Chapter-2

The Depth of the Research in Bancassurance:
A Review of Literature

The review of literature is must for a researcher to identify the research gaps, sources of data available, and different methodologies used in the field. Moreover, the review is necessary to know about the extent of the exploration in the selected area of research. Thus, in surge of exploring the depth of the literature in the field of bancassurance, the present chapter has been divided in eight sections. The Section 2.1 deals with the studies, exploring the status of Bancassurance across the Globe; Section 2.2 provides the review of conceptual studies that discussed the concept, benefits and disadvantages of bancassurance following deductive reasoning i.e., these studies addressed the topics without any empirical observation. Further, identifying the need of the analysis of the awareness regarding bancassurance among bank customers to know their perspective about bancassurance, the studies addressing the issue of awareness regarding bancassurance have been cited in Section 2.3. Section 2.4 deals with the studies discussing the various Models of Bancassurance, preferred by, customers and Bankers around the world. Literature relating to the Drivers of Cross buying intentions of Customers has been discussed in Section 2.5. Section 2.6 sheds light on the studies, measuring the levels of Satisfaction of bank customers. Studies debating upon the relative importance of various dimensions of satisfaction have also been made part of this section. Literature studying the Bancassurance from the view point of Bankers has been cited in the Section 2.7, i.e. this section includes drivers to initiate bancassurance, benefits availed and problems faced while selling insurance. The literature emphasizing upon the contribution made by bancassurance in the financial performance of banks has been included in the Section 2.8. The last section is concluding one that offers the observed gaps in existing research in the selected fields. The objectives and hypotheses in the light of these objectives have also been discussed in the same section.

2.1 Bancassurance across the Globe

Swiss Re (2002) presented the status of Bancassurance across 12 countries. The report highlighted the determinants of Bancassurance for bankers, insurers and customers. The challenges for regulators have also been taken into consideration. Shrinking profit
margins, financial deregulation, balance sheet pressure, catalytic role of foreign insurers and highly sophisticated customers have been identified as the drivers for development of Bancassurance in Asia. Substitution risk, reputation risk and cultural differences have been recognized as potential pitfalls for Bancassurance. A wide range of models and various products (traditional, blended and fully integrated financial services) along with profitability and risk associated with them have been explored. Regarding pattern of Bancassurance deals in India, it has been found out that (i) 69 % of the deals were of distribution agreement followed by Joint venture (17 %) and financial service group (14 %). (ii) Share of distribution channels in Bancassurance deals in Asia revealed that 80 % of the sales were made by bank staff followed by career agents (22 %) and a handful of insurers’ opted internet and financial planners for selling insurance. (iii) 80 % of Bancassurance deals involve cooperation between life insurers and banks. (iv) in majority of Bancassurance arrangements domestic banks and foreign insurers were involved from banks’ and insurers’ side respectively. Amongst country specific factors, tax concessions and customers’ propensity to shift channels have been regarded as unfavorable for Bancassurance

**Kumar (2004)** studied the development level of bancassurance in Middle East and crowns legal climate and low penetration level of insurance in the country to be favorable for the introduction of bancassurance. Author states that high-income level and the sophistication of the mid-segment population coupled with high level of IT connectivity also augur well for the development and growth of bancassurance in the Middle East. Author suggests a proper study of market to purpose a suitable product to ensure bright prospects for bancassurance.

**Legrand(2004)** studied the bancassurance Models operating across the world along with their strengths and weaknesses. While discussing the cost structures of all models operating in European bancassurance, author prefers integrated models over others, as cost advantages have been reported to be more significant in integrated models. At last author favors bancassurance over traditional distribution channels due to its higher productivity and lower costs.

**Yasuoka (2005)** discussed the start of Over the Counter (OTC) sales of annuities thus selling the bancassurance in limited form, by banks in Japan. Author analyzed the growth in the business of insurance selling at financial institutions including banks in Japan, indicating the concept’s growing popularity. Trends in the sales by banks in United States have also
been made part of the study to explore the prospects for bancassurance in Japan. Researcher argues that appropriate channel strategy, appropriate selection of products and development of asset management services have been identified as the key issues that would confront banks in this field. At last, development of appropriate products and proper management of contracts, commission structures and competition have been recognized as some of the challenges that the insurers would be required to overcome.

Kumar (2006) studied the bancassurance status in Middle East countries and opined that shrinking interest rate, growing competition and increased horizontal mobility of customers have forced bankers to opt new stream of income assured by bancassurance. Knowledge about the financial status of the customers and trust on the bank has been crowned as the factors in the favor of banks to start bancassurance. It has been recommended that (i) need based analysis of the customers should be done and customized products should be offered to them (ii) banks should prefer asset and wealth management products. Finally, Banks have been suggested to offer products bundled with loans sanctioned to customers, to ensure more sale of insurance in the bank branches.

Swiss Re (2007) provided an overview of Bancassurance, benefits and pitfalls associated with it and its development around the world. Supportive regulatory environments, fiscal benefits, tax advantage, simplicity of the products and strength of alternative channels have been identified as drivers to initiate Bancassurance. In addition to it, Bancassurance has been considered to be most cost effective than traditional agency and broker channels. Better customer relations, ability to leverage fixed costs, brand awareness, frequent interactions with clients, and extensive use of technology associated with Bancassurance, suggested its competitive advantage over other distribution channels. Comparing Bancassurance penetration rates around the world Brazil has been reported to be at highest rank followed by Malaysia, China, India, Columbia, Indonesia, Chile, Turkey and Mexico. It has been reported that Bancassurance accounted for 28 percent of life and 2 percent of non-life distribution 2005. Finally, trust of customers upon bank, various channels (Direct marketing, telemarketing and internet banking) and product diversification capability in accordance to client segmentation have been regarded as motivating factors for development of Bancassurance in India.
Artikis (2008) presented a brief summary of Bancassurance phenomenon across the world and provided an insight into the underlying dynamics and corporate structures of financial conglomerates. Three modes of entry namely multi-tie/referrals, joint ventures and corporate groups have been documented to reflect market realities. The integration of global financial markets, the regulatory framework, the structure of particular market, the public’s preferences towards products/services have been identified as critical factors that interact to favor or hinder the development of phenomenon.

Chawla and Singh (2008) examined the experience of various Countries as regards Bancassurance along with the developments in Indian market. In addition to it, Benefits of this mode of distribution for the insurer and bank, factors affecting Bancassurance in India, Bancassurance Tie-ups, issues to be focused for its growth and its proper implementation and finally the Model to be adopted in India (keeping in view the surrounding environment) have been explored. Researchers suggested that for India, The Bancassurance Model should be implanted step by step starting from simple products and then should be extended to complex products.

Jongeneel (2011) tried to extend the knowledge of bancassurance, by investigating country level bancassurance development. Bancassurance has been proxied by its receptive share in insurance distribution. Market concentration, internet usage, size of the insurance market, level of deregulation and bank branch density have been taken as independent variables affecting bancassurance. Results of the study suggests that (i) market concentration predominantly had a positive impact on bancassurance proportions (ii) The same positive impact was consistently found for the level of deregulation (iii) The size of the insurance market only occurred to be significantly and positive in the ‘non-life’ regressions (iv) Both Internet usage and bank branch density came out as determinants leading to contraction of bancassurance proportions (v) Though, evidence for bank branch density remained weak (vi) The effect of Internet usage is more profound in the ‘life’ sample. This supports the finding that Bancassurance have been more successful in ‘non-life’ offerings through Internet (vii) Country wise comparisons shows that bancassurance flourished more in the countries with undeveloped insurance markets, because of initial speed and costs of establishment, simplicity of product offerings and the trustworthy positions that local banks hold. Finally, sound understandings of consumer behavior and
favorable local legislation have been emphasized, to find out the way to sell insurance, to the banks customers optimally.

*Kumara Swami (2012)* examined the bancassurance business of India and proposes that challenge of customer retention, entry of fully automated private and foreign competing banks, presence of nonperforming assets, and thin margin due to deregulation paved the way for bancassurance. The researcher suggests that enhancing customer sophistication, vast network of branches, trust, information technology and already established relationship with bank as the main promising factors for successful future of bancassurance in India.

*Sorina (2012)* analyzed different aspects of bancassurance phenomenon, its main drivers and some specific issues, in European financial service industry. While discussing the various products that can be offered under bancassurance, It has been suggested to opt different products for retail and corporate customers and to link the products with simple banking products, to ensure more sales and thereby a fixed source of income and risk diversification for banks. Continuous revision of the products in the light of changing customer needs and evolution of financial markets has been focused to ensure a win win situation for both bankers and insurers.

