolve to face competition without diluting the operating standards.

Mohan (2006),20 in his paper titled “Reforms Productivity and Efficiency in Banking: The Indian Experience” observed that the objective of reforms in general is to accelerate the growth momentum of the economy, defined in terms of per capita income. Not surprisingly, therefore, performance of the banking sector has repercussions across the length and breadth of the economy. Financial intermediation is essential to the promotion of both extensive and intensive growth. Thus development of the financial system is essential to the generation of higher productivity and economic growth.

The author highlighted how does productivity in banking influence the rest of the economy. Recent research has provided robust evidence supporting the view that financial developments contribute economic growth. A basic indicator of financial development is the contribution of finance related activities to GDP and the process of financial deepening. The author believed that financial deepening is easier to measure;
analyzing productivity and efficiency changes in banking is more complex and needs to be viewed in relation to the changing contours of the banking industry in India.

The author concluded that over the reform period more and more banks have begun to get listed on the stock exchange, which in its wake has led to greater market discipline as well as governance aspect. The pattern of efficiency and technological change witnessed in Indian banking can be viewed as consistent with expectations in an industry undergoing rapid change in response to the forces of deregulation. As deregulation gathers momentum, commercial banks would need to devise imagination ways of augmenting their incomes and more importantly their fee-income so as to raise efficiency and productivity levels. In relation to change of economic environment (market prospects), a few pioneering banks might adjust quickly to seize the emerging opportunities, while others respond cautiously.

Saikrishna (2006)21, in his article titled, “Commercial Banks in India: Challenges Ahead” analyzed the opportunities and challenges that banks in India faced in the present scenario. The author revealed that globalization and privatization has increased competition in the banking sector. Banks need to equip themselves sufficiently to operate in such a competitive environment.

In order to face the competition and attract more customers, banks have to maintain the international standards; they have to render high quality services to their customers and implement new technology. The biggest challenge for the banking sector lies in reaching out to rural
masses through shared technological platforms and also to bring down the cost of services.

In order to face various challenges posed by the competitive world, banks have to concentrate on the new technology, customer relations, retail banking, competition, mergers and acquisitions (M &A) and Basel-II norms.

While concluding, the author believed that in the coming years, the Indian banking system would grow not only in size but also in complexity. With the increasing effect of globalization, liberalization, privatization and now reforms of the Indian banking sector, competition will intensify further. The commercial banks in India need to handle these problems and challenges successfully to keep growing and strengthen the Indian banking system as well as the Indian economy. The financial strength of banks is the first stage of defense against financial risks. Banks should always maintain good operating standards, risk management system and a sound capital structure, in order to absorb the future financial shocks. Efficient delivery of information pertaining to the customer needs and preferences will hold the key to the success.

Arora and Kaur (2006), made an attempt to review the performance of banking sector in India during the post-reforms period. Banking sector being an integral part of Indian financial system has undergone dramatic changes reflecting the ongoing economic and financial sector reforms. The main objective of these reforms has been to strengthen the banking system amongst international best practices and standards, which will have lasting effect on the entire fabric of
Indian financial system. These financial sector reforms have stimulated greater competition convergence and consolidation in Indian banking sector.

For the purpose of analysis, banks have been broadly categorized into four categories, i.e., private sector, foreign banks, nationalized banks, and SBI and its associates. They made a comparative appraisal of banks on the basis of seven key performance measures such as returns on assets (ROA), capital asset, risk weighted ratio, NPA to net advances, business per employee, net profitability ratio, NPA level and off-balance-sheet operations of commercial banks for a time period of 9 years, i.e., 1996-2005.

The researchers deliberated the latest trends and developments in the banking sector. The analysis reveals that there is phenomenal development in the banking sector particularly in PSBs. Their performance is comparable with banks in other sectors, yet they are lagging behind in thrust areas, such as asset quality, business per employee, capital adequacy requirements and profitability. The study concluded with some suggestions for improvement in performance of PSB like operating cost, rationalization of staff cost, HRD, NPA reduction, deployment of funds in quality assets, technology upgradation, risk management techniques, market-driven approach, instance relationship management and credit delivery mechanism etc. With India getting increasingly integrated with the global financial world, the Indian banking sector has still a long way to go to catch up and compete with their counterparts in the west.
Mitra (2007)\(^{23}\), in his article, claimed that financial sectors reforms have brought tremendous changes in the banking sector. He revealed that the essence of financial liberalization lies in three sets of measures: firstly, to open up a country to the free flow of international finance; secondly, to remove controls and restrictions on the functioning of domestic banks and other financial institutions so that they get properly integrated as participants in the world financial markets; and thirdly, to provide autonomy from the government to central bank so that its supervisory and regulatory role vis-à-vis the banking sector is disassociated from the political process, and hence, from any accountability to the people.

The author mentioned that the financial sector reforms have stimulated higher competition, convergence and consolidation in Indian banking industry. In order to ensure further greater accountability and market discipline; Narasimham Committee-II (1998) recommended second-generation reforms to which our banking industry responded positively. The author measured the performance of the banking sector in the post-reform period on the basis of profitability and provision, return on assets, net NPA as a percentage to net advances and business per employee. For this, he broadly categorized the banking sector into Indian Private Sector Banks, Nationalised Banks, and SBI & its associates.

The author concluded that the financial sector reforms have brought tremendous changes in the banking sector of our country.

Nair (2007)\(^{24}\) emphasized that the transformation during the last decade in the Indian banking industry has made it stronger, cleaner, efficient, disciplined and responsive and lot more competitive. The
Indian banking industry may now compare itself reasonably well with rest of the Asia in areas like growth, profitability and low rate of NPAs. Few banks have even gone ahead with innovations, growth and value creation. The banking sector which had failed to respond to the changing global market conditions is a big hurdle in the development of financial sector of that country/nation. In India, banking sector has been a significant driver of GDP growth and any failure in this sector adversely affected the speed of growth engine of the country.

While comparing the Indian banking industry with their counterpart in China, the author viewed that the banking penetration in India is still less than other markets. Deposits in India represent only 60 per cent of its GDP as compared to 142 per cent for China. Similarly, financial depth, a measure of the country’s financial stock with its GDP is just 160 per cent compared to 330 per cent of China. But with the booming economy and swelling middle class, the retail banking has been growing exponentially over the last five years. But a successful banking industry will have to first meet and address several challenges to gear up it for facing global banking competition. Another area which requires attention of industry is HR. Generating and disseminating information and knowledge to the employees across the bank branches can dramatically improve their performance especially customer services, knowledge of strategies and decision-making. A suitable knowledge management framework with appropriate online educational initiatives can update and equip the employees across the bank-extremely cost-effective too. This should help the banks to reap rich dividends on return on relationship by transforming them as a financial advisor, a trustworthy friend, philosopher and guide to the customers.
Rao (2007), in his article titled, “Reforms in Indian Banking Sector: Evaluation Study of the Performance of Commercial Banks” found that the nationalization process achieved the widening of the banking industry in India. By the beginning 1990, the social banking goals set for the banking industry made most of the PSBs unprofitable. The resultant ‘Financial repression’ led to the declining in productivity and efficiency, and erosion of profitability of the banking sector in general. The researcher revealed that financial sector reforms were initiated in the country in 1992 with a view to improving the efficiency in the process of intermediation, enhancing the effectiveness in the conduct of monetary policy and creating conducive environment for the integration of domestic financial sector with the global financial system. He used various indicators for measuring the performance of Indian commercial banks. The study covered a period from 1992-93 to 2002-03.

On the basis of analysis and major findings of the study, the researcher made number of observations like the response of the banks to the reforms has been impressive; the reforms have not only enhanced the opportunities for the banks but at the same time threw challenges as well; as a result of entry of new generation private sectors banks, the competitive pressures are constantly on the increase; there is a shift of focus from process-based management to risk-based management; the interest rate spread has exhibited a decline over the years; the level of NPA of public sector banks remained high, but a noteworthy development has been their significant reduction in relation to net advances in the recent years; the expectations of consumers have been growing; the non-interest income of both public and private sector
banks exhibited an increase during the period under study and the financial health of banks improved due to prescribed prudential norms. Almost all banks improved their Capital Adequacy and Asset Quality during the period of study.

**Ram Mohan (2007),** in his paper emphasized that the entire banking landscape has been transformed in a little over a decade of reforms. Reforms were intended to usher in greater efficiency and stability in Indian banking. There is always a trade-off between efficiency and stability in banking. But critics of reforms said that they have not found right trade-off. That is because of reluctance among policy-maker, specially the RBI, to disturb the ownership character of Indian banks substantially. The characteristics of state ownership not only come in way of greater efficiency and stability but also result in greater financial deepening.

