SHREE GANESHAY NAMAH

AN IMPACT OF BANCASSURANCE PRODUCT ON BANKING BUSINESS IN INDIA - AN INDEPTH STUDY

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CERTIFICATE

This is to certify that the thesis entitled ***"AN IMPACT OF BANCASSURANCE PRODUCT ON BANKING BUSINESS IN INDIA - AN INDEPTH STUDY"*** *which is being submitted by* ***Miss Tripti .M. Gujral*** *for the award of Doctoral Degree in Accounting and Financial Management, Faculty of Commerce, The Maharaja Sayajirao University of Vadodara, is her genuine work prepared under my supervision and guidance, and to the best of my knowledge and belief. The results embodied in the same have not been submitted elsewhere for the award or diploma.*

Dr. Shirish .R. Kulkarni
(RESEARCH GUIDE, READER)

DECLARATION

I hereby declare that the thesis entitled ***"AN IMPACT OF BANCASSURANCE PRODUCT ON BANKING BUSINESS IN INDIA - AN INDEPTH STUDY"*** *submitted to The Maharaja Sayajirao University of Vadodara, for the award of Doctor of Philosophy in Accounting and Financial Management, represents the results of my own study and has not previously formed wholly or in part, the basis for the award of any Degree or Diploma to any other University or examining body.*

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CHAPTER – 1

INTRODUCTION AND RESEARCH DESIGN.

1.1 INTRODUCTION:

The banking and insurance industries have developed rapidly in the changing and challenging economic environment all over the world. Due to merging of global financial markets, development of new technologies, universalization of banking industries and with the expansion of non banking activities, the insurance industry has globally brought in new channels of distribution into existence.

This has given rise to a new form of business wherein two big financial institutions have come together and have integrated all their strength and efforts to generate new means of marketing for encouraging their products and services. When these two join together it gives birth to “BANCASSURANCE”.

Bancassurance is the allocation of insurance products through the huge network of banks whereby, banks act as a distribution channel for providing varieties of banking and investment products and services. In simple words we can say bancassurance tries to develop synergies between both - insurance companies and banks.

The distribution of insurance products through banks is helpful not only to the insurance and banking companies but also to the customers. The growth of bancassurance depends on how well banks and insurance companies are able to conquer the operational challenges that are frequently thrown at them.

The need of the hour for the bancassurance business is to gather together new ideas, new development / advancement / improvement / evolution and work culture.

It was initially a controversial issue in the some countries as many critics believed that this would give banking sector too good a control over financial services market. Therefore it was earlier restricted in many countries. But today, many countries have started accepting bancassurance in their market and have seen an incredible boom in this sector.

This research work focuses on how bancassurance is gaining world wide recognition, how has it appeared as an efficient tool for selling the insurance products by some primary insurance companies and banks and also on the benefits and significance of bancassurance in India.

The regulations leading bancassurance are also shown in this research work. SWOT analysis is also done so as to recognize the various opportunities and threats for bancassurance in India.

The present study has been carried out to know that how globalization, liberalization and cut throat competition have jointly brought the banking and the insurance sectors to facilitate each other and offer effective services to the customers.

1.2 HISTORY OF BANKING IN INDIA:

Banking plays an important role in the financial set-up of any country and its economy. With its large network of branches, huge deposits and advances, it has obtained a special place in the money market. With the ongoing changes in the banking sector, today it has got an immense importance as a subject of analysis and research.

Banking means "The accepting, for the purpose of lending or inviting, of deposits of money from public re-payable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise"[1]. Banking means any company which carries out the business of banking in India.

Banking in its simplest form is as old as authenticated history. In India reference about banking practices and guidelines exists in our scriptures and ancient text. It has its origin as early as in the Vedic period. It is believed that the development from money lending to banking must have taken place even before Manu, the great Hindu Jurist, who has dedicated a section of his work to deposits, advances, pledges and policies of loans and has also laid down rules relating to rates of interest. In the 4th century B.C., Kautaliya's 'Arthashastra' laid down 15 and 60 per cent as the maximum legal rates of interest per annum on secured and unsecured loans respectively, but permitted a maximum of 240 per cent, if risk was specifically heavy. [2]

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[1] Section 5 (b) of Banking Regulation Act 1949.

[2] Indian Banking System-Development, performance and services by Satya Swaroop Debashish & Bishnupriya Mishra, pg-7

Hundis or indigenous bills of exchange came into use during the Medieval Era from 12th century when Muslims ruled India and it appears from the writing of a few Muslim historians, European travelers, State records and Ain-i-Akbari that both under the early Mogul rulers in India indigenous bankers played an important role in lending money, financing internal and foreign trade with cash or bills and giving financial assistance to the rulers during the period of stress. During the Mogul rule, the issue of various kinds of metallic money in different parts of the country gave bankers great opportunities for increasing business of money exchanging. [3]

Modern Banking in India is believed to be developed during the British Era. In the first half of 19th century, The British East India Company established three banks.

(1) The Bank of Bengal in 1809.

(2) The Bank of Bombay in 1840 and

(3) The Bank of Madras in 1843.

In the course of time, these banks also known as 'Presidency Banks' were pooled into a new bank called 'The Imperial Bank of India.' Later it was taken over by the State Bank of India in 1955. Allahabad Bank was the first wholly owned Indian bank. The Reserve Bank of India was established in 1935 pursued by other banks like Punjab National Bank, Bank of India, Canara Bank and Indian Bank.

With the expansion of the Indian banking sector, new norms have been introduced, in order to stay ahead in the rat race. Banks are now

[3] Banking in India by S.G Panandikar, Orient Longman, 12th edition 1975, Pg-1.

getting into net banking, securities, customer finance, housing finance, treasury market, merchant banking etc. They are trying to provide every kind of service in order to please their customers.

Healthy competition has brought in more operational expertise in the banking sector with the entry of private and foreign banks. Banks are also trying to cope up and adjust with time and are trying to become one-stop financial supermarkets. With the opening of value added and customized products, the market focus is shifting from mass banking products to class banking.

The Reserve Bank of India (RBI) is the apex body for the matters relating to the Indian banking system. It is the 'Central Bank' and is the supporter to all other banks of India.

The following are the functions of Reserve Bank of India (RBI).

1. Currency issuing authority.
2. Banker to the Government.
3. Banker to other banks.
4. Framing of Monetary Policy.
5. Exchange Control.
6. Custodian to Foreign Exchange and Gold Reserves.
7. Developmental activities.
8. Research and Development in the banking sector.

1.3 TYPES OF BANKS:

Following is the classification of banks:-

1.3.1 CENTRAL BANK.

The Reserve Bank of India is the Central Bank which is completely owned by the Government. It is administered by a central board which is headed by a Governor, appointed by the Central Government. It provides guidelines for the functioning of all banks working within the country.

1.3.2 PUBLIC SECTOR BANKS.

The Public Banking sector is divided into:-

1. State Bank of India and its associate banks called the State Bank Group.
2. 23 nationalized banks.
3. Regional rural banks mainly sponsored by public sector banks.

1.3.3 PRIVATE SECTOR BANKS.

The Private Banking sector is divided into:-

1. Old Generation private banks.
2. New generation Private banks.
3. Foreign banks operating in India.
4. Scheduled Co-operative banks.
5. Non-scheduled banks.

1.3.4 CO-OPERATIVE SECTOR.

The Co-operative sector is very much useful for rural people. The Co-operative Banking sector is divided into:-

1. State Co-operative Banks.
2. Central Co-operative Banks.
3. Primary Agriculture Credit Societies.
4. Land Development Banks.
5. Urban Co-operative Banks.
6. State Land Development Banks.

1.3.5 DEVELOPMENT BANKS/FINANCIAL INSTITUTIONS.

1. Industrial Finance Corporation of India. (IFCI)
2. Industrial Development Bank of India. (IDBI)
3. Industrial Credit & Investment Corporation of India. (ICICI)
4. Industrial Investment Bank of India. (IIBI)
5. Shipping Credit & Investment Company of India Ltd. (SCICI)
6. National Bank for Agriculture & Rural Development. (NABARD)
7. Export-Import Bank of India. (Exim)
8. National Housing Society.
9. Small Industries Development Bank of India. (SIDBI)
10. North Eastern Development Financial Corporation.

1.4 HISTORY OF INSURANCE IN INDIA:

Insurance is an establishment, which eradicates risk and which replaces certainty for uncertainty. Insurance is a contract between insurer (insurance company) and the insured (whose life or assets are covered) under which the insurer agrees to reimburse the insured for the loss arising from the risk insured against. The term insurance can be defined in both financial and legal terms.

In financial sense, " Insurance is a social device in which group of individuals(insured) transfers risk to another party (insurer) in order to combine loss experience, which permits statistical prediction of losses and provides for payment of losses from funds contributed (premium) by all members who transferred risk."

In legal sense, "A contract of insurance is a contract by which one party in consideration of the price paid to him proportionate to the risk, provides security of the other party that he shall not suffer loss, damage or prejudice by the happening of certain specified events."[4]

Insurance in India has a deep-rooted history. The insurance sector in India has come in a full circle from being an open competitive market to nationalization and back to a liberalized market again. The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. It was however a British company.

[4] Innovations in Banking and Insurance.-By Om Prakash Agrawal, Pg- 1.

The first Indian insurance company, The Bombay Mutual life Assurance society started its operation in 1871. In 1956, the Indian insurance industry was made up of 154 domestic insurers, 16 foreign life insurers and 75 provident funds. The Insurance Act, 1938 was the first legislation leading all forms of insurance to provide strict state control over insurance business. In 1956 all life insurance companies were nationalized, the story of non-life insurance in India is no different. In 1907 the first Indian general insurer, the Indian Mercantile insurance company started operations. The New India Assurance Ltd. was incorporated in 1919. In 1972, the non life insurance business in the country was nationalized and the GIC (General insurance Corporation of India) was formed with four subsidiaries: the national insurance, oriental insurance, united India Insurance and the New India Assurance Company Ltd. Since then Insurance in India had a defensive wall built around it, to keep it a local players market.[5] Today there are 24 General Insurance companies including Export Credit Guarantee Insurance Companies (ECGC) and Agriculture Insurance Company of India and 23 Life insurance companies operating in the country. But today also the insurance companies are trying to capture Indian markets as not many people are aware of it.

The insurance sector is growing at a speed rate of 15-20% and together with banking services; insurance services add about 7% to the country's GDP. A well – developed insurance sector is a boon for economic development as it provides long term fund for infrastructure

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[5] Investment Management with special reference to Life Insurance Scheme: A customer point of view- By M D Chougule , Thesis submitted to Shivaji University Kolhapur, June 2012, pp. 3-4.

development at the same time strengthening the risk taking ability of the country. [6]

1.5 TYPES OF INSURANCE:

Insurance has two broad categories (1) Life insurance and (2) General insurance or non life insurance.

1.5.1 LIFE INSURANCE

Life Insurance Corporation was formed in September 1956. In case of life insurance business, a long term policy is issued for a number of years or for the entire life. A life policy covers risk of death due to natural causes or otherwise. In life insurance, a level of premium is generally payable throughout the policy period, even though the risk of death will be increasing with the advancing age of the life assured. The type of policy will be determined by his age at the time of implementing the policy and amount of premium. The premium may be paid by single payment or annually, half yearly, quarterly or monthly.

1.5.2 GENERAL INSURANCE:

General Insurance business was nationalized in 1972. The existing general insurance products can be grouped as:-

1. Fire Insurance.
2. Marine Insurance.
3. Motor Insurance.
4. Health Insurance.

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[6] http://www.irda.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo4&mid=2

5. Personal Accident.
6. Engineering Insurance.
7. Rural Insurance.
8. Miscellaneous Insurance.

1.6 FUNCTIONS OF INSURANCE.

The following are the functions of insurance:

1.6.1 PRIMARY FUNCTIONS OF INSURANCE

1. Providing protection
2. Collective risk bearing
3. Evaluating risk
4. Providing certainty

1.6.2 SECONDARY FUNCTIONS OF INSURANCE

1. Prevent losses
2. Covering larger risks with small capital
3. Helps in the development of larger industries

1.6.3 OTHER FUNCTIONS OF INSURANCE

1. Saving and investment tool
2. Medium of earning foreign exchange.
3. Risk free trade

1.7 MEANING AND ORIGIN OF BANCASURANCE:

The growing global insurance industry has brought new channels of distribution into existence, leading to a new concept. Nowadays banks have started increasing their business to securities and insurance and other sectors by adding new range of products. Bancassurance, one such concept, has gained recognition in the recent years.

Bancassurance means selling of insurance products by banks. In this agreement, insurance companies and banks go through a tie-up and thus allowing banks to sell the insurance products to its customers. This is a system in which a bank has a corporate tie-up with one insurance company to sell its products. Bancassurance is the allocation of insurance products through the huge network of banks whereby, banks act as a distribution channel for providing varieties of banking and investment products and services. In simple words we can say bancassurance tries to develop synergies between both - insurance companies and banks.

(1) The bank (2) The insurer and (3) the customer.

By selling insurance policies bank earns a revenue stream apart from interest. It is called as fee-based income. This income is purely risk free for the bank since the bank simply plays the role of an agent for sourcing business to the insurance company.

1.8 DEFINATION OF BANCASSURANCE:

1. The term first appeared in France in 1980 to define bancassurance as "The scale of insurance products through bank's distribution channels." The Supply Chain Operations Reference (SCOR 2003)
2. The Life Insurance Marketing and Research Association's (LIMRA'S) insurance dictionary defines bancassurance as "The provision of life insurance services by banks and building societies.
3. According to Insurance Regulatory and Development Authority (IRDA), "Bancassurance refers to banks acting as corporate agents for insurers to distribute insurance products".

The literature on bancassurance does not change if bancassurance refers to selling of life insurance products or non-life insurance products.

1.9 ORIGIN OF BANCASSURANCE:

The concept of bancassurance was started in France in 1980's and spread across different parts of Continental Europe, USA, and also in Asia, particularly in India. Banks started the process of selling life insurance decades ago and customers found the concept appealing. In Germany, bancassurance was called "ALLFIANZ" and it got well recognized in Europe also. In USA the practice was started in late 90's. It is also on the rise in Canada, Mexico and Australia.

Government of India, during its notification dated 3rd August 2000, has accepted insurance as an acceptable form of banking under the Banking Regulations Act 1949. The Reserve Bank of India too has approved bancassurance by allowing banks to offer physical infrastructure to insurance companies within the premises of some selected branches and allowing them to sell their insurance products to the bank's customers. These banks in exchange earn referral fees based on the premium collected.

1.10 BANCASSURANCE – GLOBAL SCENERIO:

Bancassurance has developed at an unusual speed and has taken different shapes and forms in different countries depending on demography, economic and legislations in that country. During the last two decades, bancassurance has been well established in various countries, especially in Europe.

Bancassurance has seen an incredible recognition and growth globally. The Life insurance market in the UK is largely in the hands of the brokers. With the help of bancassurance, their market share had increased tremendously. Sales agents also play a significant role on a market which is wholly regulated by the Financial Services & Markets Act (FSMA), which also lays down very severe marketing conditions for them. In Germany, even though their market share has declined, the market still remains to be under the control of general sales agents.

Bancassurance has seen a huge development in Europe but not in USA and Canada. In the US, there were obstacles till lately and banks were not allowed to do insurance business and visa-versa. But it was recently legalized in countries such as United States when Glass – Steagall Act was abolished after passing of the Gramm – Leach Bliley Act 1999. In several countries in Latin America, banks have been benefited from recent reforms like financial deregulations and also by selling insurance products across the counter. In China, banks are restricted to playing role of tide agent to insurance companies, which can still offer a good platform for bancassurance to develop.

In Hong Kong, when Swiss bank introduced bancassurance, the life insurance sales went up by 240%. Japan has to more efforts to develop bancassurance in its country. In Philippines, banks are permitted to own 100% of the insurance company. Bancassurance is yet to develop in Singapore. Moreover, there is a huge market potential for bancassurance yet to be explored in India and many other countries when compared to the global market scenario.

1.11 BANCASSURANCE - INDIAN SCENERIO:

In India the current financial setting has been redesigned ever since the supporting of financial reforms and by following the propositions given by the Narsimhan committee-I (1991) and Narsimhan committee-II (1998). Banks have diversified into several new areas and are now offering innovative products like merchant banking, lease and term finance, capital market/equity market related activities, hire purchase, real estate finance etc. Thus banks have now broadened their horizons more than ever before. Therefore, their entering into insurance business is only a natural consequence and is justified too as 'insurance' is another financial service which is now required and favored by the bank's customers.

Bancassurance is the new buzzword in India. It originated in the year 2000, when the Government issued notification under Banking Regulation Act which allowed Indian Banks to do insurance distribution.

It started getting more recognition after Insurance Regulatory and Development Authority (IRDA) passed a notification in October 2002 of ‘Corporate Agency’ regulations. As per the concept of Corporate Agency, banks can act as an agent of one life and one non-life insurer.

Bancassurance offers many advantages to banks, insurers and the customers. For the banks, income from Bancassurance is the only non interest based income. These days interest is fluctuating and is reasonably reducing as influenced by the market forces. So banks are not getting enough margins because of the competition in the market. Therefore more and more banks are getting into bancassurance so as to improve their incomes. Increased competition also makes it difficult for banks to keep a hold on to their customers. Bancassurance comes as a help in this direction also. Providing multiple services at one place to the customers means improving customer satisfaction. For example, through bancassurance a customer gets home loan along with insurance at one single place as a combined product. Another important advantage that bancassurance brings about in banks is the development of sales culture in their employees.[7] As for the insurance companies the advantages that bancassurance provides is quite evident. The insurance company gets better geographical reach without additional costs. In India around 67,000 branches are there for Public Sector Banks alone. If all 67,000 branches sell the insurance products one can see the reach.[8]

India’s rural market has huge potential that is still unexploited by the insurance companies. Setting up their own market would involve enormous costs that no company would be interested in doing so. So,

[7] www.scribd.com/doc/92497383/Introduction-to-Bancassurance.
[8] www.scribd.com/doc/129447101/bancassurance.

bancassurance here helps the insurance companies to hit the market at a much lower cost. As for the customer, the competitive nature of the Indian market ensures that the decrease in cost would result in benefits in terms of lower premium rates provided to them. It is expected that through bancassurance banks and insurance companies can collectively receive a fee - based income between Rs.13, 500 Cr. and Rs. 22,000 Cr. over the next five years. In India, with some insurers such as SBI Life already selling almost 40% new business through bancassurance channel, and thus following the success story of the European nations; while others like ICICI-Prudential Life, HDFC-Standard Life, Kotak Life Insurance, Aviva Life Insurance and ING-Vysya Life Insurance contributing about 25% from bancassurance channel.[9]

Many banks and financial institutions have started joint ventures with foreign insurance companies like SBI Life with Cardiff of France. MetLife India with MetLife and J & K bank, ICICI Prudential with ICICI bank, HDFC Standard Life with HDFC bank etc. The companies like Aviva, MetLife, Birla Sun Life, SBI Life etc. have developed bancassurance as an important channel of distribution. SBI Life Insurance Co. is the biggest player in bancassurance. In 2007, the company intended to acquire 75% of the total business through bancassurance and the balance through other channels. Allianz Group is the business entity which is fully engaged in world wide insurance business taking on more than 70 countries of 5 continents to serve 60 millions customers through its international subsidiary network.

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[9] CIFP Knowledge Series- Bancassurance: Convergence of Banking and Insurance 2010, pg-1.

For banks, retail networking is proving to be a very important distribution channel of insurance products. IRDA has laid down certain fundamentals to insure that only financially sound banks enter into this stream. To operate as a distribution channel, banks must possess a net worth of at least 500 Cr. and a capital adequacy ratio of minimum 10%. The increasing numbers of tie-ups between banks and insurance companies is proving the growing importance of this distribution channel. In the financial year 2003-04 the bancassurance channel has contributed 70% towards the total sales of Aviva India. It also contributed 6% of non-life premium and 13% in life in 2006.[10] Hence, there is a huge market potential in India when compared to Global standards.

Financial engineering techniques and models, significant progress in information technology and customer demands has brought the necessary competition and better pricing into the banking as well as insurance industry. Thus, due to the success of banking and insurance companies, they have found bancassurance as an eye-catching and profitable balance to their existing activities in India and also consider bancassurance will play a long inning in India.

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[10] Source: www.irdaindia.org

1.12 RELEVANCE OF BANCASSURANCE IN THE INDIAN FINANCIAL SECTOR:

1. Banks over the world have now become conscious that offering value added services such as insurance helps to meet client's expectations. Competition in the area of Personal Financial Service is getting influential in India and banks can also maintain customer's loyalty by offering them a complete and exclusive range of products. Therefore, insurance distribution may help the banks to increase the fee based earning to a great extend.
2. Fee based marketing may help the banks to cover up most of their operating expenses and also to improve the levels of staff efficiency in the banks. This may also help to bring higher motivational levels in the banking sector in India.
3. In India the concept of bancassurance is rising speedily both through commission based agents and joint ventures between banks and insurance companies. Due to the vast network of Indian banks, it can easily reach out to the general public.
4. Banks can put in their efforts in trying to capture the small commission customers that insurance agents tend to avoid. Bank's entry in insurance distribution can help to widen bancassurance more rapidly. This may help to popularize insurance as an important financial protection product.
5. Bancassurance helps to lower the distribution cost of the insurers. Purchasing cost of insurance through banks is low. Selling insurance to existing banking customers in the market is cheaper than selling it to a group of unknown customers.

6. Banks have a huge retail customer base. The share of individuals as a category in bank accounts is gradually increasing. Rural and semi urban bank accounts constitute close to 60% in terms of number of accounts, indicating the number of probable lives that could be covered by insurance with the association of banks.

7. Overstaffing problems can be solved without opting for drastic measures of reducing the staff.

1.13 TYPES OF BANCASSURANCE:

Bancassurance is classified in two types:

i. With risk participation.

ii. Without risk participation.

1.13.1 WITH RISK PARTICIPATION:

In this type of bancassurance, insurance business is done through a subsidiary of the bank, which may be entirely held by the bank or it may have a certain share in it. This type of bancassurance confirms higher income for the bank, but here the risk is also higher as the claim has to be tolerated by the bank on its own. The Reserve Bank of India has prescribed some regulatory guidelines to be followed by the concerned banks to access a subsidiary for performing bancassurance activities:

1) Capital Adequacy Ratio to be at least 10%

2) Net worth at least Rs. 500 cr.

3) Profit generating in the past three consecutive years

4) Non – performing Assets at reasonable level.

1.13.2 WITHOUT RISK PARTICIPATION:

Here the bank acts as an agent of the insurance company. The bank earns a fee income for mobilizing insurance business. Banks earn insignificant incomes and the claims borne by the bank are passed onto the insurance company. They are of three types: (1) Referral arrangements. (2) Deposit linked/Advance linked insurance products. (3) Corporate agency of insurance products.

1.13.2.1 REFERRAL ARRANGEMENTS.

Banks have a very insignificant role in this type of bancassurance, therefore the returns are also very less. The employees of the insurance companies take assistance from the bankers for selling their products to the bank customers. The bank offers the insurance company premises in exchange for commission on business.

1.13.2.2 DEPOSIT LINKED/ADVANCED LINKED INSURANCE PRODUCTS

These products are directly linked to the bank's deposit or credit products. Customers gain by getting value addition in the banking products while for the banks this proves to be helpful in organizing low cost deposits or making their loans secure.

1.13.2.3 CORPORATE AGENCY OF INSURANCE PRODUCTS

In this model, the bank may become a corporate agent of one life and one general insurance company as per IRDA guidelines. Then certain selected employees are provided with insurance training as specified by

IRDA and after meeting the requirements of IRDA exams they become capable of being insurance agents for selling insurance products

1.14 UTILITIES OF BANCASSURANCE:

1. Utilities of bancassurance for Banks.

   1) As a source of fee based income.
   2) Product diversification.
   3) Building close relations with the customers.

2. Utilities of bancassurance for Insurance Companies.

   1) Stiff Competition.
   2) High cost of agents.
   3) Rural penetration.
   4) Multi-channel distribution.
   5) Targeting middle income customers.

1.14.1 UTILITIES OF BANCASSURANCE FOR BANKS:

1.14.1.1 AS A SOURCE OF FEE INCOME

Bank's traditional source of fee income have been the fixed charges which are imposed on loans and advances, credit cards, merchant fee on point of sale transactions for debit and credit cards, letter of credits and other operations. This kind of income flow has been reasonably steady and its growth has been fairly predictable.

However, decrease in the interest rate, growing competition and increased mobility of customers have forced bankers to find other options to balance out the declining profit margins, hence bancassurance has come in as a practical option for them. Fee income from the distribution of insurance products has opened up new prospects for the banks. Fee based income from bancassurance help the banks to cover up most of their operating expenses.

1.14.1.2 PRODUCT DIVERSIFICATION

Banks have a huge opportunity under bancassurance business to indulge in product diversification and sell wide range of products like life insurance, medical insurance, car insurance, home and contents insurance, endowment policies, annuities, education plans, depositor’s insurance credit shield and travel insurance. However, recently innovations have taken place in the insurance sector to suit and satisfy the growing needs of various customers.

1.14.1.3 BUILDING CLOSE RELATIONS WITH THE CUSTOMERS

Increased competition creates complication for banks to keep hold of their customers. By providing multiple services at one place to the customers the banks can improve customer satisfaction. For example, through bancassurance a customer can get home loans along with insurance as a combined product at one single place. This further facilitates the banks to have a personal contact with their customers.

1.14.2. UTILITIES OF BANCASURANCE FOR INSURANCE COMPANIES:

1.14.2.1 STIFF COMPETITION

At present there are 23 life insurance companies and 24 general insurance companies in India. Liberalization of the economy has made it easier for the private insurance companies to enter into the battle field. Even the oldest public insurance companies have started facing tough competition which resulted in a burning need to defeat their opponents. Hence, in order to fight back and to stay a step ahead, it was necessary for them to develop a new strategy in the form of bancassurance.

1.14.2.2 HIGH COST OF AGENTS

Services provided by the agents of the insurance companies proved to be very expensive for the insurers as compared to the returns they earned from the business. The call for a cost effective distribution channel gave rise to bancassurance as a profitable channel for distribution of the insurance products at nominal cost.

1.14.2.3 RURAL PENETRATION

So far insurance industry has not been of great success in rural areas. There are many people who are still ignorant about insurance being a normal means to insure ones life. The branch network of banks can help to make the rural people aware about insurance which would also provide a wide scope of business for the insurers and this gap can easily be filled in with the help of bancassurance.

1.14.2.4 MULTI CHANNEL DISTRIBUTION

Nowadays the insurance companies are trying to develop innovative ways to sell the insurance products by using various distribution channels. Insurance products can be sold through agents, brokers, subsidiaries etc. In order to make the most out of India's large population base and reach out to a larger number of valuable customers there was a need to discover bancassurance as a distribution model.

1.14.2.5 TARGETING MIDDLE INCOME CUSTOMERS

Earlier many people were unaware about insurance. The agents preferred to sell insurance policies only to a superior client base. The middle income group of people got very less attention from the agents. Insurance companies can make the most of bank's large network to recapture the market by targeting middle class customers. So in order to utilize bank's database, there was a need felt for bancassurance.

1.15 SCOPE OF THE STUDY:

The present study is about the impact of bancassurance on banking and insurance industry in India and the selection of samples will be made from amongst the banks having one of the products as insurance.

Many banks and financial institutions have set up joint ventures with insurance companies. Following banks are randomly selected.

1. Andhra Bank
2. Canara Bank

3. Corporation Bank
4. Housing Development Finance Corporation (HDFC Bank)
5. Industrial Credit and Investment Corporation of India (ICICI Bank)
6. Industrial Development Bank of India (IDBI Bank)
7. Oriental Bank of Commerce (OBC)
8. State Bank of India (SBI)

Thus, the scope of this study is limited to the following parameters.

I. Emergence of bancassurance in India.
II. Evolution and historical developments.
III. Relevance of bancassurance in Indian financial sector.
IV. Utilities and advantages of bancassurance to banks, insurance companies and customers.
V. Regulatory norms (RBI and IRDA).
VI. Models of bancassurance.
VII. Distribution channels of bancassurance and
VIII. SWOT analysis.

In order to understand how far bancassurance has captured a position in the hearts of people in India, survey analysis has also been done.

1.16 STATEMENT OF PROBLEM:

The Insurance sector in India has undergone a sea change since the sector was opened up for private players in 2000. The entry of private players in the insurance market resulted in severe competition between the working of public sector and private sector insurance companies in order to capture the market. Intense competition gave rise to innovative products and new channels of distribution for the marketing of insurance products.

India has a huge population and in order to reach out to such a huge customer base, insurance companies can make the most of the bank's large network. This gave rise to bancassurance. Bancassurance is a process whereby insurance products are sold to the customers at their local bank branch. This relationship is convincing yet highly challenging.

The most common challenges to success of bancassurance are poor manpower management, lack of a sales culture within the bank, lesser involvement by the branch manager, insufficient product promotions, failure to integrate marketing plans, marginal database expertise, poor sales channel linkages, inadequate incentives, resistance to change, negative attitudes toward insurance and intensive marketing strategy. Even insurers and banks that seem perfectly suited for a bancassurance partnership can run into problems during implementation.

Before targeting the market, it is essential to do a SWOT analysis. Regulatory norms set up by RBI and IRDA also proved to be an obstacle in development of bancassurance in India. Some of these have recently been cleared with the passage of the Insurance (Amendment) Act, 2002. The Indian banking sector has a long way to go when its success through the bancassurance business is compared to that of the western countries.

1.17 OBJECTIVES OF THE STUDY:

In view of the above introductory remarks, the following have been laid down as the specific objectives of the study.

1. To examine the recent trends and the present scenario of bancassurance business in India.
2. To study the marketing and distribution channels of insurance products.
3. To know the issues regarding the marketing of insurance products through bancassurance and make meaningful suggestions for improvements.
4. To analyze the impact of bancassurance on -- banks, insurers, customers, employees, government policy and regulations and also to general public.
5. To review and compare the financial position of banks dealing in insurance.
6. To analyze the financial impact of bancassurance product on performance of the banks.

1.18 STATEMENT OF HYPOTHESIS:

In order to test the above objectives the following hypothesis are formulated.

1. H_0 : Majority of the people are not aware of bancassurance as a product.

1.1 H_1 : People are aware about bancassurance as a product of the banks.

2. H_0 : Customers do not purchase insurance policy from the banks.

2.1 H_1 : Customers purchase insurance policy from the banks.

3. H_0 : There is no significant income from bancassurance product to the banks.

3.1 H_1 : Income from bancassurance product is significant to the banks.

1.19 DATA ANALYSIS:

The present study is about the impact of bancassurance in the banking and insurance industry. On the basis of review and objectives of this study, analysis is done. The data collected is tabulated, classified, and converted into charts, maps, graphs. The data is also presented in the form of pie diagram and multiple bar diagram etc.

Survey analysis has also been done so as to know the popularity and growth perspective of bancassurance.

1.20 CHAPTERIZATION:

The study is divided into following chapters:

CHAPTER – 1

INTRODUCTION AND RESEARCH DESIGN.

This chapter highlights the research methodology and design of the study. It contains:

- Introduction of bancassurance.
- History of Banking and Insurance in India.
- Bancassurance - Indian scenario and Global scenario.
- Types of bancassurance.
- Relevance of bancassurance in Indian financial sector.
- Utilities of bancassurance.
- Scope of study.
- Statement of problem.
- Research design and objectives of study.

CHAPTER – 2

REVIEW OF LITERATURE.

This chapter is designed to identify the related research so as to set the current research, is within a conceptual and theoretical context which includes an overview, evolution historical developments of bancassurance. While reviewing, care has been taken to tap all possible sources such as books, journals, magazines, newspaper items, doctoral thesis and dissertation souvenirs of conferences/ seminars/workshops and websites.

CHAPTER – 3

ORGANIZATIONAL PROFILE.

This chapter contains the growth and framework of bancassurance of the selected banks as samples. It includes:

- Justifications for banks to enter into bancassurance business.
- Convergence strategies.
- Frameworks regarding the RBI and IRDA norms set up for bancassurance.
- Model of bancassurance.
- Bancassurance products.
- Distribution channels in bancassurance.
- Benefits of bancassurance to banks, insurance companies and to customers.
- Tie-ups of bancassurance in India.
- Issues to be kept in mind while tie-ups.

CHAPTER- 4

DATA ANALYSIS AND INTERPRETATION.