*Ghimire (2013)* explored the practices of bancassurance in Nepalese insurance industries. Based on the analysis of secondary data obtained from official websites and annual reports of the insurance companies, it has been inferred that banks have been dealing effectively with insurance selling in Nepal, though the effectiveness has been more in case of non-life products rather than life insurance. Huge potential in insurance market and large network of bank branches in Nepal have been found out as favoring factors for bancassurance. To sum up, it has been suggested to ensure conducive economic and regulatory environment to create workable conditions for bancassurance.

*Pani and Swain (2013)* discussed the bancassurance models, benefits for the parties concerned and compared the status of bancassurance across globe and India. Economies of scale, wider reach and opportunity to learn has been identified as benefits for both banks and insurers. Customers have been put to be at advantage due to better premium rates. Total premium earned and number of policies sold through various distribution channels have been compared over the years and it has been concluded that there is a spectacular increase in both premium collected (13.30 percent) and number of policies sold (4.03 percent) through banks.
as distribution channel. At last, it has been suggested to develop proper IT infrastructure and to make proper use of bank’s database to ensure great contribution from bancassurance in future.

2.2 Bancassurance: Concept, Benefits and Problems

Karunagaran (2006) attempted to explore the scope of Bancassurance, as feasible source of sustainable income to banking sector by exploiting the synergy in the context of India, having the largest banking network coupled with lower insurance penetration and lower insurance density. Comparison of Bancassurance status with other countries of the world reveals that legal system, strong banking infrastructure, banking culture, customer relationship management, flexible banking system, reputation of the bank and tax incentives were the main factors that contributed sizably to the proportion of insurance products distributed by banks and thus to the earnings of banks. The fact that banking operations in India are still branch oriented and manually operated will act as conducive factor for flourishing Bancassurance in India. Finally, it has been suggested to offer financial counseling and customized products to customers coupled with adequate training and sufficient incentives to bank staff to make Bancassurance a win-win situation for all the parties involved.

Ravi (2006) tried to explore the issues relating to human resource and operational challenges in Bancassurance in India. Training, behavior of bank employees and proper compensation (reward based) structure have been recommended to be worked upon. In addition, presales and post sales services have been regarded as operational challenges, in front of the banks. So, it is recommended that success of Bancassurance hinges on how well are the stakeholders involved, namely the bank and insurance company. Thus, the banks are suggested to remove the operational and HR challenges and insurance companies are required to ensure prompt and effective service in claim settlement which can in turn be supplied to customers by banks.

Singhvi and Bhatt (2008) compared the various distribution channels for an insurance company namely Agents (corporate and independent), Bancassurance, and Retail sector, Brokers, Referrals, Financial planner and advisors. In addition to it Bancassurance has been regarded as Win-Win situation for insurance company as well as for Bank. Cultural integration, communication, technological incompatibility, MIS reporting, proper training of
bank staff, appropriate products and clearly defined rules and responsibilities have been treated as key success factors for Bancassurance. Finally insurance companies’ channel members are advised to avoid forced selling and to equip themselves with proper knowledge to advice prospect.

**Teunissen (2008)** aimed to shed light upon the concept of Bancassurance. Along with the historical background, products offered, distributional channels and cultural issues of bancassurance have been highlighted. While focusing on the importance of service quality in bancassurance, understanding the service standards of the business partner has been recommended for both banks and insurers. A two way referral system has been recommended, to enhance awareness about bancassurance amongst bank customers.

**Singhal and Singh (2010)** made an attempt to assess the vital aspects of Bancassurance and evaluated how this synergy is leveraging benefits for banking and insurance. The study explored the benefits associated with Bancassurance from banks’, insurers’ and customers’ viewpoints. Bancassurance sales models and various kinds of products that can be sold through this channel have also been explored. In addition, it has also laid down that integrated long term perspective approach, support of top management, clarity of objectives and goals to both of the parties, assimilation of different cultures, customer relationship management, proper demarcated products (of both partners) and compatibility & assimilation of process & services are some of the factors which should be taken care of in order to ensure success of Bancassurance.

**Krsticet. al. (2011)** dealt with development phase of bancassurance, implementation modes and its advantages and disadvantages for the parties concerned i.e. for banks, insurers and clients themselves. Increased profits and productivity of staff has been identified as benefits from this new and fixed source of income, for banks. Access to new client base with wide geographical coverage has been acknowledged as the aids for insurers. Complete supply of all financial products under the same roof has been recognized as the main benefit for customers. After discussing three models (Distribution arrangement, Strategic Alliance and Joint venture) it has been suggested to adopt such a model that ensures proper training and compensation to bank staff, to obtain best results from bancassurance. In addition to it, simple standardized products and active participation of bank staff has been identified as key ingredients for successful introduction of bancassurance.
Sumathi (2012) examined the prospects of bancassurance, based on respondents’ perception towards strengths, weaknesses, opportunities and threats, pertaining to bancassurance venture. A sample of 448 respondents has been chosen from State bank of India and gender based comparison has been done. Calculated Mean Scores of variables in respective four categories reveal that (i) female respondents perceive that banks have more strength in bancassurance business than male respondents (ii) male respondents perceive that banks indulge more weaknesses in bancassurance business compared with female respondents (iii) the both male and female respondents more or less perceive equally on the opportunities in bancassurance venture (iv) male respondents perceive more threats for banks, dealing with bancassurance, than the female respondents. Further, t-test has been applied to analyze the significance of difference in their perception. Findings confirm the gap between Strengths and Weaknesses of bancassurance, among the respondents representing both genders. Gap between the perception regarding Strengths and weaknesses is observed to beat 0.7662 for female candidates and at 0.3303 for male respondents. This implies that the female respondents are highly perceived by the strengths than weaknesses of bancassurance. Similarly, female respondents highly perceive the opportunities for bancassurance, because the mean difference among opportunities and threats among male and female are 0.4404 and 0.3790 respectively. To sum up, it can be concluded that the female respondents appreciate the provision of insurance services by banks and are of the positive view that bancassurance have a wider scope in the near future.

2.3 Level of awareness regarding Bancassurance

Lymberopoulos, et al. (2004) investigated the areas of insurance product portfolio that could have a better potential to be distributed by the Greek banks. A well designed questionnaire was used for the survey of bank customers. A sample of 720 bank customers was selected. Data set covered a period from November 2002-January 2003. Findings of the study reveal that i) out of 720 respondents only 0.3 percent respondents were without any insurance product. Most of the respondents were using vehicle insurance, followed by life and health insurance. Only 17.6 percent of the respondents (insurance holders) had used their bank as the insurance provider. ii) The main reasons stated by respondents for using their bank as insurance provider include trust, good financial terms, service quality, better communication, use of other banking services and personal acquaintances. iii) 53.7 percent
respondents were found to be aware of Bancassurance services of their banks. Bank brochures and bank staff were reported to be the main source of information to customers. iv) Customer awareness was found to have no effect on type of insurance products customer would prefer to buy. Finally the banks have been suggested to identify specific insurance programs and certain customer segments to enhance their earnings from cross selling.

Rajkumari (2007) carried out an empirical study in order to find out customers’ attitude towards purchase of insurance products and their knowledge regarding Bancassurance formats. A sample of 100 respondents was taken from Centurian Bank of Chennai and descriptive statistics along with Chi square test had been applied to check awareness and preference level of the respondents. The results revealed that (i) 64 percent of respondents were aware about Centurian bank’s tie up with insurance companies. Telecallers on the part of banks was reported to be the main source of awareness. (ii) Health insurance by ICICI was the most preferred in non-life insurance policies. Chi square test suggested low correlation of Bancassurance clients with Centurion’s bank accounts. Hence the study concluded that level of awareness about Bancassurance should be worked upon to improve insurance penetration level.

Popli and Rao (2009) carried out a study to explore the prospects and challenges for selling insurance through banks in India. Factor analysis has been applied on a sample of 115 respondents to find out (i) the awareness and willingness on their part to purchase insurance products from banks (ii) investigate the factors influencing customer’s attitude towards banks and insurance companies and (iii) reasons to buy insurance products from the banks. The sample had been formed, keeping in view the different demographic factors such as gender, age and income. The results reveal that (I) 86 percent of the respondents were aware of the fact that their banks sell insurance products. Published marketing material and advertisement were reported to be the main information sources (II) trust, personal relationship and convenience were the main factors for buying insurance products from the banks instead of insurance agents. Researcher emphasized the importance of customer relationship management and finally concluded that banks 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.
Agrawal and Haleja (2011) tried to judge the awareness level as well as customers’ behavior towards purchasing of insurance products from banks, taking income of the customers’ as a base. A stratified sample of 100 respondents, from Delhi and NCR region was taken as a sample for this study. Total eight factors namely; age, product knowledge, proper attention, brand image, trust, channel convenience, advertisement and access had been taken and their association with income of the respondent had been examined. Results from ANOVA table indicate that most of the customers were not satisfied with the product knowledge and attention of the employees that is given to them. Only 62 per cent of the respondents were aware about the Bancassurance. 72 percent of the respondents were of the view that banks should go for proper advertisement. The analysis of cross buying intentions shows that 75 per cent of the respondents were ready to cross buy other services subject to the provision of proper information and proper attention by bank staff.

