Chapter IV

Objectives and Research Methodology
Need for the study and Statement of the Problem

Despite the increasing importance of Bancassurance, there is little or no direct empirical data available on the potential benefits of the Bancassurance model(s) for distribution of insurance practiced at India and the related sources of those benefits. With the privatization of the insurance sector and subsequent permission of government for banks and insurance company tie-ups for distribution of insurance products, the multinational and Indian private sector banks have done a good job on the sales of insurance products. However, the sales are primarily made to bank customers with whom the banks have very significant relationships. Whether banks can sustain sales to customers over and above the ones who are already there and what is the contribution of Bancassurance to the premium income for insurance companies is a matter of research.

4.1 Objectives of the Study

4.1.1 Primary Objectives

- To study whether selling through banks (Joint Ventures and Distribution Agreements) is more effective for insurance companies than selling through other channels such as Agency and the Alternate Channel.

- To study the effect of the present Distribution Agreement model of Bancassurance practiced at India, and compare the benefits with the three basic models of Bancassurance namely Joint Venture, Strategic Alliances and the Financial Services Group (Investment Option) practiced in different countries namely Japan, Thailand, Europe and USA etc. and suggest suitable changes in the present model or a new model for the Indian insurer.
4.1.2 Secondary Objectives

- Identify the various mechanisms to examine whether Bancassurance increases both internal and external customer satisfaction.

- Study the earnings through Bancassurance for insurance companies and banks respectively.

4.2 Research Methodology

4.2.1 Type of Research: Descriptive Research

4.2.2 Research Design: Descriptive research is used to study the effect of the partnerships between banks and insurance companies based on the performance of both and the satisfaction level of internal and external customers.

4.2.3 Sampling: Cluster sampling is used for the selection of respondents. 500 respondents are selected from banks and insurance company employees and also external customers at Gujarat.

4.2.4 Hypothesis (Null Hypothesis)

**Hypo 1:** There is no difference between purchasing through banks and through other channels of distribution.

**Hypo 2:** There is no significant impact on the level of internal customer satisfaction from the Bancassurance tie-up with a particular bank.

**Hypo 3:** There is no significant impact on the level of internal customer satisfaction from the Bancassurance tie-up with a particular life assurance company.

**Hypo 4:** External customer satisfaction is not influenced by purchase of a life assurance policy through the Bancassurance channel

**Hypo 5:** Income and insurance purchased have a positive correlation
4.3 Sources of Data
The data and information consists of secondary literature reading and primary data analysis.

4.3.1 Primary Data
The study is based mainly on the primary data. The final questionnaire is based on the pilot study input and the primary data is collected from the internal and external customers of banks and insurance companies. The data is collected through Structured Questionnaires. The data is collected in three sets. Separate sets of questionnaires are administered to each of the three groups' namely Insurance company employees, Bank employees and External customers. Views of following banks' employees are considered in the study: State Bank of India, Punjab National Bank, HDFC Bank, ICICI Bank, The Cosmos Cooperative Bank, Standard Chartered Bank, and other local Co-operative Banks. Employees of Insurance Companies such as Ing Vysya Life Insurance Co., Ltd., HDFC Standard Life Insurance Co., Ltd, Bajaj Allianz Life Insurance Co., Ltd, ICICI Prudential and METLife Insurance Co., Ltd. supported the study by giving their views.

4.3.2 Secondary Data
In order to develop the conceptual base for the study, the relevant earlier studies are referred and in order to have basic data for making appropriate research design, the secondary data of the selected organizations is collected at the initiation of the study. The data is gathered from annual reports of the Insurance Regulatory Development Authority (IRDA) and from various journals, magazines and websites.

4.4 Research Instrument
The research instrument is in form of questionnaires. The primary data is collected in three sets. Separate set of questionnaires are administered to each of the three groups' namely Insurance company employees, bank employees and external customers.
4.5 Scale

Factor Analysis, Pearson's Correlation and Spearman's correlation is used for analysis purpose. Chi-square test is used for testing hypothesis at several instances. Correlation Matrix, Inverse of Correlation Matrix, KMO and Bartlett's Test, Anti-image Matrices, Communalities, Total Variance Explained and Component Matrix were obtained as a part of Factor Analysis. Results were also obtained by applying Varimax Rotation Method using SPSS software to observe any varying conclusions.