The collected data is analyzed and interpreted by applying various statistical tools and techniques. It includes:

- Various Trends of Bancassurance.
- Challenges.
- SWOT analysis.
- Survey analysis.

CHAPTER – 5

CONCLUSIONS AND SUGGESIONS

This chapter gives summary of the entire findings which involves the conclusions and suggestions based on data analysis and interpretation on the impact of bancassurance product on banking and insurance business in India.

At the end of the thesis, bibliography, webliography and appendix would also be there.

CHAPTER - 2

REVIEW OF LITERATURE

CHAPTER – 2

REVIEW OF LITERATURE

2.1 AN OVERVIEW ON BANCASSURANCE.

In India, liberalization started in the year 1990 and in the insurance sector in particular, it started in 1999 with certain norms and regulations set up by Insurance Regulatory and Development authority (IRDA). Banks were permitted to undertake insurance business from the year 2002. As it offered a very attractive proposition to banks for generating additional fee based income against the backdrop of thinning spreads and severe competition, a series of tie-ups were announced immediately after the permission and are even continuing till date. Even many cooperative banks have announced tie-ups with insurance companies to distribute insurance products.

For the insurance companies also, it was an attractive proposal as it could now take the advantage of the wide network of the banks. An added attraction was that banks in India have the benefit of the trust and confidence of many customers, even though they have not been very satisfied with the service quality levels. Bancassurance as a channel has been increasingly becoming important for the insurance companies, especially for the new private insurance companies which have been started after the restructuring of the industry.

Bancassurance, in its early stages in India, has brought about a host of cultural, HR and Operational challenges along with it. The success of the players concerned would lie in how they are able to overcome the same. For the banks it is the challenge of making their employees cover new ground by first undergoing mandatory hours of training, clearing a written test, getting themselves licensed and selling a new stream of products aggressively, in addition to their regular banking products. For the insurance companies, it is the challenge of facilitating this fledgling distribution channel to the fullest possible extent by designing appropriate products, a very conducive operational environment especially for the medical and financial underwriting process and designing effective training programs. Banks also have the vital task of managing long-term insurance contracts. Also it needs to improve the customized services offered by an individual agent so as to make an impact as a superior alternative channel of distribution.[1]

Banks are well-positioned to control their improvements in technology in order to develop their service quality. Internet and ATM channels can be very helpful facilitators in running the insurance contracts.

Against this background, this study aims to analyze comprehensively the various trends of bancassurance in India, opportunities, challenges and threats for bancassurance in India, the types of bancassurance models and products that are becoming popular in India distribution channels in bancassurance which are involved in implementing this concept successfully.

Before proceeding further for fulfilling the various objectives set out for this study, it is pertinent to review the available literature on the related aspects of the present study. However, in this chapter, an

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[1] www.scribd.com/doc/26820212/Bancassurance-An-Indian-Perspective

attempt is being made to undertake the review of available literature published.

While reviewing, care has been taken to tap all possible sources such as books, journals, magazines, newspaper items, doctoral thesis and dissertation, souvenirs of conferences/ seminars/workshops and websites.

2.2 STUDIES RELATED TO THE BUSINESS PERFORMANCE OF INDIAN BANKS.

Singh (1990)[1], in his research study titled, "Productivity in Indian Banking Industry", discussed the trends and changes in the productivity with particular attention on employee and branch productivity in the Indian banking industry. The researcher used seventeen indicators to analyze productivity trends. Banking being service industry, greater attention has been paid to employee productivity. He has made cross-sectional and inter-temporal analysis on the basis of these indicators and these have been divided into three categories:

- Per employee indicators (Labour productivity)
- Per branch indicators (Branch productivity)
- Financial ratios measuring productivity.

The study period (1969-85) was divided into four sub periods. In addition to the comparison of growth rates of various indicators, assessment of relative positions performance has been made on the basis of average T-scores and ranking based on it.

Amandeep (1991),[2] in her thesis titled, "Profits and Profitability of Indian Nationalized Banks" opined that the banks have become an instrument to meet effectively the needs of the development of the economy to effect the total socioeconomic transformation. It has adversely affected the profitability of the bank operations. According to the researcher, the profitability of a bank is determined and affected mainly by two factors: spread and burden. The other factors determining bank's profitability are credit policy, priority sector lending, massive geographical expansion, increasing establishment expenses, low non-fund income, deposit composition etc. She has chosen 11 factors affecting a bank's profitability to identify the most significant variable affecting its profitability.

The study recommended the banks to focus their attention on the management of spread, burden, establishment expenses, non-fund income and deposit composition. The banks need to adequately charge for various non-fund services (like merchant banking, consultancy, and factoring services) with proper cost benefit analysis, to have maximum profitability.

Subramanian and Swami (1994),[3] in their paper, Comparative performance of public sector banks in India", have analyzed and compared the efficiency in six public sector banks, four private sector and three foreign banks for the year 1996-97. Operational efficiency is calculated in terms of total business and salary expenditure per employee.

The analysis revealed that higher per employee salary level need not result in poor efficiency and business per employee efficiency co-efficient was also calculated. Among the PSBs, Bank of Baroda registered the high efficiency and operating profit per employee. Among the private sector banks Indus Bank followed by Citibank Registered highest and second highest operating profit per employee respectively. However, among the Nationalized Banks there existed wide variations in efficiency. Frequent changes are order of the day for the topics of this nature.

Therefore, one should rely on latest information. Some organizations like, RBI, IBA, SBI and ICRA have carried out several research studies on various issues relating to banking and exclusive banking journals/periodicals like Bank Quest, The Bankers, RBI occasional papers, RBI bulletins and general magazines like Business Today, Business India, Finance India, have been publishing papers on various aspects like NPAs, capital adequacy, branch expansion, credit dispensation, deposit mobilization, service quality, technology, performance evaluation, etc. Same studies and papers suitable to this study are being reviewed here.

Zacharias Thomas(1997),[4] Ph D Thesis, 'Performance effectiveness of Nationalised Bank- A Case Study of Syndicate Bank', submitted to Kochin University (1997), Thesis studied the performance effectiveness of Nationalized Bank by taking Syndicate Bank as case study in his Ph.D thesis. Thomas has examined various aspects like growth and development of banking industry, achievements of Syndicate Bank in relation to capital adequacy, quality of assets, Profitability, Social Banking, Growth, Productivity, Customer Service and also made a comparative analysis of 'the performance effectiveness of Syndicate

Bank in relation to Nationalized bank. A period of ten years from 1984 to 1993-94 is taken for the study. This study is undertaken to review and analyze the performance effectiveness of Syndicate Bank and other Nationalized banks in India using an Economic Managerial- Efficiency Evaluation Model (EMEE Model) developed by researcher. Thomas in this study found that Syndicate Bank got 5th Position in Capital adequacy and quality of assets, 15th in Profitability, 14th Position in Social Banking, 8th in Growth, 7th in Productivity and 15th position in Customer Service among the nationalized banks. Further, he found that five nationalized banks showed low health performance, seven low priority performance and eleven low efficiency performance in comparison with Syndicate Bank.

Narasimhan Committee (1998),[5] In order to examine the various issues related to the technology upgradation in the banking sector, the Reserve Bank of India appointed Narasimhan committee in September 1998. The committee consists of representatives from the Government, Reserve Bank of India, banks and academic institutions associated with the information technology. The committee dealt with the issues on technology upgradation and observed that the most of the technology that could be considered suitable for India in some form or the other has been introduced in some diluted form or as a pilot project, but the desired success has not been achieved because of the reasons inter-alia lack of clarity and certainty on legal issues. The committee also suggested implementation of the necessary legislative changes, keeping in the view the recommendations of Shere committee. The need for addressing the following issues was also emphasized:-

- Encryption on Public Switching Telephone Network (PSTN) lines.
- Admission of electronic files as evidence
- Treating Electronic Funds Transfers on par with crossed cheques / drafts for purposes of Income Tax etc
- Electronic Record keeping
- Provide data protection
- Implementation of digital signatures
- Clarification on payment finality in case of Electronic Fund Transfer(EFT).

Taking into consideration the recommendations by various committees appointed by RBI and guidelines of RBI, banks have started using IT to automate banking transactions and processes.

Malhotra (1999),[6] in her study, "Banking Sector Reforms: Experience of PSBs", has analyzed the performance of PSBs as a result of banking sector reforms. The study is divided into two parts. In the first part, a brief review of banking reforms has been made. The major reforms being deregulation of lending/deposit rates, deregulation of entry, revamping of branch licensing policy, measures to improve the financial health, measures to improve the operating efficiency and reserve preemption.

Sankaran M (1999),[7] studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage relevant for Financial Service Industry are: a) product and process innovations, b) brand equity, c) positive influences of communication goods, d) corporate culture, e) experience effects, f) scale effects, and g) information technology.

SBI Research Department in 2000[8], through its paper "Performance analysis of 27 Public sector banks" by Economic Research Department of State Bank of India, is to analyze the Performance of the 27 Public Sector Banks for the year 1999-2000 vis-a-vis the preceding year. Selecting four different categories of indicators-Business Performance, Efficiency, Vulnerability and labor productivity indicators, carried out the analysis.

Altogether, 39 indicators were selected for this purpose. For the purpose of analysis, 27 PSBs disaggregated into four groups, namely, the SBI, ABs (7), the SBGs (8), the NBs (19). During 1999-2000, the PSBs exhibited better show in terms of several parameters studied above. Nevertheless, the problems of NPAs and capital adequacy remain to be taken care of.

Researchers in this paper opinioned that greater operational flexibility and functional autonomy should be given to PSBs especially to strengthen their capital base. Further, they felt that since net interest margin will continue to remain compressed in a deregulated interest rate regime, a lot of effect would have to be made to mitigate this through generation of non-interest income. As far as NPAs are concerned, they believe' that, the outdated laws and regulations that pose hindrance to banks in getting back their dues need to be suitably amended.

Prashanta Athma (2000),[9] in his Ph D research submitted at Usmania University Hyderabad, "Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad, made an attempt to evaluate the performance of Public Sector Commercial Banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade.

In this study, Athma outlined the Growth and Progress of Commercial Banking in India and analyzed the trends in deposits, various components of profits of SBH, examined the trends in Asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI.

Statistical techniques like Ratios, Percentages, Compound Annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in India has been very impressive. All three types of deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.

Balasubramanya S.(2002),[10] in his study analyzed that the automation in the banking sector has come a long way starting with the Rangarajan Committee report on the banking sector reforms during the eighties, followed by reports of the Narasimhan Committee in the nineties. With over 65,000 branches of the banks (public, private and the cooperative sector) in the country, the author found that the percentage of branches covered by automation was very low. Though many banks had claimed that more than 70% business has been automated due to the enforcement of RBI guidelines, in reality it was much lower, as many functions in each branch were still done manually or with partial automation. Hence, there was a significant amount of automation work to be achieved in the banking sector.

Ram Mohan (2002),[11] evaluated the performance of public sector banks (PSBs) since deregulation in both absolute and relative terms and also highlighted the reason underlying the improved performance of PSBs. The author mentioned that the banking system has neither collapsed nor there has been any banking crisis. One important point that advocates the improved performance of PSBs is the improvement in declining spreads of PSBs.

The author measured performance of PSBs during the period 1991-92 to 1999-00 on the basis of key performance indicators like interest spread, intermediation cost, non-performing assets, provision and contingencies and net profits as percentage to total assets. But in the relative performance he makes a comparison between public sector banks, private sector and foreign banks from 1994-95 to 1999-00. In this category he also made comparison of the performance of PSBs and old private sector banks during the same period.

The author concluded that partly due to regulatory norms, the government owned banks have had minimal exposure to risky assets such as real estate and stock market. Another reason for survival of banks in the deregulation era was that the government wisely stayed away from the move towards full-blown capital convertibility. In his article, the author also talked of recapitalization requirement of PSBs. Not the least, government ownership facilitates recapitalization of banks at outset of reforms and this has arguably precipitated costlier bailouts down the road. Further, it was explained that the government had no choice but to infuse funds in the banking sector, the fiscal situation notwithstanding, thanks to mandatory Basel norms for banks.

Singh R (2003)[12], **in his paper Profitability management in banks under deregulate environment** , has analyzed profitability management of banks under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer noninterest
income sources.

Pathak (2003)[13]**,** while comparing the financial performance of private sector banks since 1994-95, explained that the private sector banks have delivered a new banking experience. Looking to the growing popularity of services provided by them, their public sector counterparts have started emulating them. He studied the performance of these banks in terms of financial parameters like deposits, advances, profits, return on assets and productivity.

In this paper, the author made an attempt to have an insight into the financial operation of these institutions. A sample of 5 banks has been taken for financial analysis. Financial track record of all these banks was evaluated, and their financial performance was compared. The working of all the constituents was satisfactory but the HDFC Bank emerged as a top performer among them followed closely by the ICICI Bank.

Kalita (2004),[14] in his article titled, "Post-1991 Banking Sector Reforms in India: Policies and Impact" stated that the banking sector reforms in India were started as a follow up measure of the economic liberalization and financial sector reforms in the country. The banking sector being the life line of the economy was treated with utmost importance in the financial sector reforms. The reforms were aimed at to make the Indian banking industry more competitive, versatile, efficient and productive, to follow international accounting standards and to free from the government's control. The reforms in the banking industry started in the early 1990s have been continued till now. Firstly, in his paper the author highlighted the major reform measures and policies regarding the banking industry formulated by the Government of India and the Central Bank of India (i.e. Reserve Bank of India) during the last fifteen years. Secondly, the author studied the major impact of those reforms upon the banking industry. But at the same time, the reforms have failed to bring up a banking system which is at par with the international level and still the Indian banking sector is mainly controlled by the government as public sector banks being the leader in all the spheres of the banking network in the country.

The author concluded that the banking sector in India has provided a mixed response to the reforms initiated by RBI and the Government of India since 1991.The Indian banking system is growing in a robust manner. The sector has responded positively in the field of enhancing the role of market forces, measures of prudential regulations of accounting, income recognition, provisioning and exposure, introduction of CAMELS supervisory rating system, reduction of NPAs and regarding the upgradation of technology. The financial sector reforms have brought the Indian financial system closer to the global standards. But it can be stated without any hesitation that Indian banking sector has still a long way to go to catch up with their counterparts.

Ram Mohan and Ray (2004)[15], in their article titled, "Comparing Performance of Public and Private Sector Banks: A Revenue Maximization Efficiency Approach" made a comparison of performance among three categories of banks - public, private and foreign banks - using physical quantities of input and outputs and comparing the revenue maximization efficiency of banks during 1992-00. The findings of the study showed that public sector banks performed significantly better than the private sector banks but in no way different from foreign banks.

In this study, a comparison of public, private and foreign banks in India has been made using data envelopment analysis (DEA). In DEA, physical quantities of inputs and outputs are used. Therefore measures of efficiency based on output-input quantities may be more suitable.

In the Indian context, the approach of using deposits and loans as output has been appropriate in the nationalized era when maximizing these was indeed the objective of a bank. But the main business of the banks is to maximize their profits. Interest expense and operating expense are treated as input when amount to maximizing revenue. Finally they concluded that the superior performance of PSBs is to be described as higher technical efficiency rather than higher allocative efficiency.

Ananthakrishnan G. (2005)[16], described customer's services in the banks. The discriminating customer's expectations have begun to change in terms of quality and service. With the advent of computers and ATMs, the gap between the customers and the banking personnel is widening. Unless a change of heart occurs, even the largest banks will find it hard to survive on their assumed false glory. Banks which take care to see the reality and react early will survive and prosper, while those who continue the traditional path will find their market share eaten away.

Nowadays customers are no longer willing to wait in long queues or tolerate arrogant behaviour of the employees. As applicable to banking, "customer service" may be defined as the ability to satisfy the customer's requirements and needs to the fullest extent and be able to replicate this on an on-going basis. The four factors for ensuring customer service are:

- What satisfies the customer?

- Devising quantifiable determinants.
- Continually monitoring and improving these parameters.
- Seeking customer feedback to ensure alignment with customer needs.

These four approaches can go a long way in helping the banks to achieve its quality goals. Customers, who are central to the banking service, are not a homogeneous class. They come from varying socio-economic and cultural backgrounds. Their perception about the banking services is so dynamic that it may differ from customer to customer and even for the same customer at different points of time, depending on their mood and mind-set. Successful banking relationships are formed at a human level. Factors which help in retaining the existing customers are:-

- Past experiences with the bank.
- Familiarity with the services offered by the bank and simplified procedures.
- Knowledge of or experience with competitor’s products and services.
- Brand image-banking with a particular bank is regarded as a status symbol.
- Overall ambience at the bank premises.
- Extra services or value addition provided by the bank.

In this article the author also studied the factors which irk (trouble) the customers and they are:

- Poor service attitude
- Long queues
- Inability of the bank to meet customer needs

- Lack of proper ambience
- Lack of humility that prevents banks from meeting customer needs

Author also mentioned that by adhering to the following factors customer's complaints could be avoided:

- Prompt collection of cheques
- Faster payment/receipts in cash counter
- Positive attitude of the counter staff
- Proper adherence to the standing instructions to the customers
- Correct crediting of interest on deposit accounts and avoiding fraudulent withdrawals
- Timely honouring of invoked LCs, guarantees, etc.
- Seeking only required documents for processing loan applications
- Timely sanctioning of loans at reasonable market related interest rates.

Mishra A. K[17]. described that the Internet banking is a cost-effective delivery channel for financial institutions. The author also describes the advantages of internet banking, current status of internet banking in India, and the mechanism to protect the customer's data. The advantages of internet banking are:

- To improve customer access
- To facilitate more services
- To increase customer loyalty
- To attract new customers
- To provide services offered by competitors
- To reduce customer attrition

Current status of internet banking is:

- Throughout the country, the Internet Banking is in the emerging stage of development
- In general, these Internet sites offer only the most basic services. 55% are so called 'entry level' sites, offering little more than company information and basic marketing materials. Only 8% offer 'advanced transactions' such as online funds transfer, transactions & cash management services.
- Foreign & Private banks are much advanced in terms of the number of sites and their level of development.

Jain (2006)[18], in his article titled, “Ratio Analysis: An Effective Tool for Performance Analysis in Banks” discussed various ratios relating to profitability of the banks. The author classified the various ratios under three categories, viz. Costing Ratio, Returns / Yield Ratio and Spread Ratios. Such ratios can be used to understand a bank’s financial condition, its operation and attractiveness as an investment. He explained that such ratio analysis can be used to make an inter-branch comparison for investigating the strengths and weaknesses of individual bank’s and to enable them to take strategic decisions and initiate necessary corrective actions. Under costing ratio, the author advocated for computation of average cost of deposits, average cost of borrowings, average cost of interest bearing liabilities, average cost of funds and operating expenses to average working funds. Similarly under yield/return category, he computed ratios like yield on advances, yield on investment, average return on interest earnings, average return on funds and noninterest income to average working funds and total income. Under spread category, he sub-categorized the ratios like interest spread, net interest margin and burden ratios.

The author discussed the significance of ratio analysis as a tool for evaluating the performance of different banks / bank branches. Apart from profitability ratios, the author mentioned the following categories of ratios for undertaking comparative performance of banks, viz. Productivity Ratios, NPA Ratio, Efficiency Ratio, Ratios on Shares (Shareholders front).

Leeladhar (2006)[19], in his paper titled, "Indian Banking - The Challenges Ahead" revealed that in the recent years, there has been a considerable widening and deepening of the Indian financial system, of which banking is a significant component. The growing role of the financial sector in the allocation of resources has significant potential advantages for the efficiency with which our economy functions. Given the significance of the Indian banking system, one cannot afford to underplay the importance of a strong and resilient banking system.

The enhanced role of the banking sector in Indian economy, the increasing levels of deregulation and the increasing levels of competition have placed numerous demands on banks. Operating in this demanding environment has exposed banks to various challenges like customer service, branch banking, competition, technology, Basel-II implementations, improving risk management systems, implementation of new accounting standards, transparency and disclosures, supervision of financial conglomerates, know your customer (KYC) guidelines and corporate governance

The author concluded that it is crucial for the banking industry to meet the increasingly complex savings and financial needs of the economy by offering a wider and flexible range of financial products tailored for all types of customers. With the increasing levels of globalization of the Indian banking industry, evolution of universal banks and bundling of financial services, competition in the banking industry will intensify further. Strong capital positions and balance-sheets place banks in a better position to deal with and absorb the economic shocks. Banks need to supplement this with sophisticated and robust risk management practices and the resolve to face competition without diluting the operating standards.

Mohan (2006),[20] in his paper titled "Reforms Productivity and Efficiency in Banking: The Indian Experience" observed that the objective of reforms in general is to accelerate the growth momentum of the economy, defined in terms of per capita income. Not surprisingly, therefore, performance of the banking sector has repercussions across the length and breadth of the economy. Financial intermediation is essential to the promotion of both extensive and intensive growth. Thus development of the financial system is essential to the generation of higher productivity and economic growth.

The author highlighted how does productivity in banking influence the rest of the economy. Recent research has provided robust evidence supporting the view that financial developments contribute economic growth. A basic indicator of financial development is the contribution of finance related activities to GDP and the process of financial deepening. The author believed that financial deepening is easier to measure;

analyzing productivity and efficiency changes in banking is more complex and needs to be viewed in relation to the changing contours of the banking industry in India.

The author concluded that over the reform period more and more banks have begun to get listed on the stock exchange, which in its wake has led to greater market discipline as well as governance aspect. The pattern of efficiency and technological change witnessed in Indian banking can be viewed as consistent with expectations in an industry undergoing rapid change in response to the forces of deregulation. As deregulation gathers momentum, commercial banks would need to devise imagination ways of augmenting their incomes and more importantly their fee-income so as to raise efficiency and productivity levels. In relation to change of economic environment (market prospects), a few pioneering banks might adjust quickly to seize the emerging opportunities, while others respond cautiously.

Saikrishna (2006)[21], in his article titled, “Commercial Banks in India: Challenges Ahead” analyzed the opportunities and challenges that banks in India faced in the present scenario. The author revealed that globalization and privatization has increased competition in the banking sector. Banks need to equip themselves sufficiently to operate in such a competitive environment.

In order to face the competition and attract more customers, banks have tomaintain the international standards; they have to render high quality services to their customers and implement new technology. The biggest challenge for the banking sector lies in reaching out to rural masses through shared technological platforms and also to bring down the cost of services.

In order to face various challenges posed by the competitive world, banks have to concentrate on the new technology, customer relations, retail banking, competition, mergers and acquisitions (M &A) and Basel-II norms.

While concluding, the author believed that in the coming years, the Indian banking system would grow not only in size but also in complexity. With the increasing effect of globalization, liberalization, privatization and now reforms of the Indian banking sector, competition will intensify further. The commercial banks in India need to handle these problems and challenges successfully to keep growing and strengthen the Indian banking system as well as the Indian economy. The financial strength of banks is the first stage of defense against financial risks. Banks should always maintain good operating standards, risk management system and a sound capital structure, in order to absorb the future financial shocks. Efficient delivery of information pertaining to the customer needs and preferences will hold the key to the success.

Arora and Kaur (2006),[22] made an attempt to review the performance of banking sector in India during the post-reforms period. Banking sector being an integral part of Indian financial system has undergone dramatic changes reflecting the ongoing economic and financial sector reforms. The main objective of these reforms has been to strengthen the banking system amongst international best practices and standards, which will have lasting effect on the entire fabric of

Indian financial system. These financial sector reforms have stimulated greater competition convergence and consolidation in Indian banking sector.

For the purpose of analysis, banks have been broadly categorized into four categories, i.e., private sector, foreign banks, nationalized banks, and SBI and its associates. They made a comparative appraisal of banks on the basis of seven key performance measures such as returns on assets (ROA), capital asset, risk weighted ratio, NPA to net advances, business per employee, net profitability ratio, NPA level and off-balance-sheet operations of commercial banks for a time period of 9 years, i.e., 1996-2005.

The researchers deliberated the latest trends and developments in the banking sector. The analysis reveals that there is phenomenal development in the banking sector particularly in PSBs. Their performance is comparable with banks in other sectors, yet they are lagging behind in thrust areas, such as asset quality, business per employee, capital adequacy requirements and profitability. The study concluded with some suggestions for improvement in performance of PSB like operating cost, rationalization of staff cost, HRD, NPA reduction, deployment of funds in quality assets, technology upgradation, risk management techniques, market-driven approach, instance relationship management and credit delivery mechanism etc. With India getting increasingly integrated with the global financial world, the Indian banking sector has still a long way to go to catch up and compete with their counterparts in the west.

Mitra (2007)[23], in his article, claimed that financial sectors reforms have brought tremendous changes in the banking sector. He revealed that the essence of financial liberalization lies in three sets of measures: firstly, to open up a country to the free flow of international finance; secondly, to remove controls and restrictions on the functioning of domestic banks and other financial institutions so that they get properly integrated as participants in the world financial markets; and thirdly, to provide autonomy from the government to central bank so that its supervisory and regulatory role vis-à-vis the banking sector is disassociated from the political process, and hence, from any accountability to the people.

The author mentioned that the financial sector reforms have stimulated higher competition, convergence and consolidation in Indian banking industry. In order to ensure further greater accountability and market discipline; Narasimham Committee-II (1998) recommended second-generation reforms to which our banking industry responded positively. The author measured the performance of the banking sector in the post-reform period on the basis of profitability and provision, return on assets, net NPA as a percentage to net advances and business per employee. For this, he broadly categorized the banking sector into Indian Private Sector Banks, Nationalised Banks, and SBI & its associates.

The author concluded that the financial sector reforms have brought tremendous changes in the banking sector of our country.

Nair (2007)[24] emphasized that the transformation during the last decade in the Indian banking industry has made it stronger, cleaner, efficient, disciplined and responsive and lot more competitive. The

Indian banking industry may now compare itself reasonably well with rest of the Asia in areas like growth, profitability and low rate of NPAs. Few banks have even gone ahead with innovations, growth and value creation. The banking sector which had failed to respond to the changing global market conditions is a big hurdle in the development of financial sector of that country/nation. In India, banking sector has been a significant driver of GDP growth and any failure in this sector adversely affected the speed of growth engine of the country.

While comparing the Indian banking industry with their counterpart in China, the author viewed that the banking penetration in India is still less than other markets. Deposits in India represent only 60 per cent of its GDP as compared to 142 per cent for China. Similarly, financial depth, a measure of the country's financial stock with its GDP is just 160 per cent compared to 330 per cent of China. But with the booming economy and swelling middle class, the retail banking has been growing exponentially over the last five years. But a successful banking industry will have to first meet and address several challenges to gear up it for facing global banking competition. Another area which requires attention of industry is HR. Generating and disseminating information and knowledge to the employees across the bank branches can dramatically improve their performance especially customer services, knowledge of strategies and decision-making. A suitable knowledge management framework with appropriate online educational initiatives can update and equip the employees across the bank-extremely cost-effective too. This should help the banks to reap rich dividends on return on relationship by transforming them as a financial advisor, a trustworthy friend, philosopher and guide to the customers.

Rao (2007),[25] in his article titled, "Reforms in Indian Banking Sector: Evaluation Study of the Performance of Commercial Banks" found that the nationalization process achieved the widening of the banking industry in India. By the beginning 1990, the social banking goals set for the banking industry made most of the PSBs unprofitable. The resultant 'Financial repression' led to the declining in productivity and efficiency, and erosion of profitability of the banking sector in general. The researcher revealed that financial sector reforms were initiated in the country in 1992 with a view to improving the efficiency in the process of intermediation, enhancing the effectiveness in the conduct of monetary policy and creating conducive environment for the integration of domestic financial sector with the global financial system. He used various indicators for measuring the performance of Indian commercial banks. The study covered a period from 1992-93 to 2002-03.

On the basis of analysis and major findings of the study, the researcher made number of observations like the response of the banks to the reforms has been impressive; the reforms have not only enhanced the opportunities for the banks but at the same time threw challenges as well; as a result of entry of new generation private sectors banks, the competitive pressures are constantly on the increase; there is a shift of focus from process-based management to risk-based management; the interest rate spread has exhibited a decline over the years; the level of NPA of public sector banks remained high, but a noteworthy development has been their significant reduction in relation to net advances in the recent years; the expectations of consumers have been growing; the non-interest income of both public and private sector banks exhibited an increase during the period under study and the financial health of banks improved due to prescribed prudential norms. Almost all banks improved their Capital Adequacy and Asset Quality during the period of study.

Ram Mohan (2007),[26] in his paper emphasized that the entire banking landscape has been transformed in a little over a decade of reforms. Reforms were intended to usher in greater efficiency and stability in Indian banking. There is always a trade- off between efficiency and stability in banking. But critics of reforms said that they have not found right trade- off. That is because of reluctance among policy-maker, specially the RBI, to disturb the ownership character of Indian banks substantially. The characteristics of state ownership not only come in way of greater efficiency and stability but also result in greater financial deepening.

The researcher selected various parameters like net income spread, intermediation cost/total assets, net profit / total assets, cost /income ratio and NPA to total assets and capital adequacy for the period from 1992-2006. He also explored the various factors underlying the improvement in performance. He concluded that there are certain pre-conceived notions as to what deregulation in banking is all about. It means freeing up price and volume control on banks, but for many, it also means privatization of state-owned banks and free entry of foreign banks. It is contended that second must complement the first to achieve the goals of improved efficiency, stability and financial deepening. Consolidation is also seen as an important requisite of improvement in efficiency. One lesson that emerged from Indian experiences with the bank reforms is that there is virtue in organization diversity. The system gains when there is diversity in ownership - public, private and foreign.

Chandra and Srivastava (2008)[27], in their paper titled, "Scenario 2009: Are Indian Banks Ready?" stated that the Indian banking industry has now entered a new phase wherein challenges both within the banking sector and from the economy have to be catered. The year 2009 will unfold many challenges for the banking sector and the real competitive era will begin with the entry of foreign banks. They revealed that Indian banking industry has already opened up through unveiling of the road map of the RBI on presence of foreign banks in India. It has two phases for implementation, viz. Phase-I (March 2005 to March 2009); and Phase-II (April 2009 and onwards).

So, the process of strengthening Indian banks as a part of its preparedness for the year 2009 is gaining momentum. There is much strength of foreign banks like high level of technology, skilled manpower, excellent customer service, new business operating models, risk management practices and global best practices. On the other hand, there are many advantages to the Indian banks like large network, high penetration in rural and semi-urban areas, large experienced manpower, built up infrastructure, adaptability to changing scenario of the reformist phase. The ability of PSBs in facing the new era of competition could be debatable. But they suggested solution to the challenges which include: shaping of the banks (M&A), formulation of strategies to take advantages of their penetration in rural sector (financial inclusion), consolidation, development of human resources in the transformation era, managing foreign exchange risk (full capital convertibility), reduction of cost of service, corporate governance, risk on to innovative product, development of global level technology (data warehousing and data processing), credit rating framework and credit bureaus.

The authors further revealed that Indian banks can transform their challenges into opportunities for managing change by initiating several measures like adoption of global best practices, technology upgradation through core banking solution (CBS), skill development to the new generating banking techniques and augmentation of capital to meet the requirements of new credit growth. The Indian banks are all set to meet the challenges as they are already well structured in their expertise and experience gained in fulfilment of post-reform requirements. There should not be any doubt why Indian banks cannot meet the real challenges.

Gupta and Verma (2008),[28] studied the changing paradigm in Indian banking and revealed that banking sector has been serving the crucial needs of the society even after undergoing various changes. With the passage of time, the wonderful resilience and adaptability of the banking sector to the changing needs of the society seem to have reached the threshold of the revolutionary era. 'Anywhere and anytime banking' 'Tele-banking', 'Internet Banking', 'Web Banking,' E-Banking', 'E-Commerce', 'E-business' are all innovative offerings to their customers. Now, the prime objective is to portray a road that leads to the banking sector.

The authors said that there are six principal drivers leading to paradigm shift in Indian banking: Technology, Global competition, Customers (population), Policies (politics), Governance, and Economic conditions. Under each driver, there are many driving forces that lead to paradigm shift in Indian banking industry.

Finally, they concluded that Indian banking industry is recognized as one of the important pillars of the economy. The recently released draft approach paper of 11th Five-Year Plan observed that it would be efficiency of the banking sector in mobilization of savings and allocation of investment that would play crucial role in determining the future growth of the country.

Singla HK (2008)[29], in his paper,' financial performance of banks in India', has examined that how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.