Kumari (2012) studied the customer attitude towards bancassurance in India. A sample of 115 bank customers has been taken from 10 different banks of India. Respondents have been asked about their source of awareness regarding bancassurance and to mark the reasons for buying insurance from their bank rather than buying it from insurer. Results shows that maximum number of respondents (91 percent) marked bank brouchers as the source of awareness about banks selling insurance, followed by advertisement (83 percent), bank staff (71 percent), internet (68 percent) and friends (57 percent). Analysis of reasons for preferring banks instead of insurance agents shows that trust upon bank (89 percent respondents) has been marked as most important reason followed by personal relationship (78 percent), service quality (78 percent), convenience (72 percent), expertise (70 percent), financial soundness (65 percent) and communication (57 percent). Hence, it has been recommended that, banks in India should try to exploit the existing opportunities to cross-sell insurance products, 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.

Ali and Chatley (2013) studied the customer perception and their satisfaction regarding bancassurance. A stratified sample of 400 customers of life and non-life insurance,
from 4 major cities of India, has been chosen. The findings of the study exposes that out of 400 respondents (i) 342 were aware about the bancassurance as a distribution channel (ii) 74 percent reported that the bank officials as the main source of information for them followed by company officials (34.50 percent) and agents 95.50 percent) (iii) 234 had actually purchased insurance policies from their bank, out of which 136 had gone for life insurance, 55 for non-life and 43 for both types. Analysis of the method followed by bankers for selling insurance indicates that the special privilege offer by the banks emerged as the most common method, followed by policy tied with banking product and forced selling by bank. Comparison between satisfaction levels reveals that significant differences have been reported for attitude of the staff regarding, complaint handling disbursement of benefits, loan facility and provision of information. Analysis of extent of difficulty among respondents in getting different services while buying insurance policy through bank shows that significant differences have been noticed in case of getting loan against policy and continuation of lapsed policy. Hence, it has been concluded that banks and insurance companies need to work on the whims and fancies of the customers and improve upon the factors that inhibit them, from going ahead.

2.4 Models of Bancassurance

Kumar (2001) discussed various distribution channels in bancassurance namely career agents, special advisors, salaried agents, platform bankers, brokerage firms, direct response, internet and E brokerage. Merits and demerits of all channels have been discussed and it has been suggested that (i) banks should go for technological advancement so as to use the bank database of customers effectively (ii) cultural conflicts between both partners should be ironed out by ensuring full commitment from staff in selling insurance (iii) technology must be combined with fundamental knowledge of insurance to develop processes, unique to the banking environment (iv) bancassurance strategies must be driven by customers and channels and emphasis should be upon leveraging the bank's competitive strengths (v) Distribution channels should be integrated in accordance with the established model in order to ensure cost saving and increased productivity.

Staikouras (2006) explored the non-quantitative aspects of the interface between banks and insurance companies. The paper reviewed the various market trends and highlighted the difference among European countries. Having discussed the cultural
differences and integration obstacles between banks and insurance firms, the study proposes a three dimensional shape for financial conglomerate. More specifically, product complexity, distribution infrastructure and market integration have been put forward as the forcing variables underlying the platform for synergy. Finally, two broad drivers – relating to market and operational difficulties have been held responsible for the success and failure for the new venture.

Korheonenet et al. (2006) analyzed the alternative alliance structure between banks and insurance companies from the view point of Finnish customers. Seven criteria (equal treatment of customers, sustainability and reliability of operations, transparency and comparability of the products, understandable division of risks between customers and financial corporations, system risk management, economies of scale, availability of service) have been introduced for evaluating alternative structure models namely overlapping/non overlapping cross selling agreements, overlapping /non overlapping alliance by independent partners, and control by ownership either by bank and insurance company vice versa or in the form of financial conglomerate respectively. It has been found out that plain cross selling agreements (both overlapping/and non- overlapping) were mostly preferred by Finnish customers. Customers were also asked to evaluate the alliances and criteria from the view point of executives and supervisory authorities. While comparing the views expressed by customers in all of the capacities, researchers conclude that financial conglomerate could be the best model on the condition that certain supervisory and customer criteria are satisfied to a sufficient degree.

Cheng et al. (2008) attempted to find out the most preferable Bancassurance alliance model from customers’ perspective. Three criteria (executive aspect, supervisory aspect and customer aspect) and nine sub-criteria (Product development, economies of scale, stability of operation), (system risk control, supervisory authorities using better resources, division of risk) and (service convenience, sufficiency of product information, equal treatment of customers) have been identified under three main categories respectively. Analytical Hierarchy process (AHP) methodology has been applied and composite priority of six alliance structures, beneath the three criteria came out to be as executive aspect (0.331), supervisor aspect (0.135) and customer aspect (0.533) as composite scores. Results of the study have shown that Taiwan customers consider many factors while purchasing financial
products but the most important factors influencing their decision are convenience, customer benefit and risk control.

Wu et al. (2010) identified the preferable Bancassurance alliance structure from bank’s executive management perspective in Taiwan. Modified Delphi method and Analytical Network Process (ANP) have been used to construct an evaluation method. Four criteria and ten sub criteria have been introduced to evaluate Bancassurance alliance models. Then these criteria and sub criteria have been examined in context of different models namely financial holding company, holding shareholding, joint venture, pre competitive alliances, insurance agent company and insurance broker company. Results of study declares that financial holding company was the alliance that was preferred by banks executives due to operating synergy, risk diversification and tax savings as the advantages associated with it.

2.5 Drivers of Cross Buying Intentions

Flur et al. (1997) investigated the relevance of Banks, as the new channel for selling insurance. Trust and face to face contact have been crowned as the significant factors ensuring successful selling of insurance on the part of banks. Limited reach and less productivity of insurance agents were highlighted as the factors in favor of banks selling insurance products. Furthermore, researcher explored many areas like capability of banks to leverage their reputation and distribution system, customized products, use of various channels like (Phone, direct mail, branch) and selling through face to face push channels, managing long tail investments as the areas where the banks can excel at and the areas where the banks lack experience respectively. In the light of this, it has been suggested to adopt any of the three models namely leveraged bank distribution, leveraged life distribution, banks/life joint venture - leveraging the skills of both partners (Banks and Insurance companies) to reap the benefits associated with bancassurance.

Verhoef et al. (2001) analyzed the impact of Satisfaction and payment Equity on Cross-Buying. A sample of 2018 customers of a company over a period of one year has been taken. Payment equity and Satisfaction have been taken as independent variables and their effect on Cross buying was studied using Regression analysis. Moderate effect of length of a customer relationship with the company was also made part of the study. Ordered Probit analysis has been used to draw the results. Findings of the study suggest that (i) difference in the satisfaction levels had no effect on cross buying. Satisfaction with existing service had no
effect on cross buying rather lower satisfaction from the same services resulted in abandonment of services already purchased. Although satisfaction had been reported to be having insignificant effect on cross buying but length of relationship was found to be affecting the effect of satisfaction upon cross buying. (ii) Payment equity again was reported to have no effect on cross buying but better performance in payment equity had been reported to have positive and significant impact on cross buying. Lastly, it has been suggested that for the addition of new services, a more proactive approach, using marketing instruments should be preferred. And to prevent dropping of services, managers should focus on the quality and prices of the current purchased services.

Ngobo (2004) tried to identify the drivers of cross buying intentions of the respondents from France. To ensure the cross validations of the results, two studies, from two different service industries, have been conducted. First sample was composed of 280 customers of a global retailer and second sample was composed of 257 clients of the major retailing banks in the city. Respondents have been asked to mark their preferences for various indicators of cross buying, on 11 point Likert scale. Simultaneous Equations Modeling (SEM) has been used to explain the cross effects of various variables taken for the study namely; perceived value and quality, satisfaction from existing services, perceived switching costs, perceived convenience, repurchase intentions and image conflicts. Usage of existing services and length of relationship with the bank have been taken as control variables. Results of the study suggests that (i) perceived convenience and image conflicts about the service provider were the most important drivers of cross buying intentions. (ii) A difference in the terms of the importance, has been reported between two samples. Image conflicts seemed to be important for the retailer compared to the banking industry. (iii) In the first sample, the influence of repurchase intentions was reported to be less important while for the second sample customer satisfaction significantly predicted cross buying intentions. At last, it has been suggested that cross selling is more likely to succeed, when the service provider offers benefits to the customers, service provider is capable enough and its capabilities are being recognized by its customers.