The researcher selected various parameters like net income spread, intermediation cost/total assets, net profit / total assets, cost /income ratio and NPA to total assets and capital adequacy for the period from 1992-2006. He also explored the various factors underlying the improvement in performance. He concluded that there are certain pre-conceived notions as to what deregulation in banking is all about. It means freeing up price and volume control on banks, but for many, it also means privatization of state-owned banks and free entry of foreign banks. It is contended that second must complement the first to achieve the goals of improved efficiency, stability and financial deepening. Consolidation is also seen as an important requisite of improvement in efficiency. One lesson that emerged from Indian experiences with the
bank reforms is that there is virtue in organization diversity. The system gains when there is diversity in ownership - public, private and foreign.

Chandra and Srivastava (2008)\textsuperscript{27}, in their paper titled, “Scenario 2009: Are Indian Banks Ready?” stated that the Indian banking industry has now entered a new phase wherein challenges both within the banking sector and from the economy have to be catered. The year 2009 will unfold many challenges for the banking sector and the real competitive era will begin with the entry of foreign banks. They revealed that Indian banking industry has already opened up through unveiling of the road map of the RBI on presence of foreign banks in India. It has two phases for implementation, viz. Phase-I (March 2005 to March 2009); and Phase-II (April 2009 and onwards).

So, the process of strengthening Indian banks as a part of its preparedness for the year 2009 is gaining momentum. There is much strength of foreign banks like high level of technology, skilled manpower, excellent customer service, new business operating models, risk management practices and global best practices. On the other hand, there are many advantages to the Indian banks like large network, high penetration in rural and semi-urban areas, large experienced manpower, built up infrastructure, adaptability to changing scenario of the reformist phase. The ability of PSBs in facing the new era of competition could be debatable. But they suggested solution to the challenges which include: shaping of the banks (M&A), formulation of strategies to take advantages of their penetration in rural sector (financial inclusion), consolidation, development of human resources in the transformation era, managing foreign exchange risk (full capital convertibility), reduction
of cost of service, corporate governance, risk on to innovative product, development of global level technology (data warehousing and data processing), credit rating framework and credit bureaus.

The authors further revealed that Indian banks can transform their challenges into opportunities for managing change by initiating several measures like adoption of global best practices, technology upgradation through core banking solution (CBS), skill development to the new generating banking techniques and augmentation of capital to meet the requirements of new credit growth. The Indian banks are all set to meet the challenges as they are already well structured in their expertise and experience gained in fulfilment of post-reform requirements. There should not be any doubt why Indian banks cannot meet the real challenges.

Gupta and Verma (2008), studied the changing paradigm in Indian banking and revealed that banking sector has been serving the crucial needs of the society even after undergoing various changes. With the passage of time, the wonderful resilience and adaptability of the banking sector to the changing needs of the society seem to have reached the threshold of the revolutionary era. ‘Anywhere and anytime banking’ ‘Tele-banking’, ‘Internet Banking’, ‘Web Banking,’ E-Banking’, ‘E-Commerce’, ‘E-business’ are all innovative offerings to their customers. Now, the prime objective is to portray a road that leads to the banking sector.

The authors said that there are six principal drivers leading to paradigm shift in Indian banking: Technology, Global competition, Customers (population), Policies (politics), Governance, and Economic
conditions. Under each driver, there are many driving forces that lead to paradigm shift in Indian banking industry.

Finally, they concluded that Indian banking industry is recognized as one of the important pillars of the economy. The recently released draft approach paper of 11th Five-Year Plan observed that it would be efficiency of the banking sector in mobilization of savings and allocation of investment that would play crucial role in determining the future growth of the country.

Singla HK (2008)29, in his paper,‘financial performance of banks in India’, has examined that how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.
2.3 STUDIES RELATED TO THE BUSINESS PERFORMANCE OF INSURANCE COMPANIES.

G.T. Sangale (1984-85 to 1991-92)\textsuperscript{30}, has conducted a study on “Marketing of services of LIC of India with special reference to Satara Division” during the period 1984-85 to 1991-92. He has explained various promotional measures for increasing sales of policies. Further, he has pointed out various means to improve service quality of the corporation

M.N. Mishra (1991)\textsuperscript{31}, in his study on “life Insurance corporation of India” highlighted the basic issues relating to marketing, income, expenses and personnel of LIC. Further, he suggested the various measures to spread insurance business faster to improve service quality and to reduce lapses.

M.N. Mishra (1994)\textsuperscript{32}, in his article “Challenging role of LIC agents in the changing economic scenario” has explained the role of agents which is becoming challenging and complex to meet expectations of customers. He has suggested various forms and fields to meet the challenges.

T.R. Gurumoorthy (1994)\textsuperscript{33}, in his article “People’s money goes to people’s welfare” has beautifully analysed the meaning and objective of LIC. He has shown how LIC is linked with saving and how it is utilized in the national building. LIC supports the Government in implementing the social welfare programme both public and private sector.
V. Sesha Aiyyar (1994), in her research paper “Marketing strategy for Life Insurance Business” has focused on the improvement in the quality of marketing for Insurance business. He thinks that marketing is to understand the client and satisfying the need of the consumer. He thinks the skill is in identifying the target consumer and their behavior. He further suggests that LIC should work for rural population.

N.N. Mujamdar (1994), in his article entitled “Tell and Sell – Life Insurance” laments over the picture of Insurance, which is in the minds of the public. Insurance is a major security of today and savings of tomorrow but people do not buy it and look at it from the savings point of view, that is a major setback for Insurance. Hence, author as suggested to train the agents and make publicity of insurance especially in rural areas through a rural orientation.

The study by Rao (1996), is aimed at understanding the evolution and development of life insurance business in India over a period of three and half decades. The study focuses on the growth of business by life insurance Corporation of India, which is the monopoly public sector life insurance company. It has been observed that in spite of the commendable growth and performance of life insurance business, a vast potential still exists. Key macro economic indicators like population coverage and per capita premium, are still very low in India as compared to other developed countries.
As said by Swati Gupta (1996)\textsuperscript{37}, Insurance sector reforms are a part of government’s priorities. A package of reforms is very much in the offing. There is an immediate need of a regulatory framework to open up the insurance industry.

Radha Sharan Arora and Raghbir Singh (1996)\textsuperscript{38}, in their study “Growth and Performance of Life Insurance of India – A study of Jalandhar division” have examined the performance of Insurance in rural India i.e. Jalandhar division. The authors have presented the growth performance of LIC in terms of expansion of its branches, total business in force, new business and group insurance business. They have focused on growth of Insurance in agricultural state like Punjab. Further they have analyzed the changing trends in slab of sum assured. They have pointed out that, there is decrease in policies of low slab whereas there is increase in higher slab due to agents tendency to cover high income strata with a view to earn more commission.

Chandanai L.R (1996)\textsuperscript{39}, in his study “Insurance services in developed countries” brings the changed scenario of Insurance in developed countries. He has explained various new techniques of selling insurance like Bancassurance captive insurance etc. in these countries. In developed countries premiums are collected through Banks. Further, he has explained the various methods of settlement of claims.

Nirjhar Majumdar (1997)\textsuperscript{40}, in his article “Marketing of Life Insurance” has given the progress of marketing of Insurance in India and has suggested some solutions. In the beginning he has given the brief
history of marketing before 1956 and the challenges LIC faced and efforts that LIC took in the initial stage. He has given suggestions for present marketing policy and thinks that LIC should make use of opportunities coming out of present situation.

Gidhagen (1998)\(^4\), has made an attempt to develop a conceptual framework from a relationship perspective for the study of insurance services marketing. Deregulation and internationalization have created a new, increasingly competitive business climate. The focus of this research work is on the relationships between insurance companies and their corporate customers. Interesting analyses include how highly the customers value the relationship in comparison with the price level of the services offered, the perceived quality of the exchange relationship, the level of interdependency, mutual trust, and commitment.

M.N. Mishra (1998)\(^2\), in his article titled “Against privatization of Insurance Industry” presented his views against privatization of LIC. He thinks that Insurance is not purely commercial Industry; it is social Institution too, He further thinks that Government should provide social security, safely and welfare to people of India which can be possible through a Institution of national character only.

D. Chennappa (1999)\(^3\), believes that Liberalization of Insurance sector is an important step by government of India to streamline Insurance business in the country. The author has attempted to evaluate the progress of Insurance business, identifies the problems hampering its growth, outlines the efforts made for liberalizing India’s Insurance
and suggests the measures for efficient operation of Insurance business in the country.

The author opines that as the country moves up the technology scale and the economy becomes increasingly sophisticated, the insurance industry must have the imagination, innovativeness, expertise, technology as well as the whiplash of competition to respond constructively, promptly and fairly to the changing and complex demands of its clientele and create employment opportunities in India. The settlement of claims is a very important aspect of service to the policy holders. The image and efficiency of any Insurance company depends upon the satisfaction of their policyholders in getting their claims processed and settled in time. Claims settlement therefore occupies an important place in the total operations of an Insurance company. The author has examined in view of the changing scenario of the Insurance Industry.

