Abstract

The financial liberation and financial innovations have drawn the worlds of banking and insurance closer together, desegmenting the financial industry and spurring competition. Therefore, bancassurance have increasingly become accepted as a norm rather than exception for the banks dealing in insurance products. Bancassurance models are 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. The present study gives a comprehensive picture of the opportunities and challenges of bancassurance in Kerala and also the problems faced by customers while availing insurance from banks. While bancassurance does provide an apparently viable model for product diversification by banks and a cost-effective distribution channel for insurers, there are some potential areas of conflict between the two that need to be ironed out. The analysis of the perception of bank managers revealed that the main opportunities of bancassurance are generation of fee income, cross selling of insurance policies, services under one roof, sales oriented culture, strong relationship between banks and insurance companies, increases productivity of bank staff and customer retention. It was found that main challenges of bancassurance are non consideration of insurance as core business, lack of sufficient training to bank staff, problems of back office to deal with customer data base, and unpopular agreement between banks and insurance companies. The main factor that motivates customers to avail to insurance products from banks is the existing relation with bank. Bancassurance is growing at a slow pace and has a bright future in the coming years. The banks need to adopt a sales culture in addition to the pure service culture.

Key words: Bancassurance, Opportunities, Challenges, Problems.