Li et al. (2005) investigated customer purchase patterns for products that are marketed by large Midwesternen Bank. Probit model was used to explore consumers’ acquisition of financial services. Data set covered monthly observations of eight products of 1201 randomly
selected households, who were the customers of the bank from July 1997 to June 1998. Findings of the study suggested that households with a greater level of education or male heads move more quickly along the financial maturity continuum than others. Lastly, it has been suggested that managers should go for collecting information to determine its customers’ stages of demand maturity, before spending upon marketing or launching of a new product and the customers with higher education level and higher incomes should be captured first to ensure a stable place in the market.

**Sharma and Nigaguna (2006)** examined the cross selling practices in Indian public and private sector banks using case study method. The study revealed that cross selling practices in both sectors are quite different. These differences emerged mainly because of their different philosophy, background and distinct target customer segments. However, it has been suggested that both sectors can learn from each other, public sector banks can introduce specialized training and incentives where as private sector banks need to introduce appropriate control mechanism and indiscriminate cross selling.

**Li Qi (2009)** conducted a study on critical success factors for cross selling in China. Various factors such as top level management support, training and technology, organization ability (Knowledge management and customer responsiveness) have been chosen and hypothesized as critical factors for cross selling. Regression and correlation analysis have been used to verify the hypothesis. The findings of the survey conducted upon 125 management professionals revealed that three factors namely top management support, training and technology status were the most important success factors. Knowledge management was reported to have positive impact on cross selling but its impact was not so effective as compared to previous three factors. Customer responsiveness was reported to be not significant when testing the relationship between it and successful cross selling respectively.

**Tsung and Li-Wei (2007)** examined the impact of locational convenience, firm reputation, firm expertise and direct mailings on both customer retention and cross buying. The mediating roles of satisfaction and trust in relationships between service attributes, customer retention and cross buying have also been examined. A final sample of 470 respondents having different demographics (age, income, marital status, length of relationship with bank, annual income, education level etc.) has been selected. Structural
Equation Modeling has been used to test the hypothesis. The findings of the study suggested that (i) the number of products purchased from other firms had negative effect on cross buying on the other hand relationship length had a significant positive effect on customer retention. (ii) One stop shopping convenience had effect on both customer retention and cross buying. (iii) Locational Convenience had effect on customer retention but not on cross buying. (iv) Firm reputation and firm expertise had significant positive effect on customer retention and cross buying. (v) Direct mailings had significant positive impact on cross buying but did not have any impact on Customer retention. Finally, the Banks have been suggested to use a wealth management platform and Customer relationship management (CRM) system integrating various products and service supports to retain customers and cross sell more investment and insurance products.

Liu and Wu (2008) aimed to examine the separate moderating effect of category similarity and category complexity on the relationship between satisfaction, trust and cross buying. A single cross sectional survey has been conducted to gather data from 506 bank customers. Gender, income, age, relationship length, no of products already purchased from other service providers have been taken as control variables. All control variables except income, has been reported to have different effects in different categories and gender has not been reported to be a significant predictor of cross-buying. Furthermore, trust has also been found out to be relatively more important antecedent of both dissimilar and complex cross-buying.

Kumar et al.(2008) found out the drivers of cross buying in retail industry. Researchers took a sample of customers of a catalog retailer for the period 1997-2002. Regression analysis has been applied taking cross buying as dependent variable. Independent variable consisted of Product returns, direct mailings, focused buying, cross promotions and demographics of customers. Out of these, average inter purchase time, ratio of product returns, focused buying and firm’s marketing efforts have been identified as important drivers to cross buy. At last, the retail managers have been suggested to find out the cross buying drivers and their relation with cross buying intentions, so as to select customers with a higher likelihood to cross buy. Managers have also been advised to use the right amount of cross promotions to make cross selling as a success.
Magdalini and Kalipsa (2008) tried to explore and examine some key variables influencing customer intentions to buy additional products from the same bank. The four factors namely satisfaction, perceived value, image of the bank and trust have been taken as independent variables and their impact on customer’s cross buying intentions have been studied with the help of Structure Equation Model. A final sample of 311 respondents has been selected. The results of SEM suggests that (i) trust in the bank had positive impact on cross buying intention (ii) satisfaction and trust had positive impact on the image (iii) image had positive impact on cross buying intention and value had positive impact on satisfaction. But direct impact of perceived value and satisfaction on cross buying was not statistically significant so finally it was laid down that cross buying intention of the customers was directly influenced by trust and favorable image and was indirectly influenced by satisfaction and perceived value. Thus, the banks have been suggested to build their repo and to work upon the quality of their services to further enhance the scope for cross selling.

Vanniarajan and Gurunathan (2009) evaluated the linkage between Service Quality, Customer Satisfaction and Repurchase Intentions. Researchers dealt with the predictive ability of the two measurements namely, SERVQUAL and SERVPERF on customer satisfaction in three industries. An empirical investigation of 100 Indian banking customers had been carried out. The appearance of higher $R^2$ for SERVPERF scale rather than SERVQUAL empirically verified that the impact of SERVPERF scale on service quality factor was better explaining the overall service quality than SERVQUAL. The path coefficient of SA’! RI diminishes from 1.2406 to 0.8082 while the coefficient decreased when Overall Service Quality (OSQ) was introduced as mediating factor, hence proved the hypothesized mediating role of customer satisfaction between service quality and repurchase intentions, showing customers do not necessarily buy the high quality services but they go for better service quality providing services. So, the service providers are suggested to renovate their services in accordance to the requirements of their customers.

Fan et al. (2011) evaluated the various factors affecting cross buying intentions regarding bancassurance. A sample of 23 financial advisors has been selected using purposive sampling technique and a final questionnaire consisting of 8 statements has been developed. Questionnaire was distributed to 131 bank customers (who had bought insurance from their respective bank) and they have been asked to provide their views regarding importance of the
factors already identified. The above factors have been divided into four quadrants taking importance and performance of the factors as two dimensions. Results of the study shows that factors such as payment equity and experience that fell into quadrant (I) were perceived as most important but with poor performance, factors such as image, service convenience, interpersonal relationships and trust that fell into quadrant (II) were rated as important and with high level of performance, factors such as product variety and pricing were rated as having low level of importance and performance and however no factor of cross buying fell within the area of last quadrant. So, the administrators are suggested to shift their efforts from product variety and pricing to payment equity and experience. It is also advised to not to expand their efforts and resources to the factors like image, service convenience, interpersonal relations and trust, to improve the performance of bancassurance.

Fan et al. (2011) tried to develop and assess an objective research model to weigh the factors that affect the cross buying intentions of bank customers. The technique for order preference by similarity to ideal solution (TOPSIS) has been used to shortlist the factors and then Conjoint Analysis has been employed to compute the factor weights of cross buying intentions. Results of TOPSIS reported experts’ attitude tendency toward eight factors. Out of these eight factors, six factors namely image, service convenience, interpersonal relationship, trust, payment equity and experience have been chosen for applying conjoint analysis. Payment equity (31.352 per cent), image (23.827 per cent) and interpersonal relationship (14.352 per cent) have been reported to be the first, second and third most important factors respectively by conjoint analysis. Hence, the banks are suggested to take care of these factors to ensure effective cross buying on the part of Bank customers.

Jeng (2011) examined whether and how corporate reputation influences customers’ economically orientated perceptions (perceived benefits of buying new services from current supplier), relationship perceptions (evaluation of relationship strength and supplier’s offerings) and in turn their cross buying intentions. Structural Equation Model has been developed and applied on the life insurance industry in Taiwan to measure the effect of reputation on cross buying. Information was collected from 370 adult consumers, drawn from the shopping mall visitors in Taiwan. The results of the model suggest that corporate reputation has a significant and positive effect upon Service quality and on information cost savings which itself have their impact on cross buying intentions. Furthermore, it has also
been observed that corporate reputation has a significant and positive effect on trust, trust leads to effective commitment and effective commitment results in cross buying intentions. Hence, it can be concluded that good corporate reputation builds customer cross buying intentions by increasing customers expected service quality, decreasing information cost, enhancing trust and effective commitment.

Jeng and Su (2011) investigated the effects of convenience, trust, time consciousness and product knowledge on Customers’ cross buying intentions. Interactions amongst these factors have also been examined by the researcher by taking a sample of Taiwan’s Bank customers. Survey method and the structural model have been used to collect information and evaluate the effects. Findings of Regression analysis shows that convenience, trust and time consciousness positively affect customers’ cross buying intentions. At last, it is concluded that trust and product knowledge moderate the relationship between convenience and cross buying intentions.