R. Mallinga (1999)\textsuperscript{44}, conducted a study on “Marketing of LIC policies – A study on agents of Tirunelveli Division”. She has pointed out how agents are indeed the ambassadors and backbone of LIC with the help of study from Tirunelveli Division. He thinks that there is a relationship between marketing strategies of the agents and the performance in terms of the number of policies. He has developed association between the socio economic status and the performance of the agents. He has made some suggestions to LIC to consider the sociological, psychological and economical factors, while selecting the agents.
The research paper “Customer friendly vision” authored by Jagnedra Kumar (1999)\textsuperscript{45}, advises the agents to develop the customer friendly vision. He thinks it is a challenge to get new customers. To understand the customer, the agent should put himself in the shoes of the customer. The customer is a goose laying golden eggs and one man advertising agency. So, the agent should create confidence in his customers.

This is his form opinion P.C. Shejwalkar (2000)\textsuperscript{46}, in his research paper “Education in Marketing” highlights the importance of education of the agents. He thinks that if they fail in getting well equipped, their condition will be like the hero in “The death of a salesman”. Rigorous training, use of internet and quantitative training are quite essential for successful functioning of LIC.

A study was conducted by Srinivasan, Prakash and Sitharamu (2001),\textsuperscript{47} to explore the changes in management of agents (distributors of life insurance products) in the liberalized economic scenario. The major focus of the study was to identify the competencies necessary for a successful agent and to provide objective methodology for selecting the effective agents. The Semi-Structured Interview technique was used to assess the competencies of the agents. The findings of the study indicate the professional competencies necessary for successful Insurance agents. The research also highlighted the expertise required in selection of effective agents, managing them and developing their competencies.
This research done by **Organization for Economic Co-operation and Development (OECD) Secretariat (2001)**, dwells in detail on the benefits of life insurance for an individual and for the economy as a whole. The authors also list down the forces, which drive the development of life insurance industry in the OECD countries. The authors have analyzed the impact of key macro indicators like economic growth and regulatory environment in the growth of life insurance industry in an economy. The difficulties to be surmounted by the life insurance industry according to them are inflation, customer awareness, underdeveloped financial markets and lack of actuarial data.

The investigations by **Adams and Hardwick (2001)**, are aimed at finding an answer to the question of whether small life insurers in United Kingdom grow as fast as (or faster than) large life insurers as this is an issue of some importance to policymakers, industry associations and others. For example, insights into the relation between self-generated corporate growth and firm size could help policy-makers to frame rules that achieve desired objectives in policy areas, such as the licensing of new entrants to the market. During the boom years of 1987-90, the results suggest that smaller firms were growing faster than larger firms, but there was still no significant influence on growth from any of the four firm-specific variables.

However, during the recession years of 1990-93, larger life insurance firms grew faster than smaller ones, and the evidence further suggests that firms with higher input costs grew more slowly. Interestingly, authors also found that, during the years of recession, life insurers located outside London tended to grow faster than London
based life insurers. In the years of recovery, 1993-96, larger companies continued to grow faster than smaller ones, but the only firm-specific variable that exerted any significant influence on asset growth during this period was the lagged input cost variable: *i.e.*, higher input costs in 1990-93 led to faster growth during 1993-96. These results suggest that while short-term fluctuations in business cycles can influence the relation between firm size and growth rate patterns, over the long-term the linkage becomes indeterminate.

According to *Agarwal (2002)*, deregulation in India has resulted in increased number of players in the life insurance market. The competition in the industry has brought changes in business, like experimenting with newer distribution channels and adoption of technology in distribution. It is important that insurers need to develop appropriate infrastructure for the distribution of products, especially in the rural areas. Infrastructure should also be built in terms of reach to the customers and use of sophisticated technology like CRM (Customer Relation Management) to fetch good results in future.

*Cupach William R and Carson James M (2002)*, in their market study have observed that agent’s commission structure has been cited as a prime source of ethical conflicts in insurance sales. Researches analyzed whether different forms of compensation influence agent’s recommendations of products. Findings indicated that neither the amount of life cover nor type of coverage recommended by agents was associated with his compensation. One interesting observation during
the study was that the amount of coverage recommended was higher when the insured was male than when the insured was female.

The history of life insurance industry starting from the pre-independence era has been described in detail by Sinha (2002)\textsuperscript{52}. In addition to listing down the grounds for nationalization of life insurance in India in 1956, the reasons for liberalization of the industry under the current economic reforms have also been spelt out. Insurance industry holds a huge potential in India. It is contended that 312 million middle class consumers in India have enough financial resources to purchase insurance products like pension, health care, accident benefit, life, property and auto insurance. Only 2.5 per cent of this insurable population, however, has insurance coverage in any form. The potential premium income is estimated at around US $80 billion. This will place India as the sixth largest market in the world. Over the next couple of decades Indian insurance industry, which is in a critical stage of development, is likely to witness high growth primarily due to two reasons, i.e. financial deregulation and growth in per capita GDP. Financial deregulation always speeds up the development of the insurance sector. Growth in per capita GDP also helps the insurance business to grow.

Lakshmikutty and Baskar (2003)\textsuperscript{53}, analyzed the distribution channels, in life insurance industry from the perspective of the socio-cultural ethos. Challenges posed in managing different channels, to be faced by life insurance companies have been assessed. In defining a distribution model, its cost effectiveness and its capability to reach a large section of population are some of the critical aspects to be
addressed by the life insurance companies to be successful in life insurance business, rather than the technology which is only an enabler.

Reiche (2004)\textsuperscript{54}, has presented analytical information on the development of life insurance industry in India and compared the domestic industry with the happenings in the other countries. The life insurance industry of India is firmly positioned in the emerging market sector, alongside a number of other Asian countries, notably China. Life insurance markets start more slowly than non-life markets due to lower consumer awareness and individual income constraints.

The author has pointed out that there will be a trend over time towards unbundling of protection and saving and for less investment guarantees to be offered by life insurers. Clearly, such developments will not simply happen in isolation, but will be dependent on the legal and regulatory environment of the country.

In the opinion of Machiraju and Sandhya (2004)\textsuperscript{55}, the insurance scenario in India especially in terms of coverage of the rural populace is not very satisfactory. Researchers have done an analysis of the distribution reach and strength of post offices in mobilizing rural savings through life insurance products. The NCAER Surveys report that India has an insurable population of about 250 million.

Authors recommend the use of the wide postal network for marketing and servicing of life and health insurance products and channelize the raised demands in rural areas for insurance cover to truly facilitate peoples’ empowerment.
Roth and Athreya (2005)\textsuperscript{56}, provide a broad overview of how the micro insurance programme works and it places particular focus on the micro-agent as a distributor of life insurance products. Due to the low value of micro insurance premiums, low cost distribution is very critical in micro insurance distribution.

The benefits and possible shortcomings of micro insurance distribution strategies are discussed in the paper. While the micro-agent model holds much promise, the scheme is still too new to be definitively declared a success or failure.

Sinha (2005)\textsuperscript{57}, has observed that India, with a relatively youthful population from the total population of over a billion people, is projected to become an attractive insurance market, globally, in the next decades. This paper also examines the details of evolution of the insurance act in 1938, which has set the basis for current liberalization of the industry. The report highlights the importance of the rural sector and analyses the impact of recent privatization of the insurance industry. The Indian life insurance market is expected to be at US $ 140 billion in India in the year 2020 based on the GDP growth rate.

Varma (2005),\textsuperscript{58} starts the paper with a background on the economic situation in 1991 like precarious balance of payment position, inefficiency plagued public banking system, poor regulation for financial markets and under-developed debt markets. Significant reforms introduced in financial market regulation, banking, insurance and capital markets are also discussed in the work. Throughout this paper, references have been made to the reforms initiated and unfinished
agenda. The most important and urgent task that remains to be done is that of dismantling the structural and micro regulations that have accumulated over several decades of a command economy. It is also necessary to make the financial sector more competitive to realise efficiency gains and to ensure that the consumers receive the benefits of lower costs, better returns and greater choices.

Thomas (2005)\textsuperscript{59}, analyses in detail the Indian financial system and the need for the reforms in the early 1990s and the reforms initiated in financial markets, capital market and banking systems. Reforms in Insurance sector began with the setting up of the regulator, Insurance Development and Regulatory Authority in 1999. The two visible outcomes are an increase in the number of insurance companies and products available to the Indian public. Instead of public sector monopolies, over a dozen insurance companies now compete for customer business in India. In 2004, there was a flow of Rs. 60,000 crore of premium income going into the insurance industry. Of this, as much as Rs. 6,000 crore, or roughly 10\%, went back to sales agents. This shows an enormous burden of sales costs, which detract from the usefulness of these products for customers.

This study by Honan et al (2005)\textsuperscript{60}, analyses some of the major components associated with developing new agents starting from recruitment till signing of agency contract. Field recruitment and new agent development are essential to the future growth of the sales force and new recruitment is critical to the long term viability of the life insurance industry and selecting and training the right candidate is an
important role. Authors have suggested several recommendations in respect of each of the activities like recruiting and selection, precontract and agent training.

