

REVOLUTION IN BANCASSURANCE BUSINESS: A STUDY ON ITS DIGITAL MODEL

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ABSTRACT

The business of banking in India has undergone a sea change due to the integration of the global financial market, development of new technologies and diversification of non-banking activities. Banks have offering value added service to meet client's expectation. The digital platform and use of technology is increased in last decade. The innovation in technology is not limited to some specific areas, its scope has a widespread reach and Bancassurance is also a service which can be highly benefitted from technological advancement. Bancassurance is an arrangement between banks and insurance companies for selling of insurance products through banks. Its success is heavily reliant on banks maintaining excellent customer relationships with the help of technological advancement. The present paper discussed about the different models and digital advancement such as Blockchain, IoT, Big Data analytics in Bancassurance area. In addition, study also highlighted the SWOT analysis (Strength, Weakness, Opportunities and Threats) of Bancassurance business in India. Study recommended that to make the Bancassurance channel more effective, banks should invest in more resources for training bank personnel and banks need to equip with updated electronic devices like cashless instant payment solution for successful implementation of digital Bancassurance business model.

KEYWORDS: Bancassurance models, Big Data analytics, Blockchain, IoT, SWOT analysis

1. INTRODUCTION

The development of financial markets and the increasing importance of banks in the economic and financial environment led to specialization and diversification of banking services & products (Marzai, 2018). Banks strides into different new areas. This gives birth to a new form of business in which banking and insurance institutions have joined together and integrated all their efforts and strength to generate new means of distribution for selling their products and services to customer. This integration of these two sectors results in an innovative concept of “BANCASSURANCE”. Under it, digitization must be used to counter the changing needs of the customers (Rashmi and Bharadwaj, 2021). Now-a-days, insurance transactions like renewal of policy, underwriting of policy, intimation and processing of claims and accessing to any information relating to a product and policy can be done through any portable devices like smart-phone, tablet, laptops with are designed with special software applications (Ahmed, 2021). The use of technological innovations is the core for digitization which going to make digital Bancassurance model a huge success.

2. REVIEW OF LITERATURE

- **Pantano and Timmermans (2014)** explained that the implementation of smart technologies requires modifications in both sale activities and businesses processes. The researcher explored that from an industry point of view, innovative technologies require an effort for recognizing, presenting and selecting the finest technology, while enhancing the way to obtain, generate, manage and transfer knowledge from companies to customers and vice versa. It is also revealed that, there is a need for understand the consumers' demands and their behavioral intentions.
- **Bansal & Anil (2018)** conducted a qualitative research on study the issues and trends in Bancassurance model in India. The study explored the various issues and challenges faced by bank employees. The study found that the major issues and challenges that banks face includes lack of awareness of customers, lack of trust, high competition, long term vision and complications of multiple tie-ups. The study concluded that success of Bancassurance is dependent upon the integration of bank’s long term plan with insurance partner.
- **Gujral (2018)** investigated the Contemporary Prominent Development of Bancassurance in India. The study focused on origin, progress, types, models, significance and regulations

of Bancassurance in India. It was also found that Bancassurance business model increased the productivity of the banks. Study concluded that success of Bancassurance depends on how well insurers and banks understand each other's business.