Li et al. (2011) purposed a customer response model that recognized the evolution of customers’ demand for various products; the possible multifaceted role of cross selling solicitations for promotion, advertising and education; and customers’ heterogeneous preferences for communication channels. Applying the model to panel data with cross selling solicitations provided by a national bank, the authors demonstrated that households had different preferences and responsiveness to cross selling solicitations. Findings of the model suggests that cross selling solicitations move customers to a latent stage when a customer prefers a cross sold product or building up a long term relationship. Results of the decomposition analysis lay down that (i) the educational effect largely dominated the advertising and instantaneous promotional effect. (ii)The cross selling solicitations suggested by the authors were more customized and improved the response rate by 56 percent, long term response rate by 149 percent and long term profit by 177 percent respectively. In the end, it is suggested that cross selling campaigns should be improved by understanding the effect of cross selling solicitations on customer change behavior so as to tailor these campaigns to each customer’s evolving needs and preferences to enhance long term customer relationship and optimize long term profits.
2.6 Levels of Satisfaction across various Dimensions

Levesque and Mcdoughall (1996) tried to explore the major determinants of customer satisfaction. Dataset comprised of 325 respondents and those respondents had been asked to rate their financial institutions regarding service quality (core, relational and tangibles) service features (enabling and competitive), service problem recovery, product usage, satisfaction and future intentions. Out of these three factors namely relational, core and features to performance have been found to be significant while competitive interest rates, complete range of services and employees’ skills have been found to be one-dimensional in nature. Further the impact of all of these factors has been studied on customer satisfaction, further recommendations and switching behavior of the customers. All of these factors have been reported to have significant impact on the dependent variable, except the nature of the customer i.e. Borrower/Non borrower and single/Multi bank user. Usage of single or multiple banks found out to be insignificant and borrowers were found to be holding less positive attitude towards service providers in comparison to non-borrowers. The results also show that the problem that had remained unresolved had a substantial impact on customers’ attitude.

Yavas et al. (1997) used a survey of Turkish bank customers to investigate the impact of service quality on customer satisfaction, complaint behavior and commitment. Data for the study have been collected from 156 respondents of turkey. Service quality has been operationalized by using 22 item scales. To determine the possible effect of service quality, two sets of analyses have been performed. In the first step, three bivariate (simple) regression analyses have been performed by using overall service quality scores as the independent and satisfaction, complaint behavior and commitment as the dependent variables. Tangibles, responsiveness and empathy have been found to be significant predictors of consumer satisfaction. Out of these attributes tangibles and responsiveness have also been found to be significant antecedents of commitment. Empathy has been found to be the only attribute with a significant relationship with complaint behavior. So, Turkish banks are advised to improve their service quality to make their survival possible in highly competitive Turkish banking environment.

Jamal and Naser (2002) evaluated the role of three dimensions (core, relational and tangible) along with customer expertise and customer demographics on customer
satisfaction. A well designed questionnaire has been used to collect data from 200 bank customers of UAE. Step wise regression model has been used to measure the strength of association between customer satisfaction and explanatory variables. It has been reported that on the one hand there was a positive and significant association between service quality dimensions and length of duration in UAE of customers with their satisfaction level and the other hand business type, age and expertise were reported to have negative but significant relation with customer satisfaction. Results of MANOVA reveal a significant association of income and occupation, marginal association of ethnic background and insignificant association of length of duration in UAE and expertise with customer satisfaction respectively. Hence, the bank management is suggested to make sure that things are done right at the first time and employees are properly trained and they should be expert in their fields to understand specific consumer needs.

Sureshchandar and Ananthraman (2002) identified five factors of service quality from customers’ point of view and tried to analyze the link between the service quality and customer satisfaction. Dataset covered 452 customers from 51 different banks of India. Paired t-test had been carried out to check for difference between service quality and satisfaction with respect to five factors. The results indicates that service quality and customer satisfaction vary significantly with respect to all of these factors. On the other hand, correlations between these two have been found to be statistically significant with respect to all dimensions of service quality. Thus, it has been made clear that the two constructs (quality and satisfaction) are indeed independent but are closely related implying that an increase in the one will likely to increase in the other.

Arasli et al. (2005) analyzed and compared the service quality in commercial banking sector of Cyprus. Researchers had also investigated the impact of Service Quality on customer satisfaction and positive word of mouth about their banks. A total of 268 bank customers have been taken as a sample and they have been asked to rate their banks on translated version of SERVQUAL instrument. The responsiveness dimension failed to load and thus the SERVQUAL scale proved to be a four dimensional structure in this study. Research results revealed that the expectations on both the areas of Cyprus were not met and the largest gap was found in the empathy dimension. The assurance dimension was reported
to have largest influence on customers’ satisfaction and overall satisfaction of banks customers in both of the areas of Cyprus had a positive effect on their word of mouth.

Dashet *et al.* (2007) made an attempt to access the customer satisfaction by measuring customer service quality expectations as opposed to perceptions of actual performance of the bank, using five service quality dimensions. The study population consisted of 132 customers/users of bank services of SBI and ICICI in Noida and Ghaziabad, Service quality gap was reported to be negative. While presenting the relative importance of service quality dimensions, assurance has been found to be most essential dimension followed by reliability and responsiveness. Tangibility has been ranked as least important determinant of quality by the respondents. The three dimensions that topped the customers’ expectations list have been reported to be the assurance, reliability and responsiveness in that order. Therefore, management has been suggested to put more emphasis on these dimensions in order to satisfy customers and to improve customer loyalty.

Gopalkrishanet *et al.* (2008) developed matrices for service quality specifically for the insurance sector and applied that device for investigating the perception of service quality. The study groups consisted of small and medium scale industrial customers of general insurance companies in India. Descriptive statistics, factor analyses, t-test and ANOVA have been applied to analyze the perception regarding 5 factors namely core services, human element, non-human element, tangibility and social responsibility. Findings of the study reveal that, tangibility was given more importance and human element was given least importance by the insurance providers. Null hypothesis assuming no difference in the perception based on region and ownership was rejected at 5 percent level of significance. To summarize, insurance companies are suggested to fill the gaps between the actual and perceived service quality to ensure satisfaction on the part of customers.

Jham*et al.* (2008) explored the satisfaction variable in the banking industry. The key findings of the empirical research have been based on the data collected from 555 customers. Systematic methodology, including design, validation of questionnaire, factor and regression analyses have been used to enhance the reliability of the findings. 16 variables have been identified and classified under three factors namely traditional facilities, multichannel banking and international marketing. Finally, it has been established that increase in customer satisfaction will lead to better performance of the banks.
Chakrabarty (2008) conducted a study to examine the level of customer satisfaction with, after sales services of ICICI Prudential in Kolkata. A sample of 50 respondents (both present and past) was selected using convenience sampling technique. Information extracted through a well-designed questionnaire reveals that (i) more than 50 percent customers were satisfied with responsiveness, efficiency and communication skills of the customer service executives (ii) less than 50 percent respondents were satisfied with behavior and knowledge of the advisor. So it is recommended to devise some incentives and rewards for motivating bank staff to ensure success of bancassurance channel.

Padhy (2009) tried to analyze the satisfaction level of customers with regard to the services provided by the selected branches of public, private and foreign banks. Dataset composed of 440 bank customers and data had been collected on perceptions and expectations by using a well-designed questionnaire. Expectations and perceptions have been measured on seven point Likert scale. The mean of difference between expectations and perceptions have been calculated separately for all the banks under study. To measure the service quality of bank the mean of SERVQUAL score has been calculated separately for all the banks. The results reveal that all the banks fell below the expectations of their respective customers. The comparison amongst three segments reveals that service quality of foreign banks was high in comparison to public and private sector banks, the private sector banks’ service quality was found to be in between the two extremes. Public sector banks had been found to be deficient in tangibility, responsiveness and empathy. Private Banks performed better than public banks and foreign banks had been found to be relatively closer to the expectations of customers. In addition to it, taking customer perception into account, technological factors (core services and Service systemization) found to be contributing more in comparison to people oriented factor (human element of service delivery), in differentiating three segments. Therefore, banks have been suggested to make investments in research in order to understand the customers’ needs and expectations at all stages in the service delivery process so as to determine the key components of service quality.

Arora and Vashishat (2011) examined and measured the service quality of Indian Commercial Banks regarding their credit schemes. Data was collected from 380 borrowers with the help of structured questionnaire. Five service quality dimensions have been developed and five point Likert Scale has been used to collect the information from
respondents. A positive difference between customer perception and customer expectations was found in case of all of the dimensions. Maximum positive gaps have been reported in case of ‘Office Service’ dimension. Equal Gap has been observed in case of both post sale services and behavioral response and customers have been found to be somewhat satisfied with the pre sales services. Hence, banks are advised to work upon these dimensions to increase customers’ loyalty and to retain them.

