4.1 RATIONALE OF THE STUDY

Over the last few decades, the liberalization and deregulation of the financial sector have drawn banking and insurance closer than ever. Inter-bank competition has thickened and banks face increasing competition from non-banking financial institutions and the financial markets. The business of banking around the world has been changing due to the integration of global financial markets, development of new technologies, universalization of banking operations and diversification in non-banking activities. The liberalization of financial sector in India has brought Indian banks to a new economic environment that is characterized by increased competition and new regulatory requirements. As a result, there is a transformation in every sphere of activities of the banks in India, especially in their governance, nature of business, style of functioning and delivery mechanism.

The accelerated processes of globalization of financial markets and integration of Indian financial sector with the rest of the world have created both opportunities and challenges. After the liberalization, bank services started selling insurance products. Through the wide network, bank services reach every person in all the nook and corner of our nation as “one stop shop” giving multiple services. It helps the bank to obtain extra revenue which in turn contributes to the ‘GDP’ of the nation. The bancassurance can significantly improve the financial performance of banks if the customers are clearly familiar with the characteristics of bancassurance. In the absence of significant awareness and preference
regarding bancassurance among customers of the bank, the objective of introducing bancassurance will be completely defeated. Thus the present study focuses on the cost and profit efficiency of banks in relation to the preference and the awareness of bancassurance.

Insurance is one of the fastest growing industries and has a significant contribution in socio-economic development of the country. The successes of insurers highly depend on the effectiveness of distribution channel. The rising market competition and the demand for innovative need based products by the customer have forced the insurance companies to look for alternative cost effective distribution channel.

4.2 SCOPE OF THE STUDY

After liberalization, India’s life insurance industry has grown rapidly, in terms of products, policies and premiums and now strives to tap the huge potential opportunities. During the period of 2000 - 2001 to 2011 – 2012, the industry registered a Compound Annual Growth Rate (CAGR) of 21% in total premium and 25% in new business premium collections. This impressive growth was driven by the entry of new players with significant growth aspirations and capital commitments. With this move the Indian Insurance sector has been transformed into a purely competitive market from being a monopoly. The new entrants have contributed to the development of the sector by significantly enhancing product awareness, promoting consumer education and information, and creating more organized distribution channels. Further in 2000, the Government has allowed banks to distribute insurance plans through their
branches to boost the inclusion process and insurance penetration in the country. However, insurance penetration is very low, at around 4%, which is much lower than developed market level of 4% to 10%.

Banks are not in need to start from scratch; they can comfortably market the products among their customers. However, it is not only about selling insurance products to bank customers but exploiting the true synergies between the respective strengths of the bank and insurance. Banks have a huge network across the country. Banks can earn non-interest income, as interest margins of the banks are moderating. Banks are culturally more acceptable than insurance companies due to their age old relationship with the customers, especially in rural and semi-urban areas.

The scope and importance of the study is limited to analyze the efficiency of Bancassurance and customers’ preference of Bancassurance in Kanyakumari District.

4.3 NEED FOR THE STUDY

The financial resources in the hands of people if channelized in an effective manner will not only help to increase the returns from the basic financial structure of nation but also improve the quality of people. Insurance policies being instruments or products that play a major role in upholding the financial structure of developed countries maintain its importance amongst the entire kitty of financial product offerings. Though the teething phase of insurance, one may say is just past, a desirable foothold is yet to be found. With
growth in the number of middle class families in the country, RBI recognized the need for an effective method to make insurance policies reach out to people of all classes in every corner of the nation. Implementing Bancassurance in India is one such development that took place towards the cause.

The need and subsequent development of Bancassurance in India began for the following reasons

**a.** To improve the channel through which insurance policies are sold/marketed so as to make them reach the hands of common man.

**b.** The size of the country, a diverse set of people combined with problems of connectivity in rural areas, makes insurance selling in India a very difficult proposition. Insurance companies require immense distribution strength and tremendous manpower to reach out to such a huge customer base. This distribution could undergo tremendous changes if all insurance companies proposed to bring insurance products into the lives of common man by making them available at the most basic financial point, the total bank branch through Bancassurance.