According to Chevalier, Launay and Mainguy (2005)\textsuperscript{61}, the fantastic success of bancassurance in certain southern European countries is increasing by the year, with bancassurance premium income in France up more than 10\% in 2004. The same is true in Spain and Portugal, where it is the dominant distribution channel and is becoming a strategic factor for life insurance operators. Authors have described the key success factors in bancassurance like regulatory environment, training and also the different models in which bancassurance can be launched. Case studies on successful bancassurance models and practices provide information on factors behind the success.

In the opinion of P. Vishwadham (2005)\textsuperscript{62}, the corporation (LIC) should strive to deal with the claimants in an open and transparent manner by inclusion of corporate governance norms in the grievance redressal procedures to create highest trust in the minds of policy holders towards corporation.

According to Mandal, (2006)\textsuperscript{63}, Insurance being a service with very high degree of intangibility, the role of intermediaries is very vital to the distribution of insurance products. Individual agents dominate Indian life insurance distribution. Study lists down the key attributes to become successful as a life insurance agent. Agent’s role does not come to an end with the sale of policy but it marks a beginning of relationship
between the customer and the agent as life insurance contracts are long by nature.

Ramesh Lal and Neelima Dhonda (2006)\textsuperscript{64}, have highlighted the extent of Insurance penetration in selected countries which represented 63 percent of world population and 74 per cent of Global GDP. The countries were selected from different continents. Insurance penetration along with Insurance density for Life Insurance, general Insurance and overall Insurance has been calculated for the selected countries for a period of 5 years i.e. from 1999-2003. As per their studies Life Insurance penetration ranges from 0.13 per cent and 14.41 per cent while Non life insurance penetration varied for the selected countries during the same period 0.59 per cent to 4.68 per cent.

Non-life insurance penetration is much less as compared to Life Insurance. United States of America could enjoy Non life insurance penetration above 4 per cent. The density of No Life insurance is much less as compared to density for Life insurance business. Life Insurance density has been the lowest for Nigeria and highest for Japan. Population does not have much impact on Life Insurance coverage. But income level of the economy affects the insurance coverage.

The focus of the research of LIMRA (2006)\textsuperscript{65}, is on U.S. distribution systems and the relationships between insurance carriers and practitioners in local communities who sell or recommend a company’s products and services. The research explores the economics behind meeting the constantly changing demands of distribution.
The authors, K. Saywa and G. Sardar (2007)\textsuperscript{66}, suggest that, though on the whole, the situation with respect to customer satisfaction is satisfactory, now after the entry of multinational companies into Insurance business will definitely change the perception of policyholders. It is in the interests of the policyholders; LIC should take necessary steps to maintain customer relationship by adding innovative features and transfer the benefits to the customers.

The study of consumer’s perception and expectations is of paramount importance for the success of any company. Creating a brand in the minds of the consumers the winning mantra in today’s competitive scenario.

In her article, author Sabera (2007)\textsuperscript{67}, says that the Insurance Industry in India is undergoing a major change. As the private players entered into the market, the competition has risen for the public sector companies. The competition has also increased among the private players and the main competition lies in a variety of products provided to customers, in the pricing of the products and the service they are providing. Nowadays, the customer is not only looking into the products, they are also looking at price, service of the company, the returns they are offering and the total protection. Several players are expected to enter India’s rapidly growing insurance market in the next few years especially, if the foreign direct investment limit is raised to 49%. Already, the insurance sector is recording a growth much more than what was expected. Every life or non-life insurance company is looking for ways to expand their operations in India. Insurance companies are spending a huge amount to identify the needs of the customers and are providing a
variety of products to attract them. The top most public sector insurance players are also identifying news ways to satisfy the needs and will be competing with the private players in the near future. As more new players enter the fray there will be ample scope for growth and the industry will become highly competitive. With liberalization in India in India, the Insurance Industry is slowly becoming cluttered with numerous private joint ventures trying to entice the Indian consumers with well designed products and benefits.

**Nanda (2007),** has recorded the huge potential in the country in life insurance market and states that India is the second fastest growing economy in the world next to China and the fourth largest economy in terms of purchasing power parity. Citing a NCAER report, the author observes that 30% of India’s population has the earning capability between Rs.80000 and Rs.2 lakhs and adds that 50% of this population lives in the rural areas, which provides the huge opportunity for life insurance agents. The author describes the attitudes, approach and skill required to become a successful life insurance agent.

The authors **Fulbaug Singh (2007)**, and Sonia Chawla have made an attempt to identifying the key factors responsible for customer preference for Life Insurance products in India. They concluded that the variable ‘premium amount’ is given the maximum important by the respondents who purchased before as well as after liberalization. According to them variables ‘corporate image/Brand name’ and ‘transparent and fair dealings’ are considered the most important by the respondents who purchased policy after liberalization. They further
added variables ‘liquidity/surrender value’, ‘extra coverage bonus payout’, ‘rate of return’, ‘tax benefit’, ‘maturity amount’, ‘assured return’ and risk coverage/protection for family’ were given more weightage by the respondents who purchased policy after liberalization as compared to respondents who purchased policy before liberalization.

K. Chadha and Deepa Kappor (2008)\textsuperscript{70}, made an attempt to know as to how consumers associate selected Life Insurance companies with the different attributes. The result showed that the selected Life Insurance companies do not differ significantly with regards to the attributes. However, the companies differ significantly on the basis of advertisement and promotional campaigns. The consumer’s Insurance buying decision is influenced by Customer Relationship Management and reputation of the company.

They concluded that, in a competitive market, each of the players should create its niche domain. Branding Life Insurance is thus important as the companies have to realize the inevitability of creating an impression in the minds of the customers, which would help them in facing the competition.

According to Mr. Vinay Kumar Sinha (2009)\textsuperscript{71}, LIC aims to sell about 42 lakhs policies to the financially weaker section of the society during the current fiscal against 15.4 lakhs sold in the last year. With the establishment of a technology platform and tie-up with NGO’s, micro finance institutions and the Self Help Groups, the penetration of such products are growing. Micro insurance products of LIC are customized
offerings to cater to the distinct needs of the most vulnerable low income sections of Indian population.

The IRDA has expressed concern over the rise in ‘orphan’ policies. The regulator has, I its 2007-08 annual report said “the fact that as many as 86 lakh non-linked policies have lapsed during 2006-07 holds mirror to the seriousness of the matter. The report further added “Termination of agency, which is quite rampant in the industry, has rendered million of policies ‘orphan’. Orphan policies are prone to neglect due to lack of follow up servicing support and are known to lapse in large numbers. The report pointed out that in an era of multi-channel distribution, insurers need to monitor channel-wise levels of lapsation and plug when not adequately supported by the servicing infrastructure.

Mr. Mohan Kumar (2009)\textsuperscript{72}, MD, Link-Insurance Broker Company (P) Ltd., strongly feels that the high rate of attrition among Life Insurance agents is resulting in large number of policies remaining under services.

Mr. G.V. Nageshwara Rao(2010)\textsuperscript{73}, CEO and Managing Director, IDBI Fortis Life Insurance, views that Insurance in India is expected to grow about 205 in the next few years, lower than the 25% annual growth of the last five years. He further added, with Insurance penetration in the country at about 4% of GDP (20070, which is close to the world average of 4.4 %, Industry growth is now expected to slow down.

He said, key drivers, however are expected to be the semi-urban areas as most major cities already have a high penetration. As per his opinion, India is at par with the Asian markets, but far behind the
developed markets of Europe and America. The growth, however, would stabilize as the market grows.

In order to reach out to the potential customers and strengthen its distribution channels, ICICI Prudential Life Insurance company has tied up with India post to distribute Insurance products through the cast networks of Post offices in West Bengal. The company has already entered into similar agreements with the India Post in Gujarat, Karnataka, Andhra Pradesh, Jharkhand and Madhya Pradesh.

The authors **M C Garg and Anju Verma (2010)**, are of the opinion that the Insurance market is likely to see changes in the spheres of Marketing Mix. They feel that the customer-driven market would result in many flexibilities and innovations in Product, Pricing, distribution channels and communication mechanism. The authors have attempted to study the nature, process and pattern of Marketing Mix in Life Insurance companies in India.

As per their findings, the marketing departments of Life Insurance companies always review the Mix. They are also of the opinion that the marketing departments of Life Insurance companies sometimes attempt at analyzing their competitors’ mix.

However, the researcher strongly feels that since the study is based on service marketing, the authors have taken into consideration only the 4 P’s of Marketing Mix and have ignored the very important remaining 3 P’s i.e. People, Process and Physical evidence.