2.3 STUDIES RELATED TO THE BUSINESS PERFORMANCE OF INSURANCE COMPANIES.

G.T. Sangale (1984-85 to 1991-92)[30], has conducted a study on "Marketing of services of LIC of India with special reference to Satara Division" during the period 1984-85 to 1991-92. He has explained various promotional measures for increasing sales of policies. Further, he has pointed out various means to improve service quality of the corporation

M.N. Mishra (1991)[31], in his study on "life Insurance corporation of India" highlighted the basic issues relating to marketing, income, expenses and personnel of LIC. Further, he suggested the various measures to spread insurance business faster to improve service quality and to reduce lapses.

M.N. Mishra (1994)[32], in his article "Challenging role of LIC agents in the changing economic scenario" has explained the role of agents which is becoming challenging and complex to meet expectations of customers. He has suggested various forms and fields to meet the challenges.

T.R. Gurumoorthy (1994)[33], in his article "People's money goes to people's welfare" has beautifully analysed the meaning and objective of LIC. He has shown how LIC is linked with saving and how it is utilized in the national building. LIC supports the Government in implementing the social welfare programme both public and private sector.

V. Sesha Aiyyar (1994)[34], in her research paper "Marketing strategy for Life Insurance Business" has focused on the improvement in the quality of marketing for Insurance business. He thinks that marketing is to understand the client and satisfying the need of the consumer. He thinks the skill is in identifying the target consumer and their behavior. He further suggests that LIC should work for rural population.

N.N. Mujamdar (1994),[35] in his article entitled "Tell and Sell – Life Insurance" laments over the picture of Insurance, which is in the minds of the public. Insurance is a major security of today and savings of tomorrow but people do not buy it and look at it from the savings point of view, tat is a major setback for Insurance. Hence, author as suggested to train the agents and make publicity of insurance especially in rural areas through a rural orientation.

The study by **Rao (1996),[36]** is aimed at understanding the evolution and development of life insurance business in India over a period of three and half decades. The study focuses on the growth of business by life insurance Corporation of India, which is the monopoly public sector life insurance company. It has been observed that in spite of the commendable growth and performance of life insurance business, a vast potential still exists. Key macro economic indicators like population coverage and per capita premium, are still very low in India as compared to other developed countries.

As said by **Swati Gupta (1996)[37],** Insurance sector reforms are a part of government's priorities .A package of reforms is very much in the offing. There is an immediate need of a regulatory framework to open up the insurance industry.

Radha Sharan Arora and Raghbir Singh (1996)[38], in their study "Growth and Performance of Life Insurance of India – A study of Jalandhar division" have examined the performance of Insurance in rural India i.e. Jalandhar division. The authors have presented the growth performance of LIC in terms of expansion of its branches, total business in force, new business and group insurance business. They have focused on growth of Insurance in agricultural state like Punjab. Further they have analyzed the changing trends in slab of sum assured. They have pointed out that, there is decrease in policies of low slab whereas there is increase in higher slab due to agents tendency to cover high income strata with a view to earn more commission.

Chandnanai L.R (1996)[39], in his study "Insurance services in developed countries" brings the changed scenario of Insurance in developed countries. He has explained various new techniques of selling insurance like Bancassurance captive insurance etc. in these countries. In developed countries premiums are collected through Banks. Further, he has explained the various methods of settlement of claims.

Nirjhar Majumdar (1997)[40], in his article "Marketing of Life Insurance" has given the progress of marketing of Insurance in India and has suggested some solutions. In the beginning he has given the brief history of marketing before 1956 and the challenges LIC faced and efforts that LIC took in the initial stage. He has given suggestions for present marketing policy and thinks that LIC should make use of opportunities coming out of present situation.

Gidhagen (1998)[41], has made an attempt to develop a conceptual framework from a relationship perspective for the study of insurance services marketing. Deregulation and internationalization have created a new, increasingly competitive business climate. The focus of this research work is on the relationships between insurance companies and their corporate customers. Interesting analyses include how highly the customers value the relationship in comparison with the price level of the services offered, the perceived quality of the exchange relationship, the level of interdependency, mutual trust, and commitment.

M.N. Mishra (1998)[42], in his article titled "Against privatization of Insurance Industry" presented his views against privatization of LIC. He thinks that Insurance is not purely commercial Industry; it is social Institution too, He further thinks that Government should provide social security, safely and welfare to people of India which can be possible through a Institution of national character only.

D. Chennappa (1999)[43], believes that Liberalization of Insurance sector is an important step by government of India to streamline Insurance business in the country. The author has attempted to evaluate the progress of Insurance business, identifies the problems hampering its growth, outlines the efforts made for liberalizing India's Insurance and suggests the measures for efficient operation of Insurance business in the country.

The author opines that as the country moves up the technology scale and the economy becomes increasingly sophisticates, the insurance Industry must have the imagination, innovativeness, expertise, technology as well as the whiplash of competition to respond constructively, promptly and fairly to the changing and complex demands of its clientele and create employment opportunities in India. The settlement of claims is a very important aspect of service to the policy holders. The image and efficiency of any Insurance company depends upon the satisfaction of their policyholders in getting their claims processed and settled in time. Claims settlement therefore occupies an important place in the total operations of an Insurance company. The author has examined in view of the changing scenario of the Insurance Industry.

R. Mallinga (1999)[44], conducted a study on “Marketing of LIC policies – A study on agents of Tirunevelli Division”. She has pointed out how agents are indeed the ambassadors and backbone of LIC with the help of study from Tirunevelli Division. He thinks that there is a relationship between marketing strategies of the agents and the performance in terms of the number of policies. He has developed association between the socio economic status and the performance of the agents. He has made some suggestions to LIC to consider the sociological, psychological and economical factors, while selecting the agents.

The research paper "Customer friendly vision" authored by **Jagnedra Kumar (1999)[45],** advises the agents to develop the customer friendly vision. He thinks it is a challenge to get new customers. To understand the customer, the agent should put himself in the shoes of the customer. The customer is a goose laying golden eggs and one man advertising agency. So, the agent should create confidence in his customers.

This is his form opinion **P.C. Shejwalkar (2000)[46],** in his research paper "Education in Marketing" highlights the importance of education of the agents. He thinks that if they fail in getting well equipped, their condition will be like the hero in "The death of a salesman". Rigorous training, use of internet and quantitative training are quite essential for successful functioning of LIC.

A study was conducted by **Srinivasan, Prakash and Sitharamu (2001),[47]** to explore the changes in management of agents (distributors of life insurance products) in the liberalized economic scenario. The major focus of the study was to identify the competencies necessary for a successful agent and to provide objective methodology for selecting the effective agents. The Semi-Structured Interview technique was used to assess the competencies of the agents. The findings of the study indicate the professional competencies necessary for successful Insurance agents. The research also highlighted the expertise required in selection of effective agents, managing them and developing their competencies.

This research done by **Organization for Economic Co-operation and Development (OECD) Secretariat (2001)**[48]**,** dwells in detail on the benefits of life insurance for an individual and for the economy as a whole. The authors also list down the forces, which drive the development of life insurance industry in the OECD countries. The authors have analyzed the impact of key macro indicators like economic growth and regulatory environment in the growth of life insurance industry in an economy. The difficulties to be surmounted by the life insurance industry according to them are inflation, customer awareness, underdeveloped financial markets and lack of actuarial data.

The investigations by **Adams and Hardwick (2001),**[49] are aimed at finding an answer to the question of whether small life insurers in United Kingdom grow as fast as (or faster than) large life insurers as this is an issue of some importance to policymakers, industry associations and others. For example, insights into the relation between self-generated corporate growth and firm size could help policy-makers to frame rules that achieve desired objectives in policy areas, such as the licensing of new entrants to the market. During the boom years of 1987-90, the results suggest that smaller firms were growing faster than larger firms, but there was still no significant influence on growth from any of the four firm-specific variables.

However, during the recession years of 1990-93, larger life insurance firms grew faster than smaller ones, and the evidence further suggests that firms with higher input costs grew more slowly. Interestingly, authors also found that, during the years of recession, life insurers located outside London tended to grow faster than London based life insurers. In the years of recovery, 1993-96, larger companies continued to grow faster than smaller ones, but the only firm-specific variable that exerted any significant influence on asset growth during this period was the lagged input cost variable: *i.e.,* higher input costs in 1990-93 led to faster growth during 1993-96. These results suggest that while short-term fluctuations in business cycles can influence the relation between firm size and growth rate patterns, over the long-term the linkage becomes indeterminate.

According to **Agarwal (2002)[50],** deregulation in India has resulted in increased number of players in the life insurance market. The competition in the industry has brought changes in business, like experimenting with newer distribution channels and adoption of technology in distribution. It is important that insurers need to develop appropriate infrastructure for the distribution of products, especially in the rural areas. Infrastructure should also be built in terms of reach to the customers and use of sophisticated technology like CRM (Customer Relation Management) to fetch good results in future.

Cupach William R and Carson James M (2002)[51], in their market study have observed that agent's commission structure has been cited as a prime source of ethical conflicts in insurance sales. Researches analyzed whether different forms of compensation influence agent's recommendations of products. Findings indicated that neither the amount of life cover nor type of coverage recommended by agents was associated with his compensation. One interesting observation during the study was that the amount of coverage recommended was higher when the insured was male than when the insured was female.

The history of life insurance industry starting from the pre-independence era has been described in detail by **Sinha (2002)**[52]**.** In addition to listing down the grounds for nationalization of life insurance in India in 1956, the reasons for liberalization of the industry under the current economic reforms have also been spelt out. Insurance industry holds a huge potential in India. It is contended that 312 million middle class consumers in India have enough financial resources to purchase insurance products like pension, health care, accident benefit, life, property and auto insurance. Only 2.5 per cent of this insurable population, however, has insurance coverage in any form. The potential premium income is estimated at around US $80 billion. This will place India as the sixth largest market in the world. Over the next couple of decades Indian insurance industry, which is in a critical stage of development, is likely to witness high growth primarily due to two reasons, i.e. financial deregulation and growth in per capita GDP. Financial deregulation always speeds up the development of the insurance sector. Growth in per capita GDP also helps the insurance business to grow.

Lakshmikutty and Baskar (2003)[53]**,** analyzed the distribution channels, in life insurance industry from the perspective of the socio-cultural ethos. Challenges posed in managing different channels, to be faced by life insurance companies have been assessed. In defining a distribution model, its cost effectiveness and its capability to reach a large section of population are some of the critical aspects to be addressed by the life insurance companies to be successful in life insurance business, rather than the technology which is only an enabler.

Reiche (2004)[54], has presented analytical information on the development of life insurance industry in India and compared the domestic industry with the happenings in the other countries. The life insurance industry of India is firmly positioned in the emerging market sector, alongside a number of other Asian countries, notably China. Life insurance markets start more slowly than non-life markets due to lower consumer awareness and individual income constraints.

The author has pointed out that there will be a trend over time towards unbundling of protection and saving and for less investment guarantees to be offered by life insurers. Clearly, such developments will not simply happen in isolation, but will be dependent on the legal and regulatory environment of the country.

In the opinion of **Machiraju and Sandhya (2004)[55],** the insurance scenario in India especially in terms of coverage of the rural populace is not very satisfactory. Researchers have done an analysis of the distribution reach and strength of post offices in mobilizing rural savings through life insurance products. The NCAER Surveys report that India has an insurable population of about 250 million.

Authors recommend the use of the wide postal network for marketing and servicing of life and health insurance products and channelize the raised demands in rural areas for insurance cover to truly facilitate peoples' empowerment.

Roth and Athreya (2005)[56], provide a broad overview of how the micro insurance programme works and it places particular focus on the micro-agent as a distributor of life insurance products. Due to the low value of micro insurance premiums, low cost distribution is very critical in micro insurance distribution.

The benefits and possible shortcomings of micro insurance distribution strategies are discussed in the paper. While the micro-agent model holds much promise, the scheme is still too new to be definitively declared a success or failure.

Sinha (2005)[57], has observed that India, with a relatively youthful population from the total population of over a billion people, is projected to become an attractive insurance market, globally, in the next decades. This paper also examines the details of evolution of the insurance act in 1938, which has set the basis for current liberalization of the industry. The report highlights the importance of the rural sector and analyses the impact of recent privatization of the insurance industry. The Indian life insurance market is expected to be at US $ 140 billion in India in the year 2020 based on the GDP growth rate.

Varma (2005),[58] starts the paper with a background on the economic situation in 1991 like precarious balance of payment position, inefficiency plagued public banking system, poor regulation for financial markets and under-developed debt markets. Significant reforms introduced in financial market regulation, banking, insurance and capital markets are also discussed in the work. Throughout this paper, references have been made to the reforms initiated and unfinished agenda. The most important and urgent task that remains to be done is that of dismantling the structural and micro regulations that have accumulated over several decades of a command economy. It is also necessary to make the financial sector more competitive to realise efficiency gains and to ensure that the consumers receive the benefits of lower costs, better returns and greater choices.

Thomas (2005)[59], analyses in detail the Indian financial system and the need for the reforms in the early 1990s and the reforms initiated in financial markets, capital market and banking systems. Reforms in Insurance sector began with the setting up of the regulator, Insurance Development and Regulatory Authority in 1999. The two visible outcomes are an increase in the number of insurance companies and products available to the Indian public. Instead of public sector monopolies, over a dozen insurance companies now compete for customer business in India. In 2004, there was a flow of Rs. 60,000 crore of premium income going into the insurance industry. Of this, as much as Rs. 6,000 crore, or roughly 10%, went back to sales agents. This shows an enormous burden of sales costs, which detract from the usefulness of these products for customers.

This study by **Honan et al (2005)**[60]**,** analyses some of the major components associated with developing new agents starting from recruitment till signing of agency contract. Field recruitment and new agent development are essential to the future growth of the sales force and new recruitment is critical to the long term viability of the life insurance industry and selecting and training the right candidate is an important role. Authors have suggested several recommendations in respect of each of the activities like recruiting and selection, precontract and agent training.

According to **Chevalier, Launay and Mainguy (2005)[61],** the fantastic success of bancassurance in certain southern European countries is increasing by the year, with bancassurance premium income in France up more than 10% in 2004. The same is true in Spain and Portugal, where it is the dominant distribution channel and is becoming a strategic factor for life insurance operators. Authors have described the key success factors in bancassurance like regulatory environment, training and also the different models in which bancassurance can be launched. Case studies on successful bancassurance models and practices provide information on factors behind the success.

In the opinion of **P. Vishwadham (2005)[62]**, the corporation (LIC) should strive to deal with the claimants in an open and transparent manner by inclusion of corporate governance norms in the grievance redressal procedures to create highest trust in the minds of policy holders towards corporation.

According to **Mandal, (2006)[63]**, Insurance being a service with very high degree of intangibility, the role of intermediaries is very vital to the distribution of insurance products. Individual agents dominate Indian life insurance distribution. Study lists down the key attributes to become successful as a life insurance agent. Agent's role does not come to an end with the sale of policy but it marks a beginning of relationship between the customer and the agent as life insurance contracts are long by nature.

Ramesh Lal and Neelima Dhonda (2006)[64], have highlighted the extent of Insurance penetration in selected countries which represented 63 percent of world population and 74 per cent of Global GDP. The countries were selected from different continents. Insurance penetration along with Insurance density for Life Insurance, general Insurance and overall Insurance has been calculated for the selected countries for a period of 5 years i.e. from 1999-2003. As per their studies Life Insurance penetration ranges from 0.13 per cent and 14.41 per cent while Non life insurance penetration varied for the selected countries during the same period 0.59 per cent to 4.68 per cent.

Non-life insurance penetration is much less as compared to Life Insurance. United States of America could enjoy Non life insurance penetration above 4 per cent. The density of No Life insurance is much less as compared to density for Life insurance business. Life Insurance density has been the lowest for Nigeria and highest for Japan. Population does not have much impact on Life Insurance coverage. But income level of the economy affects the insurance coverage.

The focus of the research of **LIMRA (2006)[65],** is on U.S. distribution systems and the relationships between insurance carriers and practitioners in local communities who sell or recommend a company's products and services. The research explores the economics behind meeting the constantly changing demands of distribution.

The authors, **K. Saywa and G. Sardar (2007)**[66], suggest that, though on the whole, the situation with respect to customer satisfaction is satisfactory, now after the entry of multinational companies into Insurance business will definitely change the perception of policyholders. It is in the interests of the policyholders; LIC should take necessary steps to maintain customer relationship by adding innovative features and transfer the benefits to the customers

The study of consumer's perception and expectations is of paramount importance for the success of any company. Creating a brand in the minds of the consumers the winning mantra in today's competitive scenario.

In her article, author **Sabera (2007)[67],** says that the Insurance Industry in India is undergoing a major change. As the private players entered into the market, the competition has risen for the public sector companies. The competition has also increased among the private players and the main competition lies in a variety of products provided to customers, in the pricing of the products and the service they are providing. Nowadays, the customer is not only looking into the products, they are also looking at price, service of the company, the returns they are offering and the total protection. Several players are expected to enter India's rapidly growing insurance market in the next few years especially, if the foreign direct investment limit is raised to 49%. Already, the insurance sector is recording a growth much more than what was expected. Every life or non-life insurance company is looking for ways to expand their operations in India. Insurance companies are spending a huge amount to identify the needs of the customers and are providing a variety of products to attract them. The top most public sector insurance players are also identifying news ways to satisfy the needs and will be competing with the private players in the near future. As more new players enter the fray there will be ample scope for growth and the industry will become highly competitive. With liberalization in India in India, the Insurance Industry is slowly becoming cluttered with numerous private joint ventures trying to entice the Indian consumers with well designed products and benefits.

Nanda (2007),[68] has recorded the huge potential in the country in life insurance market and states that India is the second fastest growing economy in the world next to China and the fourth largest economy in terms of purchasing power parity. Citing a NCAER report, the author observes that 30% of India's population has the earning capability between Rs.80000 and Rs.2 lakhs and adds that 50% of this population lives in the rural areas, which provides the huge opportunity for life insurance agents. The author describes the attitudes, approach and skill required to become a successful life insurance agent.

The authors **Fulbaug Singh (2007)**[69]**,** and Sonia Chawla have made an attempt to identifying the key factors responsible for customer preference for Life Insurance products in India. They concluded that the variable 'premium amount' is given the maximum important by the respondents who purchased before as well as after liberalization. According to them variables 'corporate image/Brand name' and 'transparent and fair dealings' are considered the most important by the respondents who purchased policy after liberalization. They further added variables ‘ liquidity/surrender value’, ‘extra coverage bonus payout’, ‘rate of return’, ‘tax benefit’, ‘maturity amount’, ‘assured return’ and risk coverage/protection for family’ were given more weightage by the respondents who purchased policy after liberalization as compared to respondents who purchased policy before liberalization.

K. Chadha and Deepa Kappor (2008)[70], made an attempt to know as to how consumers associate selected Life Insurance companies with the different attributes. The result showed that the selected Life Insurance companies do not differ significantly with regards to the attributes. However, the companies differ significantly on the basis of advertisement and promotional campaigns. The consumer’s Insurance buying decision is influenced by Customer Relationship Management and reputation of the company.

They concluded that, in a competitive market, each of the players should create its niche domain. Branding Life Insurance is thus important as the companies have to realize the inevitability of creating an impression in the minds of the customers, which would help them in facing the competition.

According to **Mr. Vinay Kumar Sinha (2009)[71],** LIC aims to sell about 42 lakhs policies to the financially weaker section of the society during the current fiscal against 15.4 lakhs sold in the last year. With the establishment of a technology platform and tie-up with NGO’s, micro finance institutions and the Self Help Groups, the penetration of such products are growing. Micro insurance products of LIC are customized offerings to cater to the distinct needs of the most vulnerable low income sections of Indian population.

The IRDA has expressed concern over the rise in 'orphan' policies. The regulator has, I its 2007-08 annual report said "the fact that as many as 86 lakh non-linked policies have lapsed during 2006-07 holds mirror to the seriousness of the matter. The report further added "Termination of agency, which is quite rampant in the industry, has rendered million of policies 'orphan'. Orphan policies are prone to neglect due to lack of follow up servicing support and are known to lapse in large numbers. The report pointed out that in an era of multi-channel distribution, insurers need to monitor channel-wise levels of lapsation and plug when not adequately supported by the servicing infrastructure.

Mr. Mohan Kumar (2009)[72], MD, Link-Insurance Broker Company (P) Ltd., strongly feels that the high rate of attrition among Life Insurance agents is resulting in large number of policies remaining under services.

Mr. G.V. Nageshwara Rao(2010)[73], CEO and Managing Director, IDBI Fortis Life Insurance, views that Insurance in India is expected to grow about 205 in the next few years, lower than the 25% annual growth of the last five years. He further added, with Insurance penetration in the country at about 4% of GDP (20070, which is close to the world average of 4.4 %, Industry growth is now expected to slow down.

He said, key drivers, however are expected to be the semi-urban areas as most major cities already have a high penetration. As per his opinion, India is at par with the Asian markets, but far behind the developed markets of Europe and America. The growth, however, would stabilize as the market grows.

In order to reach out to the potential customers and strengthen it's distribution channels, ICICI Prudential Life Insurance company has tied up with India post to distribute Insurance products through the cast networks of Post offices in West Bengal. The company has already entered into similar agreements with the India Post in Gujarat, Karnataka, Andhra Pradesh, Jharkhand and Madhya Pradesh.

The authors **M C Garg and Anju Verma (2010)[74],** are of the opinion that the Insurance market is likely to see changes in the spheres of Marketing Mix. They feel that the customer-driven market would result in many flexibilities and innovations in Product, Pricing, distribution channels and communication mechanism. The authors have attempted to study the nature, process and pattern of Marketing Mix in Life Insurance companies in India.

As per their findings, the marketing departments of Life Insurance companies always review the Mix. They are also of the opinion that the marketing departments of Life Insurance companies sometimes attempt at analyzing their competitors' mix.

However, the researcher strongly feels that since the study is based on service marketing, the authors have taken into consideration only the 4 P's of Marketing Mix and have ignored the very important remaining 3 P's i.e. People, Process and Physical evidence.

The author **T Sri Jyothi (2010)[75],** opines, even after taking so many measures to educate the rural people about the benefits of Insurance, still the penetration in rural areas has not improved much. This is because the lack of awareness, motivation of rural customers and failure of timely settlements of claims by insurers. In some cases, the claim settlement process took years and has become a de-motivating factor for the development of rural insurance. If tapped properly, this segment is poised to become one of the most profitable segments for Insurance It offers tremendous growth opportunities to the Insurance companies but its success depends on the development of viable and cost effective distribution channels, building customer awareness and confidence levels among the people in order to achieve a higher market share. Therefore, there will be no looking back for the companies, if they try their own innovative methods and devise new policies to attract rural masses.

2.4 STUDIES REALATED TO BANCASSURANCE

"Bancassurance: Three Partnership Models"[76], is sourced from Mckinsey Quarterly June 22, 1997. This article suggests, based on research, that the sale of life insurance through banks will meet an important set of consumers needs. The authors give the step to be followed by a bancassurance start-up: Develop the Product, build distribution, generate sales lead, sell the product, process the policy and administer the policy. Three partnership models are suggested, which are based on the nature and extent of association between the partners. The matrix developed is based on the role assumed by the two partners- that of a leader or arm's length product provider will result in a leveraged bank distribution model and when the roles are reversed the third model of leveraged bank distribution model and when the roles are reversed the third model of leveraged life distributor will be the resultant.

The true value of bancassurance can be achieved by both the parties only through concurrence of approaches, which is not a matter of choice but an imperative need.

Anabil Bhattacharya (2000),[77] in his study "Indian Banks entry into Insurance sector" has discussed the entry of Indian Banks into the Insurance sector and criteria to be followed to make it beneficial to the nation. After bringing together banks and Insurance he makes it Bancassurance. Banks being penetrated into rural India will definitely support Insurance.

"The New World of Banking" published in Finance & Development, June 2000 issue, a quarterly magazine of International Monetary Fund, the authors **Thomas J T Balibo and Angle Ubide**[78] state that "Four trends are fundamentally altering the financial world: Consolidation of institutions, globalization of operations, development of new technologies, and universalization of banks."

"Bancassurance: Driving force." by **Geoff Mayne and Mathew Taylor 2002,**[79] of Fitch Insurance Ratings Agency, speaks of bancassurance as an emerging concept in the insurance industry seeking new channels of distribution in the global context. It analyses the pros and cons of the integration of insurance firms and banks. The article mentions that the concept of bancassurance has gained popularity in recent years via two different models - the integrated organic approach (The French Model) and the merger approach (Netherlands - 1991).

The authors while giving the strategic rationale, enumerates the driving factors from the point of view of both insurers and bankers. Distribution of insurance products through bank branches, enlarged customer base, defensive positioning and size drive the insurers to embrace bancassurance. The forces that spur banks to seek distribution of insurance products through their branch network are: asset accumulation, disintermediation, lower risk and higher margin products (unit-linked products), potential for cross-selling, scale, client solutions, risk diversification, cost benefits and capturing, increased profit.

Mayur Shetty,[80] on 5th October'2002 reported in Mumbai Economic Times "Bancassurance norms for banks get IRDA approval". the article says" Banks eager to get into the bancassurance business by becoming corporate agents of an insurer will need to have a chief insurance officer in place. This is one of the requirements that the regulator is going to insist on in the bancassurance norms. Last week, the Insurance Regulatory Development Authority's (IRDA's) advisory council has cleared the new guidelines in respect of bancassurance. One of the requirements is that each bank which sells insurance needs to have in place a chief executive who will be responsible for all the insurance activities and will be the key person that the IRDA will communicate with.”

“Bancassurance – A Business Sourcing Model to Indian Banks”, by **V G Chari**[81] discusses the implication of the growing concept of providing integrated financial services to the customer and also the advantages of bancassurance. The author presents the forms bancassurance could assume namely banks floating insurance subsidiaries or joining some other existing insurance company or banks selling insurance products through its branches. The author further discusses the benefits of risk transfer and also the economic and social implications of not managing the risks.

“Bancassurance in the US”, by **Krishnaphani Kesiraju**[82] traces the historical reasons for imposing a restrictive regulatory framework through the enactment of Glass-Steagall Act of 1933, and the Bank Holding Companies Act of 1956 and the subsequent changes brought in legislation to dismantle the barriers erected between banks, securities firms and insurance companies by the enactment of Gramm-Leach-Bliley Act (GLBA) in 1999. The perception of the customer of bancassurance as an unsuitable has been another hurdle for its growth. Given the potential for growth, and the search of bankers for supplemental sources of revenues in the prevailing regime of diminishing margins from traditional sources, the author concludes on an optimistic note on the future of bancassurance in the US.

"The evolution and growth of "Bancassurance in Europe, the UK and Latin America" by **Abhishek Aggrawal**[83] is a study in contrast. While in Europe, especially France and Spain, bancassurance has been a success right from the inception and the customer response in the UK has always been lukewarm for historical and cultural reasons. The trends in the domination of Independent Financial Advisors (IFAs) in the UK are continuing but changes in consumer perception and improvement in the attitude of banks are also noticeable. The Latin America experience has been reasonably good because of liberalized regulatory environment, overall growth of the insurance industry, favorable economic, political and social conditions, and the fact that the models and experience of Spain have substantially influence the sectors.

"Bancassurance in Emerging Market Economies: Impact on the Financial System", by **G R K Murty and Seethapathi,**[84] the authors viewpoint to the theme of the book which adds richness to it with a new perspective. They argue that the issues of concentration, contagion and regulatory risk have a potential to destabilize the financial system. They go on to identify, and expand upon aspects of current risk profiles of banks, and insurers, management challenges, convergence-induced risks and the role of regulators in managing the emerging risks.

“Finance minister sets up panel to develop bancassurance”[85]. Jan 17, 2003, Economic Times, Mumbai:”The Finance Ministry has constituted a committee comprising regulators, bankers and insurers to evolve a suitable model of bancassurance for effective distribution of insurance products through the network of bank branches. The panel has also been asked to suggest administrative measures which will encourage banks to take up distribution of insurance products, particularly in the unorganized and rural sector.”

“**Bajaj Allianz, Shamrao Vithal in bancassurance partnership”[86].** Feb 3, 2004, Economic Times, Mumbai:” Bajaj Allianz General Insurance has signed up with Shamrao Vithal Co-operative Bank as its 10th bancassurance partner."Of our premium income of Rs 363 crore, over Rs 21 crore has come from bancassurance," said Kamesh Goyal, MD, Bajaj Allianz. Shamrao Vithal plans to train one employee in each of its 38 branches to sell insurance. Deepak Patil, CEO at Shamrao Vithal said the bank had funded assets over Rs 2,000 crore and would try to sell them policies from Bajaj Allianz.”

“New trends in World Bancassurance”, by **Corinne Legrand**[87] brings out the bancassurance business models operating across the world, namely integrated, non-integrated and open architecture types. The author analyses the strengths and the weaknesses of each of the various bancassurance business models in operation and also does an analysis on the cost structures in European bancassurance. It is further stated that business models tend to make an impact all aspects of the bancassurance activity including the company structure, sales & marketing, product design, and sales remuneration. The author argues that the choice of a business model is influenced by regulatory constraints and that the cost advantages are particularly significant in the more integrated models.

"European Bancassurance Review" by **Ed Morgan**[88] discusses the dynamics affecting bancassurance and the need to consider the costs of manufacturing and distribution and also the effect of different business models used in different countries. The author analyses the business models followed by European countries namely the Southern European Model and the Northern European Model. The author addresses these relevant questions like—will bancassurance continue to gain market share? What is the impact of changes in other distribution channels? Will more sophisticated bancassurance business models evolve? What types of players a re likely to be winners and losers in bancassurance?

"Bancassurance in Japan – Opportunity or Threat", by **Nobushi Mitsuishi and Tadahiko Mori**[89] presents the current status of bancassurance in Japan. It traces the history of insurance selling through the traditional channel of a large female force after World War II in Japan and the attempts by the life insurers to protect this powerful sales force against new competitive channels of distribution like banks. However, in spite of these efforts, annuity sales through banks have been a success. According to the author nearly 70 to 80 percent of the total sales through banks result from individual advisor visits to existing bank clients, rather than being branch based. He further states that the future of liberalized bancassurance in Japan remains some what an open question, but the strength of opposition from traditional channels demonstrates their concern about its long-term potential. This article also has a value addition “Plan of Action” by Michael D White which talks of a Pennsylvania based Bank “People’s Bank” chalking out an action plan to achieve ambitious revenue goals though bancassurance.

“Bancassurance Concept, Framework and Implementation” by **Vineet Aggarwal,**[90] discusses the insurance and banking industry in India. He analyzes the concept of bancassurance, benefits to the concerned players and the rationale behind the concept. He takes a brief look at the global experiences and the lessons for India. He analyses the various entry routes for the prospective players and also describes the identification process for a bancassurance partner based on CAMEL model. The author proposes an ideal business model for bancassurance. He further discusses the possible bottlenecks and key success factors for bancassurance in India.

The article titled “An Evaluation of Distribution Channels in Life Insurance: Agents vs. Bancassurance” by **Mekala Mary Selwyn**[91] examines critically the shortcomings of a typical life insurance agent in India and compares it with the operation of bancassurance.

“Bancassurance: Challenges and Opportunities in India”, **Rachana Parihar,**[92] the author, brings out as to how bancassurance will be beneficial to banks, insurers and customers. The author takes a bird’s eye view of the global scenario of bancassurance. He discusses the distribution channels and the cultural issues involved in distribution and presents the challenges and opportunities of bancassurance in India.

This article has a value addition "Bancassurance – Indian Scenario" by **Sharath Jutur**[93]. The author argues that bancassurance in India is still in its nascent stage and has to go a long way overcoming many challenges along the way.

"Europe and Bancassurance: A Work in Progress", by **Richard Reed**[94] explains the differences between one European Country (EU) and another on the success of bancassurance as a distribution channel for life insurance products. The author identifies the broad factors that act as business drivers from country to country and discusses the critical success factors for bancassurance models. It is further stated that bancassurance is forecast to gain market share across Europe, even in countries such as Spain, where it already dominates the market.

"Bancassurance in India – An Emerging Concept", by **V.V Ravi Kumar**[95] highlights the increasing importance of cross-selling in financial services sector. Banks are also inclined to leverage their vast distribution networks to augment their non-interest income. Bancassurance with its origins in France is also an important component of such an effort in view of the added thrust on retail. With only about a quarter of the insurable population covered under insurance, insurers see a great potential in bancassurance as it offers them a readymade distribution platform with a tremendous distribution network. The concept though in its early stages offers immense potential for the future in India.