2.7 Drivers to initiate Bancassurance, Benefits availed and Problems Faced

Angus et al. (2002) opined that Bancassurers need to have a holistic understanding of themselves and the comprehensive Bancassurance programme they need to provide. The holistic approach consisted of three general categories encompassing nine areas namely corporate strategy (strategy, customer segmentation, branding, product portfolio distribution) organizational dynamics (organizational processes, culture, performance measure) and technology (front office system, data management, middle/back office systems). It is recommended that these nine areas should be synchronized in such a way that the right customers (as identified by customer segmentation) will be provided with right products through convenient distribution channels.

Kesiraju(2003) made an endeavor to identify some key opportunities and challenges relevant to the emergence of Bancassurance in India. Low penetration of the insurance in rural and urban areas has been regarded as biggest opportunity for banks. Designing novel products and schemes and linking them to the existing relationship of customers with banks have been regarded as biggest challenge associated with the opportunity. Researcher further concludes that the banks should leverage the availability of large pool of bank professionals to exploit untapped customers. The banks should provide rational, transparent, well defined and productivity linked package to persons involved in the chain.

Chowdhary (2004) tried to explore the status of Bancassurance in India in comparison to the rest of the world. He opined that, form of Bancassurance will depend upon the demographic, economic and legislative climate of the country as kinds of products, trends in terms of turnover, market shares, and periphery (with in which the Bancassurance as to operate) will be determined by demographic, economic and legislative climate respectively. SWOT analysis indicated a huge untapped population and liberalized environment offered by IRDA and RBI as strengths and Opportunities. Poor manpower management, lack of sales
culture, detachments of branch manager, insufficient product promotion, inadequate incentives have been identified as hindrances in the way of Bancassurance. Highlighting the case of India’s largest bank SBI and its success in Bancassurance author has assured the long way for Bancassurance. But at the same time, he suggests that service delivery mechanism should be strengthened and provision of extensive and quality training to bank employees should be ensured.

Baruya (2004) opined that diversification of banking services in the form of Bancassurance, had been based on the policy of using established incumbent networks to promote new product lines; which had earlier been used by consumer goods sector. This diversification was the result of shrinking margins caused by presence of other sources of capital for corporate borrowers. Highlighting different possible models for Bancassurance researcher emphasizes on the need of commitment from both senior management and operational staff to make it success. In addition to it, proper IT, other support system and training to bank personnel have been recommended as ingredients to ensure successful collaboration between the service providers.

Sinha (2005) identified many reasons for banks to enter into insurance business and categorized those reasons into long run and short run drivers to Bancassurance. A regression analysis has been applied to empirically test the relationship of those variables with Bancassurance. Findings reveal that Business per Employee (BPE) was negatively correlated with Bancassurance at a significant level of 5 percent; hence for banks if BPE is low, it is likely to be attracted to improve productivity by adding Bancassurance in their portfolio. Asset performance was also negatively correlated with the non-performing assets. However, the association was weaker (only significant at 10 percent). Thus, he found a qualitative support for the hypothesis that, for insurance companies NPA's of banks act as a hurdle for Bancassurance tie-ups. Hence, it is concluded that the adoption of bancassurance will heal many of the weaknesses of the banks as it will help to have leverage on existing capabilities and will also lead to many other benefits including ensuring more revenue for the banks. Therefore, banks have been advised to take this new venture in its true spirit.

Staikouras and Dickinson (2005) focused on the descriptive examination of the risks and opportunities involved, regarding the interface of banks and insurance, with special reference to Greek market. The paper proposed a triangular structure regarding the
dimensions of the distribution network and discussed three broad types of financial partnerships between the banking and insurance industries. Finally, it is recommended that one of the obvious factors behind the evolution of the interface between bankers and insurance is the changing economic conditions at both micro and macro level. Technological improvements that had resulted overstaffed branches, longer retirement age, poor security system and favoring legislative system have been recognized as the other factors for the possible interface between the two. In addition to it, better use of human capital and infrastructure, improved return profile of the bank, enhanced loyalty on the part of bank customers, fee income, ability to tap middle income group are some of the benefits identified by authors for banks.

Anand and Murugaiah (2006) opined that large branch network, expertise on financial needs, lower distribution costs and challenge of increasing revenue and retaining customers have been the issues that paved the way for bancassurance for Indian banks. In addition to it, product diversification, source of additional revenue, ensuring customer loyalty, maximizing return on income (ROI), increasing competitiveness, reduced administration and distribution expenses have been identified as benefits associated with bancassurance, for banks. It has been suggested to opt for long term agreement based on brand equity and service patterns before embarking on the path of bancassurance. Huge investment in IT, training, product development has been stressed to ensure effective working of bancassurance. Furthermore, strategies consistent with bank’s vision, awareness of target customers’ needs, defined sales process for introducing insurance services, simple yet complete product offerings, strong service delivery mechanism, quality administration, synchronized planning across all business lines and subsidiaries, integration of insurance with bank products and services, extensive and focused training, sales management tracking system for reporting on agents’ time and results of bank referrals, relevant and flexible database system, top level commitment, skill development at the operating level at bank branch, resolving possible conflicts of interest between both partners, setting up distribution procedures consistent with the manual systems in most banks and establishing credible service level agreements between the bank and the insurers, have been identified as critical factors for ensuring success of Bancassurance.
Kumar (2008) discussed the best practices in bancassurance, pitfalls in its way and strategy to avoid those pitfalls. Challenges facing Bancassurance have been identified as complexity of regulation, lack of long term vision and commitment from top management, too much emphasis on fee income and sometimes mis-selling by banks. In order to eliminate these difficulties, researcher emphasizes on three stages of the life cycle of bancassurance and recommended that (i) During early stage, bundled products should be sold (ii) Stand-alone insurance products should be preferred under Youth stage and (iii) During Maturity banks risk taking options should be considered i.e. banks can think of joint venture instead of agency relationship. Researcher suggested that (i) In order to achieve goal congruence right partner should be selected (ii) Creativity, product innovation, customer support, IT systems and long term commitment should be the guiding principle in the selection of a partner (iii) Products should be designed on the basis of customer profile and distribution channel should be in synchronization with the products being offered. At last, it is suggested that Banks need to think differently and analyze (probably anticipate) customers’ requirements and put a demand on the partner insurance company to reciprocate and the insurance company on its part must be able to manufacture products in tandem with bank’s requirements.

Muntqua and Samad (2008) discussed the possible pitfalls and hassles for efficient working of Bancassurance. These pitfalls have been categorized into three categories namely (I) Difference in Both parties (II) Operational Difficulties and (III) Regulatory hassles. Under 1st category difference in (i) product quality and efficiency (ii) culture (iii) suitable models for different market circumstances (iv) and core functional areas have been taken. Under 2nd category problems relating to (i) over capacity and under capacity (ii) clash in relationships (iii) rise in virtual competition (iv) legislative amendments have been discussed. Under 3rd category (Regulatory measures) prerequisites for entering in to insurance business have been considered. Researchers recommends that banks should go for, optimum use of resources, tailor made products and cost efficient distribution to yield full benefits from Bancassurance.

Pejawar (2008) explored various reasons namely shrinking profit margins, regulatory changes, operational efficiency, customer loyalty and better information about customers, for banks to enter into Bancassurance. Researcher suggests insurance companies to take care of commitment level, brand name, customer base, capital strength, technology and compatibility with products of banks while choosing Bancassurance partners. Amongst challenges, cultural
differences, use of ATMs (for banks) and development of bank specific products, training bank employees, their commitment level and multitasking (for insurance companies) have been highlighted. In addition to it (i) complementary and low advice products (ii) simple and short process (iii) advanced technology have been recommended by researcher as three mantras to ensure successful operation of Bancassurance on the part of banks.

**Bhattcharyya (2011)** enlightened drivers and hurdles for banks, while adopting bancassurance. Preference to manual operations than automation in India has been regarded as an added advantage for banks, to have direct interface with customers and accordingly customize their insurance products. At last, banks have been suggested to have dynamism to change their attitude, to explore the benefits of rising saving rates in India.