- **Marzai (2018)** explained Bancassurance in digital era. Study highlighted the impact of the online environment on Bancassurance activity and the trend of changing customer behaviour towards digitization. The findings of the study highlighted that there is a need for financial institutions to embrace digitalization.
- **Devi (2019)** study explained the Bancassurance channels that operate on three models: Referral Model, Corporate Agency Model and Joint Venture Model. It was identified that efficiency, effectiveness, operational efficiency, profitability of Bancassurance gained momentum in India.
- **Ganapathy (2020)** explained different Digital Bancassurance Business Models. Study also explained the benefits of Bancassurance for insurance companies as well as for banks. It was found that claim assessments with Real time Artificial Intelligence adds greater value to clients. It is suggested that insurance companies and banks should have similar ambitions in digital transformations.
- **Relan (2020)** explained that banking and insurance industries adopted latest wave of artificial intelligence and digitalization. It was found that adopted strategies on enhancing customer values in term of quality, speed and product differentiation increases Bancassurance market revenues.
- **Shobha & Chandrakala (2020)** explored why Bancassurance business for India. Study also explored the different models and status of Bancassurance in India. It was found that Bancassurance and corporate agents had dominated in the insurance business. Due to the growth of Bancassurance channel, traditional individual agents' share was decreased. The study recommended that there should be proper supportive regulatory framework and proper policy implementation designed for the further growth of Bancassurance.
- **Ahmed (2021)** explained digital revolution in insurance industry in India. Study explained that under the influence of Artificial Intelligence and Technological advancement, the industry is going towards a rapid transformation in insurance business practices specifically in relation to customer relationship and management of business in India.
- **Rashmi & Bharadwaj (2021)** explained about the digitization and technological advancements in the Bancassurance business. Study discussed about the requirement of

digital advancement and explained how it can be achieved. Study concluded that the use of technological innovations and advancements in insurance sector is the core for digitisation which going to make digital Bancassurance model a huge success.

3. OBJECTIVES OF THE STUDY

- A. To the study the different models and digital advancement in Bancassurance business.
- B. To study the Strength, Weakness, Opportunities and Threats of Bancassurance business in India.

4. RESEARCH METHODOLOGY

The present study is qualitative in nature using descriptive research design. The data used in the study is from secondary source mainly from online websites, articles and journals.

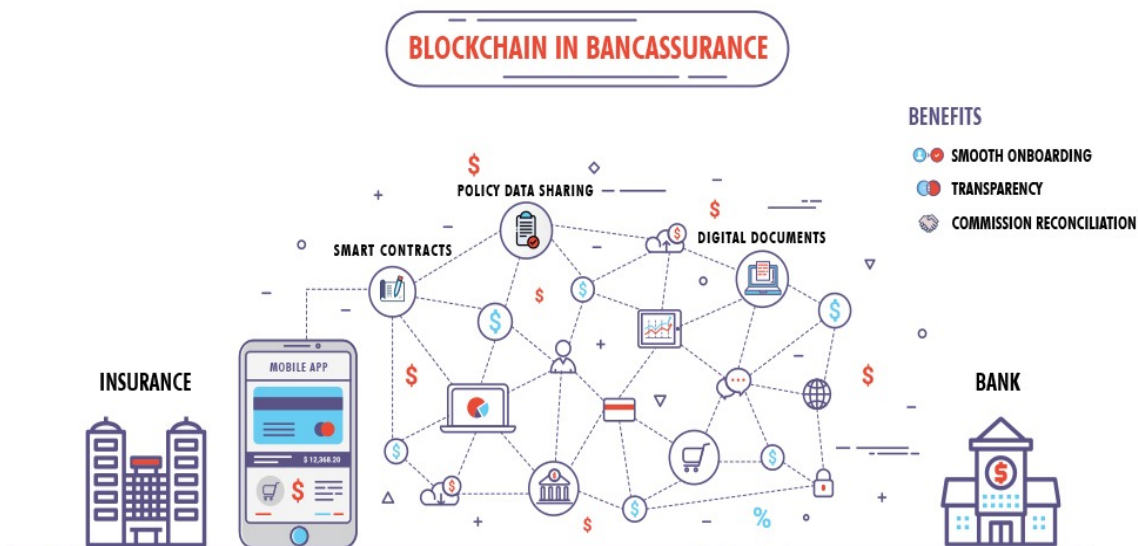
A. MODELS FOR BANCASSURANCE

Different types of models are used by banks for adopting Bancassurance:

- **Strategic Alliance Model:** In Strategic alliance model there is an alliance between insurance company and banking institution. In this type banks only sells or distribute the products of the insurance company. It implied that banking institutions do the markets of the Insurance products, other type of functions of insurance not performed by the bank (Arora and Mehta, 2018).
- **Full Integration Model:** Full Integration Model integrates the services of insurers and banks. In this type bank sells the insurance policies under their brand name and performs as a provider of complete customized financial advisor. Banks recognizes the customer need and wants. Banks also controls the sale of insurance and post insurance selling services including claims settlement. Banks performs the activity or services same to that of an insurance company.
- **Mixed Model:** Mixed Model is defined as the fusion of insurance services and banking where bank only provides its database to the insurance companies. They sell their leads to the insurance company where insurer's staff do the marketing and selling of insurance policies. This technique requires very minimum technical investment (Shobha and Chandrakala, 2018).

- Digital model of Bancassurance:** The digital revolution has changed the decisions of customers regarding purchase of a product and policies. It has paved the way for insurance companies to simplify the procedures to offer customized and digitally integrated products. Government support with digital India campaign has also given immense support to this trend. Banker explains that they urge their clients to avoid paper documentation and fill all required information on-line through their accounts. Banks offer all the banking and insurance product information online. Banks must try upgrading their branch model to provide more efficient online to offline expertise to its customers and adapt to new digital reality. Following are a few other technological advances in Bancassurance that are being used by banks and insurance carriers to increase their operational efficiencies.
- Use of Block chain:** Block chain is used for speedy, transparent and secure authentication, underwriting and claims attribution. Block chain-enabled Bancassurance platform allowing the life insurer and its bank distributors to share policy data and digital documents in real time, improving transparency, streamlining the on boarding process, and reconcile commissions automatically through smart contracts (Ganapathy, 2020).

Figure 1: Blockchain in Bancassurance

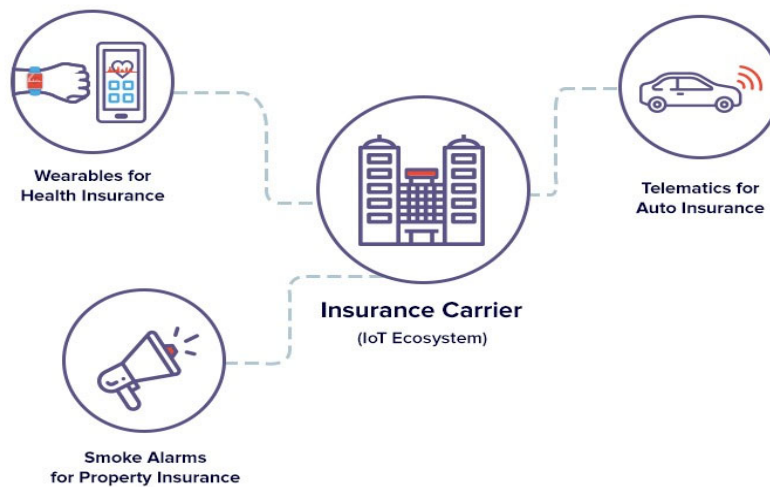


Source: <http://www.leadssquared.com/> Bancassurance model/

- Use of Internet of Things (IoT):** Internet of things has launched new types of convenience for the insurance industries around the world. It is used for underwriting and claim settlement by using real-time data. It helps to improve business procedures of the industry and make it

enable to assess the risk levels of policy holder in a better way. Internet connection with portable electronic devices of policy holder is helps to estimate the claim which to be settle by insurance industry. Integration of policyholder with insurance related IoT devices can enable the insurers to provide usage-based insurance policies by tracking the activity and habits of policyholder. Information regarding the habit of the customer may also enable the insurance companies to offer different types of discounts and other rewards for healthy and safe behavior of the policyholder. Examples of the usage of IoT in insurance include telematics for car insurance, personal fitness trackers, Internet based home security devices, wearable for health insurance connected smoke alarms for property insurance and many more etc (Rashmi and Bhardwaj 2021).