The study is basically intended to study the level of awareness, satisfaction and perception towards buying life insurance products from banks; a new model of distribution of insurance products. The findings and suggestions of the present study will improve the performance of bank and increase market penetration of life insurance companies. The synergies between the life insurers and banks will contribute more to the economy. Thus in this context, the present study will be highly useful and relevant.
4.4 PROFILE OF THE STUDY AREA

Kanyakumari District lies at the southernmost tip of the Indian Peninsula at the confluence of the Indian Ocean, Bay of Bengal and the Arabian Sea. It is the smallest district in the state of Tamil Nadu with 100 percentage literacy. The head quarter of the district is at Nagercoil. The district is divided into two Revenue Divisions. They are Padmanabapuram, with the head quarters at Thuckalay and Nagercoil with the head quarters at Nagercoil. There are four taluks consisting 81 villages. Also, there are eighty village panchayats, sixty six town panchayats, nine panchayat unions and four municipalities. With regard to Educational background, Kanyakumari District is not much backward. As per the latest census report, the literacy rate in the district is 100 percent. Hence, banking is appreciated by these people. Banking industry is the nucleus of a district’s economy to meet various needs of all people. There are only few scheduled and non scheduled banks during the early 1960s in the district. After the nationalization of banks, Kanyakumari District is one of the well banked districts of Tamil Nadu. Presently, the district has 140 branches of public sector banks (PSBs), 66 branches of private banks (PBs) and 34 branches of co-operative banks. There is one branch for a population of 6179. The banking network is adequate for the district.

4.5 STATEMENT OF THE PROBLEM

After globalization, the Indian insurance sector has started showing signs of changes. With a large population base and huge untapped market insurance industry is a big opportunity in India for national and foreign investors. This has given rise to many foreign insurance companies setting up joint venture in India to
tap the insurance sector. In such a scenario many Indian banks have entered the insurance sector. But still a huge uninsured population exists and market penetration is still low in many areas. Hence the researcher attempts to examine the role of bancassurance, analyze the efficiency, customer awareness, preference and perception towards purchase of insurance products from banks. Therefore the researcher has undertaken the proposed study “Efficiency and Preference Analysis on Bancassurance of Banks in Kanyakumari District”.

4.6 THEORITICAL FRAMEWORK

Bancassurance, also known as 'Allfinanz' describes a package of financial services that can fulfill banking and insurance needs of consumers. In fact, financial institutions can offer a combination of both banking and insurance services at the same time. Bancassurance as a way of financial conglomeration has appealed widespread attention in the world of academics and business. It offers consumers a 'one-stop-shop' option for a larger range of financial product. This form of a complete financial conglomeration has rapidly grown since the 1980s when interest margins on loans decreased steadily and banks started exploring new sources of revenue. As from the early 1990s, bancassurance becomes a major distribution channel in many insurance markets. The opportunity to tap from different client segments combined with the chance to offer one-stop-shop financial services have globally persuaded both banks and insurance companies to merge their activities.

India a land of promise for bancassurance with a democratic government and a population of one billion has a savings rate of 23 percentages of which savings
with the bank constitute more than 50 percentages of the domestic household's savings. This presents the enviable opportunity for insurers to take advantage of the strong banking platform. The banking network consists of 65000 bank branches, of which 33000 branches are in the rural areas and 14000 branches in the semi urban areas, with each branch serving an average of 15000 people. The challenges and opportunities that Indian market presents are immense. Currently, many foreign insurers are partnering banks and non-bank financial corporations to leverage their local branch network and experience. Solid brand name, strong customer affinity, customized product and service delivery and flexibility to change are some key success factors in this country with its cultural and linguistic diversity and huge economic capability.

This research aims to create an enhanced understanding of the relevant factors that affect the efficiency and preference analysis of the Bancassurance. In the first phase of the study, the theoretical framework of this research is based upon global experience of Bancassurance including implementation of bancassurance in India and Kanyakumari District – Southernmost tip of Tamilnadu and its efficiency and preference analysis based on customer's awareness, knowledge, attitude, and practices. In the second phase, the preferences and efficiencies of bancassurance among the customers were identified on the basis of earlier studies, observations and dialogue with professionals and customers who guided the researcher to draw the research plan, as well as frame the appropriate questionnaire, formulate the objectives and hypothesis.
4.7 OBJECTIVES

1. To assess the socio demographic profile and the awareness level of the customers towards Bancassurance.

2. To determine the knowledge level of bank customers on Bancassurance.

3. To determine the attitude of the bank customers towards Bancassurance.

4. To identify the banking practices of the customers that influences their preference for Bancassurance.

5. To develop a model for identifying the factors that influences their preference for Bancassurance.

6. To associate the level of knowledge, attitude and practice towards Bancassurance with selected socio demographic profile of customers.

4.8 HYPOTHESIS OF THE STUDY

\( H_{01} \) There is no association between type of bank where account is held and the demographic variables such as gender, age, occupation, education, and monthly income.

\( H_{02} \) There is no association between existing customers who have taken insurance policy from banks and the demographic variables such as gender, age, occupation, education, and monthly income.
H_{03}: There is no association between the type of insurance policy taken from the bank and the demographic variables such as gender, age, occupation, education, and monthly income.

H_{04}: There is no association between the preference of bancassurance to be provided by banks and the demographic variables such as gender, age, occupation, education, and monthly income.