**Mishra (2012)** explored the problems and challenges in the way of Bancassurance in India. A sample of 350 respondents (consisting of customers and bank staff), both from private and public sector banks in or around Kolkata, have been selected and their responses have been analyzed. The results of the study shows that (i) 34 percent of the respondents complained about absence of posters and communication on bancassurance (ii) 38 percent respondents complained about absence of rules and procedures about bancassurance policies (iii) 90 percent respondents have been found to be unaware about product characteristics due to lack of updates by bank (iv) 92 percent respondents stressed upon lack of motivation and interest amongst bank staff for selling insurance (v) 85 percent respondents argued about no mention of insurance selling at contact point counters of the banks (vi) 60 percent officials complained about absence of additional incentives for selling insurance (vii) 65 percent and 50 percent officials complained about competitiveness of premium and absence of proper technology and diversified products respectively (viii) 35 percent officials emphasized upon preference towards international insurer amongst corporate clients. At last, it has been emphasized to replace transactional selling with relationship based professional selling to ensure quick, easy, quality and multiple product sales.

**Clipici and Bolovan (2013)** found the ‘common need of banks and insurers to optimize the structure and efficiency of distribution channels’, as the main driving factor to initialize bancassurance. Additional and stable source of income, expansion of potential client portfolio, increased customer loyalty due to wide range of products and services, reduced capital requirement and retention of customers have been identified as benefits for
bankers. Access to bank’s clients, reduced dependence on traditional distribution channels, sharing of services with bank, increased efficiency, quick access to new markets, and easy availability of capital has been witnessed as merits for insurers. Need based and wide range of products and reduction in fee has been found as motivational factors for customers to buy insurance from their respective banks.

2.8 Impact of Bancassurance on Financial Performance

Bergendahl (1995) identified reasons for banks to be involved in Bancassurance activities, with a basis for such motivation. Cost and benefits of introduction of Bancassurance are formulated in to a dynamic Model. The Model is then applied to the cases of Krediet Bank in Brussels and to Deutsche Bank in Frankfurt. Key factors for success of Bancassurance namely, small set up costs, a rapid growth in sales commissions, acceptable outlays for sales promotion, small administrative costs, number of branches, the number of insurance specialists per branch, number of customers, the cross selling ratio and the degree of learning have been identified and analyzed. Krediet Bank was suggested to increase cross selling rate to become more profitable. In comparison to it, in case of Deutsche Bank, the results have been reported to be positive due to its larger customer base. Summing up, study has demonstrated that both life and non-life insurance may be successfully sold if the number of customers per branch is sufficiently large and if cross selling ratio is acceptable. Banks are suggested to offer standardized and low cost products to gain competitiveness.

Debbie and Sterna (1996) attempted to measure cross selling efficiency at bank branch level. Housing loans have been identified as a type of product to measure efficiency because it was the only product with which many other products like building insurance, home contents insurance and death cover etc. can be sold. The data set covered 75 bank branches and data had been collected for six months period from June 1992 to Dec 1992. Additive Data Envelopment Analysis has been used to measure overall position of the bank branches regarding cross selling efficiency. Only 4 out of 75 branches have been reported to be efficient, as they were the only branches that appeared on efficient frontier. Hence, the bank branches (other) are suggested to improve their cross selling efforts.

Aggarwal (2004) discussed the experience of Bancassurance across the globe and in India, Benefits associated with it, odes of entry into Bancassurance and various delivery routes available. Researcher emphasizes on the use of two staged procedure for identification
of Bancassurance partner, where the first stage will be filtering process analyzing banks quantitatively with the help of parameters chosen keeping CAMEL model as basis and second stage will be of short listing banks on the basis of Compatibility Index. Researcher has explored effect on the likely hood of improvement in the bank’s performance while taking indicators from CAMEL Model. It has been laid down that an effective Bancassurance Model will lead to increase in Capital adequacy ratio, gearing ratio, Return on assets, Business and profits per employee, earning per share, Net Profit ratio, Credit Deposit Ratio, Liquid asset ratio and decrease in Nonperforming assets, Staff Cost and office Cost respectively. In addition to its collective use of bank, credit Support center, account management and product house is highlighted as a Best Model of Bancassurance. Use of various channels depending upon the complexity and simplicity of the product has also been emphasized. Finally cultural integration, communication, technological compatibility, training of the staff, MIS reporting, target customer segmentation, right product and effective cross selling have been recommended to be worked upon by the use of SWOT analysis, by adopting right product mix, by ensuring accountability and commitment from all the stakeholders.

**Fields et al. (2007)** tried to examine the impact of announcement of Bancassurance mergers upon the stock prices of bidding firms and the factors responsible for higher stock prices among bidders on the one hand and change in the risk profile of the merged firm on the other. For this purpose, a sample of 129 bank – insurance mergers among U.S and non U.S companies over the period of (1997-2002) has been taken and multivariate regression analyses has been used for analyses. Results of the study suggest that financial markets respond favorably to Bancassurance merger announcements. The positive bidder reactions take place with no perceived changes in the risk levels of the merged firms. So, the findings of the study corroborate with the argument that the Bancassurance model for financial firms is viable one for well managed bidders seeking opportunities for geographic expansion.

**Okeahalem (2008)** assessed the impact of Bancassurance on the price of the financial services. Dataset covered the record of 11,281 clients from the 4 banks of South Africa. Price of the product has been taken as a dependent variable and number of components in a product (LFSCOMP), number of clients in the market (N Clients), Bancassurance (i.e. whether the product is sold by bank or not), Competition level (COMP), firm specific effects...
(DFSF), proportion of products sold by cross holding partners, proportion of premium products (DPrem) and dummy variable for location have been taken as explanatory variables. Findings of the study reveal that (i) LFSCOMP was positively associated with dependent variable indicating that although the average number of services in a product increases service fee but still fee increases less than proportionately to the number of services (ii) N clients was negatively associated with price indicating as the number of clients increases it reduces the fee by 1.5 percent.(iii) DPrem indicates that an increase in the proportion of clients weighted premium components with in a product bundle significantly increases the price by 3 percent . (iv) COMP will lead to decrease in the price by 3.4 percent. (v) DFSF also reduces service fee. (vi) Coefficient estimate for Bancassurance is negative. These results confirm that the bundling of the products in Bancassurance package reduces price on an average about 6 percent. So the findings of the study corroborate the findings of Fields et.al that Bancassurance leads to reduction in overall prices of the products.

Gupta et al. (2009) tried to explore the opinion and feedback of various financial institutions regarding effectiveness of Cross selling tool for generating hike in their revenues and serving as an effective and efficient customer retention measure. A sample of 63 officials of banking and NBFC organization has been taken and their responses have further been analyzed by using descriptive statistics and chi-square test. Findings of the study suggest that majority of working professionals in financial institutions believe that, for the growth of the company, cross selling plays a vital role and it tackles the problem of customer attrition. Cross selling has been reported to involve fair amount of right timing, relevance, closely related bundling of services and range of prices. So, the findings validated the hypothesis that cross selling will help to sell more stuff along with maintaining a healthy relationship with them throughout their life cycle.

Muundacarolyne (2009) examined the effects of bancassurance on financial performance of banks in Kenya. Drivers in adoption of bancassurance and challenges in its ways have also been made part of the study. The analysis shows that increasing profitability, increasing return on assets (ROA) and increasing return on investments (ROI) (in case of 96 percent of sampled banks) have significant impact on the profitability of banks. The study identifies large untapped population, increased productivity, increased profitability, large network of branches as driving forces and absence of a single regulatory body and high
initial capital investment have been identified as the main challenges in the working of bancassurance in Keynesian market. Therefore the banks have been advised to work upon their marketing strategies to create more awareness and to employ more and more experts to customize the products according to the needs of the customers. Regulators have been suggested to find out the ways to iron out the various hindrances in successful working of bancassurance.

Sreesha and Joseph (2011) analyzed the financial performance of SBI in Bancassurance with special reference to life insurance. To judge the financial viability of bank, CAMEL model and some selected indicators have been used. Capital Adequacy, gearing ratio, return on assets, business per employee, profit per employee, non-fund income as a per cent to total income, Earning per share (EPS), Net Profit ratio and credit deposit ratio were hypothesized to increase and on the other hand NPA’s staff cost and operating cost were hypothesized to decrease. Analysis of the above indicators from 2006-2009 reveal that SBI had performed well continuously from 2006 as capital adequacy, business per employee, profit per employee, non-interest income and EPS had shown an increasing trend and staff cost, operating expenses had shown decreasing trends as it was hypothesized. Hence, it is concluded that financial performance of state bank in Bancassurance had been good and Bancassurance had also contributed well to the overall performance of the bank.