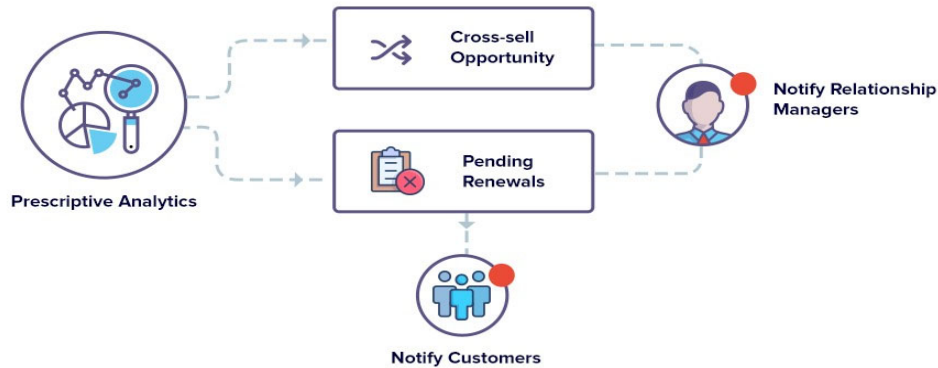
Figure 2: Use of Internet of Things (IoT)



Source: Rashmi, & Bhardwaj (2021)

- Use of Big Data Analytics:** Banks can keep detailed records of their customers' data, including the financial and demographic details of customers, their transactional details, credit repayment history and their complete portfolio, and more. Bancassurance channels can utilize this data to predict customer needs and deliver customized products. Analysis of actuarial tasks and underwriting procedures are enables to assessment the risks efficiently and fixing price accurately. Analytic solution is also enables to understand the variables responsible for policyholder retention probabilities by enabling a comparative analysis of risks, costs, variability, pricing and (Ahmed, 2021).

Figure 3: Use of Big Data Analytics
Prescriptive Analytics in Insurance

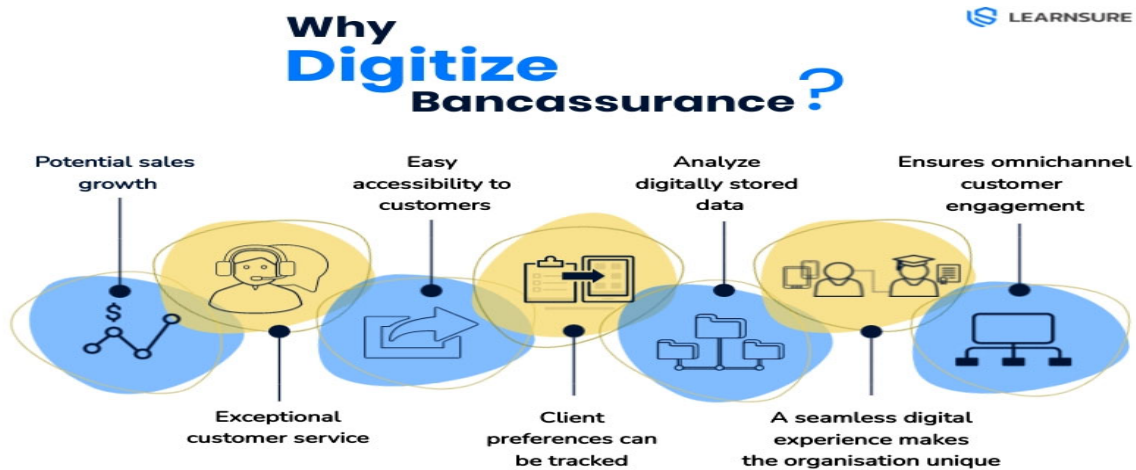


Source: Rashmi, & Bhardwaj (2021)

Why the switch to digitalization is highly recommended?