H_{05}: There is no association between the choice of banks to buy bancassurance with the demographic variables such as gender, age, occupation, education, and monthly income.

H_{06}: All the variables do not influence the efficiency of the banks in providing insurance.

H_{07}: All the variables equally influence the purchase of insurance policy from bank.

H_{08}: There is no significant difference among various categories of gender with regard to various attributes that influence the purchase of insurance from banks.

H_{09}: There is no significant difference among various categories of age with regard to various attributes that influence the purchase of insurance from banks.
H_{010}: There is no significant difference among various categories of education with regard to various attributes that influence the purchase of insurance from banks.

H_{011}: There is no significant difference among various categories of occupation with regard to various attributes that influence the purchase of insurance from banks.

H_{012}: There is no significant difference among various categories of income with regard to various attributes that influence the purchase of insurance from banks.

H_{013}: There will be no significant association between the level of attitude towards Bancassurance among male and female.

H_{014}: There will be no significant difference among people having different income and their practice of visits to bank.

H_{015}: There will be no significant difference among different levels of education on the knowledge about bancassurance provided by the bank staffs.
4.9 RESEARCH METHODOLOGY

The present study is Descriptive and Empirical in nature. Formulation of the methodology of the study helps the researcher to draw a systematic approach for the research process. The methodology of the present study has been clearly designed.

4.9.1 SAMPLE SIZE

The determination of sample size using the confidence interval approach.

\[ n = \frac{z^2 p q}{e^2} \]

\[ = 600.24 \]

Where

- **Z** = Standardized value corresponding to a confidence level of 95% = 1.96
- **P** = Probability of usability of bancassurance = 0.5
- **q** = Probability of non usability of bancassurance (1-p) = 0.5
- **e** = Acceptable Error = 4% = 0.04

4.9.2 SAMPLING METHOD

The researcher has decided to use non probability based judgmental sampling techniques as an appropriate method to draw samples from the study population.
4.9.3 UNIVERSE FOR THE STUDY

The population of the present study includes Bank account holders of selected banks at Kanyakumari District.

4.9.4 DATA COLLECTION TECHNIQUE

The study district was divided as urban, semi-urban and rural regions. 600 respondents are selected from Public sector banks, Private sector banks and cooperative banks proportionately.

**Details of Bank branches in Kanyakumari District**

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>URBAN (%)</th>
<th>S URBAN (%)</th>
<th>RURAL (%)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>40 (16%)</td>
<td>63 (26%)</td>
<td>37 (15%)</td>
<td>140</td>
</tr>
<tr>
<td>Private banks</td>
<td>17 (7%)</td>
<td>31 (13%)</td>
<td>18 (7%)</td>
<td>66</td>
</tr>
<tr>
<td>Cooperative banks</td>
<td>18 (7%)</td>
<td>17 (7%)</td>
<td>5 (2%)</td>
<td>40</td>
</tr>
<tr>
<td>TOTAL</td>
<td>75 (31%)</td>
<td>111 (45%)</td>
<td>60 (24%)</td>
<td>246</td>
</tr>
</tbody>
</table>

Source: Banking statistics, 2014
### Area wise sample element distribution

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>URBAN (%)</th>
<th>S URBAN (%)</th>
<th>RURAL (%)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>98</td>
<td>154</td>
<td>91</td>
<td>343</td>
</tr>
<tr>
<td>Private banks</td>
<td>42</td>
<td>75</td>
<td>44</td>
<td>161</td>
</tr>
<tr>
<td>Cooperative banks</td>
<td>42</td>
<td>42</td>
<td>12</td>
<td>96</td>
</tr>
<tr>
<td>TOTAL</td>
<td>182</td>
<td>271</td>
<td>147</td>
<td>600</td>
</tr>
</tbody>
</table>

#### 4.9.5 SOURCES OF DATA

Data and information were gathered from both primary and secondary sources.

**Primary Data**

Primary data were collected from bank customers with the help of structured questionnaire.

**Secondary Data**

Secondary Information was collected from official website of RBI, Economic Review, Lead Manager, Journals, Business magazines, Text books, Newspapers, and Websites.
4.10 RESEARCH FRAMEWORK

The research process carried out for the research is shown in fig. 4.10

- Emergence of banking and insurance sectors, their innovations, their change management over the decades and the development of Bancassurance (or) their integration as Bancassurance

- Review of Literature

- Problem Identification and Preparation of Research Plan

- Primary Data
  - Observation, Discussion
  - Questionnaire Generation (Instrument)
  - Pilot study
  - Pre – Testing and finalization of Questionnaire
  - Questionnaire, Administration and retrieval
  - Customer opinion about bancassurance
  - Analysis, Interpretation and reports of findings and suggestions

- Secondary Data
  - Growth of Bancassurance – Global and India
4.11 PILOT STUDY

Pilot Study was undertaken with 100 respondents. The respondents are bank customers who may or may not purchase insurance policies from the banks. Necessary modifications were made in the questionnaire to make it more user friendly.