The author **T Sri Jyothi (2010)**, opines, even after taking so many measures to educate the rural people about the benefits of Insurance,
still the penetration in rural areas has not improved much. This is because the lack of awareness, motivation of rural customers and failure of timely settlements of claims by insurers. In some cases, the claim settlement process took years and has become a de-motivating factor for the development of rural insurance. If tapped properly, this segment is poised to become one of the most profitable segments for Insurance It offers tremendous growth opportunities to the Insurance companies but its success depends on the development of viable and cost effective distribution channels, building customer awareness and confidence levels among the people in order to achieve a higher market share. Therefore, there will be no looking back for the companies, if they try their own innovative methods and devise new policies to attract rural masses.
2.4 STUDIES REALATED TO BANCASSURANCE

“Bancassurance: Three Partnership Models”\textsuperscript{76}, is sourced from Mckinsey Quarterly June 22, 1997. This article suggests, based on research, that the sale of life insurance through banks will meet an important set of consumers needs. The authors give the step to be followed by a bancassurance start-up: Develop the Product, build distribution, generate sales lead, sell the product, process the policy and administer the policy. Three partnership models are suggested, which are based on the nature and extent of association between the partners. The matrix developed is based on the role assumed by the two partners- that of a leader or arm’s length product provider will result in a leveraged bank distribution model and when the roles are reversed the third model of leveraged bank distribution model and when the roles are reversed the third model of leveraged life distributor will be the resultant.

The true value of bancassurance can be achieved by both the parties only through concurrence of approaches, which is not a matter of choice but an imperative need.

\textbf{Anabil Bhattacharya (2000),}\textsuperscript{77} in his study “Indian Banks entry into Insurance sector” has discussed the entry of Indian Banks into the Insurance sector and criteria to be followed to make it beneficial to the nation. After bringing together banks and Insurance he makes it Bancassurance. Banks being penetrated into rural India will definitely support Insurance.
“The New World of Banking” published in Finance & Development, June 2000 issue, a quarterly magazine of International Monetary Fund, the authors Thomas J T Balibo and Angle Ubide78 state that “Four trends are fundamentally altering the financial world: Consolidation of institutions, globalization of operations, development of new technologies, and universalization of banks.”

“Bancassurance: Driving force.” by Geoff Mayne and Mathew Taylor 2002,79 of Fitch Insurance Ratings Agency, speaks of bancassurance as an emerging concept in the insurance industry seeking new channels of distribution in the global context. It analyses the pros and cons of the integration of insurance firms and banks. The article mentions that the concept of bancassurance has gained popularity in recent years via two different models - the integrated organic approach (The French Model) and the merger approach (Netherlands - 1991).

The authors while giving the strategic rationale, enumerates the driving factors from the point of view of both insurers and bankers. Distribution of insurance products through bank branches, enlarged customer base, defensive positioning and size drive the insurers to embrace bancassurance. The forces that spur banks to seek distribution of insurance products through their branch network are: asset accumulation, disintermediation, lower risk and higher margin products (unit-linked products), potential for cross-selling, scale, client solutions, risk diversification, cost benefits and capturing, increased profit.

Mayur Shetty,80 on 5th October’2002 reported in Mumbai Economic Times “Bancassurance norms for banks get IRDA approval”. the article says” Banks eager to get into the bancassurance business by
becoming corporate agents of an insurer will need to have a chief insurance officer in place. This is one of the requirements that the regulator is going to insist on in the bancassurance norms. Last week, the Insurance Regulatory Development Authority's (IRDA's) advisory council has cleared the new guidelines in respect of bancassurance. One of the requirements is that each bank which sells insurance needs to have in place a chief executive who will be responsible for all the insurance activities and will be the key person that the IRDA will communicate with.”

“Bancassurance – A Business Sourcing Model to Indian Banks”, by V G Chari discusses the implication of the growing concept of providing integrated financial services to the customer and also the advantages of bancassurance. The author presents the forms bancassurance could assume namely banks floating insurance subsidiaries or joining some other existing insurance company or banks selling insurance products through its branches. The author further discusses the benefits of risk transfer and also the economic and social implications of not managing the risks.

“Bancassurance in the US”, by Krishnaphani Kesiraju traces the historical reasons for imposing a restrictive regulatory framework through the enactment of Glass-Steagall Act of 1933, and the Bank Holding Companies Act of 1956 and the subsequent changes brought in legislation to dismantle the barriers erected between banks, securities firms and insurance companies by the enactment of Gramm-Leach-Bliley Act (GLBA) in 1999. The perception of the customer of bancassurance as
an unsuitable has been another hurdle for its growth. Given the potential for growth, and the search of bankers for supplemental sources of revenues in the prevailing regime of diminishing margins from traditional sources, the author concludes on an optimistic note on the future of bancassurance in the US.

“The evolution and growth of “Bancassurance in Europe, the UK and Latin America” by Abhishek Aggrawal is a study in contrast. While in Europe, especially France and Spain, bancassurance has been a success right from the inception and the customer response in the UK has always been lukewarm for historical and cultural reasons. The trends in the domination of Independent Financial Advisors (IFAs) in the UK are continuing but changes in consumer perception and improvement in the attitude of banks are also noticeable. The Latin America experience has been reasonably good because of liberalized regulatory environment, overall growth of the insurance industry, favorable economic, political and social conditions, and the fact that the models and experience of Spain have substantially influence the sectors.

“Bancassurance in Emerging Market Economies: Impact on the Financial System”, by G R K Murty and Seethapathi, the authors viewpoint to the theme of the book which adds richness to it with a new perspective. They argue that the issues of concentration, contagion and regulatory risk have a potential to destabilize the financial system. They go on to identify, and expand upon aspects of current risk profiles of banks, and insurers, management challenges, convergence-induced risks and the role of regulators in managing the emerging risks.
“Finance minister sets up panel to develop bancassurance”85. Jan 17, 2003, Economic Times, Mumbai: “The Finance Ministry has constituted a committee comprising regulators, bankers and insurers to evolve a suitable model of bancassurance for effective distribution of insurance products through the network of bank branches. The panel has also been asked to suggest administrative measures which will encourage banks to take up distribution of insurance products, particularly in the unorganized and rural sector.”

“Bajaj Allianz, Shamrao Vithal in bancassurance partnership”86. Feb 3, 2004, Economic Times, Mumbai: “Bajaj Allianz General Insurance has signed up with Shamrao Vithal Co-operative Bank as its 10th bancassurance partner."Of our premium income of Rs 363 crore, over Rs 21 crore has come from bancassurance," said Kamesh Goyal, MD, Bajaj Allianz. Shamrao Vithal plans to train one employee in each of its 38 branches to sell insurance. Deepak Patil, CEO at Shamrao Vithal said the bank had funded assets over Rs 2,000 crore and would try to sell them policies from Bajaj Allianz.”

“New trends in World Bancassurance”, by Corinne Legrand87 brings out the bancassurance business models operating across the world, namely integrated, non-integrated and open architecture types. The author analyses the strengths and the weaknesses of each of the various bancassurance business models in operation and also does an analysis on the cost structures in European bancassurance. It is further stated that business models tend to make an impact all aspects of the
bancassurance activity including the company structure, sales & marketing, product design, and sales remuneration. The author argues that the choice of a business model is influenced by regulatory constraints and that the cost advantages are particularly significant in the more integrated models.

“European Bancassurance Review” by Ed Morgan\(^8\) discusses the dynamics affecting bancassurance and the need to consider the costs of manufacturing and distribution and also the effect of different business models used in different countries. The author analyses the business models followed by European countries namely the Southern European Model and the Northern European Model. The author addresses these relevant questions like—will bancassurance continue to gain market share? What is the impact of changes in other distribution channels? Will more sophisticated bancassurance business models evolve? What types of players are likely to be winners and losers in bancassurance?

“Bancassurance in Japan – Opportunity or Threat”, by Nobushi Mitsushi and Tadahiko Mori\(^9\) presents the current status of bancassurance in Japan. It traces the history of insurance selling through the traditional channel of a large female force after World War II in Japan and the attempts by the life insurers to protect this powerful sales force against new competitive channels of distribution like banks. However, in spite of these efforts, annuity sales through banks have been a success. According to the author nearly 70 to 80 percent of the total sales through banks result from individual advisor visits to existing
bank clients, rather than being branch based. He further states that the future of liberalized bancassurance in Japan remains some what an open question, but the strength of opposition from traditional channels demonstrates their concern about its long-term potential. This article also has a value addition “Plan of Action” by Michael D White which talks of a Pennsylvania based Bank “People’s Bank” chalking out an action plan to achieve ambitious revenue goals though bancassurance.

“Bancassurance Concept, Framework and Implementation” by Vineet Aggarwal,90 discusses the insurance and banking industry in India. He analyzes the concept of bancassurance, benefits to the concerned players and the rationale behind the concept. He takes a brief look at the global experiences and the lessons for India. He analyses the various entry routes for the prospective players and also describes the identification process for a bancassurance partner based on CAMEL model. The author proposes an ideal business model for bancassurance. He further discusses the possible bottlenecks and key success factors for bancassurance in India.

The article titled “An Evaluation of Distribution Channels in Life Insurance: Agents vs. Bancassurance” by Mekala Mary Selwyn91 examines critically the shortcomings of a typical life insurance agent in India and compares it with the operation of bancassurance.

“Bancassurance: Challenges and Opportunities in India”, Rachana Parihar,92 the author, brings out as to how bancassurance will be beneficial to banks, insurers and customers. The author takes a bird’s
eye view of the global scenario of bancassurance. He discusses the distribution channels and the cultural issues involved in distribution and presents the challenges and opportunities of bancassurance in India.