4.6 Variables Studied

The following variables are studied for the three sets of respondents.

4.6.1 Insurance Company and its employees

- Policies
- Criteria's considered for partnership
- Number of distribution agreements with banks
- Opinion on tie-ups with individual banks

4.6.2 Bank and its employees

- Product portfolio
- Criteria's considered for partnership
- Opinion on tie-up with insurance company
4.6.3 External Customers

- Opinion on service – pre sale and post sale
- Perception on premium charged
- Type of policy most preferred
- Word-of-mouth spread to potential customers

a) Dependent Variables

- Variable 1: Customer satisfaction
- Variable 2: Insurance purchased
- Variable 3: Internal employee satisfaction

b) Independent Variables:

i) Category of Bank/Insurance Company
   1. Private Sector Banks
   2. Public Sector Banks
   3. Private sector insurance companies

ii) Gender
   1. Male
   2. Female

iii) Education level
   1. Matriculate
   2. Undergraduate
3. Graduate
4. Post Graduate

iv) Designation

1. Assistant
2. Executive
3. Asst. Manager
4. Manager
5. Sr. Manager
6. Regional Manager
7. General Manager
8. Director or above

v) Years of employment with the firm

1. Less than 1 year
2. 1.5 to 3 years
3. 3 to 5 years
4. More than 5 years

vi) Occupation (For Customers only)

1. Salaried
2. Self Employed
3. Business
4. House wife
5. Student
6. Retired

4.7 Summary of the respondents

a). Bank Employees: Total 125 bank employees gave their view. Amongst them, 111 (88.5%) were Males and 14 (11.5%) were Females. 61% employees were having experience less than 3 years and rest 39% were having experience more than 3 years.

<table>
<thead>
<tr>
<th>Socio Demographic Variable</th>
<th>No of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Male</td>
<td>111</td>
<td>88.5</td>
</tr>
<tr>
<td>2. Female</td>
<td>14</td>
<td>11.5</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Matriculate</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Undergraduate</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3. Graduate</td>
<td>74</td>
<td>59</td>
</tr>
<tr>
<td>4. Post Graduate</td>
<td>49</td>
<td>39</td>
</tr>
<tr>
<td>Designation:</td>
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<td></td>
</tr>
<tr>
<td>1. Assistant</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>2. Executive</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>3. Asst. Manager</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>4. Manager</td>
<td>43</td>
<td>34</td>
</tr>
</tbody>
</table>
b). Insurance Employees: Total 125 insurance employees gave their view. Amongst them, 94 (75%) were Males and 31 (25%) were Females. 98% employees were having experience less than 3 years and rest 2% were having experience more than 3 years.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Male</td>
<td>94</td>
<td>75</td>
</tr>
<tr>
<td>2. Female</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Matriculate</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Undergraduate</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>3. Graduate</td>
<td>85</td>
<td>68.4</td>
</tr>
<tr>
<td>4. Post Graduate</td>
<td>38</td>
<td>30.4</td>
</tr>
<tr>
<td>Designation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Assistant</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>
2. Executive 59 47
3. Asst. Manager 27 22
4. Manager 23 19
5. Sr. Manager 6 5
6. Regional Manager 5 4

<table>
<thead>
<tr>
<th>Years of employment with the firm</th>
<th>No of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Less than 1 year</td>
<td>70</td>
<td>56</td>
</tr>
<tr>
<td>2. 1.5 to 3 years</td>
<td>52</td>
<td>42</td>
</tr>
<tr>
<td>3. 3 to 5 years</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

c). Customers: Total 250 customers gave their view. Amongst them, 230(92%) were Males and 20 (8%) were Females. 50% customers were service class people.