“The Emerging Structure of Bancassurance in India”, by **V.V Ravi Kumar**[96] describes how bancassurance is becoming an important component of the insurance company’s sales portfolio, especially for the new insurance companies. The author then focuses on the various distribution models and takes up the three main models for analysis namely: i) The Corporate Agency—Its mode of operation and requirements, ii) Insurance products wrapped around the Bank’s deposit and loan products, its design and structure.iii) Referral Model and its mode of operation. The author states that while the Corporate Agency model is increasingly emerging as the most popular model of bancassurance in India, insurance products wrapped around the bank’s deposit and loan products are also gradually gaining in popularity due to their simple product design while the referral model tie-up has not been able to really take off.

Bancassurance: An Indian Context by **S.Anand and V.Murugaiah (2006)**[97]**.** The author points out that how Indian industry which is highly regulated, bancassurance a concept is still in the evolution stage. In India, the signs of initial success are already there despite the fact that it is a completely new phenomenon. India has saving rate of 23 per cent and of which the savings with the banks constitutes more than 50 per cent of the domestic household savings. This presents an enviable opportunity for the insurers to tap the potential of strong banking network. With the Indian banking customers getting more sophisticated in his financial needs and laying greater emphasis on convenience and a single provider for all financial products, the opportunities and challenges that the Indian market presents are immense.

The study throws light on the key issues, critical success factors that contributes to the profitable partnership in Bancassurance and opportunities, growth prospects and future challenges in the journey of bancassurance business in the years to come unravel themselves. Banks, insurance companies and traditional asset management companies are converging to form a one stop financial services shop where a customer can obtain a loan, pension product and insurance at the same time. This convergence calls for complete integration of their distribution channels in accordance with an established model, whereby companies can substantially cut costs, enhance productivity and ensure that all stakeholders, shareholders, customers and staff are satisfied. Such an integrated distribution calls for the customer to be placed at the heart of the distribution network. The author concludes by pointing out the factors and principles of why it is a success elsewhere exist in India, and there is no doubt that banks are set to become a significant distributor of insurance related products and services in the years to come.

A.Karunagaran, 2006[98], “Bancassurance: A Feasible Strategy for Banks in India?” This paper attempts to explore the scope for bancassurance models as feasible source of sustainable income to banking sector by exploiting the synergy in the context of India having the largest banking network on the one hand and lower insurance penetration and insurance density on the other hand. While analyzing the present trend of banks handling insurance products, it also highlights some of the likely issues in general as well as specific from the point of regulator and supervisor. It concludes that going by the present pace bancassurance would turn out to be a norm rather than an exception in future in India and it would be a 'win-win situation' for all the parties involved - the customer, the insurance companies and the banks.

Steven I. Davis, 2007[99], "Bancassurance: The Lessons of Global Experience in Banking and Insurance Collaboration."

In this report, 'bancassurance' is defined, quite simply, as the marketing of retail insurance products to a commercial bank's client base. The author discusses in that this may or may not involve equity ownership or control as part of the business model. The related concept of 'assurbank' – the sale of retail banking products to an insurer's clients – is summarized briefly as the response by insurers to the banking challenge.

The fundamental objective of this report is to analyze the lessons of actual practice in the markets where bancassurance has become well developed as an operational concept.

This study focuses on the major markets – the EU, Asia-Pacific and North America – where bancassurance has achieved the most significant development and therefore the basis for examining these lessons of experience. Quite simply, the goal has been to synthesize this experience for the benefit of academics, consultants, students and, of course, for present and future practitioners. Given this approach, the methodology has been, first, to gather the relevant data in the public domain: industry statistics, consultant studies and material in the trade press. More importantly, the author has relied heavily on off-the-record, in-depth conversations with leading practitioners in the financial services sector.

The analysis of experience begins in with the examination of 12 case studies which demonstrate the successful execution of bancassurance strategies under different circumstances. In each case, the report profiles the institution's retail strategy, examines its bancassurance approach and provides observations on its outlook for the future. The report focuses in particular on the problems of managing different cultures and practices in the banking and insurance worlds. It also provides some conclusions on the lessons of best practice based on the interviews and an analysis of the database.

"Bancassurance to generate 35 % of private insurers' premium"[100] December 12, 2007, PTI, Kolkata: "Banks acting as agents of insurance companies will likely to contribute about 35 per cent of private insurers' premium income by 2008, a study said here on Wednesday. Global insurance consulting firm, Watson Wyatt Worldwide in 'India Bancassurance Benchmarking Study 2006-07', said both life and general insurers were bullish about prospects of insurance penetration in the rural markets. "About 30 per cent of the life insurers have indicated that by the year 2010, rural insurance business will constitute between 16-20 per cent of their total bancassurance new business premium," the study said.

"ICICI Lombard in bancassurance tie-up with J&K Co-op Bank". [101]October 27, 2007, Masood Hussain , TNN,Srinagar: In a bid to get into the non-fund business sector, J&K Co-operative Bank has tied up with ICICI Lombard for bancassurance. The bank with a better coverage in semi-urban and rural belt is expected to get tailor-made products that it would sell to its quarter million customers. Bank officials said they had received partnership proposals from seven leading insurance companies, including Bajaj Allianz, ICICI Prudential, Aviva Life Insurance, Reliance Life, Reliance General Insurance, Met Life and ICC Lombard."

"Opportunistic' banks curb bancassurance growth"[102], December 13, 2007, TNN, Mumbai:" Greedy banks could hamper the growth of bancassurance, one of the fastest-growing distribution channels for insurance products. In a report on bancassurance, the world's largest reinsurer, Swiss Re, has said since insurance is not a part of banks' books, some of them regard selling insurance as opportunistic and do not have incentives to nurture this business. The reinsurer in its latest Sigma report has said two factors could restrict growth of bancassurance regulations governing cross-shareholding between banks and insurers are generally less liberal in emerging markets, which complicates adoption of more integrated business models.

"Centurion Bank of Punjab (CBoP) - HDFC Bank deal a big blow to Aviva Life." [103]**,** February 26, 2008, TNN, Mumbai: The proposed merger of Centurion Bank of Punjab with HDFC Bank will be a big blow to Aviva Life Insurance, as the distribution deal between the two will now be scrapped. CBoP had entered into an agreement to sell products of Aviva under a bancassurance agreement while HDFC Bank sells insurance for group company HDFC Standard Life. As per existing insurance laws, a bank can't sell products for more than one insurance company. CBoP is one of the largest institutional distributors for Aviva, and is understood to bring in between 20-25% of Aviva's premium income in India.”

“Run for cover: Bank mergers to affect insurance alliances”[104] February 27, 2008, Agencies, Chennai:” Bank mergers are likely to impact the country's insurance sector as many insurers have select banks as their bancassurance partners. Bancassurance is the sale of life, pension and investment products through the branch network of a bank. The recent merger announcement of HDFC Bank and Centurion Bank of Punjab is expected to impact the business of Aviva Life Insurance and ICICI Lombard General Insurance. Centurion Bank is the bancassurance partner for the two insurers

“IDBI Fortis firms up plans to take on big players”[105] May 22, 2008, TNN Mumbai:” IDBI Fortis Life Insurance, the new player in the life insurance arena, plans to use innovative product offerings and an advanced technological platform to get an edge over its well-established counter parts. The company also plans to break even in 6-7 years, said IDBI Fortis managing director and CEO GV Nageswara on Wednesday. The firm will also leverage the branch networks of IDBI Bank and Federal Bank to promote its bancassurance model. "At present, we have 30 branches and plan to raise it to 100 by this fiscal end. We are planning to take advantage of the branch networks at our disposal for bancassurance," said Mr. Rao. He added that the company was focusing on building the agency model, but was expected to contribute only a third of its distribution, with the rest coming from bancassurance."

"Star Union to bank on bancassurance to sell products".[106] July 23, 2008, Economic Times Bureau, Mumbai: "Star Union Dai-ichi Life Insurance? The three way joint venture between Bank of India, Union Bank and Dai-ichi Life of Japan plans to hit the ground running. The insurer will distribute its products through employees of its two promoter banks who have been trained in insurance distribution. Star Union Dai-ichi is expecting to get its license to sell insurance products from the regulator soon. Although the company is yet to commence business, it has a distribution network in place thanks to its promoter's involvement in the distribution process."

S.K. Staikouras, 2008, [107] "An event study analysis of international ventures between banks and insurance firms"

The current study examines the effects on shareholders wealth as a result of the bank–insurance interface. Using a global sample of financial intermediaries and an event-study framework the findings reveal significant abnormal returns surrounding the announcement of bank–insurance ventures. A control sample using financial institutions that do not pursue bank–insurance deals shows negative abnormal returns with much higher magnitude in absolute terms. When the sample is separated on the basis of the bidder's nature, then bank-bidders earn significant positive returns, while the insurance-bidders experience significant losses.

The analysis further unveils either statistically significant negative returns or insignificant values for bank–insurance divestments. Finally, profitability, size and functional diversification are all found significant in determining abnormal returns over various intervals.

“Uco Bank refuses to renew bancassurance tie with NIC”.[108] January 12, 2009, Atmadip Ray & Debjoy Sengupta , Economic Times Bureau, Kolkata: “Public sector Uco Bank has decided against renewing its bancassurance tie-up with another public sector entity National Insurance Company (NIC). Instead, the bank is now in the verge of signing bancassurance agreement with a private sector general insurance company. Uco and NIC had joined hands some five years ago. Now, the Kolkata-based bank doesn’t want to sell NIC mediclaim and other general insurance covers to its customers anymore. The agreement between Uco and NIC had come for renewal on December 31, 2008.”

“Furnish payments details made to bancassurance partners: IRDA to insurers.”[109] October 2, 2009,Debjoy Sengupta , Economic Times Bureau, Kolkata: “Insurance Regulatory & Development Authority (IRDA) has just asked all insurers to furnish details of payments made to their bancassurance partners. Insurers will have to provide details including cost of infrastructure incurred, advertisement expenses, cost of training for bank staff, management expenses, entertainment & travel expenses. More importantly, insurers will also have to furnish details of any other expenditure incurred for the bank or expenses reimbursed by them.”

“Banks can be allowed multiple insurance tie-ups: Panel”[110] August 22, 2009, Debjoy Sengupta, Economic Times Bureau, Kolkata: “Banks may be allowed to tie up with more than one insurer in the life and general insurance sector with a set of stringent checks and balances. At least, this is what the committee on bancassurance set up by Insurance Regulatory & Development Authority (IRDA) feels. Bancassurance refers to banks selling insurance policies. At present, a bank can tie up with only one life insurer and a general insurer for selling covers. IRDA formed the committee to take a fresh look at the existing regulatory architecture on the bancassurance intermediation model and the possibility of tweaking the present set of guidelines

“**LIC sees gains in fee cap, to grow bancassurance allies”**[111] June 24, 2010, Mayur Shetty, Economic Times Bureau, Mumbai:”Life Insurance Corporation of India (LIC) expects to grow its bancassurance partners under the new regulatory regime, which compels insurers to reduce commission to distributors. Speaking to ET, AK Sahoo, executive director, bancassurance, said the corporation was in talks with banks that currently have distribution tie-ups with private banks to convert them into selling LIC products. Last week, after months of negotiation, the corporation announced a tie-up with Laxmi Vilas Bank, which was earlier selling life insurance for private sector Aviva.”

"A 9% GDP growth will improve insurance industry's prospects"[112] June 9, 2010, Economic Times Bureau, Chennai: "Chennai-based United India Insurance recently announced a bancassurance (selling of insurance products through bank branches) referral tie-up with Vijaya Bank. G Srinivasan , chairman and managing director, speaks to ET. How do you read into the merger of Bank of Rajasthan (BoR) with ICICI Bank? BoR was your bancassurance partner. Yes, we did have a bancassurance tie-up with BoR but it only brought in close to Rs 4 crore in business."

Dr. Georgee K. l. Sumi Alex, 2010,[113] "Bancassurance : A Futuristic Convergence". The author discusses the changed equation between banking and insurance businesses under the current circumstances. The author states by concluding that the current situation doesn't indicate any paradigm shift in bancassurance. The future of bancassurance seems to be bright.

"Aviva Life Insurance may sell 30% stake to Syndicate Bank".[114] September 7, 2011, Economic Times Bureau, Mumbai: "Aviva Life Insurance, the local unit of the UK insurer, may sell as much as 30% stake to state-run lender Syndicate Bank to raise its fortunes in a competitive market. Consumer goods maker Dabur India owns 74% stake in the insurer while Aviva Group owns the rest. Mohit Burman, director of FMCG major Dabur Group, confirmed that talks are on. "The deal is in process," he said. A board meeting will take place on Wednesday where a decision will be taken on the stake sale, he added."

"Banks may get to sell products of 4 insurance companies".[115] June 8, 2011, Economic Times Bureau, Mumbai: "Banks may soon be allowed to sell products of four insurance companies. According to a report of the Committee on Bancassurance, banks may be allowed to tie up with any two sets of insurers — two in the life insurance sector , two in non-life, two in health, ECGC and AIC. Bancassurance, a distribution model where insurance products are sold through bank branch network, will be allowed to operate on principles of tied agency".

Birla Sun Life to tie up with Syndicate Bank for bancassurance"[116] February 10, 2012 Economic Times Bureau Mumbai: "Birla Sun Life Insurance is close to striking a deal with the state-owned lender, Syndicate Bank, for a partnership in the life insurance business. The Aditya Birla group company has offered 600 crore as advance commission based on future sales to Manipal-based Syndicate Bank, which will use part of the money to buy 6% stake in the life insurance firm, said a person familiar with the transaction. The deal structure will enable the Syndicate bank to pick up a minority stake in the lucrative life insurance sector without dipping into its capital reserves. In recent years, the Reserve Bank of India has discouraged a few banks from investing in the cash-guzzling insurance business."

In the article launched on 9th October'2012, drafted by Awasthy Varughese in dna which is an English broadsheet Mumbai based daily local newspaper, owned by Diligent Media Corporation, an Essel Group company, which says **"IRDA goes flexible in draft regulations on**

bancassurance."[117] IRDA has rolled out a revised set of draft regulations on bancassurance tie-ups that are expected to give more flexibility to banks as well as insure

The Insurance Regulatory and Development Authority (IRDA) has rolled out a revised set of draft regulations on bancassurance tie-ups that are expected to give more flexibility to banks as well as insurers. Banks, IRDA suggested, can sell insurance products by either becoming a broker or a bancassurance partner, with those opting to be brokers having to withdraw from their existing bancassurance partnership. There are certain changes in the zonal tie ups specified in the earlier draft. "The channel of distribution for bancassurance may either be through the agency channel or the broking channel. The conduct of bancassurance through a broking channel will be governed by the IRDA (Insurance Broker) Regulations, 2002 and applicant desirous of conducting such business may apply as per the procedure laid down in the said regulations. The conduct of business through the agency channel will be as per the regulations herein contained," IRDA said in the draft circular.

Last week, the finance ministry allowed banks to sell insurance offered by more than one company through a broking agency model."It was desirable for banks to act as brokers and that the fiduciary responsibility of the bank will be to the policyholders. This will provide the intended policyholder a bouquet of products from which he/she may chose the appropriate product based on his/her needs and will also prevent mis-selling," finance minister P Chidambaram had said.

Bancassurance refers to the arrangement through which banks sells insurance products.

At present, the policy on bancassurance is one bank one insurance company (one life and one non-life). Under this, the bank acts as the agent of the insurance company.

But the controversial clause requiring banks to compulsorily tie up with insurance companies other than those promoted by them in several areas has been retained in the revised bancassurance guidelines. Under the new norms, the regulator has divided 40 locations across the country into three separate zones such as A, B and C. Zone A includes metro and other Tier I cities, Zone B and C include Tier II cities, north-eastern states and Union territories. Under the proposed rules, a bank can at the most tie up with a particular life, non-life and health insurance company in maximum 20 and minimum 10 locations. For the remaining areas it will have to seek different partners. This means even banks with their own insurance entities will need to tie up with other insurance companies. As per the draft norms, a bancassurance agent desirous of tie-up with more than one class of insurer shall be allowed to do so under these regulations to a maximum of 20 states / Union territories and a minimum of 10 states/ Union territories. The draft has also specified the remuneration paid to the bancassurance agent in the partnership. The commission will be an amount exceeding 85% of the limit specified in the insurance Act 1938.

The sale of equity will happen through either transfer of the existing share or by issuance of fresh equity with the prior approval of the authority. IRDA is of the view that open architecture without geographical divisions will have no meaning and that smaller players will continue to be neglected. “The insurance law says one agent (bank) for one insurance company. As per the provisions of current law, one insurer cannot have tie-ups with more than one agent. So, under the current circumstances, open architecture model without zonal bifurcations will be a violation of the law. So we need to wait how the amendment has been done in this front,” IRDA chairman J Harinarayan had said earlier.

“This is the step in the right direction. It will give more option for the customers and help to increase the reach of insurance products through the wide network of banks,” said Amarnath Ananthanarayan, MD & CEO, Bharti Axa General. IRDA has asked insurers to submit their views and comments by October 17.”

Customer attitude towards Bancassurance – An Indian perspective, by **T.Hymavathi Kumari, 2012,**[118] By analyzing the customers’ attitude towards Bancassurance the author concludes that there is lot of opportunities available in the Indian market to the banks to cross sell insurance products. Identification of target customer market, and specific insurance products increases the banks’ performance to cross-sell the insurance products. Therefore the author opines that the Banks in India 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. 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 which according to him shows a good indication for the emerging development of the Indian Economy.

The author analyzes the models of Bancassurance and the customer attitude towards Bancassurance business in India. He also explains the relationship between GDP and the development of insurance business in general.

"Flourishing Bancassurance business: An Indian Perspective." By **S. Sarvanakumar, U. Punitha, S. Gunasekaran and S. Sankar**[119] deals with the selling of insurance products by banks. In this arrangement, insurance companies and banks undergo a tie-up, thereby allowing banks to sell the insurance products to its customers. It shows the system in which a bank has a corporate agency with one insurance company to sell its products and how by selling insurance policies bank earns a revenue stream apart from interest called as fee-based income. The income is purely risk free for the bank since the bank simply plays the role of an intermediary for sourcing business to the insurance company. The book throws light on that how the business of banking around the globe is changing due to integration of global financial markets, development of new technologies, universalization of banking operations and diversification in non-banking activities. The coming together of different financial services has provided synergies in operations and development of new concepts. Insurance companies require immense distribution strength and tremendous manpower to reach out to such a huge customer base. This article also shows the distribution that will undergo a sea change as various insurance companies are proposing to bring insurance products into the lives of the common man by making them available at the most basic financial point, the local bank branch, through Bancassurance. The authors also observe that how through bancassurance process insurance products will be sold to customers at their local banks.

"Bancassurance: Problems and Challenges" in India by **Dr.Nandita Mishra, 2012[120].** This paper attempts to explain the scope for bancassurance models and strategy as feasible source of fee based, non-interest income. India has the largest banking network on one hand and lower insurance penetration and insurance density on the other hand. While analyzing the present trend on banks handling insurance products , it also highlights some of the likely issues in general as well as specific problems faced by banks , as result of which bancassurance has suffered.

Pooja Chatley, 2012,[121] "Life Insurance Growth in India: The Bancassurance Route" The study focuses on how with the opening up of the Insurance industry to the private players made the marketing environment competitive hence brought in newer ways of reaching out to the large consumer base. The present paper is an attempt to study the contribution of Bancassurance in the growth of life insurance business in the last 5 years. The author discussed the advent of Bancassurance which was further necessitated by the IRDA guidelines which made it mandatory for insurance providers to increase insurance penetration and thereby reach out even to the population living in the remotest of areas in the country. Taking advantage of the vast reach and large customer base of the banks, the insurance companies have tied up with banks to increase their business growth along with meeting the IRDA regulations. In the last decade a considerable volume of new business has been generated for life insurance through this route. The insurance penetration ratio in the country has started improving thereby ensuring that the benefit of insurance reaches down to the grass-root level of the nation and more and more people come under the cover of the insurance umbrella. The growth in the life insurance industry has been spurred by vibrant distribution channels coupled with product innovation. Innovation has come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups with banks and other financial services.

Thus, author concludes that bancassurance as an alternate distribution channel has contributed to the growth of insurance business by leveraging the benefits to customers, bankers and insurance. But the future depends on how well the banks and insurance companies are able to overcome the operational challenges that are being constantly thrown at them.

Dr. Sumathi Kumaraswamy, 2012,[122] "Bancassurance: Tapping of Insurance into Banking Pursuit "This paper examines the bancassurance business of India banks and suggests that with the increasing usage of information technology and enhanced customer sophistication, bancassurance is expected to play an important role in future growth of life insurance. In such a situation, Bancassurance as a distribution channel facilitates insurance companies in developing networks and customer database faster than any other channel. Insurers can find bancassurance as a profitable venture due to lower customer acquisition cost, quicker reach to untapped market, introduction of new hybrid products, and economies of scale in administrative cost. Finally, the combination of bank and insurance will result in win-win-win situation for its stake holder's viz., banks, insurers and customers, the ultimate winner.

"Finance Minister P. Chidambaram turned liberal with insurance companies."[123] Economic Times, February 21'2012, Mumbai:"By permitting them to open branches at will in non-metropolitan cities and become trading members of stock exchanges in the debt segment. Also, all towns with population above 10,000 will have one Life Insurance Corporation office and one public sector general insurance company office, which raise the access, but may strain the finances of insurers. LIC now has 2300 branches. Bancassurance deals will have to pass Irda muster: J Hari Narayan".

Lalit K. Pani and Sukhmaya Swain, 2013,[124] "Bancassurance and Indian banks." This research paper shows that currently the middle class population is overburdened with inflationary pressures, growing expenses of education & living standard and tax rates. Excepting for the private banks, all banks have not developed the necessary IT infrastructure to make the best of Bancassurance. The channel will work best only when we have all Regional Rural Banks, cooperative banks and all public sector banks develop the requisite IT structure to monitor premium renewals, premium lapses, premium sourced, policies taken, and persistency if any.

The article published in the magazine “Insurance Insight” on 1st March 2013, written by **Andrew Tjaardstra,** [125] reported on “Finance Minister’s approval on Bancassurance in India”. The article says “The 2013/14 Indian Budget has confirmed banks will be able to sell insurance in India and has also given insurers the ability to open up quickly in smaller towns. Finance Minister P Chidambaram has paved the way for bancassurance in India by allowing bank branches to sell insurance, after India's Insurance Regulatory and Development Authority published. An Insurance Bill has been drafted and now needs to be approved by Parliament.

In his Budget speech this week, Chidambaram said: "A multi-pronged approach will be followed to increase the penetration of insurance, both life and general, in the country.

I have a number of proposals that have been finalised in consultation with the regulator, IRDA:

i. Insurance companies will be empowered to open branches in Tier II cities and below without prior approval of IRDA.
ii. All towns of India with a population of 10,000 or more will have an office of LIC and an office of at least one public sector general insurance company. I propose to achieve this goal by 31 March 2014.
iii. Banks will be permitted to act as insurance brokers so that the entire network of bank branches will be utilized to increase penetration.

iv. Banking correspondents will be allowed to sell micro-insurance products.

v. Group insurance products will now be offered to homogenous groups such as SHGs, domestic workers associations, anganwadi workers, teachers in schools, nurses in hospitals etc.

vi. There are about 1,000,000 motor third party claims that are pending before tribunals/courts.

vii. Public sector general insurance companies will organize adalats to settle the claims and give relief to the affected persons/families."

Shilpy Sinha reported in Economic Times Bureau on 20th May' 2013 that **"IRDA should take steps to bring back customer confidence says Rajesh Relan, PNB MetLife chief."**[126] The article further says "PNB MetLife is the latest insurance company to get a lifeline with Punjab National Bank buying 30% into the company. Rajesh Relan, MD and CEO of PNB MetLife, says the bancassurance model will have to move away from reward and recognition to training and recognition to avoid dubious sale of policies by banks. In an interview with ET, Relan talks about the challenges ahead for the industry. "

"RBI vs IRDA: Finance minister to play peacemaker over broking licence for banks".[127] Feb 26, 2013, Economic Times, New Delhi: The finance ministry is attempting to resolve the differences between the banking and insurance sector regulators over allowing banks to become insurance brokers. FM permits insurance companies to open branches at will in non-metro cities

The research journal by **Palanisamy Balamani Banudevi,**[128] 2013, "Bank Customer Satisfaction for Bancassurance Products in India", brings out as to how globally the trend of increased convergence of financial services getting more confined rather than to the narrow channel of banking products. The line dividing the banking and non-banking financial products is getting thinner. The article gives illustration of how the distribution of insurance products through banking networks would be well organized which is popularly called as Bancassurance.

The focus of this research work shows that how Bancassurance in India is conceptually in its emerging stage but holds a good promise for the future. Banks have been attracted to this field in view of scope for generating non interest income while for the insurers it is of increasing the low insurance penetration levels in the country by leveraging the extensive distribution reach of Indian banks. This research gives more emphasis on the satisfaction of customers for bancassurance products and presents a vista of opportunities for private and public insurers to take advantage of our extensive bank networks.

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CHAPTER - 3

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3.1 INTRODUCTION

There has been a rapid development in the insurance industry in India since the opening up of bancassurance sector in 2000. The vast size of our country consisting of various sets of people and the problem of connectivity in rural areas makes insurance selling a very difficult proposal in India.

Selling of insurance products requires strong channels of distribution and incredible manpower to reach out to such a huge customer base. Banks have great potential on the financial needs saving model to serve a huge customer base. They also have much lower distribution costs than insurance companies and thus are the fastest emerging distribution channels. Therefore, a lot of insurance companies and banks undergo a tie-up in which they allow banks to sell the insurance products to its customers.

Bancassurance is a system in which a bank has a corporate agency with one insurance company to sell its products. By selling insurance products, banks earn revenue apart from interest. It is called a fee-based income. This income is purely risk free for the bank since the bank simply plays the role of an agent for providing business to the insurance industry. [1]

[1] Flourishing Bancassurance business: An Indian perspective by S. Sarvanakumar, U. Punitha and S Sankar.

This distribution set-up will undergo a huge transformation as various insurance companies are now considering to bring insurance products into the lives of the common man by making them available at the most basic economic point i.e. the local bank branches through bancassurance.

Bancassurance is the process through which insurance products are sold to customers by their local banks. So, in this chapter we discuss on the following:

- Justifications for the banks to enter into bancassurance business
- Convergence strategies
- Framework regarding the RBI and IRDA norms set up for bancassurance
- Models of bancassurance
- Bancassurance products
- Distribution channels of bancassurance
- Benefits of bancassurance to banks, insurers and customers
- Tie-ups of bancassurance in India
- Issues to be kept in mind during tie-ups

3.2 JUSTIFICATIONS FOR BANKS TO ENTER INTO BANCASSURANCE BUSINESS:

With the increase in the number of middle class families in the country, RBI predicted the need of an effective method to make insurance policies reach people of all economic classes in every corner of the nation. Applying bancassurance in India is one such development that took place towards this cause. The need for the development of bancassurance in India began for the following reasons:

1) To advance the channels through which insurance policies are sold or marketed so as to make them reach the hands of the common man.
2) To take advantage of their large banking network that is spread almost throughout the country for getting into insurance business.
3) To improve the services of insurance by building a competitive environment among the private insurance companies in the market.
4) By getting into the business of general insurance, banks are trying to provide an extra flow of revenues from the same customers through the same channel of distribution and with the same people.
5) Due to the high costs paid by the insurers for agent services there has been an increase in the alternative modes of distribution i.e. bancassurance. As these costs have become too much of a burden for many insurers as compared to the returns they generate.
6) Insurers operating through bancassurance have to maintain their relationships with customers. Direct relationships with customers gave insurers greater control of their business at a lower cost. Insurers who function through an agency hardly have any control on their relationship with their clients.
7) One of the most important reasons of banks getting into bancassurance is the increased return on assets (ROA). Insurance distribution will help the banks to increase its return on assets (ROA) by providing fee based income. Fee based selling helps the

banks to cover part of their operating expenses and also helps to increase the levels of staff productivity in banks.

8) Banks try to retain customer loyalty by offering them an added and more sophisticated range of products like by selling personal life insurance policies to customers at a nominal rate while opening a new account.
9) Banks can also take the benefit of large scale customer base. With the help of this the per-head cost will be reduced rather than advertising it through print, radio or television. Banks that make the most of these advantages are able to penetrate their customer base and markets as they have far-reaching experience in marketing to both existing as well as new customers. They also have an access to multiple communication channels, such as statement inserts, direct mail, ATMs, telemarketing, etc. Bank's capability in using technology has resulted in upgradations in transaction processing and customer services.
10) Banks can help to find a way out to lessen overstaffing problems without taking measures for reducing staff.
11) The expense ratio in insurance activities through bancassurance is extremely low. This is because the banks and the insurance companies are getting the advantage from the same distribution channels and customers.
12) Banks entry in distribution of insurance products helps them to expand their profit margin and simultaneously the customer base for the insurance companies rapidly. This helps to popularize insurance as an important financial protection product.

3.3 <u>CONVERGENCE STRATEGIES FOR BANCASSURANCE:</u>

Banks face many challenges for greater success in insurance and investment markets. So, to plan an effective and profitable convergence strategy, banks may undertake the following steps:

1) Banks may first complete a self diagnosis and then choose the target segments. Banks need to start with a thorough understanding of their existing customers, markets and a good judgment of what role the product will play across the organization. This can be done by collecting data on each possible segment. Then they can select the target segments which will help to decide the key purchasing criteria and developing a segmentation strategy.
2) Consumers tend to be very dissatisfied with the insurance buying experience as according to them products are difficult to understand and pricing of the insurance policies are confusing. As a result they distrust insurance agents because they want to pay a fair price. So banks should understand this customer need and capture this opportunity by building an efficient insurance and investment capability. By providing innovative products at low cost, banks can build an expertise in developing a competitive capability.
3) By developing innovative products and services, banks can target the market, focusing on simplifying both products and purchase process for insurance and investment. Consumers tend to view the market through needs-based lens. Hence, they would invest only when the need for the product ensures that they would have enough money to support their children's education or their own

retirement, for example guaranteed tuition savings product or life insurance products.

4) Banks need to determine how they can control or leverage their own systems and distribution channels to improve the economies of different products while adapting their sales to the regulatory and licensing requirements.
5) Banks may well determine an appropriate branding strategy. Many customers view their banks as a trustworthy and comfortable place to initiate most of their financial transactional needs. Therefore, banks should ally with an already known brand or insurance expertise to serve these customers.
6) After a bank has decided on a segment, they can select the strategy to deliver the valued proposition. In determining its delivery approach, a bank can choose between the roles of an integrator or navigator. Banks that implement this strategy can successfully generate retail profits from non-traditional or insurance products.

3.4 <u>REGULATIONS FOR BANCASSURANCE IN INDIA:</u>

The best way of entering into bancassurance depends on the strengths and weaknesses of the organization and on the availability of an appropriate partner if the organization decides to involve a partner. In India, the model of partnership depends upon the regulations of the RBI and IRDA, the insurance regulator.

1. RBI Norms for banks entering into Insurance sector
2. IRDA Norms for Insurance companies tying up with Banks

3.4.1 RBI NORMS FOR BANKS:

Government of India issued following notification dated August 3, 2000, specifying 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1) (o) of The Banking Regulation Act, 1949; RBI issued the guidelines on Insurance business for banks.

1) Any scheduled commercial bank would be permitted to undertake insurance business as agent of insurance companies on fee basis without any risk participation.
2) Banks which satisfy the eligibility criteria given below will be permitted to set up a joint venture company for undertaking insurance business with risk participation subject to safeguards. The maximum equity contribution a bank can hold in the Joint Venture Company will normally be 50% of the paid up capital of the insurance company.

   The eligibility criteria for joint venture participant are as under:

   i. The net worth of the bank should not be less than Rs. 500 crore.
   ii. The Capital to Risk Weighted Assets Ratio (CRAR) of the bank should not be less than 10 per cent.
   iii. The level of non-performing assets should be reasonable.
   iv. The bank should have net profit for the last three consecutive years.
   v. The track record of the performance of the subsidiaries, if any, of the concerned bank should be satisfactory
3) In cases where a foreign partner contributes 26% of the equity with the approval of Insurance Regulatory and Development

Authority/Foreign Investment Promotion Board, more than one public sector bank or private sector bank may be allowed to participate in the equity of the insurance joint venture. As such participants will also assume insurance risk, only those banks which satisfy the criteria given in paragraph 2 above, would be eligible.