This article has a value addition “Bancassurance—Indian Scenario” by Sharath Jutur\textsuperscript{93}. The author argues that bancassurance in India is still in its nascent stage and has to go a long way overcoming many challenges along the way.

“Europe and Bancassurance: A Work in Progress”, by Richard Reed\textsuperscript{94} explains the differences between one European Country (EU) and another on the success of bancassurance as a distribution channel for life insurance products. The author identifies the broad factors that act as business drivers from country to country and discusses the critical success factors for bancassurance models. It is further stated that bancassurance is forecast to gain market share across Europe, even in countries such as Spain, where it already dominates the market.

“Bancassurance in India – An Emerging Concept”, by V.V Ravi Kumar\textsuperscript{95} highlights the increasing importance of cross-selling in financial services sector. Banks are also inclined to leverage their vast distribution networks to augment their non-interest income. Bancassurance with its origins in France is also an important component of such an effort in view of the added thrust on retail. With only about a quarter of the insurable population covered under insurance, insurers see a great potential in bancassurance as it offers them a readymade distribution
platform with a tremendous distribution network. The concept though in its early stages offers immense potential for the future in India.

“The Emerging Structure of Bancassurance in India”, by V.V Ravi Kumar\textsuperscript{96} describes how bancassurance is becoming an important component of the insurance company’s sales portfolio, especially for the new insurance companies. The author then focuses on the various distribution models and takes up the three main models for analysis namely: i) The Corporate Agency—Its mode of operation and requirements, ii) Insurance products wrapped around the Bank’s deposit and loan products, its design and structure.iii) Referral Model and its mode of operation. The author states that while the Corporate Agency model is increasingly emerging as the most popular model of bancassurance in India, insurance products wrapped around the bank’s deposit and loan products are also gradually gaining in popularity due to their simple product design while the referral model tie-up has not been able to really take off.

Bancassurance: An Indian Context by S.Anand and V.Murugaiah (2006)\textsuperscript{97}. The author points out that how Indian industry which is highly regulated, bancassurance a concept is still in the evolution stage. In India, the signs of initial success are already there despite the fact that it is a completely new phenomenon. India has saving rate of 23 per cent and of which the savings with the banks constitutes more than 50 per cent of the domestic household savings. This presents an enviable opportunity for the insurers to tap the potential of strong banking network. With the Indian banking customers getting more sophisticated
in his financial needs and laying greater emphasis on convenience and a single provider for all financial products, the opportunities and challenges that the Indian market presents are immense.

The study throws light on the key issues, critical success factors that contributes to the profitable partnership in Bancassurance and opportunities, growth prospects and future challenges in the journey of bancassurance business in the years to come unravel themselves. Banks, insurance companies and traditional asset management companies are converging to form a one stop financial services shop where a customer can obtain a loan, pension product and insurance at the same time. This convergence calls for complete integration of their distribution channels in accordance with an established model, whereby companies can substantially cut costs, enhance productivity and ensure that all stakeholders, shareholders, customers and staff are satisfied. Such an integrated distribution calls for the customer to be placed at the heart of the distribution network. The author concludes by pointing out the factors and principles of why it is a success elsewhere exist in India, and there is no doubt that banks are set to become a significant distributor of insurance related products and services in the years to come.

A.Karunagaran, 2006, “Bancassurance: A Feasible Strategy for Banks in India?” This paper attempts to explore the scope for bancassurance models as feasible source of sustainable income to banking sector by exploiting the synergy in the context of India having the largest banking network on the one hand and lower insurance penetration and insurance density on the other hand. While analyzing the present trend of banks handling insurance products, it also highlights
some of the likely issues in general as well as specific from the point of regulator and supervisor. It concludes that going by the present pace bancassurance would turn out to be a norm rather than an exception in future in India and it would be a ‘win-win situation’ for all the parties involved - the customer, the insurance companies and the banks.


In this report, ‘bancassurance’ is defined, quite simply, as the marketing of retail insurance products to a commercial bank’s client base. The author discusses in that this may or may not involve equity ownership or control as part of the business model. The related concept of ‘assurbank’ – the sale of retail banking products to an insurer’s clients – is summarized briefly as the response by insurers to the banking challenge.

The fundamental objective of this report is to analyze the lessons of actual practice in the markets where bancassurance has become well developed as an operational concept.

This study focuses on the major markets – the EU, Asia-Pacific and North America – where bancassurance has achieved the most significant development and therefore the basis for examining these lessons of experience. Quite simply, the goal has been to synthesize this experience for the benefit of academics, consultants, students and, of course, for present and future practitioners. Given this approach, the methodology has been, first, to gather the relevant data in the public domain: industry statistics, consultant studies and material in the trade press. More importantly, the author has relied heavily on off-the-record,
in-depth conversations with leading practitioners in the financial services sector.

The analysis of experience begins in with the examination of 12 case studies which demonstrate the successful execution of bancassurance strategies under different circumstances. In each case, the report profiles the institution’s retail strategy, examines its bancassurance approach and provides observations on its outlook for the future. The report focuses in particular on the problems of managing different cultures and practices in the banking and insurance worlds. It also provides some conclusions on the lessons of best practice based on the interviews and an analysis of the database.

“Bancassurance to generate 35 % of private insurers' premium”

December 12, 2007, PTI, Kolkata: “Banks acting as agents of insurance companies will likely to contribute about 35 per cent of private insurers' premium income by 2008, a study said here on Wednesday. Global insurance consulting firm, Watson Wyatt Worldwide in 'India Bancassurance Benchmarking Study 2006-07', said both life and general insurers were bullish about prospects of insurance penetration in the rural markets. "About 30 per cent of the life insurers have indicated that by the year 2010, rural insurance business will constitute between 16-20 per cent of their total bancassurance new business premium," the study said.
“ICICI Lombard in bancassurance tie-up with J&K Co-op Bank”.  
101 October 27, 2007, Masood Hussain, TNN, Srinagar: In a bid to get into the non-fund business sector, J&K Co-operative Bank has tied up with ICICI Lombard for bancassurance. The bank with a better coverage in semi-urban and rural belt is expected to get tailor-made products that it would sell to its quarter million customers. Bank officials said they had received partnership proposals from seven leading insurance companies, including Bajaj Allianz, ICICI Prudential, Aviva Life Insurance, Reliance Life, Reliance General Insurance, Met Life and ICC Lombard.”

“Opportunistic’ banks curb bancassurance growth”102, December 13, 2007, TNN, Mumbai: “Greedy banks could hamper the growth of bancassurance, one of the fastest-growing distribution channels for insurance products. In a report on bancassurance, the world's largest reinsurer, Swiss Re, has said since insurance is not a part of banks' books, some of them regard selling insurance as opportunistic and do not have incentives to nurture this business. The reinsurer in its latest Sigma report has said two factors could restrict growth of bancassurance regulations governing cross-shareholding between banks and insurers are generally less liberal in emerging markets, which complicates adoption of more integrated business models.

“Centurion Bank of Punjab (CBoP) - HDFC Bank deal a big blow to Aviva Life.” 103, February 26, 2008, TNN, Mumbai: The proposed merger of Centurion Bank of Punjab with HDFC Bank will be a big blow to Aviva Life Insurance, as the distribution deal between the two will now be scrapped. CBoP had entered into an agreement to sell products of Aviva
under a bancassurance agreement while HDFC Bank sells insurance for group company HDFC Standard Life. As per existing insurance laws, a bank can't sell products for more than one insurance company. CBoP is one of the largest institutional distributors for Aviva, and is understood to bring in between 20-25% of Aviva's premium income in India.”

“Run for cover: Bank mergers to affect insurance alliances”
February 27, 2008, Agencies, Chennai:” Bank mergers are likely to impact the country's insurance sector as many insurers have select banks as their bancassurance partners. Bancassurance is the sale of life, pension and investment products through the branch network of a bank. The recent merger announcement of HDFC Bank and Centurion Bank of Punjab is expected to impact the business of Aviva Life Insurance and ICICI Lombard General Insurance. Centurion Bank is the bancassurance partner for the two insurers

“IDBI Fortis firms up plans to take on big players”
May 22, 2008, TNN Mumbai:” IDBI Fortis Life Insurance, the new player in the life insurance arena, plans to use innovative product offerings and an advanced technological platform to get an edge over its well-established counter parts. The company also plans to break even in 6-7 years, said IDBI Fortis managing director and CEO GV Nageswara on Wednesday. The firm will also leverage the branch networks of IDBI Bank and Federal Bank to promote its bancassurance model. "At present, we have 30 branches and plan to raise it to 100 by this fiscal end. We are planning to take advantage of the branch networks at our disposal for bancassurance," said Mr. Rao. He added that the company was focusing
on building the agency model, but was expected to contribute only a third of its distribution, with the rest coming from bancassurance.”