The digital advancements have changed the landscape of insurance practices. Online educational videos, social media platforms, and programmes are spreading insurance information and education among the customers. Online insurance users in India are also shows increasing trend. Various distribution channels used online platform to sell insurance. Bancassurance success is heavily reliant on banks maintaining excellent customer relationships with the help of technological advancement. The use of technological advancements and innovations is the core for digitization which going to make digital Bancassurance model a huge success.

Figure 4: Reason of switch to Digitalization



Source: <http://learnsure.ai/reaping the benefits of digital Bancassurance>

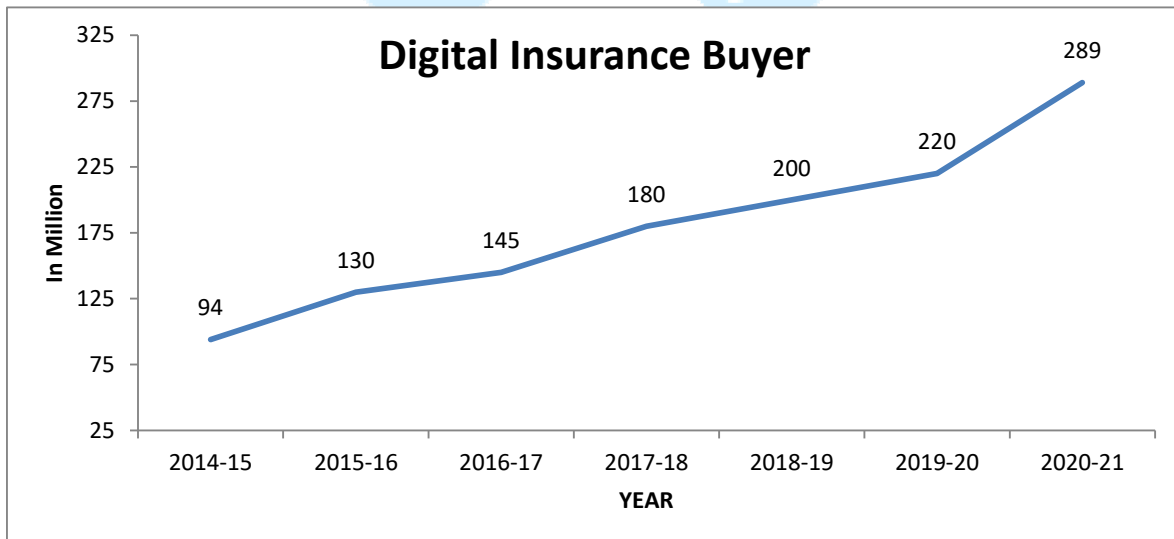
With the advancement of Information Technology, the customers are becoming aware. India has 47% internet penetration rate in year 2021 which was 45% in year 2020. Increasing internet penetration gives birth to digital selling of insurance. Report on online insurance market in India size & share analysis- growth trends and forecasts (2023-2028) expected to grow in premium amount from US\$ 92.60 billion in 2023 to US\$ 120.05 billion by 2028, which shows CAGR of 5.33%.

Table 1: Number of Digital Buyer of Insurance in India

YEAR	No. of Digital Buyer of Insurance (In Million)
2015	94
2016	130
2017	145
2018	180
2019	200
2020	220
2021	289
CAGR	20.58 %

Source: Compiled from data taken from Mordor Intelligence

Figure 5: Digital Insurance Buyers in India



Source: Compiled from data taken from Mordor Intelligence

Table 1 show that the number of digital buyer of insurance in India increases from 94 million in

2014-15 to 289 million with a Compounded annual growth rate of 20.58%. It revealed that the number of people who are buying insurance online will rise rapidly as shown in Figure 5 and digital advancement will definitely plays a vital role in further growth of insurance penetration and density of India.