4) A subsidiary of a bank or of another bank will not normally be allowed to join the insurance company on risk participation basis.
5) Banks which are not eligible for joint venture participant as above, can make investments upto 10% of the net worth of the bank or Rs. 50 crore, whichever is lower, in the insurance company for providing infrastructure and services support. Such participation shall be treated as an investment and should be without any contingent liability for the bank.

   The eligibility criteria for these banks will be as under:

   i. The Capital to Risk Weighted Assets Ratio (CRAR) of the bank should not be less than 10 per cent.
   ii. The level of non-performing assets should be reasonable.
   iii. The bank should have net profit for the last three consecutive years.
6) All banks entering into insurance business will be required to obtain prior approval of the Reserve Bank. The Reserve Bank will give permission to banks on case to case basis keeping in view all relevant factors including the position in regard to the level of non performing assets of the applicant bank so as to ensure that non-performing assets do not pose any future threat to the bank in its present or the proposed line of activity, i.e. insurance business. It

should be ensured that risks involved in insurance business do not get transferred to the bank. There should be arms length relationship between the bank and the insurance outfit.

7) Holding of equity by a promoter bank in an insurance company or participation in any form in insurance business will be subject to compliance with any rules and regulation laid down by the Insurance Regulatory and Development Authority (IRDA)/Central Government. This will include compliance with Section 6AA of Insurance Act as amended by the IRDA Act 1999, for divestment of equity in excess of 26 per cent of the paid up capital within a prescribed period of time.
8) Latest audited balance sheet will be considered for reckoning the eligibility criteria.
9) Banks which make investments under paragraph 5 of the above guidelines, and later qualify for risk participation in insurance business (as per paragraph 2 of the guidelines) will be eligible to apply to the Reserve Bank for permission to undertake insurance business on risk participation basis.[2]

3.4.2 IRDA NORMS FOR INSURANCE COMPANIES:

Insurance Regulatory and Development Authority has given certain guidelines for the bancassurance which are as follows:

1) Banks should have a minimum paid up capital of Rs.100 Crores.

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[2] Draft Guidelines for diversification into Insurance business by banks/financial institutions, Reserve Bank of India, Circular, August 3, 2000.

2) Each bank that sells insurance must have a Chief Insurance Executive to handle all the insurance matters and activities.

3) There is a restriction for international companies to the minority equity holdings up to 26%.

4) All the people involved in selling the insurance should undergo mandatory training at an institute determined or authorized by IRDA and should have passed the examination conducted by the authority.

5) Commercial banks, including co-operative banks and Regional Rural Banks may become co-operate agents for one insurance company.

6) Banks can act as a corporate agent for any one of life or non life insurers. But, cannot become insurance brokers for many life or non life insurers. IRDA has also notified regulations relating to registration of insurers, their assets and liabilities, conduct of business, licensing of insurance agents etc.[3]

3.5 MODELS OF BANCASSURANCE:

Models of bancassurance as based on mainly two classifications which are a under:

1) Structural classification.
2) Product based classification.
3) Bank referrals.

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[3] Insurance Regulatory and Development Authority (IRDA), Report of the committee on Bancassurance, Circular, June 7, 2011.

3.5.1 STRUCTURAL CLASSIFICATION:

Structural classification can be done as under:

3.5.1.1 REFERRAL MODEL

Banks which are planning not to consider risk can take up 'referral model'. The actual transaction with the clients in referral model is done by the staff of the insurance company either at the premises of the bank or elsewhere. Referral model is an agreement, wherein the bank, while controlling the clients data base, does business through the agents/sales staff of the insurance company for a 'referral fee' or commission for every business lead that was passed on. In fact a number of banks in India have already started implementing this strategy. This model would be appropriate for almost all types of banks including the Regional Rural Banks (RBBs) /Co-operative Banks and even Co-operative Societies both in rural and urban areas.

3.5.1.2 CORPORATE AGENCY

Corporate agency is another form of non-risk participatory distribution channel, wherein the bank staff is trained to appraise and sell the products to the customers. Here the bank as an institution operates as corporate agent for the insurance products for a fee/commission. This seems to be more practical and is suitable for most of the banks in India. Here, the rate of commission would be comparatively higher than the referral arrangement. There are also practical difficulties in the form of professional knowledge about the insurance products. Besides, struggle from the staff to handle totally new service/product could not be ruled out. However, this could be overcome by thorough training to selected staff along with proper incentives in the banks for the selling of simple insurance products in the initial stage. This model is best suited for majority of banks including some major urban cooperative banks because it neither involves sharing of risk nor does it require huge investment in the form of infrastructure and yet can be a good source of income.

3.5.1.3 <u>INSURANCE AS FULLY INTEGRETED FINANCIAL SERVICE/JOINT VENTURES</u>

Apart from the above two, the fully integrated financial service occupies complete and complex relationship between the insurer and the bank. Here, the bank functions as fully universal in its operation and selling of insurance products are just one more function within. The banks will have a separate counter within, to sell the insurance products as an internal part with the rest of its activities. Thus the banks can wholly be an owner to the insurance subsidiary.

ICICI bank and HDFC banks in private sector and State Bank of India in the public sector have already gone ahead with this type of bancassurance model and have obtained a large share in the insurance market within a short period.

3.5.2 <u>PRODUCT BASED CLASSIFICATION:</u>

Product based classification of the bancassurance model is as under:

3.5.2.1 <u>STAND-ALONE INSURANCE PRODUCTS</u>

Under stand-alone insurance products, marketing of the insurance products is done either through referral arrangement or corporate agency without mixing the insurance products with any of the bank's own products/services. Insurance is sold as an additional item in the list of products offered to the bank's customer. However, the products of banks and insurance will have their individual brands too, e.g., Karur Vysya Bank Ltd selling of life insurance products of Birla Sun Life Insurance or general insurance products of Bajaj Allianz General Insurance Company does act as an additional attraction

3.5.2.2 BLEND OF INSURANCE WITH BANK PRODUCTS

This strategy intends to blend insurance products with the bank product as a 'value addition' while encouraging its own products. Thus, banks could sell the insurance products without any extra efforts. Sometimes, giving insurance cover at a nominal premium or without specific premium proves to be an attractive deal for banks to sell an individual product. For example credit card, housing loans, education loans, etc. Many banks in India, are determined in marketing credit and debit card business, whereas the cardholders get the 'insurance cover' for a nominal fee or (completely included in the annual fee) free from simple charges/ premium. Similarly the home loans / vehicle loans, etc., have also been designed with the insurance cover as an added incentive.

3.5.3 BANK REFERRALS

Under bank referral method, banks do not issue the policies; they only give the database to the insurance companies. These companies issue the policies and pay the commission to the banks. In this method all the three parties involved i.e. banks, insurance companies and customers are benefited. Banks get commission, the insurance companies get records of the customers and the customers get the benefits.

3.6 BANCASSURANCE PRODUCTS:

This section analyses the guiding principles for the growth and expansion of bancassurance products and also describes how these products are prepared. Banks decision to sell a particular type of insurance product is directly related to the methods of distribution which it plans to put into practice.

Apart from the traditional insurance products, bancassurers have also developed special products in order to fulfill certain needs of banking transactions and also to improve certain products so as to make them more noticeable and helpful to the customer. These products can be divided into three categories:

1) Finance and repayment products.
2) Depositor's products.
3) Simple standardized package products.

3.6.1 FINANCE AND REPAYMENT PRODUCTS

The concept of this group of products is quite simple. In the case of early death or permanent disability of the borrower, the outstanding loan or credit amount from the financial institution may not be recoverable. This will happen where

1. The financial position of the surviving family means that outstanding amounts may not be easily recoverable, or
2. When the repossession of the item purchased by the loan amount might not be saleable, or

3. When any resale amount is not sufficient for the repayment of the loan.

Here, along with the financial loss, the lender also runs the risk of damaging its reputation in front of the customers because it will acquire the reputation of repossessing items on the unfortunate death of its clients and the harassment of the unfortunate spouse and family. The borrower on the other hand has similar concerns. He does not wish to leave an outstanding loan to be repaid by his family after his death. He is also concerned about his possible inability to repay the loan or credit amount if he becomes permanently disabled. This category of products is known as finance and repayment product. Some of the best known products in this category that can satisfy both parties are:

3.6.1.1 CREDIT INSURANCE

Credit insurance can be offered in cases where a loan is granted to the customer, which serves as an additional security for the bank. It also provides financial protection to the customer's property in case of his death prior to the repayment of the loan. This normally involves a decreasing term life cover with an initial sum insured which is equal to the amount of the loan. For example, if the amount of loan taken is 10 lakhs, then the policy will have an initial sum assured of Rs 10 lakhs. The sum insured would decrease in line with the repayment of the loan amount. Upon the death of the insured person the amount payable would be equal to the outstanding loan amount, with or without the accrued interest at that time. If the outstanding loan amount decreases on a predetermined basis, then it is possible to calculate the appropriate premium at the date on which the loan was granted.

In cases where the loan amount fluctuates according to the needs of the borrower or due to fluctuations in interest rates, a monthly premium based on the outstanding loan amount is a more reasonable solution. In the case where a single premium is charged the premium amount is often added to the loan amount. Almost all loans covered under credit insurance schemes are of short repayment duration, i.e. up to 5 years.

Permanent total disability benefit may be offered jointly with the decreasing term insurance because the capacity of the borrower to repay the loan may depend on his income. In some cases temporary total disability benefit is also offered which can be paid in installments.

In some cases, it is also possible for a bank to pay the premiums, which are very low. Banks can use this as a marketing tool in order to attract new customers and sell its products more easily. This marketing tool will offer free protection in the case of death or permanent total disability. Credit insurance is suitable for arrangements such as mortgage loans, business loans, personal loans and hire purchase arrangements. This cover can also be issued as a group policy covering all customers. The master policy remains with the bank and a certificate of insurance is given to each customer.

3.6.1.2 OVERDRAFT INSURANCE

Usually banks offer overdraft facilities to their customers. This is an automatic credit upto a pre-agreed amount. For salaried customers, this amount is usually two or three times their monthly salary. This facility has no repayment term provided the salary is deposited in the bank and the credit always stays within the pre-agreed amount. In the case where the customer who was using the credit facility dies, this amount has to be repaid by the successors of the deceased. This practice usually creates problems for both i.e. the successor and the bank. Overdraft insurance can be offered in two different ways:

1) The cover is equal to the credit facility used and a monthly premium is paid according to this amount. In the case where the customer dies and this credit facility has been used, the outstanding amount due will be repaid to the bank by the insurance company. In deciding whether to offer this option, the insurer must consider that the risk of people with poor health can sharply increase the amount of credit taken soon before their death.
2) The cover equals the maximum pre-agreed credit facility. In case of death the outstanding amount due will be repaid by the insurance company. If there is an excess between cover and the outstanding amount due this amount will be paid to the heirs of the customer. Premiums in this case can be paid on a monthly or annual basis. In overdraft insurance the premium is usually adjusted every year according to the age of the customer. A maximum age for this benefit usually exists. The premium can be paid by the customer or by the bank as an offer to its customers. This type of product is suitable for arrangements such as overdraft facilities, credit cards and unstructured debts.

3.6.1.3 CAPITAL REPAYMENT

A repayment scheme through an insurance policy is possible for the loans offered for mortgage, educational, personal or business reasons. The customer is granted the loan and he pays to the bank only the loan interest. He also takes out an endowment that has a cover equal to the loan amount and with a duration equal to the repayment period of the loan. The premium is selected so that the maturity payout is very likely to be able to cover the full loan amount. The policy is always assigned to the bank and serves as a repayment tool whether the customer survives or not. These products have proved largely attractive to customers in countries where life insurance products enjoy favorable tax treatment, or where interest rates charged by lenders on loans repaid by insurance policy proceeds are lower than for capital repayment loans.

Due to the high investment element of these products, the premiums for such products are much higher than those of the credit and overdraft insurance as mentioned above.

3.6.2 DEPOSITOR'S PRODUCTS:

The second category of these special products consists of different types of depositor's products which are as follows:

3.6.2.1 DEPOSITOR'S INSURANCE

This benefit is designed to attract the public to deposit money with a particular bank. It can be offered in all deposit accounts but usually a minimum deposit amount is required. The level of cover is usually determined by factors such as price and underwriting. Here, in this type of product the level of the insurance premium rate is changing every year. Another scheme that bank offers is the accidental death cover. Here, reasonable limits are set regarding maximum age and maximum amounts. The premium in this case is usually paid by the bank but it can also be paid by the depositor with a proper marketing approach. The amount of cover is usually a multiple of the cash balance in the deposit account. In the case of death of the depositor, this cash balance is increased accordingly.

3.6.2.2 OBJECTIVE ACHIEVMENT INSURANCE/BANKING SAVING PLANS

This policy can be offered for special deposit accounts where systematic deposits are required to reach a predetermined amount at maturity for a special objective. However, if the depositor dies or suffers total permanent disability, the difference between his objective amount and the cash balance of the account will be paid to the depositor or the depositor’s estate in addition to the cash balance. This can be offered by a decreasing term insurance only or in combination with permanent total disability benefit.

In cases where the deposit amounts are not predetermined, it is advisable to offer coverage that is a multiple of the average cash balance amount during the preceding 6 or 12 months, so that problems of anti-selection can be reduced. So, with this type of depositors’ insurance, this product can offer attractive profit margins where, reasonable limits are set regarding maximum age and maximum amounts of coverage.

3.6.2.3 PURE INVESTMENT PRODUCTS

These products have no “insurance” elements, i.e. no risk. They have traditionally been the domain of banks, but in some countries they enjoy favorable tax treatment if they are offered by an insurance company.

3.6.3 SIMPLE STANDARDIZED PACKAGE PRODUCTS

These products are usually the group policies which combine covers and which also provide less cost if the customers are bought individually. These products are usually sold over the counter by bank employees, so they need to be uncomplicated. An example would be household insurance together with waiver of premium on death cover.

3.6.4 OTHER PRODUCTS

The objective of development of any product is to offer a wide range of products so as to enable the sales people to select the most suitable plan for each customer’s specific needs. A further range of products and riders which the bancassurers wants to offer to clients could include:

3.6.4.1 PRODUCTS

1. Whole life products
2. Endowment products
3. Unit-linked products
4. Term insurance products
5. Accident and sickness products
6. Hospitalization products

7. Pension products

3.6.4.2 RIDERS

These are the additional benefits attached to the main basic policy which are as follows:

1. Family income benefit
2. Waiver-of-premium benefit
3. Permanent total disability benefit
4. Income replacement benefit

In deciding whether to offer these products further the bancassurers would need to consider whether these can be effectively sold by the employees and agents which are involved in the bancassurer's sales operation.[4]

3.7 DISTRIBUTION CHANNELS IN BANCASSURANCE:

Distribution is an important factor in bancassurance which is strongly associated with the regulatory issues of the country. Over the years, regulatory obstacles between banking and insurance have lessened and have created an increasingly friendly climate for bancassurance. The passage of Gramm-Leach Bliley Act of 1999 in US and IRDA Bill in India in 2000 has encouraged the growth of bancassurance by allowing the use of multiple distribution channels by banks and insurance companies. Nowadays, many banks and insurers including large and traditional companies that would not have considered about such an approach about a decade ago are now looking

[4] CIFP Knowledge Series- Bancassurance: Convergence of Banking and Insurance 2010, http://cifplearning.com/bancassurance.pdf.

with great interest at constructing new revenues through bancassurance.

Today, insurance products have been supported and sold mainly through agency systems in most of the countries. With new developments in consumer's behaviors, evolution of technology and deregulation, new distribution channels have been developed successfully in the recent years. The type of distribution channels that a company uses affects the design and pricing of its products, as well as the way in which the products are promoted and perceived in the market place. Recently Bancassurers have been making use of various distribution channels which are as under:

1. Career agents
2. Special advisers
3. Salaried agents
4. Bank employees/Platform banking
5. Corporate agencies and brokerage firm
6. Direct response
7. Worksite marketing
8. Internet
9. E-brokerage
10. Outside lead generating techniques

The main characteristics of each of these channels are as under:

3.7.1 CAREER AGENTS

Career Agents are full-time commissioned sales employees holding an agency contract. They are usually considered to be independent contractors. Therefore an insurance company can implement control only over those activities of the agent which are specified in the contract. Moreover, career agents with suitable training, supervision and motivation can be highly fruitful but cost effective. Many bancassurers, however avoid this channel, believing that agents might oversell, out of their interest in quantity and not quality. Such problems with career agents usually arise, not due to the nature of this channel, but rather due to the use of improperly designed remuneration and incentive packages.

3.7.2 SPECIAL ADVISERS

They are highly trained employees generally belonging to the insurance partner, who distribute insurance products to the bank's corporate clients. Banks puts forward complex insurance requirements to these advisors. The Clients mostly include wealthy population who require personalized and high quality service. Mostly they are paid on salary basis and they receive incentive compensation based on their sales.

3.7.3 SALARIED AGENTS

They have the same characteristics as career agents. The only difference is that they are paid on a salary basis and they receive incentive compensation based on their sales. Salaried Agents are an advantage for the bancassurers because they are directly under their control and supervision. Unlike career agents, salaried agents share the mission and objectives of the bancassurers.

3.7.4 BANK EMPLOYEES/PLATFORM BANKING

Bank employees/platform bankers are those bank employees who spot the leads in the banks and kindly advise the customers to walk over and speak with the appropriate representative within the bank.

The platform banker may be a teller or a personal loan assistant. The limitation on the success of bank employees in generating insurance business is that they have a limited target market, i.e. those customers who actually visit the branch during the opening hours.

3.7.5 CORPORATE AGENCIES AND BROKERAGE FIRMS

There are a number of banks who collaborate with independent agencies or brokerage firms while some other banks have set up corporate agencies. Here the arrangements are made to hire professionals for solving complex insurance matters and through these arrangements the customers get good quality of services.

3.7.6 DIRECT RESPONSE

In this channel, no sales person visits the customer to make a sale and here no face-to-face contact takes place between the consumer and the seller. The consumer purchases products directly from the bancassurers by responding to the company's advertisement, mailing or telephone offers. This channel can be used for simple packaged products which can be easily understood by the consumer without any explanation.

3.7.7 INTERNET

Internet banking is already well-known as a successful and profitable tool for conducting banking operations. Internet provides large and effective source of information for selling of financial products. Bancassurers can feel confident that internet banking will also prove to be a qualified medium for cross selling of insurance savings and protection products.

The functions requiring user input like check ordering, calculations, credit and account applications should be immediately added with links to the insurer. Such an arrangement can also provide an effective medium for insurance sales, service and leads.

3.7.8 E-BROKERAGE

Banks can facilitate e-brokerage and sell insurance products from multiple insurers. The changed legislative environment across the world will help bancassurance to progress in this direction. This medium can make use of benefits like scale of operation, strong brands, easy distribution and excellent synergy with the internet facilities.

3.7.9 OUTSIDE LEAD GENERATING TECHNIQUE

One last method for developing bancassurance involves outside lead generating techniques, such as seminars, direct mail and statement inserts. Today great opportunities are lying ahead for bancassurance partners and its success or failure mainly depends on how the process of bancassurance is developed and handled inside each financial institution.

3.8 BENEFITS OF BANCASSURANCE TO BANKS, INSURANCE COMPANIES AND CUSTOMERS:

Bancassurance as a medium makes use of a variety of distribution channels like salaried agents, bank employees, and brokerage firms. Bancassurance is beneficial to the customer in its natural and traditional way. It provides a variety of products and services at one place, where a customer can apply for mortgages, pensions, savings and insurance products. The customer gains from both sides i.e. banks and insurance companies as costs get reduced. So, bancassurance proves to be top prize for the customers as they get a high quality product, at a lower price, delivered at their doorsteps.

Following are the benefits of bancassurance to banks, insurance companies and customers:

3.8.1 FROM THE BANKS POINT OF VIEW

Banks enjoy the following advantages:

1. Banks has a strong brand name which can help to make a loyal customer base.
2. It increases the return on assets (ROA) by creating fee income through the sale of insurance products. This helps the bank to cover most of their operating expenses and also helps to raise the efficiency levels of staff.
3. The productivity of the employees increases due to bancassurance.

4. Banks have extensive experience in marketing to both existing customers and non-customers. They can easily attract more customers by making use of various technologies such as e-banking, statement inserts, direct mail, ATMS, telemarketing etc.
5. By providing customers with both the services i.e. banking and insurance under one roof, they can improve overall customer satisfaction resulting in higher customer retention levels.
6. Bancassurance can facilitate banks to collect non-fund income which can increase the interest income and also profitability of the banks.
7. Banks can influence on face-to-face contacts and their knowledge about the financial conditions of customers to sell insurance products.
8. Banks can cross sell insurance products. The concept of cross-selling also gives the advantage which will help them to improve the efficiency of the banks like, more interactions with the clients, will lead to more overall sales. E.g.: Term insurance products with loans.

3.8.2 FROM THE INSURER'S POINT OF VIEW

The benefits to the insurers are equally convincing. Insurance Companies enjoy the following advantages.

1. It has a capacity access to bank's huge customer base which would create a positive motivational influence on the insurance

companies. The insurance company can increase their business by taking advantage of the banking distribution channels.

2. It can establish market presence rapidly without the need to build up a network of agents.
3. Helps to reduce their dependence on traditional agents by making use of the different channels owned by banks.
4. It can build up innovative financial products more competently by collaborating with their bank partners
5. Customer database like customer's financial position, spending habits, investment and purchase ability can be used to tailor the products and sell them consequently.
6. Customers have more faith in banks and would willingly take the advice of a banker whom they have been visiting in the past, rather than trusting a new insurance agent. As ICICI Prudential Life CEO and Managing Director Shikha Sharma have said “Maximum contribution from alternative distribution channels comes from the bancassurance route followed by corporate agents and then direct marketing."
7. It can obtain extra capital from banks to improve their solvency and expand business.
8. By reducing their expenses, insurance companies can serve better to customers by providing them with lower premium rates and better risk coverage through product diversification.
9. Insurers can take advantage of the bank’s wide network of branches for the distribution of products. The access of bank’s branches into the rural areas can be utilized to sell products in those areas also.

Thus, teaming up with a strong bank can help the insurance companies to fund their new business and also to develop and improve public confidence in the customers.

3.8.3 FROM THE CUSTOMER'S POINT OF VIEW

Customers can get following benefits from bancassurance:

1. It encourages customers of banks to purchase insurance policies and further helps in building better relationship with the bank
2. The people who are unaware of and who are not in reach of insurance policies can take the advantage of the widely distributed networks and better marketing channels of banks.
3. Innovative and better product ranges can be tailored according to the needs of the customers, which otherwise would not have been possible if banks and insurers worked independently.
4. Bancassurance model assists customers in terms of reduced price, diversified products, quality products, in time and doorstep service.
5. Any new insurance product put on the market through bancassurance channel would be accepted well by the customers.
6. Easy access for claims as banks is a regular visiting place for customers.
7. Due to the increase in competition, customers can expect improved premium rates and better-quality services from bancassurance as compared to traditional insurance companies.

3.9 TIE-UPS OF BANCASSURANCE IN INDIA:

Insurance regulatory and Development Authority (IRDA) are now considering the idea of permitting banks to have multiple tie-ups with insurance companies. If these changes take place, an individual will have more options to choose.

As per the present norms, a bank cannot have more than one tie-up with an insurance company each in life and non-life segment. Tables 3.9.1 and 3.9.2 shows that one insurance company has tied up with many banks in order to increase their revenues, but a bank is not allowed to tie-up with more than one insurance company. Existing tie-ups between insurance companies and banks for life insurance and general insurance products are as follows:

3.9.1 TIE-UP OF BANKS WITH LIFE INSURANCE COMPANIES:

LIFE INSURANCE COMPANY	BANKING PARTNER
HDFC	Standard Union Bank of India, Indian Bank, HDFC Bank, Bank of Baroda, Saraswat Bank

LIFE INSURANCE COMPANY	BANKING PARTNER
ICICI Prudentials	Federal Bank, ICICI Bank, Bank of India, Punjab & Maharashtra Cooperative Bank, Allahabad Bank, South Indian Bank, Citibank, Lord Krishna Bank, Goa State Co-operative Bank, Indore Paraspar Sahakari Bank, Manipal State Co-operative Bank and Jalgaon People's Co-operative Bank, Shamrao Vithal Co-operative Bank.
Birla Sunlife	Citibank, Deutsche Bank, IDBI Bank, Development Credit Bank, Bank of Rajasthan, Bank Muscat, Catholic Syrian Bank Ltd, Andhra Bank, Karur Vysya Bank Ltd
Tata AIG	HSBC, Citibank, IDBI Bank, Union Bank of India
SBI Life	SBI , BNP Paribas
ING Vysya Life Insurance	Vysya Bank, Bharat Overseas Bank
Allianz bajaj	Standard Chartered Bank, Syndicate Bank
Metlife	Dhanalakshmi Bank , J&K Bank, Karnataka Bank, UTI Bank
Aviva	ABN Amro, American Express, Canara Bank, Lakshmi Vilas Bank
LIC	Corporation Bank, Oriental Bank of Commerce, recently signed MoU with Nedungadi Bank, Central Bank of India, Indian Overseas Bank, and Bank of Punjab, Vijaya Bank, Centurian Bank, The City Union Bank Ltd, Repco Bank

3.9.2 TIE-UP OF BANKS WITH GENERAL INSURANCE COMPANIES:

GENERAL INSURANCE COMPANY	BANKING PARTNER
Bajaj Allianz	Bank of Punjab, Bank of Rajasthan, Jammu & Kashmir Bank, Karur Vysya Bank, Lord Krishna Bank, Punjab & Sind Bank, Shamrao Vithal Co-operative Bank, Karnataka Bank, Deutsche Bank, United Bank of India, HDFC Bank, Yes Bank.
Royal Sun Alliance	Citibank, ABN Amro, Standard Chartered, American Express, Repco Bank, SBI-GE, Karur-based Lakshmi Vilas Bank.
Tata AIG	HSBC, IDBI, Union Bank of India.
ICICI Lombard	ICICI Bank, Centurion Bank.
Reliance General Insurance	Development Credit Bank, UCO Bank.
United India Insurance Ltd.	Punjab National Bank; Andhra Bank, Dhanalakshmi Bank, Indian Bank, South India Bank, Federal Bank, Syndicate Bank.
The New India Assurance Co.	Union Bank of India, SBI, Corporation Bank, Catholic Syrian Bank and United Western Bank.
The Oriental Insurance Company Ltd.	Department of Posts, Oriental Bank of Commerce, State Bank of Saurashtra
National Insurance Co.	Allahabad Bank, Bank of India, Vijiya Bank.

* Information updated from newspaper sources and websites of the respective banks and insurance companies.

3.10 ISSUES TO BE KEPT IN MIND WHILE TIE-UP:

The followings are certain issues that we have to keep in mind while tie-up with bank for Bancassurance purpose:

1. The tie-up needs to develop innovative products and services rather than depending upon the traditional tracks. The kind of products that the banks would be allowed to sell is another major issue. For example: - a complex unit-linked life insurance product is better sold through brokers & agents, while a standard term product or simple products like auto Insurance, home loan, and accident insurance can be handled by bank branches.
2. There is need to clarify on the operational activities of bancassurance that:
   - Who will do the branding?
   - Will the insurance company prefer to place a person at the branch of the bank? or
   - Will the branch train and keep its own people?
   - Who will pay remuneration of above mentioned people, bank or insurance company or both in some ratio?
3. Even though the banks are in personal contact with its client, a high degree of active marketing skill is required to sell the insurance products. These can be possible through proper training only.

CHAPTER - 4

DATA ANALYSIS AND INTERPRETATION

CHAPTER - 4

DATA ANALYSIS AND INTERPRETATION

The main objective of this study is to find out the impact of bancassurance product on banking industry in India. In order to study the need of bancassurance, survey was conducted among the customers as well as the bank employees of eight banks to know the popularity and growth perspective of bancassurance. The banks which have been selected as simple random samples for this purpose are as follows:

1. Andhra Bank
2. Canara Bank
3. Corporation Bank
4. HDFC BANK
5. ICICI Bank
6. IDBI Bank
7. Oriental Bank of Commerce
8. State Bank of India

Although bancassurance business is wide spread over the country, this survey is confined to only one location i.e. Vadodara. As this location is having overseas business, industrial manufacturing activities, and higher educational institutes, this location is believed to be a representative of any well developed business centre.

The collected data is analyzed and interpreted by applying various statistical tools and techniques. It is presented in the form of tables, pie and multiple bar diagrams which is converted into charts, maps and graphs to analyze the data. This chapter includes:

- Various Trends of Bancassurance.
- Challenges to bancassurance.
- SWOT analysis.
- Analysis based on the impact of bancassurance product on banking business in India.
- Analysis and interpretation of primary data collected.

4.1 VARIOUS TRENDS OF BANCASSURANCE:

Bancassurance is still evolving in Asia and is still in its infancy stage in India so it is too early to evaluate. However, an immediate survey revealed that a large number of public and private banks including foreign banks are now making use of the bancassurance channels in one form or the other in India.

Following trends of bancassurance are significantly followed.

1. Bancassurers have not only targeted the mass market but have also carefully begun to segment the market which has resulted in the tailor-made or rather perfect products for each segment.
2. Some bancassurers focus exclusively on distribution. In some markets, face-to-face contact is preferred which proves to be a favorable arrangement for the development of bancassurance business.
3. Initially banks opt for either ‘referral models’ or ‘corporate agency’.

4. Banks are offering space in their own premises to accommodate the insurance staff for selling the insurance products or giving access to their client's database. Insurance companies can use this opportunity to increase their sale.
5. Nowadays banks are campaigning and marketing the insurance products across the globe. Number of banks in India act as 'corporate agents' to insurance company.

4.2 CHALLENGES TO BANCASSURANCE:

It is extremely a difficult task to expand bancassurance in the emerging markets. Globally, the insurers are successfully persuading bancassurance to gain hold in markets with low insurance penetration and a limited variety of distribution channels. The following are the challenges that are faced by bancassurance industry in India:

1. The change from manufacturing to pure distribution of insurance requires banks to pull together the incentives of different suppliers with their own products in a more improved way.
2. Bank employees are usually low on enthusiasm. Lack of sales culture itself is a big barrier than the lack of marketing skills in the employees. Banks are generally used to only product packaged selling and hence selling insurance products logically do not seem to fit in their system.
3. Private sector insurance firms are finding 'change management' as a major challenge. A public sector bank frequently gets a new chairman almost every two years from different bank. This results in an absolute change in the distribution strategy and

further creates dissimilarity between public and private sector banks.

4. Human resource management has experienced some complications due to such association in the financial industry. Recently some issues like increased work load, maintaining the motivation levels have cropped up quite occasionally among the employees. Therefore, human resource issues should be given first priority before entering into bancassurance business.
5. The banks also fear that at some point the insurance partner may end up cross-selling banking products to their policy holders. If the insurer is selling the products by agents as well as banks then there is a risk of clash between both if the agents targeting the same customers.
6. Banks will have to be geared up for probable interference from client relations arising from numerous general insurance claims.

4.3 SWOT ANALYSIS ON BANCASSURANCE:

Banking and insurance are two different entities. Banks have lesser risk in business as compared to the insurance companies. However, in India bancassurance as a means of distribution of insurance products is already in force in some form or the other. The functions of bancassurance also differ. Banks observe bancassurance as a means of product diversification and a source for earning additional fee income. Insurance companies regard it as a tool for increasing their market penetration and premium turnover. Customers can expect improved premium rates and better-quality services delivered at their doorsteps. So, everyone is getting benefited here.

Appling bancassurance effectively can help the banks to develop a sales culture within the organization. This can be used by the bank to promote traditional banking products and other financial services. Bancassurance helps banks and insurance companies to perfectly complement each other's strengths. It is therefore essential to have a SWOT analysis done before experimenting bancassurance in India. A SWOT analysis of bancassurance is given below.

4.3.1 STRENGTHS OF BANCASSURANCE:

- In a country like India, a huge population is lying ahead, to make the most of life insurance products.
- Banks other strength lies in the huge set of skilled professionals, who may easily be blended together for any bancassurance venture.
- Banks have the integrity established with their customers because of the variety of services and schemes provided by them.
- Banks have the benefit of their wide network of branches, even in the remote areas. This can help them to implement a particular task on a large and massive scale.
- They also enjoy position of pride in the hearts of many people because of their charisma and sustained image.
- Banks are well aware of the psychology of the customers because they interact with them on regular basis. This can help the bankers to guess the attitude and various needs of the customers which would in turn help them to change the face of insurance distribution to personal line insurance.