Arora and Jain (2013) analyzed the contribution of Bancassurance on financial performance of Bank of India, using CAMEL Model. Fee based income of the bank, prior and post to the introduction of bancassurance has been compared. Capital adequacy, Management performance, Earnings and Liquidity ratios have been made part of the study over the period of 8 years starting from 2004 to 2012. Results of the study shows that (i) Capital adequacy ratio of the bank was satisfactory and increased from 11.88 percent to 12.03 percent respectively from prior to post bancassurance period (ii) Earnings per share has increased from 23.07 percent to 46.55 percent respectively (iii) Staff Cost has decreased from 17.62 to 9.62 respectively (iv) Return on assets has increased from 94.14 to 279.07 respectively from prior to post bancassurance period (v) Both Net profits and total income have been found to be satisfactory for the period under study. Hence, it has been concluded that bancassurance has contributed a lot in financial performance of the bank.
Chately and Ali (2013) attempted to compare the impact of bank incursion into insurance selling on business generation, taking the sample of 4 leading life insurance companies over the period of five years starting from 2005 to 2010. The policies sold and premium generated through banks, for individual and group insurance schemes have been compared on the parameters of compound growth rates and t-values. Results of the study suggests that (i) SBI life has been a forerunner with a growth rate of 71.29 percent followed by ICICI (39.85 percent), AVIVA life (34.58 percent) and LIC with 17.85 percent as per the total premium generated is concerned. (ii) For individual life insurance policies ICICI has witnessed a very high annual growth rate of 181.19 percent followed by LIC (37.21 percent), SBI (27.75 percent) while AVIVA has declined at 3.41 percent. (iii) In Group life insurance ICICI and AVIVA life have not been able to tap business through bancassurance mode. Comparing both models, it is reported that Joint venture model has not been much effective in selling group insurance schemes. Finally it is suggested to work upon quick disposal of claims so as to cover the weak side of banks as a distribution channel.

Omondi (2013) examined the determinants of adoption of bancassurance by commercial banks of Kenya. A sample of 43 commercial banks comprising, 6 large, 15 medium and 22 small sized banks have been chosen. A well designed questionnaire has been used to collect information from bank officials and secondary data have been collected using publicly available information from annual reports of the banks. Regression analysis has been applied taking adoption of bancassurance as dependent and new revenue flow, diversification and economies of scope as independent variables. Adoption of bancassurance has been measured by market share, profitability and growth in sales while, new revenue flow has been measured by return on sales, economic capital adequacy and increased solvency. Diversification has been measured by efficiency gains, cross selling opportunities and increased penetration of markets while customer service process, increase in product and service solutions and customer convenience have been taken as proxy variable for economies of scope. Results of the study shows a positive significant correlation to the tune of 0.79 and regression coefficient has been reported to be 0.629 indicating that 62 percent of the successful adoption of bancassurance can be measured with the help of three independent variables taken for the study. Hence, the results support that the adoption of bancassurance is
influenced by the need for new revenue stream, business diversification and economies of scope.

2.9. Concluding the Observed Gaps in Research and Hypotheses of Study

In sum, the above survey of literature ends up with the following finding:

1) Most of the studies are conceptual studies and discussed aspects such as the most suited model for a given country with its economic, cultural and social ramifications interacting on each other, legislative hurdles and the mindset of the persons involved in this activity. Some of these studies are Karunagaran (2006), Ravi (2006), Singhvi and Bhatt (2008), Teunissen (2008), Singhal and Singh (2010), Krstic et al. (2011), Sarina (2012) and Sumathi (2012).

2) There is a dearth of the studies, analyzing the awareness and preference of the customers' towards insurance services and Bancassurance. Somehow, the studies available on this issue, have been conducted very specifically either in a small part of nation or in context to a single bank customers only. Some of these studies are Lymberpolous et al. (2004), Rajkumari (2007), Popli and Rao (2009), Aggarwal and Halij (2011), Kumari (2012) and Ali and Chately (2013). Moreover, the existing literature has only emphasized on the sources of awareness (about bancassurance) amongst bank customers’ but have ignored the impact of many other factors like Model adopted by Bank, Ownership structure of the bank and demographic features. Furthermore, the analysis of the impact of awareness on the choice of the products received scant attention in the existing literature.

3) Different types of Models of Bancassurance operating in India and other parts of the world, have also grabbed attention of the researchers. Some of these studies are Kumar (2001) Staikouras (2006), Korhonnennet al. (2006), Cheng et al. (2008) and Wu et al. (2010). But these studies have only concentrated upon the theoretical aspects like suitable conditions to adapt models, benefits and hurdles attached with those models. Model wise and sector wise comparison of customers’ awareness about bancassurance and their satisfaction levels remained untouched. In addition to it, importance of the model to attain efficiency gains from the part of the bankers’ has also been found to be missing phenomena in the existing literature.
4) Drivers of Cross Buying intentions across different industries, has been explored by many of the Researchers. Some of these studies include Fluret al. (1997), Verhoef et al. (2001), Ngobo (2004), Li et al. (2005), Sharma and Rudrayya (2006), Li Qi (2007), Tsung and Li-Wei (2007), Lie and Wu (2008), Kumar et al. (2008), Magdalini and Kalipsa (2008), Gupta et al. (2009), Vannirajan and Gurunathan (2009), Fan et al. (2011), Fan et al. (2011), Jeng (2011), Jeng and Su (2011), Li et al. (2011). Out of these, seven studies namely; Ngobo (2004), Li et al. (2005), Lie and Wu (2008), Magdalini and Kalipsa (2008), Fan et al. (2011) and Jeng and Su (2011) have explored the drivers of cross buying intentions in the banking industry, in other parts (except India) of the world. The remaining studies are either conceptual in nature or drivers explored in these studies are the drivers relating to the industries other than financial industry (i.e. a bank). Hence, the area remained unexplored for Indian Banks.

5) Two scales, namely SERVQUAL and SERVPERF, have been explored in the Literature. Lévesque Mcdoughall (1996), Yavas et al. (1997), Jamal and Naser (2002), Sureshchandraet al. (2002), Arasli et al. (2005), Dash et al. (2007), Gopalkrishanet al. (2008), Jhamet. al. (2008), Chakrabarty (2008), Padhy (2009) and Arora and Vashishat (2011) have measured the service quality using one of the above mentioned scales. But none of these studies have reported satisfaction from insurance related services initiated by banks though, the use of the scale, for measuring satisfaction for any of the services has been recommended by Sureshchandraet al. (2002).

6) Furthermore the contribution of bancassurance has been measured by ratio analysis based CAMEL model in the studies namely;Aggarwal (2004), Sreesha and Joseph (2011) and Arora and Jain (2013). In ratio analysis, one decision making unit (i.e., bank) may appear to be benchmark in one aspect while may prove to be laggard in other dimension. Further, the changes in these ratios may not be concluded because the concept of Bancassurance is in stage of infancy and long term series of these ratios is not available.

7) In contrast to customers’ perspective, the literature has also thrown a light upon the concept of Bancassurance from bankers’ side. These studies include Angus et

8) Regarding the research methodology used, it has been observed that all most the entire literature is based upon primary data analysis. However, to analyze the data a wide range of methodology has been used ranging from the oldest descriptive statistics to the latest structural equations modeling (SEM) based confirmatory factor analysis (CFA). The regression analysis has been performed in case the dependent variable is defined, while, the factor analysis has been most commonly used in the scenario where different dimensions have been given without the declaration of independent variable. In addition, a few studies have used SEM based CFA to model the customers’ and bankers’ behavior. Thus, keeping in view these research gaps in literature, the present study had been carried out with the following objectives:

i) To study the extent and growth of Bancassurance in India;

ii) To analyze the impact of bancassurance on the performance of sampled banks;

iii) To analyze the extent and sources of awareness regarding bancassurance among bank customers in Punjab;

iv) To explore the drivers of Cross buying intentions of bank customers in Punjab;

v) To analyze the level and sources of customer satisfaction; and

vi) To gauge the various motivational factors and hurdles for bankers selling insurance.

To ascertain the aforementioned objectives, the following hypothesis had been framed and tested in the study:

a) The growth of bancassurance is significant in India and bancassurance has significantly improved performance of Indian banks;

b) The bank customer of Punjab are significantly aware regarding bancassurance;
c) The choice of product in bancassurance among bank customers of Punjab is significantly affected by level of awareness regarding bancassurance;
d) The drivers of cross-buying intention, included on *a-priori* grounds using literature survey, are significantly affecting cross-buying intentions of bank customers in Punjab;
e) The customers of bancassurance are satisfied from the insurance services being provided by the bankers;
f) The extent of bancassurance is high in the branches who initiated bancassurance earlier i.e., catching-up or learning by doing process is significant;
g) Personal capabilities of bank affect significantly the bankers’ desire to initiate bancassurance in Punjab; and
h) Perceived benefits from bancassurance affect significantly the bankers’ desire to initiate bancassurance in Punjab.

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