“Star Union to bank on bancassurance to sell products”.106 July 23, 2008, Economic Times Bureau, Mumbai: “Star Union Dai-ichi Life Insurance? The three way joint venture between Bank of India, Union Bank and Dai-ichi Life of Japan plans to hit the ground running. The insurer will distribute its products through employees of its two promoter banks who have been trained in insurance distribution. Star Union Dai-ichi is expecting to get its license to sell insurance products from the regulator soon. Although the company is yet to commence business, it has a distribution network in place thanks to its promoter’s involvement in the distribution process.”

S.K. Staikouras, 2008, 107“An event study analysis of international ventures between banks and insurance firms”

The current study examines the effects on shareholders wealth as a result of the bank–insurance interface. Using a global sample of financial intermediaries and an event-study framework the findings reveal significant abnormal returns surrounding the announcement of bank–insurance ventures. A control sample using financial institutions that do not pursue bank–insurance deals shows negative abnormal returns with much higher magnitude in absolute terms. When the sample is separated on the basis of the bidder’s nature, then bank-bidders earn significant positive returns, while the insurance-bidders experience significant losses.
The analysis further unveils either statistically significant negative returns or insignificant values for bank–insurance divestments. Finally, profitability, size and functional diversification are all found significant in determining abnormal returns over various intervals.

“Uco Bank refuses to renew bancassurance tie with NIC”.

January 12, 2009, Atmadip Ray & Debjoy Sengupta, Economic Times Bureau, Kolkata: “Public sector Uco Bank has decided against renewing its bancassurance tie-up with another public sector entity National Insurance Company (NIC). Instead, the bank is now in the verge of signing bancassurance agreement with a private sector general insurance company. Uco and NIC had joined hands some five years ago. Now, the Kolkata-based bank doesn’t want to sell NIC mediclaim and other general insurance covers to its customers anymore. The agreement between Uco and NIC had come for renewal on December 31, 2008.”

“Furnish payments details made to bancassurance partners: IRDA to insurers.”

October 2, 2009, Debjoy Sengupta, Economic Times Bureau, Kolkata: “Insurance Regulatory & Development Authority (IRDA) has just asked all insurers to furnish details of payments made to their bancassurance partners. Insurers will have to provide details including cost of infrastructure incurred, advertisement expenses, cost of training for bank staff, management expenses, entertainment & travel expenses. More importantly, insurers will also have to furnish details of any other expenditure incurred for the bank or expenses reimbursed by them.”
“Banks can be allowed multiple insurance tie-ups: Panel”¹¹⁰ August 22, 2009, Debjoy Sengupta, Economic Times Bureau, Kolkata: “Banks may be allowed to tie up with more than one insurer in the life and general insurance sector with a set of stringent checks and balances. At least, this is what the committee on bancassurance set up by Insurance Regulatory & Development Authority (IRDA) feels. Bancassurance refers to banks selling insurance policies. At present, a bank can tie up with only one life insurer and a general insurer for selling covers. IRDA formed the committee to take a fresh look at the existing regulatory architecture on the bancassurance intermediation model and the possibility of tweaking the present set of guidelines.

“LIC sees gains in fee cap, to grow bancassurance allies”¹¹¹ June 24, 2010, Mayur Shetty, Economic Times Bureau, Mumbai: “Life Insurance Corporation of India (LIC) expects to grow its bancassurance partners under the new regulatory regime, which compels insurers to reduce commission to distributors. Speaking to ET, AK Sahoo, executive director, bancassurance, said the corporation was in talks with banks that currently have distribution tie-ups with private banks to convert them into selling LIC products. Last week, after months of negotiation, the corporation announced a tie-up with Laxmi Vilas Bank, which was earlier selling life insurance for private sector Aviva.”
“A 9% GDP growth will improve insurance industry’s prospects”\textsuperscript{112} June 9, 2010, Economic Times Bureau, Chennai: “Chennai-based United India Insurance recently announced a bancassurance (selling of insurance products through bank branches) referral tie-up with Vijaya Bank. G Srinivasan, chairman and managing director, speaks to ET. How do you read into the merger of Bank of Rajasthan (BoR) with ICICI Bank? BoR was your bancassurance partner. Yes, we did have a bancassurance tie-up with BoR but it only brought in close to Rs 4 crore in business.”

Dr. Georgee K. I. Sumi Alex, 2010,\textsuperscript{113} “Bancassurance : A Futuristic Convergence”. The author discusses the changed equation between banking and insurance businesses under the current circumstances. The author states by concluding that the current situation doesn’t indicate any paradigm shift in bancassurance. The future of bancassurance seems to be bright.

“Aviva Life Insurance may sell 30% stake to Syndicate Bank”.\textsuperscript{114} September 7, 2011, Economic Times Bureau, Mumbai: “Aviva Life Insurance, the local unit of the UK insurer, may sell as much as 30% stake to state-run lender Syndicate Bank to raise its fortunes in a competitive market. Consumer goods maker Dabur India owns 74% stake in the insurer while Aviva Group owns the rest. Mohit Burman, director of FMCG major Dabur Group, confirmed that talks are on. "The deal is in process," he said. A board meeting will take place on Wednesday where a decision will be taken on the stake sale, he added.”
“Banks may get to sell products of 4 insurance companies”.¹¹⁵ June 8, 2011, Economic Times Bureau, Mumbai: “Banks may soon be allowed to sell products of four insurance companies. According to a report of the Committee on Bancassurance, banks may be allowed to tie up with any two sets of insurers — two in the life insurance sector, two in non-life, two in health, ECGC and AIC. Bancassurance, a distribution model where insurance products are sold through bank branch network, will be allowed to operate on principles of tied agency”.

Birla Sun Life to tie up with Syndicate Bank for bancassurance”¹¹⁶ February 10, 2012 Economic Times Bureau Mumbai: “Birla Sun Life Insurance is close to striking a deal with the state-owned lender, Syndicate Bank, for a partnership in the life insurance business. The Aditya Birla group company has offered 600 crore as advance commission based on future sales to Manipal-based Syndicate Bank, which will use part of the money to buy 6% stake in the life insurance firm, said a person familiar with the transaction. The deal structure will enable the Syndicate bank to pick up a minority stake in the lucrative life insurance sector without dipping into its capital reserves. In recent years, the Reserve Bank of India has discouraged a few banks from investing in the cash-guzzling insurance business.”

In the article launched on 9th October‘2012, drafted by Awasthy Varughese in dna which is an English broadsheet Mumbai based daily local newspaper, owned by Diligent Media Corporation, an Essel Group company, which says “IRDA goes flexible in draft regulations on
bancassurance.”117 IRDA has rolled out a revised set of draft regulations on bancassurance tie-ups that are expected to give more flexibility to banks as well as insurers.

The Insurance Regulatory and Development Authority (IRDA) has rolled out a revised set of draft regulations on bancassurance tie-ups that are expected to give more flexibility to banks as well as insurers. Banks, IRDA suggested, can sell insurance products by either becoming a broker or a bancassurance partner, with those opting to be brokers having to withdraw from their existing bancassurance partnership. There are certain changes in the zonal tie ups specified in the earlier draft. “The channel of distribution for bancassurance may either be through the agency channel or the broking channel. The conduct of bancassurance through a broking channel will be governed by the IRDA (Insurance Broker) Regulations, 2002 and applicant desirous of conducting such business may apply as per the procedure laid down in the said regulations. The conduct of business through the agency channel will be as per the regulations herein contained,” IRDA said in the draft circular.

Last week, the finance ministry allowed banks to sell insurance offered by more than one company through a broking agency model. “It was desirable for banks to act as brokers and that the fiduciary responsibility of the bank will be to the policyholders. This will provide the intended policyholder a bouquet of products from which he/she may chose the appropriate product based on his/her needs and will also prevent mis-selling,” finance minister P Chidambaram had said.
Bancassurance refers to the arrangement through which banks sell insurance products.

At present, the policy on bancassurance is one bank one insurance company (one life and one non-life). Under this, the bank acts as the agent of the insurance company.

But the controversial clause requiring banks to compulsorily tie up with insurance companies other than those promoted by them in several areas has been retained in the revised bancassurance guidelines. Under the new norms, the regulator has divided 40 locations across the country into three separate zones such as A, B and C. Zone A includes metro and other Tier I cities, Zone B and C include Tier II cities, north-eastern states and Union territories. Under the proposed rules, a bank can at the most tie up with a particular life, non-life and health insurance company in maximum 20 and minimum 10 locations. For the remaining areas it will have to seek different partners. This means even banks with their own insurance entities will need to tie up with other insurance companies. As per the draft norms, a bancassurance agent desirous of tie-up with more than one class of insurer shall be allowed to do so under these regulations to a maximum of 20 states / Union territories and a minimum of 10 states/ Union territories. The draft has also specified the remuneration paid to the bancassurance agent in the partnership. The commission will be an amount exceeding 85% of the limit specified in the insurance Act 1938.