4.12 DATA ANALYSIS AND TOOLS USED

Analysis and interpretation are central steps in the research process. The aim of the analysis is to organize, classify and summarize the collected data so that they can be better comprehended and interpreted to give answers to the questions that triggered research. Interpretation is the search for the broader meaning. Analysis is not fulfilled without interpretation and interpretation cannot be proceed without analysis. So, both are interdependent. In this study, a detailed analysis of the collected data has been attempted as per the objectives stated earlier. Hypotheses were also tested based on the findings of the study; interpretation and conclusions were drawn out of this. The tools used for the analysis were Student t Test, Chi-square Test, Regression Analysis, Percentage Analysis, Factor Analysis, One way ANOVA.

4.12.1 REGRESSION ANALYSIS

Regression is the determination of statistical relationship between two or more variables. In simple regression, two variables are used. One variable (Independent) is the cause for the behavior of another variable (Dependent). When there are more than two interdependent variables, the analysis concerning
relationship is known as multiple correlations and the equation describing such relationship is called as the multiple regression equation.

Regression analysis is concerned with the derivation of an appropriate mathematical expression which is derived for finding values of a dependent variable on the basis of independent variable. It is thus designed to examine the relationship of a variable \( Y \) to a set of other variables \( X_1, X_2, X_3, X_4, X_5 \ldots \ldots X_n \). The most commonly used linear equation is,

\[
Y = b_1X_1 + b_2X_2 + b_3X_3 + \ldots \ldots + b_nX_n
\]

Here, \( Y \) is the dependent variable, which is to be found. \( X_1, X_2 \ldots \ldots X_n \) are the known variables with which predictions are to be made and \( b_1, b_2 \ldots b_n \) are coefficient of the variables.

Using the regression analysis the researcher has found the efficiency of banks and the preference of buying insurance policy from bank.

Here, the dependent variable is Efficiency (EFF) and the Independent variables are Knowledge provided by banks (KNO) and Awareness created by banks (AWA), Practices or services promoted or offered by banks (PRA). The regression equation,

\[
EFF = b_1KNO + b_2AWA + b_3PRA
\]

In this study, the regression analysis of, Buying insurance policy from bank (BUY) is dependent variable. Independent variables are Bank Service (SER), Bank
Benefit (BEN), Cost, Premium and Returns (CPR), Insurance Company Related (ICR), and Bank Employees (EMP). The regression equation,

\[ BUY = b_1 \text{SER} + b_2 \text{BEN} - b_3 \text{CPR} + b_4 \text{ICR} + b_5 \text{EMP} \]

\[ \text{--------- 2} \]

4.12.2 FACTOR ANALYSIS

Factor analysis is the data reduction technique which is used most commonly in business in order to control very few factors out of many. It is used to confirm the reliability of factors and variables. In the present study, 31 variables were verified and it was reduced to 5 important factors.

4.13 PERIOD OF FIELD STUDY

The Period of field study for the preparation and distribution of questionnaires and for the retrieval of the completed questionnaire was from September 2013 to September 2014.

4.14 LIMITATION OF THE STUDY

- The study is restricted to Kanyakumari District. The results obtained in this study cannot be generalized to other Districts of Tamilnadu and other states.

- This analysis is based purely on the primary data collected from bank customers.

- The respondents had to depend on their memory in their responses since they do not keep any records. So, this study is subject to memory bias.
• Due to cost and time constraints, round the year observation could not be made.

4.15 CHAPTER SCHEME

The thesis is organized into six chapters.

CHAPTER I: INTRODUCTION

This chapter describes the development of banking industry, its transition, technological adoption and its implication, integration of insurance products in banking services, Global banking scenario and Indian banking scenario.

CHAPTER II: BANKING PROFILE OF KANYAKUMARI DISTRICT

The Second Chapter describes the demographic and banking profile of the study area.

CHAPTER III: REVIEW OF LITERATURE

The Third chapter reviews literature. The reviews were collected from the research journals, conference papers, books and various reports.

CHAPTER IV: RESEARCH METHODOLOGY

The Fourth chapter includes research design and methodology. This chapter includes rationales’ of the Study, statement of the problem, theoretical framework, objectives of the study, hypothesis of the study, scope of the study, profile of the area, research methodology and limitations of the study.
CHAPTER V: ANALYSIS AND INTERPRETATION

The Fifth chapter analyses the attitude, awareness, preferences and efficiency of integrating insurance with banking.

CHAPTER VI: SUMMARY AND FINDINGS

The Sixth chapter summarizes the findings of the study. The major findings, relevant suggestions and the conclusions have been given.