- In India, people trust more on Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) for taking insurance. If the products of LIC and GIC are routed through bancassurance, this would provide an additional benefit to the insurance companies.
- Banks can take the advantage of their brand name, trained staff and reliability of people for selling of the insurance products in a more sophisticated way.

4.3.2 WEAKNESSES OF BANCASSURANCE:

- In spite of the growing emphasis on total branch mechanism and full computerization of bank branches, the rural and semi-urban banks are still to see information technology (IT) as a facility. The IT culture is unfortunately missing completely in all of the future collaborations. The internet connections are also not properly provided to the staff.[1]
- In order to distribute insurance products, the bank employees have to undergo a definite period of training, followed by a test and then get them licensed. Moreover, the standard of examinations has been raised lately making it impossible for many examinees to clear.
- Banks are traditionally 'demand driven' organizations and have active selling philosophy. Insurance organizations are usually 'need driven' and have an aggressive selling philosophy. So there

[1] Bancassurance: An emerging concept in India by Naveen Sethi

may arise differences in the way of thinking between bankers and the managers of the insurance companies

- Generally, a customer visits a bank for doing simple transactions like deposit or withdrawal. Busy customers will have no time to have a long-term discussion on a durable purchase like insurance across the counter. Moreover, the visits in urban or metro branches are also going to be less because of ATM's and e-banking.
- Another weakness is the inflexibility of the products i.e. it can not be always perfect as demanded by the customers. So an in-built flexibility is necessary for a bancassurance venture to succeed, so as to make the product eye-catching to the customers.

4.3.3 OPPORTUNITIES IN BANCASSURANCE:

- There are many people in the country who are still unaware about insurance and its various products and are waiting for someone to guide them.
- Customers are willing to avail many services like lockers, safe deposits schemes and additional products and services from banks in urban and metro areas. This provides an excellent opportunity to promote many properties linked general insurance policies like fire insurance, burglary insurance, medi-claim insurance etc.
- Banks provide finance in the form of loans for cars, buying a house etc. to clients, They can take advantage of this by cross-selling insurance products and combine it as a package.
- Bankers can promote insurance by taking advantage of the corporate customers and tying up for the insurance of the

employees of corporate customers. Usually, banks offer salary payment and loan facilities but here they can also provide insurance as well. This may prove to be a good prospect with easy access to the bankers.

4.3.4 THREATS IN BANCASSURANCE:

- Success of a bancassurance venture requires change in approach, thinking and work culture on the part of everybody involved. The work forces are so well-established at every level that there may arise specific threat of opposition to any change that bancassurance may set in. Any rearrangement to a new company or subsidiary or change from one work to a different style of work can be offended with intensity.
- Another possible threat may come from non-response from the target customers. This happened in USA in 1980s after the enactment of Garn - St Germaine Act. A rush of joint ventures took place between banks and insurance companies and all these failed due to the non-response from the target customers. US banks have now again (since late 1990s) turned their attention to insurance mainly life insurance.[2]
- Insurance in India is more accepted as a saving option than providing risk cover. So this can create an adverse effect in the minds of the bankers that such products may reduce the sales of regular bank saving products. Also selling of investment and good

[2] Manoj Kumar, "Bancassurance: A SWOT Analysis," Insurance Professional, 2000, Web, Oct. 2008, <http://www.einsuranceprofessional.com/pppune1.html>.

returns on policy can affect the fixed-deposit portfolio of the banks.

- There may arise a problem of 'reputational contagion' i.e. loss of market confidence. Like one venture leading to loss of confidence on the other because of identical brand recognition, similar management and consolidated financial reporting etc.
- The most common obstacle to the success of bancassurance are poor manpower management, lack of sales culture within the bank, no involvement by the branch manager, insufficient product promotions, failure to integrate marketing plans, marginal database expertise, poor sales channel linkages, inadequate incentives, resistance to change, negative attitudes towards insurance and intense marketing strategy.[3]

[3] Flourishing Bancassurance business: An Indian perspective by S Sarvanakumar, U Punitha and S Sankar.

4.4. ANALYSIS BASED ON THE IMPACT OF BANCASSURANCE PRODUCT ON BANKING BUSINESS IN INDIA

The performance of both banks and insurance companies inter-depend on each other. The following study shows the impact of bancassurance on the overall financial performance of banks in India. For this purpose, the researcher has selected eight different banks from different areas in Vadodara district. The figures of Net worth, Deposits, Advances, Interest income, % Net of Non performing Assets, Dividends and Net profit reveal that bancassurance has paved the way for banks to grow. Although there are number of other factors which contributed to the growth of banks, but bancassurance is one of the factors.

4.4.1 ANDHRA BANK

Andhra Bank was founded in 1923 by Dr. Bhogaraju Pattabhi Sitaramayya in Machilipatnam; Andhra Pradesh. It is a medium-sized public sector bank (PSB), with a network of 1,938 branches, 15 extension counters and 38 satellite offices.

Under bancassurance business, Andhra Bank along with Bank of Baroda and Legal & General Group of UK has formed a joint venture life insurance company IndiaFirst Life Insurance Company. It was launched in the month of November 2009.[1] The following table 4.4.1.1 shows the financial position of Andhra Bank and the income derived from bancassurance business.

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[1] http://en.wikipedia.org/wiki/Andhra_Bank

Table-4.4.1.1

Financial position of Andhra Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	IndiaFirst Life Insurance Company
2008-09	3,647	44,428	59,390	1,627	194	653	0.18%	-
2009-10	4,410	56,505	77,688	2,195	218	1,046	0.17%	16
2010-11	6,492	71,435	92,156	3,221	243	1,267	0.38%	47
2011-12	7,479	83,642	1,05,851	3,759	358	1,345	0.91%	23
2012-13	8,441	98,373	1,23,796	3,757	327	1,289	2.45%	28

Source: Annual Report of Andhra Bank from 2008 to 2013

Table 4.4.1.1 shows that the net worth of Andhra Bank for the year 2008-09 was Rs. 3,647 crores and a growth of 20.18% for the year ended 2009-10. It has grown substantially from Rs. 4,410 crores in 2009-10 to Rs 6,492 crores in 2010-11 i.e. an increase of 47.21%. There was a growth of 15.2% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 7,479 crores in the previous year to Rs. 8,441 crores i.e. registering a growth of 12.86%.

Advances for the year 2008-09 were Rs. 44,428 crores. It increased by 27.19% i.e. Rs. 56,505 crores for year 2009-2010 from Rs. 44,428 crores of 2008-09. The bank registered a growth of 26.42% from 2009-10 to 2010-11 and a growth of 17.09% from 2010-11 to 2011-12. Advances reached to Rs. 98,373 crores registering a growth of 18% in the year 2012-13.

Bank's total deposits amounted to Rs. 77,688 crores as on March 2010 showing a growth of 30.81% over previous year's i.e. 2008-09 deposits of Rs.59,390 crores. It has grown by 18.62% to reach Rs 92,156 crores in the year 2010-11 and 14.90% to reach Rs. 1, 05,851 crores in the year 2011-12. In the year 2012-13, Andhra Bank's total deposits amounted to Rs. 1, 23,796 crores showing an addition of Rs. 17, 947 crores and growth rate of 17% over previous year.

Total net interest income of Andhra Bank has shown a growth of 34.90% from Rs. 1,627 crores in year 2008-09 to Rs. 2,195 crores in the year 2009-10. The bank showed a robust growth of 46.76% from 2009-10 to 2010-11. Year 2011-12 registered a growth of 16.71% i.e. Rs. 3,759 crores over previous year's interest income of Rs. 3,221 crores. It decreased by -0.06% and earned Rs. 3,757 crores for the year ended 2012-13.

Dividend of Rs. 194 crores was recommended by the Board of Directors of Andhra Bank for the year 2008-09. It was Rs. 218 crores for the year 2009-10, Rs. 243 crores for the year 2010-11 and Rs. 358 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 327 crores.

Net profit increased registering a strong growth by 60.15% to Rs. 1,046 crores in 2009-10 from Rs. 653 crores in the previous year 2008-09. It increased by 21.15% from Rs. 1,046 crores in 2009-10 to Rs. 1,267 crores of 2010-11. It has grown by 6.1% to reach Rs. 1,345 crores in the year 2011-12. Net profit for the year 2012-13 stood at Rs. 1,289 crores. It reduced by showing a loss of -4.16%.

The asset profile of the bank continues to be very healthy. The Net Non Performing Assets (NPA) to Net Advances stood at 0.18% for the year 2008-09. It stood at 0.17% for the year ended 2009-10. It has improved from 0.18% in the previous year to 0.38% for the year 2010-11 to 0.91% for the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 2.45%

Andhra Bank along with Bank of Baroda and Legal & General Group of UK has formed a joint venture life insurance company i.e. IndiaFirst Life Insurance Company under bancassurance business. It was launched in the month of November 2009. It posted a net profit of Rs. 16 crores in the year 2009-10 and a whopping profit of Rs. 47 crores for the year 2010-11. During the year 2011-12, the net profit from life insurance business dropped down to Rs. 23 crores from Rs. 47 crores in previous year. In the year 2012-13 the bank recorded a net profit of Rs. 28 crores.

4.4.2 CANARA BANK

Canara Bank was founded in 1906 by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, at Mangalore, then a small port in Karnataka. The bank was nationalized in 1969. Today, the bank has a network of 3564 branches and 4000 ATMs spread across India. It also has offices abroad in London, Hong Kong, Moscow, Shanghai, Doha, and Dubai.

The bank has tie up arrangements in both life and general insurance through Canara HSBC Oriental Bank of Commerce and United India Insurance Company Ltd. (UIICL) under bancassurance division. It started its Bancassurance business from June 2008.[2] The following table 4.4.2.1 shows the financial position of Canara Bank and the income derived from bancassurance business.

[2] http://en.wikipedia.org/wiki/Canara_Bank

Table-4.4.2.1

Financial position of Canara Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	Canara HSBC OBC Life Insurance Co. Ltd.	United India Insurance Co. Ltd.
2008-09	12,208	1,38,219	1,86,893	4,718	328	2,072	1.09%	18	6
2009-10	14,672	1,69,335	2,34,651	5,681	410	3,019	1.06%	53	8
2010-11	20,039	2,12,467	2,93,973	7,823	487	4,025	1.11%	51	11
2011-12	22,690	2,32,490	3,27,054	7,689	487	3,282	1.46%	26	12
2012-13	24,878	2,42,177	3,55,856	7,879	576	2,872	2.18%	26	13

Source: Annual reports of Canara Bank from 2008 to 2013.

Table 4.4.2.1 shows that the net worth of Canara Bank for the year 2008-09 was Rs. 12,208 crores and a growth of 20.92% for the year ended 2009-10. It has grown substantially from Rs. 14,672 crores in 2009-10 to Rs 20,039 crores in 2010-11 i.e. an increase of 36.59%. There was a growth of 13.22% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 22,690 crores of previous years to Rs. 24,878 crores i.e. registering a growth of 9.64%.

Advances for the year 2008-09 were Rs. 1, 38,219 crores. It increased by 22.51% i.e. Rs. 1, 69,335 crores for year 2009-2010 from Rs. 1, 38,219 crores of 2008-09. The bank registered a growth of 25.74% from 2009-10 to 2010-11 and a growth of 9.42% from 2010-11 to 2011-12. Advances reached to Rs. 2, 42,177 crores registering a moderate growth of 4.17% in the year 2012-13.

Canara Bank's total deposits amounted to Rs. 2, 34,651 crores as on March 2010 showing a growth of 25.60% over previous year's i.e. 2008-09 deposits of Rs. 1, 86,893 crores. It has grown by 25.28% to reach Rs. 2, 93,973 crores in the year 2010-11 and 11.25% to reach Rs. 3, 27,054 crores in the year 2011-12. In the year 2012-13, Canara Bank's total deposits amounted to Rs. 3, 55,856 crores showing an addition of Rs.28, 802 crores and growth rate of 8.8% over previous year.

Total net interest income of Canara Bank has shown a growth of 20.41% from Rs. 4,718 crores in year 2008-09 to Rs. 5,681 crores in the year 2009-10. The bank showed a strong growth of 37.72% from 2009-10 to 2010-11. In the year 2011-12, growth rate decreased by - 1.71% i.e. Rs. 7,689 crores over previous year's interest income of Rs. 7,823 crores. It registered a growth of 2.47% for the year ended 2012-13 with Rs. 7,879 crores.

Dividend of Rs. 328 crores was recommended by the Board of Directors of Canara Bank for the year 2008-09. It was Rs. 410 crores for the year 2009-10, Rs. 487 crores for the year 2010-11 as well as for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 576 crores.

Net profit increased registering a strong growth by 45.2% to Rs. 3,019 crores in 2009-10 from Rs. 2,072 crores in the previous year 2008-09. It increased by 33.2% from Rs. 3,019 crores in 2009-10 to Rs. 4,025 crores of 2010-11. In the year 2011-12 it has reduced by -18.49% and earned a profit of Rs. 3,281 crores as compared to previous year's profit of Rs. 4,026 crores. Net profit for the year 2012-13 stood at Rs. 2,872 crores. It reduced by -12.49%.

The asset profile of the bank continues to be very healthy. The Net Non Performing Assets (NPA) to Net Advances stood at 1.09% for the year 2008-09. It stood at 1.06% for the year ended 2009-10. It has improved from 1.06% in the previous year to 1.11% for the year 2010-11 to 1.46% for the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 2.18%

Canara Bank has a tie up arrangements in both life and general insurance segments under bancassurance division. It started its Bancassurance business from June 2008. In the year 2008-09, bank earned a commission income of Rs. 18 crores from its joint venture Canara HSBC OBC Life Insurance Co. Ltd. It earned a huge commission income of Rs. 53 crores in the year 2009-10 and Rs. 51 crores for the year 2010-11. During the year 2011-12, income from life insurance business dropped down to Rs. 26 crores from Rs. 51 crores in previous year. In the year 2012-13 the bank recorded a commission income of Rs. 26 crores.

The Bank also has a tie-up arrangement with M/s United India Insurance Company Ltd (UIICL) for General Insurance business. Canara Bank recorded a commission income of Rs. 6 crores during the year 2008-09. It earned a huge commission income of Rs. 8 crores in the year 2009-10 and Rs. 11 crores for the year 2010-11. In the year 2011-12, the bank recorded a commission income of Rs. 12 crores and Rs. 13 crores for the year 2012-13.

4.4.3 CORPORATION BANK

Corporation Bank is a public sector banking company with headquarters in Mangalore. It was founded on 12th March 1906 in the Temple Town of Udupi, by a small group of philanthropists led by Khan Bahadur Haji Abdulla Haji Kasim Saheb Bahadur. Today the bank has 1869 branches, 1425 ATMs and 3545 branchless banking units.

Corporation Bank has a tie up arrangement under bancassurance segment for both life insurance through Life Insurance Corporation of India from the year 2008 and general insurance through New India Assurance Co. Ltd. from the year 2009.[3] The following table 4.4.3.1 shows the financial position of Corporation Bank and the income derived from bancassurance business.

[3] http://en.wikipedia.org/wiki/Corporation_bank

Table-4.4.3.1

Financial position of Corporation Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	Life Insurance Corporation of India	New India Assurance Co. Ltd.
2008-09	4,897	48,512	73,984	1,691	210	893	0.29%	18	-
2009-10	5,775	63,203	92,734	2,210	277	1,170	0.31%	20	11
2010-11	7,138	86,850	1,16,748	2,939	344	1,413	0.46%	23	9
2011-12	8,276	1,00,469	1,36,142	3,147	353	1,506	0.87%	43	12
2012-13	9,566	1,18,717	1,66,005	3,425	334	1,435	1.91%	45	15

Source: Annual reports of Corporation Bank from 2008 to 2013.

Table 4.4.3.1 shows that the net worth of Corporation Bank for the year 2008-09 was Rs. 4,897 crores and a growth of 17.94% for the year ended 2009-10. It has grown substantially from Rs. 5,775 crores in 2009-10 to Rs 7,138 crores in 2010-11 i.e. an increase of 23.60%. There was a growth of 15.94% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 8,276 crores of previous years to Rs. 9,566 crores i.e. registering a growth of 15.58%.

Advances increased by 30.28% i.e. Rs. 63,203 crores for year 2009-2010 from Rs. 48,512 crores of 2008-09. The bank registered a growth of 37.41% from Rs. 63,203 crores of 2009-10 to Rs. 86,850 crores of 2010-11 and a growth of 15.68% from 2010-11 to 2011-12. Advances reached to Rs. 1, 18,717 crores registering a growth of 18.16% in the year 2012-13.

Corporation Bank's total deposits amounted to Rs. 92,734 crores as on March 2010 showing a growth of 25.34% over previous year's i.e. 2008-09 deposits of Rs. 73,984 crores. It has grown by 25.90% to reach Rs. 1, 16,748 crores in the year 2010-11 and 16.61% to reach Rs. 1, 36,142 crores in the year 2011-12. In the year 2012-13, Corporation Bank's total deposits amounted to Rs. 1, 66,005 crores showing an addition of Rs. 29, 863 crores and growth rate of 21.93% over previous year.

Total net interest income of Corporation Bank has shown a growth of 30.71% from Rs. 1,691 crores in year 2008-09 to Rs. 2,210 crores in the year 2009-10. The bank registered a growth of 33% from 2009-10 to 2010-11. Year 2011-12 showed a slight growth of 7.05 % i.e. Rs. 3,147 crores over previous year’s interest income of Rs. 2,939 crores. It registered a growth of 8.86% for the year ended 2012-13 with Rs 3,425 crores.

Dividend of Rs. 210 crores was recommended by the Board of Directors of Corporation Bank for the year 2008-09. It was Rs. 277 crores for the year 2009-10, Rs. 344 crores for the year 2010-11 and Rs. 353 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 334 crores.

Net profit increased registering a strong growth by 31.08% to Rs. 1,170 crores in 2009-10 from Rs. 893 crores in the previous year 2008-09. It increased by 20.77% from Rs. 1,170 crores in 2009-10 to Rs. 1,413 crores of 2010-11. In the year 2011-12 it has shown a moderate growth of 6.58% and earned a profit of Rs. 1,506 crores as compared to previous year’s profit of Rs. 1,413 crores. Net profit of the bank has marginally decreased from Rs. 1,506 crores in previous year 2011-12 to Rs 1,435 crores during the year 2012-13. It reduced by -4.71%.

The asset profile of the bank continues to be very healthy. The Net Non Performing Assets (NPA) to Net Advances stood at 0.29% for the year 2008-09. It stood at 0.31% for the year ended 2009-10. It has improved from 0.31% in the previous year to 0.46% for the year 2010-11 to 0.87% for the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 1.91%

Corporation Bank has a tie up arrangement under bancassurance segment for both life insurance and general insurance through Life Insurance Corporation of India and New India Assurance Co. Ltd. It started its Bancassurance business in the year 2008 for life insurance and for general insurance from the year 2009.

In the year 2008-09, under Life Insurance segment, bank earned a commission income of Rs. 18 crores from Life Insurance Corporation of India. It earned a huge commission income of Rs. 20 crores in the year 2009-10 and Rs. 23 crores for the year 2010-11. During the year 2011-12, the net profit from life insurance business increased significantly to Rs. 43 crores from Rs. 23 crores in previous year. In the year 2012-13 the bank recorded a commission income of Rs. 45 crores.

For General Insurance business, the bank has a tie-up arrangement with New India Assurance Co. Ltd. from the 2009. Corporation Bank recorded a commission income of Rs. 11 crores during the year 2009-10. In the year 2010-11 bank's commission income dropped down to Rs. 9 crores from Rs. 11 crores of previous year. In the year 2011-12, the bank recorded a commission income of Rs. 12 crores and Rs. 15 crores for the year 2012-13.

4.4.4 HOUSING DEVELOPMENT FINANCE CORPORATION (HDFC) BANK LTD.

HDFC Bank was incorporated in 1994 by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. It was among the first companies to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector.

Under bancassurance business, HDFC Bank has a joint venture named HDFC Standard Life Insurance Co. Ltd. and HDFC Ergo General Insurance Co. Ltd. HDFC Standard Life Insurance Co. Ltd. was established in the year 2000. It became the first private life insurance company in India. HDFC Ergo General Insurance was established in the year 2002. It is a joint venture between HDFC Ltd. which is India's housing finance institution and ERGO International AG, the primary insurance entity of Munich Re Group. [4]

The following table 4.4.4.1 shows the financial position of HDFC Bank and the income derived from bancassurance business.

[4] http://en.wikipedia.org/wiki/HDFC_Bank

Table-4.4.4.1

Financial position of HDFC Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	HDFC Standard Life Insurance Co. Ltd.	HDFC Ergo General Insurance Co. Ltd.
2008-09	15,053	98,883	1,42,812	7,421	425	2,245	0.63%	327	22
2009-10	21,522	1,25,831	1,67,404	8,387	549	2,949	0.13%	534	54
2010-11	25,379	1,59,983	2,08,586	10,543	768	3,926	0.19%	670	78
2011-12	29,925	1,95,420	2,46,706	12,297	1,009	5,167	0.18%	456	110
2012-13	36,214	2,39,721	2,96,247	15,811	1,309	6,726	0.20%	472	126

Source: Annual reports of HDFC Bank from 2008 to 2013.

Table 4.4.4.1 shows that the net worth of HDFC Bank for the year 2008-09 was Rs. 15,053 crores and a growth of 42.98% for the year ended 2009-10. It has grown substantially from Rs. 21,522 crores in 2009-10 to Rs. 25,379 crores in 2010-11 i.e. an increase of 17.92%. There was a growth of 17.91% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 29,925 crores in previous year to Rs. 36,214 crores i.e. registering a growth of 21.02%.

Advances for the year 2008-09 were Rs. 98,883 crores. It increased by 27.25% i.e. Rs. 1, 25,831 crores for year 2009-2010 from Rs. 98,883 crores of 2008-09. The bank registered a growth of 27.1% from Rs. 1,25,831 crores of 2009-10 to Rs. 1,59,983 crores of 2010-11 and a growth of 22.2% from 2010-11 to 2011-12. Advances reached to Rs. 2, 39,721 crores registering a growth of 22.7% in the year 2012-13.

HDFC Bank's total deposits amounted to Rs. 1, 67,404 crores as on March 2010 showing a growth of 17% over previous year's i.e. 2008-09 deposits of Rs. 1, 42,812 crores. It has grown by 27.1% to reach Rs. 2, 08,586 crores in the year 2010-11 and 18.3% to reach Rs. 2, 46,706 crores in the year 2011-12. In the year 2012-13, HDFC Bank's total deposits amounted to Rs. 2, 96,247 crores showing an addition of Rs. 49,541 crores and growth rate of 20.1% over previous year.

Total net interest income of HDFC Bank has shown a growth of 13.01% from Rs. 7,421 crores in year 2008-09 to Rs. 8,387 crores in the year 2009-10. The bank registered a growth of 25.71% from 2009-10 to 2010-11. Year 2011-12 has shown a reduction of 16.63% i.e. Rs. 12,297 crores over previous year's interest income of Rs. 10,543 crores. It registered a growth of 28.58% for the year ended 2012-13 with Rs. 15,811 crores.

Dividend of Rs. 425 crores was recommended by the Board of Directors of HDFC Bank for the year 2008-09. It was Rs. 549 crores for the year 2009-10, Rs. 768 crores for the year 2010-11 and Rs. 1,009 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 1,309 crores.

Net profit of HDFC Bank increased registering a strong growth by 30.2% to Rs. 2,949 crores in 2009-10 from Rs. 2245 crores in the previous year 2008-09. It increased by 33% from Rs. 2949 crores in 2009-10 to Rs. 3,926 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 31.6% and earned a profit of Rs. 5,167 crores as compared to previous year's profit of Rs. 3,926 crores. Net profit of the bank during the year 2012-13 was Rs. 6,726 crores, increased by 30.17%.

The Net Non Performing Assets (NPA) to Net Advances stood at 0.63% for the year 2008-09. It stood at 0.13% for the year ended 2009-10. It has improved from 0.13% in the previous year to 0.19% for the year 2010-11 and decreased to 0.18% in the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 0.20%

Under bancassurance business, HDFC Bank has a joint venture named HDFC Standard Life Insurance Co. Ltd. and HDFC Ergo General Insurance Co. Ltd. HDFC Standard Life Insurance Co. Ltd. was established in the year 2000. It became the first private life insurance company in India. HDFC Ergo General Insurance was established in the year 2002. It is a joint venture between HDFC Ltd. which is India's housing finance institution and ERGO International AG, the primary insurance entity of Munich Re Group.

In the year 2008-09, under life insurance segment, bank earned a commission income of Rs. 327 crore from HDFC Standard Life Insurance Co. Ltd. It earned a huge commission income of Rs. 534 crores in the year 2009-10 and Rs. 670 crores for the year 2010-11. During the year 2011-12, the income from life insurance business decreased significantly to Rs. 456 crores from Rs.670 crores in previous year. In the year 2012-13 the bank recorded a commission income of Rs. 472 crores.

Under HDFC Ergo General Insurance Co. Ltd. HDFC Bank recorded a commission income of Rs. 22 crores during the year 2008-09. In the year 2009-10, bank's commission income increased to Rs. 54 crores from Rs. 22 crores in previous year and increased to Rs. 78 crores in the year 2010-11. In the year 2011-12, the bank recorded a commission income of Rs. 110 crores and Rs. 126 crores for the year 2012-13.

4.4.5 INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI) BANK

ICICI Bank was established by the Industrial Credit and Investment Corporation of India, an Indian financial institution. It was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry.

Under bancassurance business, ICICI Bank has subsidiary named ICICI Prudential Life Insurance Co. Ltd. and ICICI Lombard General Insurance Co. Ltd. ICICI Prudential Life Insurance Co. Ltd. is a joint venture between ICICI bank and Prudential Plc, a leading international financial services group whose headquarters is in the United Kingdom. It was established in December 2000 after receiving an approval from Insurance Regulatory Development Authority (IRDA). ICICI Lombard General Insurance Co. Ltd. was established in August 2001. It is a joint venture between ICICI Bank Ltd. and Fairfax Financial Holding Ltd, Canada. [5]

The following table 4.4.5.1 shows the financial position of ICICI Bank and the income derived from bancassurance business.

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[5] http://en.wikipedia.org/wiki/ICICI_Bank

Table-4.4.5.1

Financial position of ICICI Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	ICICI Prudential Life Insurance Co. Ltd.	ICICI Lombard General Insurance Co. Ltd.
2008-09	49,883	2,18,311	2,18,348	8,366	1,225	3,758	1.96%	(-780)	24
2009-10	51,618	1,81,205	2,02,017	8,144	1,338	4,025	1.87%	258	144
2010-11	55,091	2,16,366	2,25,602	9,017	1,613	5,151	0.94%	808	(-80)
2011-12	60,405	2,53,723	2,55,500	10,734	1,902	6,465	0.62%	1,384	(-416)
2012-13	66,706	2,90,249	2,92,614	13,866	2,307	8,325	0.64%	1,496	3.06

Source: Annual reports of ICICI Bank from 2008 to 2013.

Table 4.4.5.1 shows that the net worth of ICICI Bank for the year 2008-09 was Rs. 49,883 crores and a growth of 3.48% for the year ended 2009-10. It has grown from Rs. 51,618 crores in 2009-10 to Rs. 55,091 crores in 2010-11 i.e. an increase of 6.73%. There was a growth of 9.65% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 60,405 crores in previous year to Rs. 66,706 crores i.e. registering a growth of 10.43%.

Advances decreased by -17% and earned Rs. 1, 81,206 crores for year 2009-2010 from Rs. 2, 18,311 crores of 2008-09. The bank registered a growth of 11.67% from Rs. 1, 81,205 crores of 2009-10 to Rs. 2, 16,366 crores of 2010-11 and a growth of 17.27% from 2010-11 to 2011-12. Advances reached to Rs. 2, 90,249 crores registering a growth of 14.4% in the year 2012-13.

ICICI Bank's total deposits decreased by -7.48% and earned Rs. 2, 02,017 crores for the year 2009-2010 over previous year's i.e. 2008-09 deposits of Rs. 2,18,348 crores. It has grown by 11.67% to reach Rs. 2, 25,602 crores in the year 2010-11 and 13.25% to reach Rs. 2, 55,500 crores in the year 2011-12. In the year 2012-13, ICICI Bank's total deposits amounted to Rs. 2, 92,614 crores showing an addition of Rs. 37,114 crores and growth rate of 14.4% over previous year.

Total net interest income of ICICI Bank showed that the growth rate has decreased by -3.02% from Rs. 8,366 crores in year 2008-09 to Rs. 8,114 crores in the year 2009-10. The bank registered a growth of 11.12% from 2009-10 to 2010-11. Year 2011-12 showed a growth of 19.04% i.e. Rs. 10,734 crores over previous year's interest income of Rs.

9,017 crores. It registered a growth of 29.18% for the year ended 2012-13 with Rs. 13,866 crores.

Dividend of Rs. 1,225 crores was recommended by the Board of Directors of ICICI Bank for the year 2008-09. It was Rs.1, 338 crores for the year 2009-10, Rs. 1,613 crores for the year 2010-11 and Rs. 1,902 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 2,303 crores.

Net profit increased registering a strong growth by 7.10% to Rs. 4025 crores in 2009-10 from Rs. 3,758 crores in the previous year 2008-09. It increased by 27.98% from Rs. 4,025 crores in 2009-10 to Rs. 5,151 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 25.51% and earned a profit of Rs. 6,465 crores as compared to previous year's profit of Rs. 5,151 crores. Net profit of the bank has increased by 28.77% from Rs. 6,465 crores in previous year 2011-12 to Rs. 8,325 crores during the year 2012-13.

The Net Non Performing Assets (NPA) to Net Advances stood at 1.96% for the year 2008-09. It stood at 1.87% for the year ended 2009-10. It has reduced from 1.87% in the previous year to 0.94% for the year 2010-11 and also decreased to 0.62% in the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 0.64%

Under bancassurance business, ICICI Bank has subsidiary named ICICI Prudential Life Insurance Co. Ltd. and ICICI Lombard General Insurance Co. Ltd. In the year 2008-09, under life insurance segment, ICICI Life incurred a loss of Rs. -780 crores. In the year 2009-10, it earned a profit of Rs. 256 crores as compared to the loss of Rs. -780 crores in the year 2008-09. Profit increased from Rs. 256 crores in the year 2009-10 to Rs. 808 crores in 2010-11. In the year 2011-12 it earned a profit of Rs. 1,384 crores from Rs 808 crores of previous years i.e. 2010-11. In the year 2012-13 the bank recorded a commission income of Rs. 1,496 crores.

Under ICICI Lombard General Insurance Co. Ltd., the bank made a profit of Rs. 24 crores during the year 2008-09. In the year 2009-10, profit increased from Rs. 24 crores in 2008-09 to Rs. 144 crores in 2009-10. ICICI Lombard General Insurance Co. Ltd. incurred a loss of Rs. -80 crores in the year 2010-11 as compared to a profit of Rs. 144 crores. Net loss increased from Rs. -80 crores in year 2010-11 to Rs. -416 crores in the year 2011-12. In the year 2012-13 the bank recorded a profit of Rs. 3.06 crores as compared to the loss of Rs. -416 crores in the year 2011-12.

4.4.6 INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI)

The Industrial Development Bank of India (IDBI) was established on 1st July 1964 under an Act of Parliament as a wholly owned subsidiary of the Reserve Bank of India. In 16 February 1976, the ownership of IDBI was transferred to the Government of India and it was made the principal financial institution for coordinating the activities of institutions engaged in financing, promoting and developing industry in the country.

IDBI Bank offers Life Insurance Solutions to suit various customers segments through IDBI Federal Life Insurance Co. Ltd. It was formed on March 2008. It is a joint venture between three financial companies i.e. IDBI Bank, Federal Bank and European insurer Ageas formally known as Fortis. The bank has also entered into an agreement with Bajaj Allianz General Insurance Co. Ltd. to provide Non Life or General insurance requirement from 2008.[6]

The following table 4.4.6.1 shows the financial position of IDBI Bank and the income derived from bancassurance business.