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<tbody>
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<tr>
<td>2. Female</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Matriculate</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Undergraduate</td>
<td>2</td>
<td>1.2</td>
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<tr>
<td>3. Graduate</td>
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<td>68.4</td>
</tr>
<tr>
<td>4. Post Graduate</td>
<td>38</td>
<td>30.4</td>
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</tbody>
</table>
### Occupation

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<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Salaried</td>
<td>125</td>
<td>50</td>
</tr>
<tr>
<td>2. Self Employed</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>3. Business</td>
<td>58</td>
<td>23</td>
</tr>
<tr>
<td>4. House wife</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5. Student</td>
<td>38</td>
<td>15</td>
</tr>
<tr>
<td>6. Retired</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

#### 4.8 Period of Data Collection

Relevant secondary data is collected mainly for the period of year 2000 to year 2006 as the year 2000 was the year of privatization in the insurance industry and the year 2006 was the year of registration for the degree. Earlier studies have also been considered to understand the scenario in other countries. Primary data collection took place from November 2007 to December 2008.

#### 4.9 Sample Size

A total sample of 500 respondents is taken out of which 250 is external customers and 125 bank employees and 125 insurance company employees.

#### 4.10 Sampling Plan

Cluster sampling is used.

#### 4.11 Inclusion and Exclusion Criteria

Initially, a pilot study was conducted to test the questionnaires in which the data was found from bank and insurance company staff which provided valuable information. Subsequent modifications were made in the instruments as required. Customer questionnaire were also finalized after pilot survey.
4.12 Data Analysis and Statistical Tools Used:

The survey instrument was constructed and factors were identified by Factor Analysis, Bartlett's test of sphericity along with Factor Analysis Inverse of Correlation Matrix, Anti-image Matrices, Communalities and Goodness-of-fit Test. Measures of central tendency and dispersion, Spearman's correlation coefficient, Cross tabulations and Chi Square Test were mainly used to prove the Hypothesis. Statistical Package for Social Sciences (SPSS) of version 15 was used for the statistical analysis.

4.13 Scope of the Study

The study focuses on Bancassurance in the life assurance segment only due to the complimentary nature of life assurance and banks unlike non-life insurance and banks. Moreover, knowledge of customer's financial requirements is important in life assurance compared to non-life insurance. An in-depth analysis of the three existing models in life insurance namely Agency model, Distribution Agreements and Joint Ventures and is undertaken. Further, the scope is restricted to banks / insurance company employees and customers at Gujarat.

4.14 Limitations

Some bank and insurance company employees felt that the data asked in the questionnaire was confidential and hence, the sample size had to be restricted. The other limitations of the study are:

- Study is confined to managers and employees of few banks and their branches.
- Study is confined to managers and employees of few insurance companies and their branches.
- The study is restricted to the state of Gujarat.
- Seniority of an individual in the organizational hierarchy led to his/her unwillingness in responding to the questionnaire.
During the course of the study, several changes took place in the insurance industry in general and life insurance in particular. The Bancassurance model of distribution also came across several changes and new initiatives. A few banks ventured into their own insurance firms, separating ties with existing insurance companies whose products they were distributing earlier.

4.15 Organization of chapters

The thesis titled “A study of Bancassurance as a distribution channel for marketing of Insurance Products” is presented in six chapters. The chapter contents in brief are given below.

The first chapter gives an overview of globalization and the insurance industry with a focus on the life insurance sector.

The second chapter gives an in-depth understanding of the life assurance industry globally as well as at India. This chapter also introduces the concept of selling life assurance products through the Bancassurance channel.

The third chapter has a study of relevant national and international literature in the area.

The fourth chapter introduces the Research Objectives, Methodology.

The fifth chapter has the data analysis and findings.

The sixth chapter has a discussion on the findings provided in the previous chapter and it incorporates suggestions, summary and conclusion(s) from the research study.

Chapter summary

Descriptive research is used to study the effect of the partnerships between banks and insurance companies based on the performance of both and the satisfaction level of internal and external customers. Data is collected from 500 respondents that consist of 125 bank employees, 125 insurance company employees and 250 customers who may or may not have purchased a life assurance policy from a bank. Most of the respondents are
male and have work experience between 1 to 5 years. Factor Analysis, Pearson’s Correlation and Spearman’s correlation is used for analysis purpose. Chi-square test is used for testing hypothesis at several instances. Correlation Matrix, Inverse of Correlation Matrix, KMO and Bartlett’s Test, Anti-image Matrices, Communalities, Total Variance Explained, Component Matrix were obtained as a part of Factor Analysis. Results were also obtained by applying Varimax Rotation Method using SPSS software to observe any varying conclusions.