The sale of equity will happen through either transfer of the existing share or by issuance of fresh equity with the prior approval of
the authority. IRDA is of the view that open architecture without geographical divisions will have no meaning and that smaller players will continue to be neglected. “The insurance law says one agent (bank) for one insurance company. As per the provisions of current law, one insurer cannot have tie-ups with more than one agent. So, under the current circumstances, open architecture model without zonal bifurcations will be a violation of the law. So we need to wait how the amendment has been done in this front,” IRDA chairman J Harinarayan had said earlier.

“This is the step in the right direction. It will give more option for the customers and help to increase the reach of insurance products through the wide network of banks,” said Amarnath Ananthanarayan, MD & CEO, Bharti Axa General. IRDA has asked insurers to submit their views and comments by October 17.”

Customer attitude towards Bancassurance – An Indian perspective, by T.Hymavathi Kumari, 2012, 118 By analyzing the customers’ attitude towards Bancassurance the author concludes that there is lot of opportunities available in the Indian market to the banks to cross sell insurance products. Identification of target customer market, and specific insurance products increases the banks’ performance to cross-sell the insurance products. Therefore the author opines that the Banks in India should try to exploit the existing opportunities to cross-sell insurance products through their branch network, by designing a clear and effective marketing strategy aimed at increasing awareness and customer’s willingness to choose banks as insurance providers. 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 which according to him shows a good indication for the emerging development of the Indian Economy.

The author analyzes the models of Bancassurance and the customer attitude towards Bancassurance business in India. He also explains the relationship between GDP and the development of insurance business in general.

“Flourishing Bancassurance business: An Indian Perspective.” By S. Sarvanakumar, U. Punitha, S. Gunasekaran and S. Sankar deals with the selling of insurance products by banks. In this arrangement, insurance companies and banks undergo a tie-up, thereby allowing banks to sell the insurance products to its customers. It shows the system in which a bank has a corporate agency with one insurance company to sell its products and how by selling insurance policies bank earns a revenue stream apart from interest called as fee-based income. The 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. The book throws light on that how the business of banking around the globe is changing due to integration of global financial markets, development of new technologies, universalization of banking operations and diversification in non-banking activities. The coming together of different financial services has provided synergies in operations and development of new concepts. Insurance companies require immense distribution strength and tremendous manpower to
reach out to such a huge customer base. This article also shows the distribution that will undergo a sea change as various insurance companies are proposing to bring insurance products into the lives of the common man by making them available at the most basic financial point, the local bank branch, through Bancassurance. The authors also observe that how through bancassurance process insurance products will be sold to customers at their local banks.

“Bancassurance: Problems and Challenges” in India by Dr. Nandita Mishra, 2012. This paper attempts to explain the scope for bancassurance models and strategy as feasible source of fee based, non-interest income. India has the largest banking network on one hand and lower insurance penetration and insurance density on the other hand. While analyzing the present trend on banks handling insurance products, it also highlights some of the likely issues in general as well as specific problems faced by banks, as result of which bancassurance has suffered.

Pooja Chatley, 2012. “Life Insurance Growth in India: The Bancassurance Route” The study focuses on how with the opening up of the Insurance industry to the private players made the marketing environment competitive hence brought in newer ways of reaching out to the large consumer base. The present paper is an attempt to study the contribution of Bancassurance in the growth of life insurance business in the last 5 years. The author discussed the advent of Bancassurance which was further necessitated by the IRDA guidelines which made it mandatory for insurance providers to increase insurance
penetration and thereby reach out even to the population living in the remotest of areas in the country. Taking advantage of the vast reach and large customer base of the banks, the insurance companies have tied up with banks to increase their business growth along with meeting the IRDA regulations. In the last decade a considerable volume of new business has been generated for life insurance through this route. The insurance penetration ratio in the country has started improving thereby ensuring that the benefit of insurance reaches down to the grass-root level of the nation and more and more people come under the cover of the insurance umbrella. The growth in the life insurance industry has been spurred by vibrant distribution channels coupled with product innovation. Innovation has come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups with banks and other financial services.

Thus, author concludes that bancassurance as an alternate distribution channel has contributed to the growth of insurance business by leveraging the benefits to customers, bankers and insurance. But the future depends on how well the banks and insurance companies are able to overcome the operational challenges that are being constantly thrown at them.

**Dr. Sumathi Kumaraswamy, 2012**

“Bancassurance: Tapping of Insurance into Banking Pursuit “This paper examines the bancassurance business of India banks and suggests that with the increasing usage of information technology and enhanced customer sophistication, bancassurance is expected to play an important role in future growth of life insurance. In such a situation, Bancassurance as a distribution
channel facilitates insurance companies in developing networks and customer database faster than any other channel. Insurers can find bancassurance as a profitable venture due to lower customer acquisition cost, quicker reach to untapped market, introduction of new hybrid products, and economies of scale in administrative cost. Finally, the combination of bank and insurance will result in win-win-win situation for its stake holder’s viz., banks, insurers and customers, the ultimate winner.

“Finance Minister P. Chidambaram turned liberal with insurance companies.” Economic Times, February 21’2012, Mumbai: “By permitting them to open branches at will in non-metropolitan cities and become trading members of stock exchanges in the debt segment. Also, all towns with population above 10,000 will have one Life Insurance Corporation office and one public sector general insurance company office, which raise the access, but may strain the finances of insurers. LIC now has 2300 branches. Bancassurance deals will have to pass Irda muster: J Hari Narayan”.

Lalit K. Pani and Sukhmaya Swain, 2013, “Bancassurance and Indian banks.” This research paper shows that currently the middle class population is overburdened with inflationary pressures, growing expenses of education & living standard and tax rates. Excepting for the private banks, all banks have not developed the necessary IT infrastructure to make the best of Bancassurance. The channel will work best only when we have all Regional Rural Banks, cooperative banks and all public sector banks develop the requisite IT structure to monitor
premium renewals, premium lapses, premium sourced, policies taken, and persistency if any.

The article published in the magazine “Insurance Insight” on 1st March 2013, written by Andrew Tjaardstra, \(^{125}\) reported on “Finance Minister’s approval on Bancassurance in India”. The article says “The 2013/14 Indian Budget has confirmed banks will be able to sell insurance in India and has also given insurers the ability to open up quickly in smaller towns. Finance Minister P Chidambaram has paved the way for bancassurance in India by allowing bank branches to sell insurance, after India’s Insurance Regulatory and Development Authority published. An Insurance Bill has been drafted and now needs to be approved by Parliament.

In his Budget speech this week, Chidambaram said: "A multi-pronged approach will be followed to increase the penetration of insurance, both life and general, in the country.

I have a number of proposals that have been finalised in consultation with the regulator, IRDA:

i. Insurance companies will be empowered to open branches in Tier II cities and below without prior approval of IRDA.

ii. All towns of India with a population of 10,000 or more will have an office of LIC and an office of at least one public sector general insurance company. I propose to achieve this goal by 31 March 2014.

iii. Banks will be permitted to act as insurance brokers so that the entire network of bank branches will be utilized to increase penetration.
iv. Banking correspondents will be allowed to sell micro-insurance products.

v. Group insurance products will now be offered to homogenous groups such as SHGs, domestic workers associations, anganwadi workers, teachers in schools, nurses in hospitals etc.

vi. There are about 1,000,000 motor third party claims that are pending before tribunals/courts.

vii. Public sector general insurance companies will organize adalats to settle the claims and give relief to the affected persons/families."

Shilpy Sinha reported in Economic Times Bureau on 20th May’ 2013 that “IRDA should take steps to bring back customer confidence says Rajesh Relan, PNB MetLife chief.”

The article further says “PNB MetLife is the latest insurance company to get a lifeline with Punjab National Bank buying 30% into the company. Rajesh Relan, MD and CEO of PNB MetLife, says the bancassurance model will have to move away from reward and recognition to training and recognition to avoid dubious sale of policies by banks. In an interview with ET, Relan talks about the challenges ahead for the industry.”

“RBI vs IRDA: Finance minister to play peacemaker over broking licence for banks”. Feb 26, 2013, Economic Times, New Delhi: The finance ministry is attempting to resolve the differences between the banking and insurance sector regulators over allowing banks to become insurance brokers. FM permits insurance companies to open branches at will in non-metro cities
The research journal by Palanisamy Balamani Banudevi, 2013, “Bank Customer Satisfaction for Bancassurance Products in India”, brings out as to how globally the trend of increased convergence of financial services getting more confined rather than to the narrow channel of banking products. The line dividing the banking and non-banking financial products is getting thinner. The article gives illustration of how the distribution of insurance products through banking networks would be well organized which is popularly called as Bancassurance.

The focus of this research work shows that how Bancassurance in India is conceptually in its emerging stage but holds a good promise for the future. Banks have been attracted to this field in view of scope for generating non interest income while for the insurers it is of increasing the low insurance penetration levels in the country by leveraging the extensive distribution reach of Indian banks. This research gives more emphasis on the satisfaction of customers for bancassurance products and presents a vista of opportunities for private and public insurers to take advantage of our extensive bank networks.
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