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[6] http://en.wikipedia.org/wiki/IDBI_Bank

Table-4.4.6.1

Financial position of IDBI Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	IDBI Federal Life Insurance Co. Ltd	Bajaj Allianz General Insurance Co. Ltd.
2008-09	9,564	1,03,444	1,12,401	1,326	181	859	0.87%	6	2
2009-10	10,293	1,38,202	1,67,667	2,267	217	1,031	1.00%	21	2
2010-11	14,570	1,57,098	1,80,487	4,329	345	1,650	1.06%	33	4
2011-12	19,391	1,80,572	2,10,493	4,545	389	2,032	1.61%	31	3
2012-13	21,236	1,96,306	2,27,116	5,373	467	1,882	1.58%	45	4

Source: Annual reports of IDBI Bank from 2008 to 2013.

Table 4.4.6.1 shows that the net worth of IDBI Bank for the year 2008-09 was Rs. 9,564 crores and a growth of 7.62% for the year ended 2009-10. It has grown from Rs. 10,293 crores in 2009-10 to Rs. 14,570 crores in 2010-11 i.e. an increase of 41.56%. There was a growth of 33.09% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 19,391 crores in previous year to Rs. 21,236 crores i.e. registering a growth of 9.51%.

Advances increased by 33.60% and earned Rs. 1, 38,202 crores for year 2009-2010 from Rs. 1, 03,444 crores of 2008-09. The bank registered a growth of 13.67% from Rs. 1,38,202 crores of 2009-10 to Rs. 1, 57,098 crores of 2010-11 and a growth of 14.94% from 2010-11 to 2011-12. Advances reached to Rs. 1, 96,306 crores registering a growth of 8.71% in the year 2012-13.

IDBI Bank's total deposits amounted to Rs. 1, 67,667 crores as on March 2010 showing a growth of 49. 17% over previous year's i.e. 2008-09 deposits of Rs. 1, 12,401 crores. It has grown by 7.65% to reach Rs. 1, 80,487 crores in the year 2010-11 and 16.63% to reach Rs. 2, 10,493 crores in the year 2011-12. In the year 2012-13, IDBI Bank's total deposits amounted to Rs. 2, 27,116 crores showing an addition of Rs. 16,623 crores and growth rate of 7.9% over previous year.

Total net interest income of IDBI Bank has shown a strong growth of 71.01% from Rs. 1,326 crores in year 2008-09 to Rs. 2,267 crores in the year 2009-10. The bank registered a robust growth of 90.92% from 2009-10 to 2010-11. Year 2011-12 showed a moderate growth of 4.99% i.e. Rs. 4,545 crores over previous year's interest income of Rs. 4,329 crores. It registered a growth of 18.22% for the year ended 2012-13 with Rs. 5,373 crores.

Dividend of Rs. 181 crores was recommended by the Board of Directors of IDBI Bank for the year 2008-09. It was Rs. 217 crores for the year 2009-10, Rs. 345 crores for the year 2010-11 and Rs. 389 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 467 crores.

Net profit IDBI Bank increased registering a growth by 20.20% to Rs. 1,030 crores in 2009-10 from Rs. 859 crores in the previous year 2008-09. It increased by 60.04% from Rs. 1,031 crores in 2009-10 to Rs. 1,650 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 23.15% and earned a profit of Rs. 2,032 crores as compared to previous year's profit of Rs. 1,650 crores. Net profit of the bank has decreased as compared to the previous years of Rs. 2,032 crores and earned a profit of Rs. 1,882 crores during the year 2012-13. It has reduced by -7.38%.

The asset profile of the bank continues to be very healthy. The Net Non Performing Assets (NPA) to Net Advances stood at 0.87% for the year 2008-09. It stood at 1% for the year ended 2009-10. It has moderately increased from 1% in the previous year to 1.06% for the year 2010-11. It increased to 1.61% in the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 1.58%.

Under bancassurance business, IDBI Bank offers life insurance solution to various customers through IDBI Federal Life Insurance Co. Ltd and also has a corporate agent Bajaj Allianz General Insurance Co. Ltd for general insurance. In the year 2008-09, the bank earned a net profit of Rs. 6 crores from IDBI Federal Life Insurance Co. Ltd. It earned a huge profit of Rs. 21 crores in the year 2009-10 and Rs. 33 crores for the year 2010-11. During the year 2011-12, the profit from life insurance business decreased to Rs. 31 crores from Rs. 33 crores in previous year. In the year 2012-13 the bank recorded a profit of Rs. 45 crores.

Under Bajaj Allianz General Insurance Co. Ltd. the Bank recorded a Net profit of Rs. 2 crores during the year 2008-09 which remained the same for the year 2009-10. In year 2010-11 bank's profit increased to Rs. 4 crores from Rs. 2 crores in previous year and decreased to Rs. 3 crores in the year 2011-12. The bank recorded a commission income of Rs. 4 crores for the year 2012-13.

4.4.7 ORIENTAL BANK OF COMMERCE (OBC)

Oriental Bank of Commerce (OBC) was founded by Late Rai Bahadur Lala Sohan Lal, in Lahore, Pakistan. Within four years of coming into existence, the Bank had to face partition and the Registered Office had to be shifted from Lahore to Amritsar. The bank was nationalized on 15th April 1980.

OBC offers life insurance Solutions for various customers through Canara HSBC OBC Life Insurance Co. Ltd and for general insurance products through Oriental Insurance Co. Ltd. It started its Bancassurance business from the year 2009.[7]

The following table 4.4.7.1 shows the financial position of OBC Bank and the income derived from bancassurance business.

[7] http://en.wikipedia.org/wiki/OBC

Table-4.4.7.1

Financial position of Oriental Bank of Commerce Bank and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	Canara HSBC OBC Life Insurance Co. Ltd.	Oriental Insurance Co. Ltd.
2008-09	7,403	68,500	98,378	1,997	183	758	0.65%	-	-
2009-10	8,238	83,489	1,20,257	2,904	278	1,135	0.76%	37	3
2010-11	11,097	95,908	1,39,054	4,177	303	1,503	0.98%	19	3
2011-12	11,943	1,11,978	1,55,965	4,215	231	1,142	2.21%	14	4
2012-13	12,776	1,28,955	1,75,898	4,701	268	1,328	2.27%	13	6

Source: Annual reports of OBC Bank from 2008 to 2013.

Table 4.4.7.1 shows that the net worth of OBC bank for the year 2008-09 was Rs. 7,403 crores and a growth of 11.27% for the year ended 2009-10. It has grown from Rs. 8,238 crores in 2009-10 to Rs. 11,097 crores in 2010-11 i.e. an increase of 34.71%. There was a growth of 7.62% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 11,943 crores in previous year to Rs. 12,776 crores i.e. registering a growth of 6.98%.

Advances of OBC increased by 21.88% and earned Rs. 83,489 crores for year 2009-2010 from Rs. 68,500 crores of 2008-09. The bank registered a growth of 14.87% from Rs. 83,489 crores of 2009-10 to Rs. 95,908 crores of 2010-11 and a growth of 16.76% from 2010-11 to 2011-12. Advances reached to Rs. 1, 28,955 crores registering a growth of 15.16% in the year 2012-13.

OBC Bank's total deposits amounted to Rs. 1, 20,258 crores as on March 2010 showing a growth of 22.25% over previous year's i.e. 2008-09 deposits of Rs. 98,369 crores. It has grown by 15.63% to reach Rs. 1, 39,054 crores in the year 2010-11 and 12.16% to reach Rs. 1, 55,965 crores in the year 2011-12. In the year 2012-13, OBC Bank's total deposits amounted to Rs. 1, 75,898 crores showing an addition of Rs. 19,933 crores and growth rate of 12.78% over previous year.

Total net interest income of OBC has shown a robust growth of 45.63% from Rs. 1,997 crores in year 2008-09 to Rs. 2,904 crores in the year 2009-10. The bank registered a strong growth of 43.68% from 2009-10 to 2010-11. Year 2011-12 showed a very slight growth of 0.92% i.e. Rs. 4,215 crores over previous year's interest income of Rs. 4,177 crores.

It registered a growth of 11.51% for the year ended 2012-13 with Rs. 4,701 crores.

Dividend of Rs. 183 crores was recommended by the Board of Directors of OBC Bank for the year 2008-09. It was Rs. 278 crores for the year 2009-10, Rs. 303 crores for the year 2010-11 and Rs. 230 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs. 268 crores.

Net profit increased registering a growth by 49.61% to Rs. 1,135 crores in 2009-10 from Rs. 758 crores in the previous year 2008-09. It increased by 32.45% from Rs. 1,135 crores in 2009-10 to Rs. 1,503 crores of 2010-11. In the year 2011-12 it has shown a reduction of -24.04% and earned a profit of Rs. 1,142 crores as compared to previous year's profit of Rs. 1,503 crores. Net profit of the bank has increased by 16.29% as compared to the previous years of Rs. 1,142 crores and earned a profit of Rs. 1,328 crores during the year 2012-13.

The asset profile of the bank continues to be very healthy. The Net Non Performing Assets (NPA) to Net Advances stood at 0.65% for the year 2008-09. It stood at 0.76% for the year ended 2009-10. It has moderately increased from 0.76% in the previous year to 0.98% for the year 2010-11. It increased to 2.21% in the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 2.27%

Under bancassurance business, OBC offers life insurance Solutions to suit various customers segments through Canara HSBC OBC Life Insurance Co. Ltd. and for general insurance products under Oriental

Insurance Co. Ltd. In the year 2009-10, the bank earned a commission income of Rs. 37 crores from Canara HSBC OBC Life Insurance Co. Ltd. It earned an income of Rs. 19 crores in the year 2010-11 and Rs. 14 crores for the year 201-12. During 2012-13 the bank recorded an income commission of Rs. 13 crores.

Under Oriental Insurance Co. Ltd. the Bank recorded a commission of Rs. 3 crores during the year 2009-10 which remained the same for the year2010-11. In year 2011- 12 bank's profit increased to Rs. 4 crores from Rs. 3 crores in previous year. The bank recorded a commission income of Rs. 6 crores for the year 2012-13.

4.4.8 STATE BANK OF INDIA (SBI)

State Bank of India (SBI) is a multinational banking and financial services company with its headquarters in Mumbai, Maharashtra. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of The Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two presidency banks i.e. Bank of Calcutta and Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India.

Government of India nationalized the Imperial Bank of India in 1955, with Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India.

Under bancassurance business, State Bank of India has subsidiary named SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd. SBI Life Insurance Co. Ltd. is a joint venture between SBI and BNP Paribas. It was launched in the year 2001. SBI General Insurance Company Ltd. is a joint venture between SBI and Insurance Australia Group (IAG). It was launched in the year 2010.[8]

The following table 4.4.8.1 shows the financial position of State Bank of India and the income derived from bancassurance business.

[8] http://en.wikipedia.org/wiki/State_Bank_of_India

Table-4.4.8.1

Financial position of State Bank of India and income derived from its bancassurance business.

(Rs. in Crores)

Year	Net worth	Advances	Deposits	Net Interest income	Dividend	Net Profit	% Net of NPA	SBI Life Insurance Co. Ltd.	SBI General Insurance Co. Ltd.
2008-09	57,948	5,48,503	7,42,073	20,873	1,841	9,121	1.76%	(-26)	-
2009-10	65,949	6,31,914	8,04,116	23,671	1,905	9,166	1.79%	276	-
2010-11	64,986	7,56,719	9,33,933	32,526	1,906	8,265	1.72%	366	(-27)
2011-12	83,951	8,67,579	10,43,647	43,291	2,349	11,707	2.07%	556	(-95)
2012-13	98,884	10,45,617	12,01,740	44,331	2,839	14,105	1.81%	622	(-145)

Source: Annual Report of SBI Bank from 2008 to 2013

Table 4.4.8.1 shows that the net worth of SBI Bank for the year 2008-09 was Rs. 57,948 crores and a growth of 13.81% for the year ended 2009-10. It has reduced slightly by -1.46% i.e. from Rs. 65,949 crores in 2009-10 to Rs. 64,986 crores in 2010-11. There was a growth of 29.18% in the year 2011-12 and in the year 2012-13, net worth increased from Rs. 83,951 crores in previous year to Rs. 98,884 crores i.e. registering a growth of 17.79%.

Advances increased by 16.48% and earned Rs. 6, 31,914 crores for year 2009-2010 from Rs. 5, 42,503 crores of 2008-09. The bank registered a growth of 19.75% from Rs. 5, 42,503 crores of 2009-10 to Rs. 7, 56,719 crores of 2010-11 and a growth of 14.65% from 2010-11 to 2011-12. Advances reached to Rs. 10, 45,617 crores registering a growth of 20.52% in the year 2012-13.

SBI Bank's total deposits amounted to Rs. 8, 04,116 crores as on March 2010 showing a growth of 8.36% over previous year's i.e. 2008-09 deposits of Rs. 7, 42,073 crores. It has grown by 16.14% to reach Rs. 9, 33,933 crores in the year 2010-11 and 11.75% to reach Rs. 10, 43,647 crores in the year 2011-12. In the year 2012-13, IDBI Bank's total deposits amounted to Rs. 12, 01,740 crores showing an addition of Rs. 1, 58,093 crores and growth rate of 15.24% over previous year.

Total net interest income of SBI has shown an increase of 13.41% from Rs. 20,873 crores in year 2008-09 to Rs. 23,671 crores in the year 2009-10. The bank registered a robust growth of 37.41% from 2009-10 to 2010-11. Year 2011-12 showed a growth of 33.10% i.e. Rs. 43,291 crores over previous year's interest income of Rs. 32,526 crores. It registered a slight growth of 2.40% for the year ended 2012-13 with Rs. 44,331 crores.

Dividend of Rs. 1,841 crores was recommended by the Board of Directors of SBI for the year 2008-09. It was Rs. 1,905 crores for the year 2009-10, Rs. 1,906 crores for the year 2010-11 and Rs. 2,349 crores for the year 2011-12. Dividend proposed for the year ended 2012-13 was Rs.2, 839 crores.

Net profit increased registering a growth by 0.49% to Rs. 9,166 crores in 2009-10 from Rs. 9,121 crores in the previous year 2008-09. It decreased by -9.83% from Rs. 9,121 crores in 2009-10 to Rs. 8,265 crores of 2010-11. In the year 2011-12 it has shown a increase of 41.66% and earned a profit of Rs. 11,707 crores as compared to previous year’s profit of Rs. 8,265 crores. Net profit of the bank has increased by 20.48% as compared to the previous years of Rs. 11,707 crores and earned a profit of Rs. 14,105 crores during the year 2012-13.

The Net Non Performing Assets (NPA) to Net Advances stood at 1.76% for the year 2008-09. It stood at 1.79% for the year ended 2009-10. It has slightly reduced from 1.79% in the previous year to 1.72% for the year 2010-11. It increased to 2.07% in the year 2011-12. For the year 2012-13, Net Non Performing Assets (NPA) to Net Advances stood at 1.81%

Under bancassurance business, State Bank of India has subsidiary named SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd. In the year 2009-10, bank earned a Net profit of Rs. 276 crore from SBI Life Insurance Co. Ltd. against the loss of -26 crores from previous year 2008-

09. It earned a Net profit of Rs. 366 crores in the year 2010-11 and Rs. 556 crores for the year 2010-11. In the year 2012-13 the bank recorded a commission income of Rs. 622 crores.

SBI General Insurance Co. Ltd. completed its third year in full operation in the financial year 2012-13. The bank recorded a Net loss of Rs. -27 crores during the year 2010-11. In the subsequent years i.e. 2011-12 and 2012-13 they recorded a net loss of Rs. -95 crores and Rs. -145 crores respectively. The company is expected to turn around during the financial year 2014-15.

Table-4.4.9

Growth Rate of Advances of selected Banks.

(In %)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
2008-09	-	-	-	-	-	-	-	-
2009-10	27.19%	22.51%	30.28%	27.25%	- 17.00%	33.60%	21.88%	16.48%
2010-11	26.42%	25.47%	37.41%	27.10%	11.67%	13.67%	14.87%	19.75%
2011-12	17.09%	9.42%	15.68%	22.20%	17.27%	14.94%	16.76%	14.65%
2012-13	18.00%	4.17%	18.16%	22.70%	14.40%	8.71%	15.16%	20.52%

Source: Annual Report of selected banks from 2008 to 2013.

Table 4.4.9 shows advances of Andhra bank increased by 27.19% i.e. Rs. 56,505 crores for year 2009-2010 from Rs. 44,428 crores of 2008-09. The bank registered a growth of 26.42% from 2009-10 to 2010-11 and a growth of 17.09% from 2010-11 to 2011-12. Advances reached to Rs. 98,373 crores registering a growth of 18% in the year 2012-13. The growth rate of advances of Andhra Bank has significantly declined.

Advances of Canara bank increased by 22.51% i.e. Rs. 1, 69,335 crores for year 2009-2010 from Rs. 1, 38,219 crores of 2008-09. The bank registered a growth of 25.47% from 2009-10 to 2010-11 and a growth of 9.42% from 2010-11 to 2011-12. Advances reached to Rs. 2, 42,177 crores registering a moderate growth of 4.17% in the year 2012-13. The growth rate of advances of Canara Bank has gone down drastically.

Advances of Corporation Bank increased by 30.28% i.e. Rs. 63,203 crores for year 2009-2010 from Rs. 48,512 crores of 2008-09. The bank registered a growth of 37.41% from Rs. 63,203 crores of 2009-10 to Rs. 86,850 crores of 2010-11 and a growth of 15.68% from 2010-11 to 2011-12. Advances reached to Rs. 1, 18,717 crores registering a growth of 18.16% in the year 2012-13. The growth rate of advances of Corporation Bank has significantly gone down.

Advances of HDFC Bank increased by 27.25% i.e. Rs. 1, 25,831 crores for year 2009-2010 from Rs. 98,883 crores of 2008-09. The bank registered a growth of 27.1% from Rs. 1,25,831 crores of 2009-10 to Rs. 1,59,983 crores of 2010-11 and a growth of 22.2% from 2010-11 to 2011-12. Advances reached to Rs. 2, 39,721 crores registering a growth of 22.7% in the year 2012-13. The growth rate of advances of HDFC Bank has slightly gone down.

Advances decreased by -17% and earned Rs. 1, 81,206 crores for year 2009-2010 from Rs. 2, 18,311 crores of 2008-09. The bank registered a growth of 11.67% from Rs. 1, 81,206 crores of 2009-10 to Rs. 2, 16,366 crores of 2010-11 and a growth of 17.27% from 2010-11 to 2011-12. Advances reached to Rs. 2, 90,249 crores registering a growth of 14.4% in the year 2012-13. The growth rate of advances of ICICI Bank has slightly gone down.

Advances increased by 33.60% and earned Rs. 1, 38,202 crores for year 2009-2010 from Rs. 1, 03,444 crores of 2008-09. The bank registered a growth of 13.67% from Rs. 1,38,202 crores of 2009-10 to Rs. 1, 57,098 crores of 2010-11 and a growth of 14.94% from 2010-11 to 2011-12. Advances reached to Rs. 1, 96,306 crores registering a growth of 8.71% in the year 2012-13. The growth rate of advances of IDBI Bank has considerably gone down.

Advances of OBC increased by 21.88% and earned Rs. 83,489 crores for year 2009-2010 from Rs. 68,500 crores of 2008-09. The bank registered a growth of 14.87% from Rs. 83,489 crores of 2009-10 to Rs. 95,908 crores of 2010-11 and a growth of 16.76% from 2010-11 to 2011-12. Advances reached to Rs. 1, 28,955 crores registering a growth of 15.16% in the year 2012-13. The growth rate of advances of OBC Bank has moderately gone down.

Advances of SBI increased by 16.48% and earned Rs. 6, 31,914 crores for year 2009-2010 from Rs. 5, 42,503 crores of 2008-09. The bank registered a growth of 19.75% from Rs. 5, 42,503 crores of 2009-10 to Rs. 7, 56,719 crores of 2010-11 and a growth of 14.65% from 2010-11 to 2011-12. Advances reached to Rs. 10, 45,617 crores registering a growth of 20.52% in the year 2012-13. The growth rate of advances of SBI Bank has increased significantly.

Table-4.4.10

Growth rate of deposits of selected Banks.

(In %)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
2008-09	-	-	-	-	-	-	-	-
2009-10	30.81%	25.60%	25.34%	17.00%	- 7.48%	49. 17%	22.25%	8.36%
2010-11	18.62%	25.28%	25.90%	27.10%	11.67%	7.65%	15.36%	16.14%
2011-12	14.90%	11.25%	16.61%	18.30%	13.25%	16.63%	12.16%	11.75%
2012-13	17.00%	8.80%	21.93%	20.10%	14.4%	7.90%	12.78%	15.24%

Source: Annual Report of selected banks from 2008 to 2013.

Table 4.4.10 shows Andhra Bank's total deposits amounted to Rs. 77,688 crores as on March 2010 showing a growth of 30.81% over previous year's i.e. 2008-09 deposits of Rs. 59,390 crores. It has grown by 18.62% to reach Rs 92,156 crores in the year 2010-11 and 14.90% to reach Rs. 1, 05,851 crores in the year 2011-12. In the year 2012-13, Andhra Bank's total deposits amounted to Rs. 1, 23,796 crores showing an addition of Rs. 17, 947 crores and growth rate of 17% over previous year. The growth rate of deposits of Andhra Bank has significantly gone down.

Canara Bank's total deposits amounted to Rs. 2, 34,651 crores as on March 2010 showing a growth of 25.60% over previous year's i.e. 2008-09 deposits of Rs. 1, 86,893 crores. It has grown by 25.28% to reach Rs. 2, 93,973 crores in the year 2010-11 and 11.25% to reach Rs. 3, 27,054 crores in the year 2011-12. In the year 2012-13, Canara Bank's total deposits amounted to Rs. 3, 55,856 crores showing an addition of Rs.28, 802 crores and growth rate of 8.8% over previous year. The growth rate of deposits of Canara Bank has considerably gone down.

Corporation Bank's total deposits amounted to Rs. 92,734 crores as on March 2010 showing a growth of 25.34% over previous year's i.e. 2008-09 deposits of Rs. 73,984 crores. It has grown by 25.90% to reach Rs. 1, 16,748 crores in the year 2010-11 and 16.61% to reach Rs. 1, 36,142 crores in the year 2011-12. In the year 2012-13, Corporation Bank's total deposits amounted to Rs. 1, 66,005 crores showing an addition of Rs. 29, 863 crores and growth rate of 21.93% over previous year. The growth rate of deposits of Corporation Bank has slightly gone down.

HDFC Bank's total deposits amounted to Rs. 1, 67,404 crores as on March 2010 showing a growth of 17% over previous year's i.e. 2008-09 deposits of Rs. 1, 42,812 crores. It has grown by 27.1% to reach Rs. 2, 08,586 crores in the year 2010-11 and 18.3% to reach Rs. 2, 46,706 crores in the year 2011-12. In the year 2012-13, HDFC Bank's total deposits amounted to Rs. 2, 96,247 crores showing an addition of Rs. 49,541 crores and growth rate of 20.1% over previous year. The growth rate of deposits of HDFC Bank has increased significantly.

ICICI Bank's total deposits decreased by -7.48% and earned Rs. 2, 02,017 crores for the year 2009-2010 over previous year's i.e. 2008-09 deposits of Rs. 2,18,348 crores. It has grown by 11.67% to reach Rs. 2, 25,602 crores in the year 2010-11 and 13.25% to reach Rs. 2, 55,500 crores in the year 2011-12. In the year 2012-13, ICICI Bank's total deposits amounted to Rs. 2, 92,613 crores showing an addition of Rs. 37,113 crores and growth rate of 14.4% over previous year. The growth rate of deposits of ICICI Bank has considerably increased.

IDBI Bank's total deposits amounted to Rs. 1, 67,667 crores as on March 2010 showing a growth of 49. 17% over previous year's i.e. 2008-09 deposits of Rs. 1, 12,401 crores. It has grown by 7.65% to reach Rs. 1, 80,489 crores in the year 2010-11 and 16.63% to reach Rs. 2, 10,493 crores in the year 2011-12. In the year 2012-13, IDBI Bank's total deposits amounted to Rs. 2, 27,116 crores showing an addition of Rs. 16,623 crores and growth rate of 7.9% over previous year. The growth rate of deposits of IDBI Bank has reduced drastically.

OBC Bank's total deposits amounted to Rs. 1, 20,258 crores as on March 2010 showing a growth of 22.25% over previous year's i.e. 2008-

09 deposits of Rs. 98,369 crores. It has grown by 15.63% to reach Rs. 1, 39,054 crores in the year 2010-11 and 12.16% to reach Rs. 1, 55,965 crores in the year 2011-12. In the year 2012-13, OBC Bank's total deposits amounted to Rs. 1, 75,898 crores showing an addition of Rs. 19,933 crores and growth rate of 12.78% over previous year. The growth rate of deposits of OBC Bank has significantly gone down.

SBI Bank's total deposits amounted to Rs. 8, 04,116 crores as on March 2010 showing a growth of 8.36% over previous year's i.e. 2008-09 deposits of Rs. 7, 42,073 crores. It has grown by 16.14% to reach Rs. 9, 33,933 crores in the year 2010-11 and 11.75% to reach Rs. 10, 43,647 crores in the year 2011-12. In the year 2012-13, IDBI Bank's total deposits amounted to Rs. 12, 02,740 crores showing an addition of Rs. 1, 59,093 crores and growth rate of 15.24% over previous year. The growth rate of deposits of SBI Bank has considerably increased.

Table-4.4.11

Growth Rate of Net Interest Income of selected Banks.

(In %)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
2008-09	-	-	-	-	-	-	-	-
2009-10	34.90	20.41	30.71	13.01	- 3.02	71.01	45.63	13.41
2010-11	46.76	37.72	33.00	25.71	11.12	90.92	43.68	37.41
2011-12	16.71	- 1.71	7.05	16.63	19.04	4.99	0.92	33.10
2012-13	- 0.06	2.47	8.86	28.58	29.18	18.22	11.51	2.40

Source: Annual Report of selected banks from 2008 to 2013.

Table 4.4.11 shows that total net interest income of Andhra Bank has shown a growth of 34.90% from Rs. 1,627 crores in year 2008-09 to Rs. 2,195 crores in the year 2009-10. The bank showed a robust growth of 46.76% from 2009-10 to 2010-11. Year 2011-12 registered a growth of 16.71% i.e. Rs. 3,759 crores over previous year's interest income of Rs. 3,221 crores. It decreased by -0.06% and earned Rs. 3,757 crores for the year ended 2012-13.

Total net interest income of Canara Bank has shown a growth of 20.41% from Rs. 4,718 crores in year 2008-09 to Rs. 5,681 crores in the year 2009-10. The bank showed a strong growth of 37.72% from 2009-10 to 2010-11. In the year 2011-12, growth rate decreased by -1.71% i.e. Rs. 7,689 crores over previous year's interest income of Rs. 7,823 crores. It registered a growth of 2.47% for the year ended 2012-13 with Rs. 7,879 crores.

Total net interest income of Corporation Bank has shown a growth of 30.71% from Rs. 1,691 crores in year 2008-09 to Rs. 2,210 crores in the year 2009-10. The bank registered a growth of 33% from 2009-10 to 2010-11. Year 2011-12 showed a slight growth of 7.05 % i.e. Rs. 3,147 crores over previous year's interest income of Rs. 2,939 crores. It registered a growth of 8.86% for the year ended 2012-13 with Rs 3,425 crores.

Total net interest income of HDFC Bank has shown a growth of 13.01% from Rs. 7,421 crores in year 2008-09 to Rs. 8,387 crores in the year 2009-10. The bank registered a growth of 25.71% from 2009-10 to 2010-11. Year 2011-12 has shown a reduction of 16.63% i.e. Rs. 12,297 crores over previous year's interest income of Rs. 10,543 crores. It registered a growth of 28.58% for the year ended 2012-13 with Rs. 15,811 crores.

Total net interest income of ICICI Bank showed that the growth rate has decreased by -3.02% from Rs. 8,366 crores in year 2008-09 to Rs. 8,114 crores in the year 2009-10. The bank registered a growth of 11.12% from 2009-10 to 2010-11. Year 2011-12 showed a growth of 19.04% i.e. Rs. 10,734 crores over previous year's interest income of Rs. 9,017 crores. It registered a growth of 29.18% for the year ended 2012-13 with Rs. 13,866 crores.

Total net interest income of IDBI Bank has shown a strong growth of 71.01% from Rs. 1,326 crores in year 2008-09 to Rs. 2,267 crores in the year 2009-10. The bank registered a robust growth of 90.92% from 2009-10 to 2010-11. Year 2011-12 showed a moderate growth of 4.99% i.e. Rs. 4,545 crores over previous year's interest income of Rs. 4,329 crores. It registered a growth of 18.22% for the year ended 2012-13 with Rs. 5,373 crores.

Total net interest income of OBC has shown a robust growth of 45.63% from Rs. 1,997 crores in year 2008-09 to Rs. 2,904 crores in the year 2009-10. The bank registered a strong growth of 43.68% from 2009-10 to 2010-11. Year 2011-12 showed a very slight growth of 0.92% i.e. Rs. 4,215 crores over previous year's interest income of Rs. 4,177 crores. It registered a growth of 11.51% for the year ended 2012-13 with Rs. 4,701 crores.

Total net interest income of SBI has shown an increase of 13.41% from Rs. 20,873 crores in year 2008-09 to Rs. 23,671 crores in the year

2009-10. The bank registered a robust growth of 37.41% from 2009-10 to 2010-11. Year 2011-12 showed a growth of 33.10% i.e. Rs. 43,291 crores over previous year's interest income of Rs. 32,526 crores. It registered a slight growth of 2.40% for the year ended 2012-13 with Rs. 44,331 crores.

4.5 ANALYSIS AND INTERPRETATION OF PRIMARY DATA COLLECTED:

To study the need of bancassurance, the researcher felt the need to conduct a survey analysis among the customers as well as the bank employees of eight different banks in the Vadodara district. The banks which have been selected as simple random samples for this purpose are Andhra Bank, Canara Bank, Corporation Bank, HDFC Bank, ICICI Bank, IDBI Bank, Oriental Bank of Commerce, and State Bank of India. The questionnaires were filled by 115 different customers and 30 employees of the above mentioned banks. The sample size and the result of survey conducted are as under:

- Analysis of responses on questionnaires from customers of the banks.
- Analysis of responses on questionnaires from employees of the banks.

4.5.1 ANALYSIS OF RESPONSES ON QUESTIONNAIRES FROM CUSTOMERS OF THE BANKS:

This questionnaire has been filled by 115 customers of eight different banks. The collected data from such survey has been put in pie-charts and bar graphs. This has been produced by using the tabulated data, which has been incorporated at appropriate places in the analytical interpretative text which has been drawn below.

Table - 4.5.1.1 <u>Respondent's profile.</u>

Gender	Number	Percentage
Male	60	52%
Female	55	48%
TOTAL	115	100%
Age:		
21-30	23	20%
31-40	30	26%
41-50	32	28%
51-60	16	14%
60 above	14	12%
TOTAL	115	100%
Education:		
School level	4	3%
Graduates	58	51%
Post graduates	37	33%
Doctorates	2	1%
Others	14	12%
TOTAL	115	100%
Annual Income:		
2-4 lakhs	19	17%
4-6 lakhs	32	27%
6-8 lakhs	26	23%
8-10 lakhs	20	17%
10 lakhs above	18	16%
TOTAL	115	100%

Table - 4.5.1.1 states that the total sample size of the respondents for the quantitative study through questionnaires were 115, out of which 60 were males and 55 were females. Analysis of the age, education and income of respondents are done as under:

Table - 4.5.1.2 Age of the respondents.

Age	**21-30 years**	**31-50 years**	**51 years above**	**Total**
No of users/Total no.	23	62	30	115
Percentage	20%	54%	26%	100%

Out of total 115 customers surveyed, 54% are those between 31-50 years, 26% customers are of the age above 51 years and remaining 20% are of age group 21-30 years. It is observed that the major portion of the customers involved i.e. 54% are those between the age of 31-51 yrs.

Chart - 4.5.1.2 Age of the respondents.