B. BANCASSURANCE IN INDIA - A SWOT ANALYSIS:

Banking and Insurance are very different businesses. Banking business has less risky but the insurance business has great risky. Once Bancassurance channel of insurance is implemented in India with full fledged entry, many things will be at stake. To create infrastructure particularly in IT and telecommunications huge capital investment will be required, a call center is required, top professionals of both insurance and bank need to be hired, a Research& Development team will be required to be created to generate new products and ideas. So therefore, it is needed to have a SWOT analysis done in context of ‘Bancassurance implementation in India’.

a) Strengths

- **Wide Network of Branches:** India has huge network of banking branches and offices in rural and urban areas and with access to large number of clients. But insurance sector has still lack of potential market. Thus, banks can prove to be an ideal vehicle for selling insurances products due to their existing wide net work of branches.
- **Skilled professional:** Banks have equipped with skilled and trained professionals who can have better understanding of procedures and complexities of insurance products and can carry selling of insurance activities successfully.
- **Bank Culture:** The banks are culturally more acceptable to the society than the insurance companies. Once the commercial banks start marketing the insurance products both the life and non-life, the customers are more likely to acquire them.
- **Customer Loyalty:** Banks seek to retain customer loyalty by offering them an expanded and more sophisticated range of products. The banks can offer these innovative products over and above the conventional activities to retain the customer base.
- **Low Acquisition Cost:** Acquisition cost of insurance customers through banks is low. Sale of insurance products to existing market banking client is less expensive than selling to a group of unknown people.

b) Weakness

- **Low Savings Rate:** Though India has a huge market for insurance policies, the middle-income class who constitutes the bulk of this insurance market is today burdened under inflationary pressures. Thus, the amount of surplus funds available with the middle class is very nominal and they are unable to spend extra money on purchase of insurance products.
- **Inflexibility of Insurance Products:** Another drawback of this channel is the inflexibility of the products. Insurance products and policies cannot be customized to the requirements of the customer. For a successful Bancassurance business, it is necessary to have an in-built flexibility in products so that products make attractive to the customer.
- **Absence of Tax Exemption's:** The tax structure in the country may dampen the progress of Bancassurance in India. Personal line products like householder; travel policies, etc., do not enjoy the tax benefits. The absence of tax exemptions for such personal life insurance products is a real weakness in the Bancassurance business in India.

c) Opportunities

- **Enormous Data base:** The data base of the commercial banks is enormous. By successfully mining their customer databases, the Indian banks have the opportunity to almost double the conversion rates of insurance and have increased sales productivity.
- **Penetration into rural areas:** Huge network of bank branches in rural areas makes easier the penetration of Bancassurance into rural areas.
- **Fee based Income:** Bancassurance provides banks an opportunity to raise risk free fee based income.

d) Threats

- **Conflict in Culture:** The difference in working style and culture of the banks and insurance sector not easily acceptable by the employees. It creates a problem in success of Bancassurance.
- **Professionals' Reluctance:** Through banks have large pool of trained professionals but they show less interest in sale of insurance products.
- **Customers' reluctance:** Bank customers are generally reluctant in purchasing insurance product from bank.

- **Dual control:** Dual control of banks and insurance companies also increases the conflicts in Bancassurance business.

5. CONCLUSION

It is concluded that there is need of adoption of different marketing strategies for realizing the growth potential of Indian insurance market. Now a day's Insurance companies are tie-ups with banks and this helps in open a new market for insurers. In the last decade most of the banks have undergo into radical changes. Banks adopt digitalization transformation to perform their functions, processes, and operations. Study concluded that Digitalization has opened new doors of opportunities for the banks and insurance sector. It constantly helps in upgrading and developing new innovative customized packages & services in order to remain competitive. To make the Bancassurance channel more effective, it is recommended that banks should invest in more resources for training bank employees. Employees and other business partners must equipped with updated electronic devices like with cashless instant payment solution for successful implementation of digital Bancassurance business model.

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