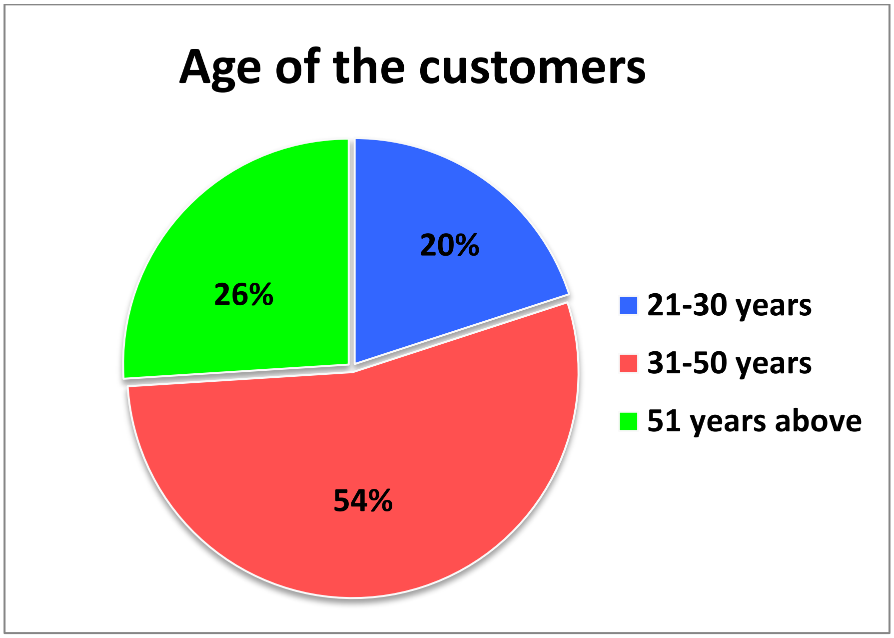
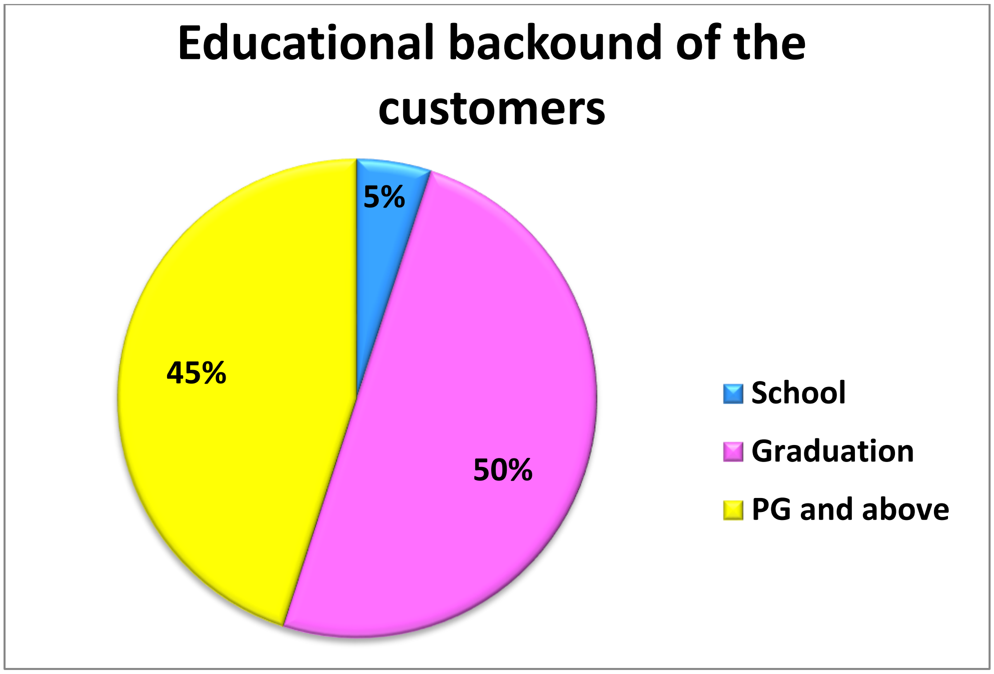


Table - 4.5.1.3 Educational background of the customers.

Education	School	Graduation	PG and above	Total
No of users/Total no.	6	57	52	115
Percentage	5%	50%	45%	100%

Chart - 4.5.1.3 <u>Educational background of the customers.</u>



The chart clearly reveals that maximum number of customers in the banks out of total educational slab is 50%, who are graduate respondents. 45% of the customers are post graduates and only 5 % of the bank customers who are school students.

Table - 4.5.1.4 <u>Annual income of the customers of the bank.</u>

Annual Income	**2-6 lakhs**	**6-10 lakhs**	**10 lakhs above**	**Total**
No of users/Total no.	50	48	17	115
Percentage	43%	42%	15%	100%

Chart - 4.5.1.4 <u>Annual income of the customers of the bank.</u>

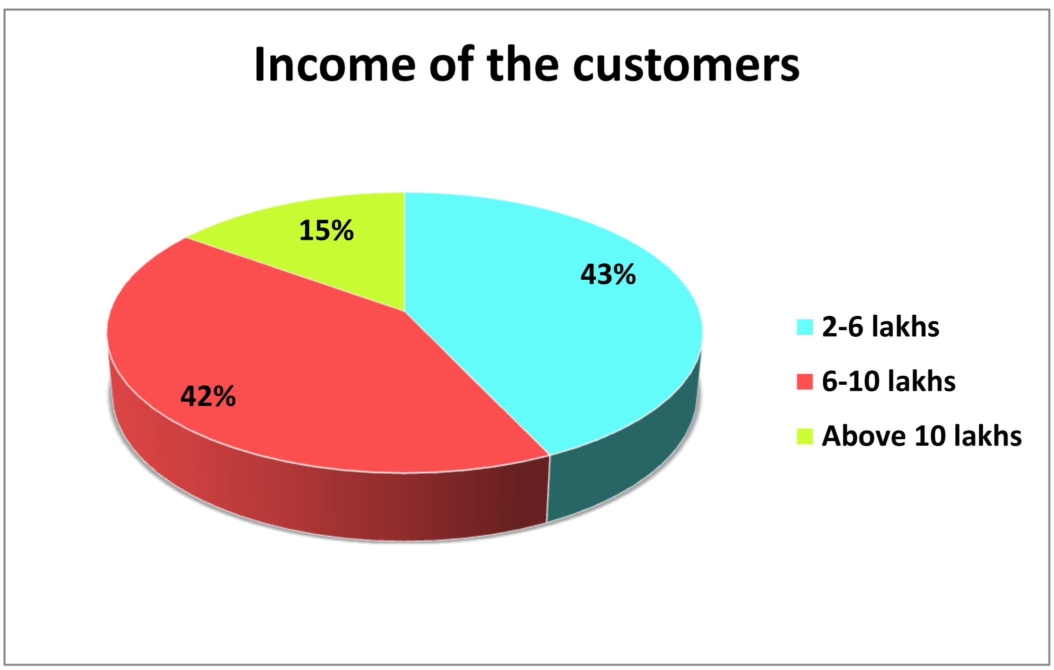


Table 4.5.1.4 and diagram are the results of annual Income of the respondents. is 43% of the customers have invested in the banking business having annual Income between 2-6 lakhs; 42% are having annual income between 6-10 lakhs and 10 lakhs and above have 15% annual income. The customers are willing to avail many services like lockers and safe deposits systems and other products and services from banks. There is a good prospect to market many properties related general insurance policies.

Table - 4.5.1.5 Awareness of bancassurance among the customers.

Awareness	Yes	No	Total
No of users/Total no.	69	46	115
Percentage	60%	40%	100%

Among those who were surveyed, 60% of the respondents were aware that their banks provide bancassurance. They knew with which insurance company their banks have tie-ups. Also they were aware about various policies provided by their banks. However, 40% of the respondents were amused with the term bancassurance and didn’t know anything about it and the services provided by the banks.

Chart - 4.5.1.5 Awareness of bancassurance among the customers.

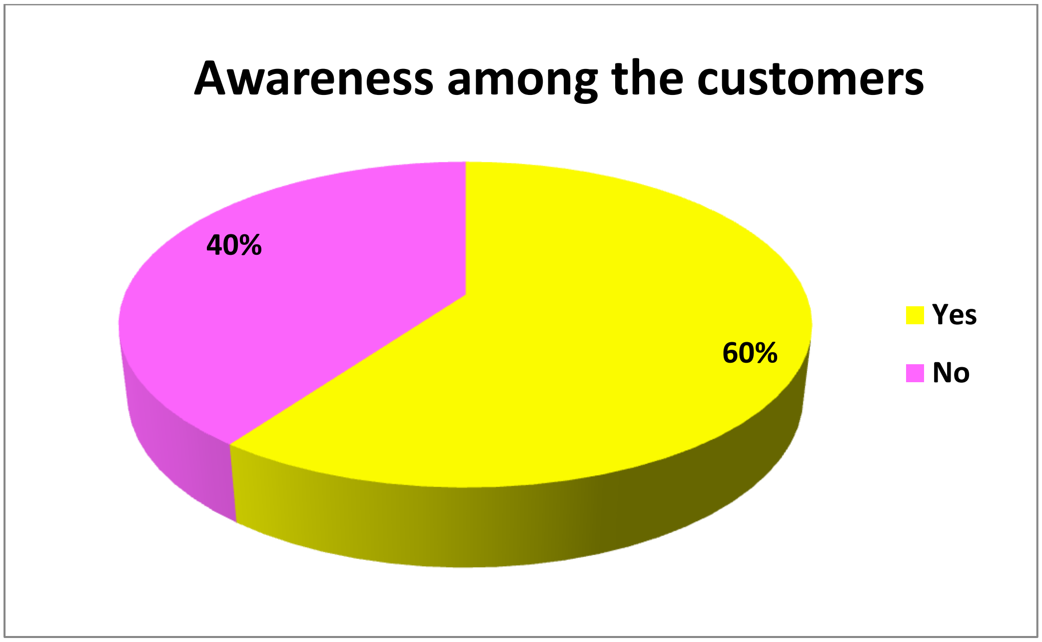
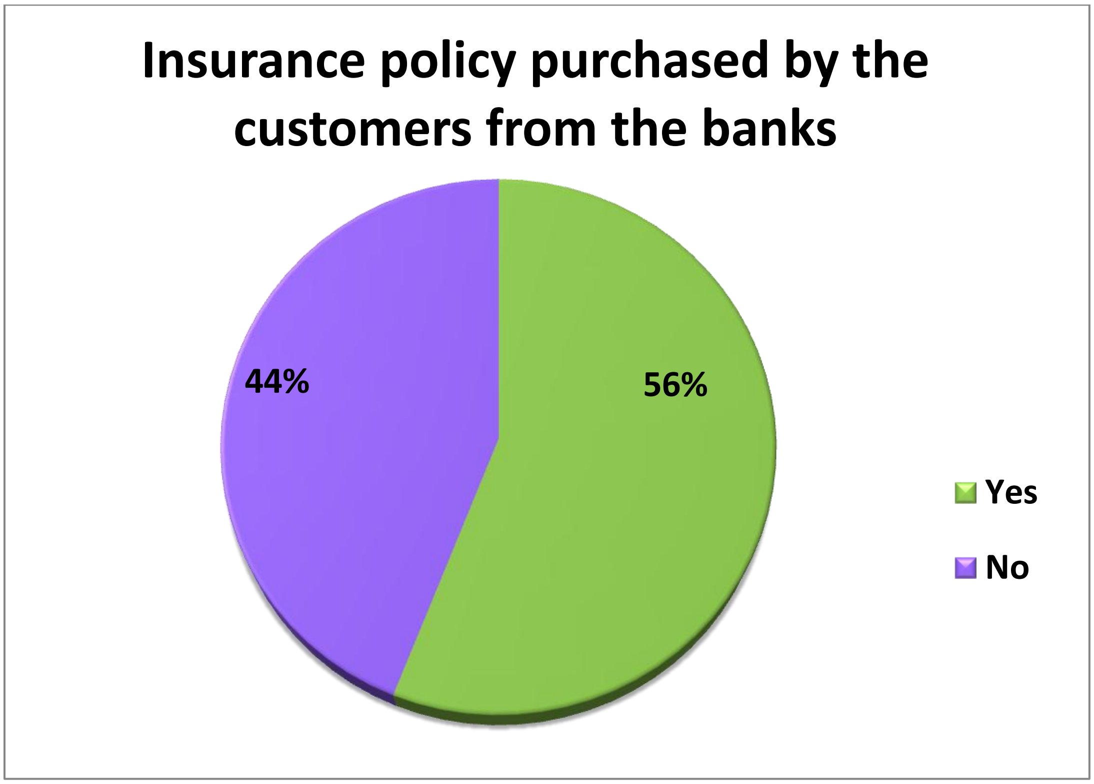


Table - 4.5.1.6 Insurance policy purchased by the customers from their banks.

Insurance policy taken from the banks	**Yes**	**No**	**Total**
No of users/Total no.	64	51	115
Percentage	56%	44%	100%

Chart - 4.5.1.6 Insurance policy purchased by the customers from their banks.



Among the respondents who were surveyed, there were only 56% people who had taken insurance policy from their respective banks. Remaining 44% respondents did not opt to take a policy from their banks.

Table - 4.5.1.7 <u>Reasons for buying insurance products from banks instead of agents.</u>

Reasons for taking Insurance from banks	Number	Percentage
Personal relationship	90	78%
Trust	102	89%
Convenience	83	72%
Communication	65	57%
Financial soundness	75	65%
Expertise	80	70%
Service quality	90	78%

***Note: Multiple Responses**

From the above table it is clearly known that the banks are providing the finest service quality and they are maintaining customer relationship management for the bancassurance. More than 80% of the customers have trusted their banks. This shows that there is a huge opportunity for bancassurance business in India.

Chart - 4.5.1.7 <u>Reasons for buying insurance products from banks instead of agents.</u>

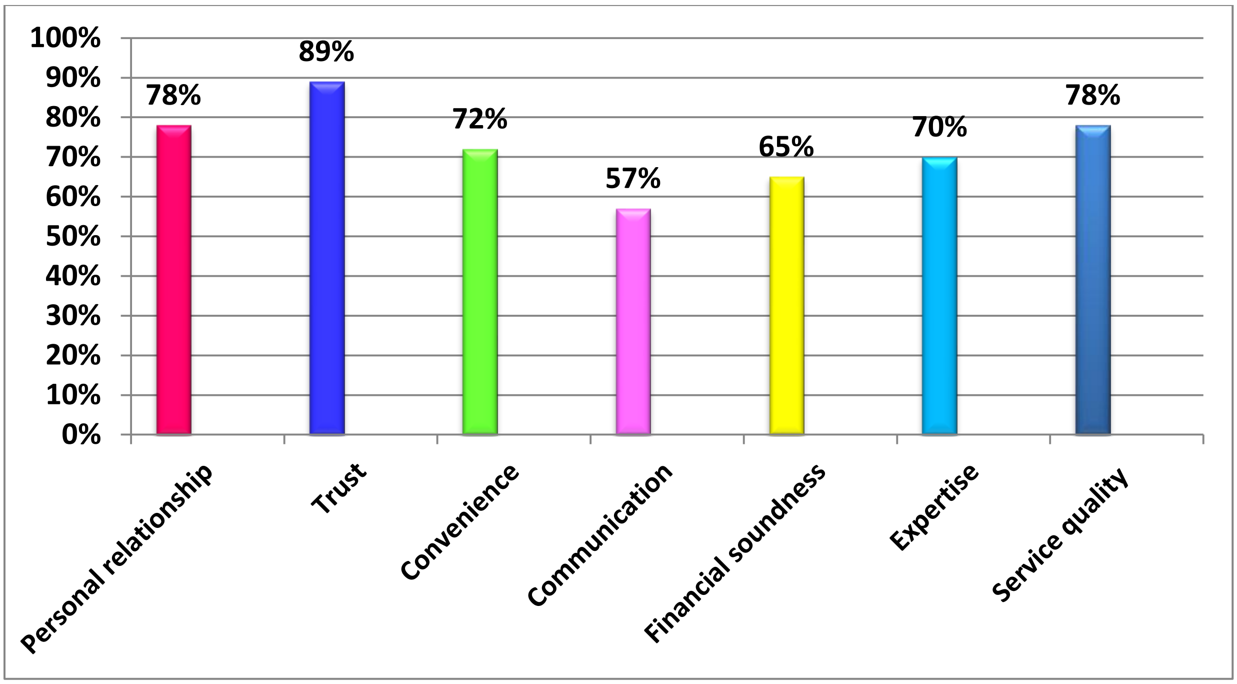
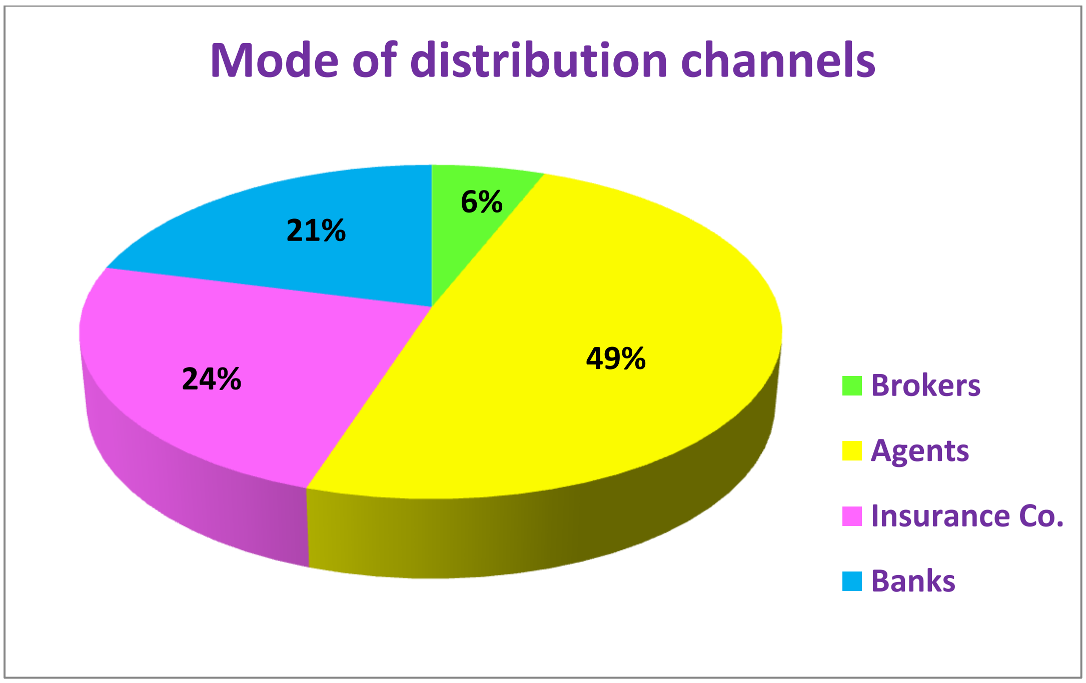


Table - 4.5.1.8 <u>Choice of distribution channels preferred by the customers.</u>

Distribution channel	Agents	Insurance companies	Banks	Brokers	Total
No of users/ respondents	56	28	24	7	115
Percentage	49%	24%	21%	6%	100%

Chart - 4.5.1.8 Choice of distribution channels preferred by the customers.



From the above table it is observed that 49% customers preferred agents because they provide personalized services. 24% took insurance from companies because of their trust on the company. 21% said they would buy insurance from banks because of the brands name and their trust on banks. Only 6% said that they would buy insurance from brokers.

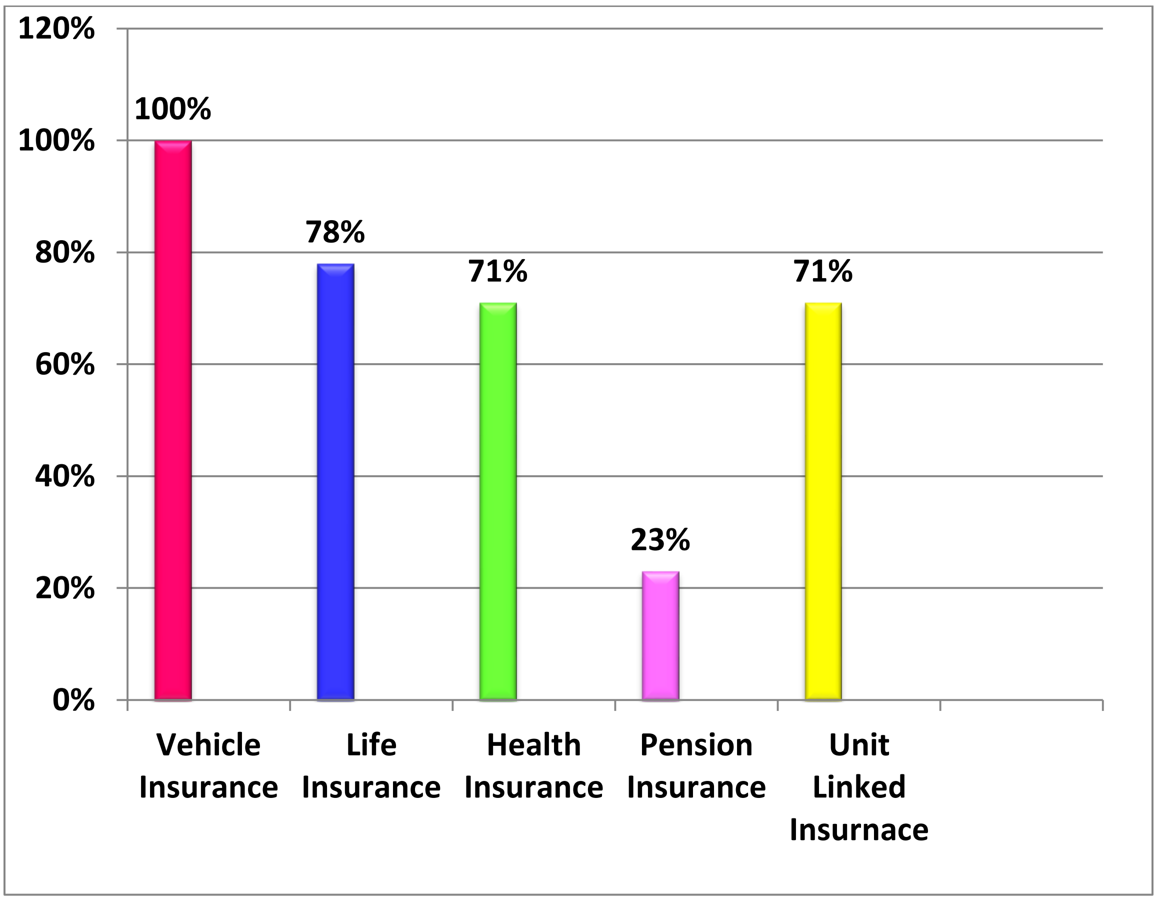
Table- 4.5.1.9 Types of insurance products taken from the banks by the customers.

Types of insurance products	Number	Percentage
Vehicle insurance	115	100%
Life insurance	90	78%
Health insurance	82	71%
Pension insurance	26	23%
Unit linked insurance	82	71%

***Note: Multiple Responses.**

It has been observed from the above table that almost all the customers are availing insurance products from the banks. The highest usage rates are for vehicle and life insurance products. This could be one of the facts that vehicle insurance is a chief requirement in India and life insurance offers both security cover as well as tax benefits.

Chart - 4.5.1.9 <u>Types of insurance products taken from the banks by the customers.</u>



***Note: Multiple Responses.**

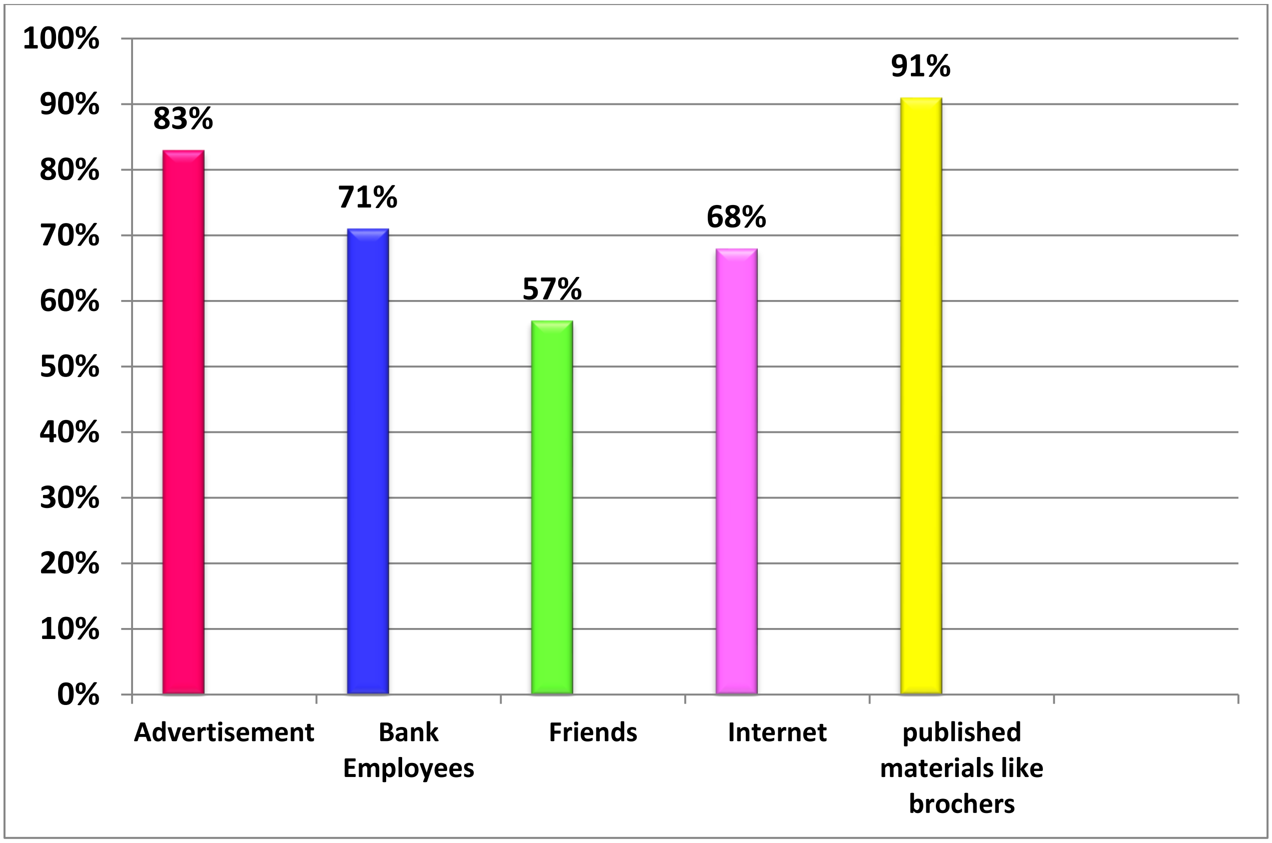
Table - 4.5.1.10 Sources of information regarding bancassurance

Source	Number	Percentage
Advertisement	95	83%
Bank employees	82	71%
Friends	65	57%
Internet	78	68%
Published materials like brochures etc.	105	91%

***Note: Multiple Responses.**

From the above table it is observed that advertisements are one of the major sources of information for the customers. Better trained bank employees as well as the informative marketing techniques can give boost to the business. The banks that offer bancassurance as one of their products should think of the new media channels which may help the banks to reach out to more customers.

Chart - 4.5.1.10 Sources of information regarding bancassurance.



*Note: Multiple Responses.

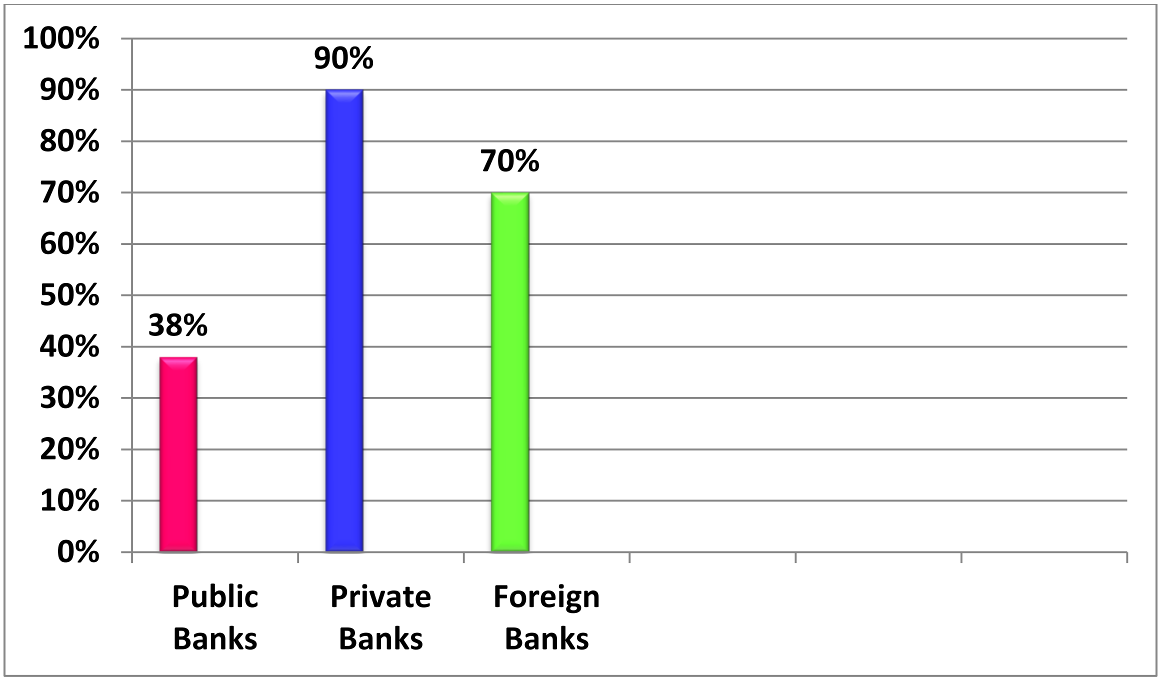
Table - 4.5.1.11 Types of banks that would excel in bancassurance.

Types of banks	Number	Percentage
Public banks	48	38%
Private banks	104	90%
Foreign banks	81	70%

***Note: Multiple Responses.**

We can infer from the survey that 90% respondents said that private sector banks would excel in bancassurance because of their powerful selling policies and they provide quality services to the customers. 70% votes were given to foreign banks because they have proper management and aggressive selling strategies. The public sector banks were given the least votes i.e. 38% because of their laid back attitude towards their work.

Chart - 4.5.1.11 Types of banks that would excel in bancassurance.



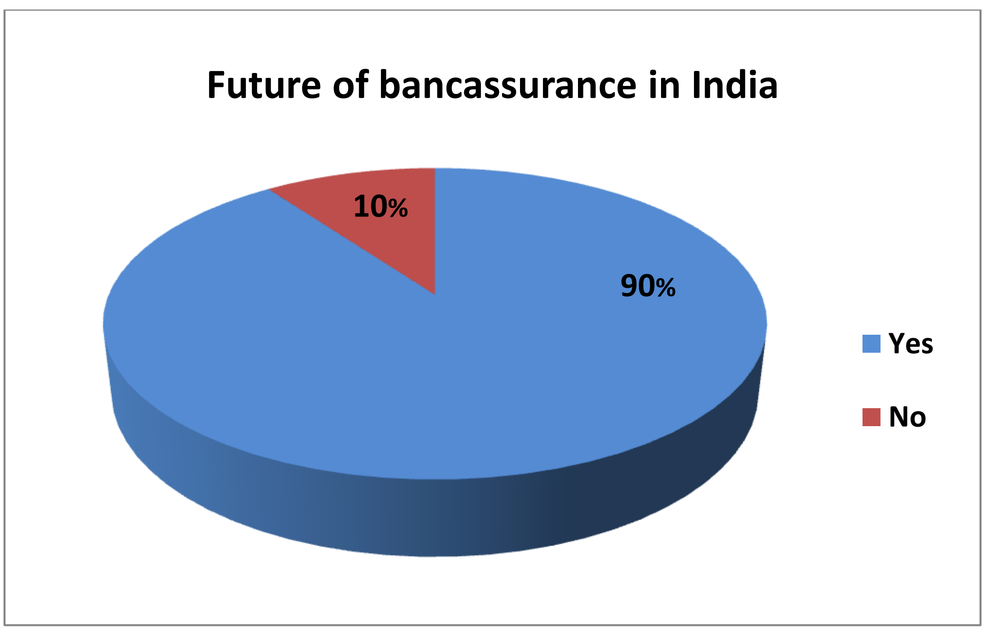
*Note: Multiple Responses.

Table - 4.5.1.12 Future of bancassurance in India.

Future of bancassurance in India	Yes	No	Total
No of users/Total no.	104	11	115
Percentage	90%	10%	100%

From the above findings, 90% of the respondents said that they believe that bancassurance has a very bright future because there is an immense potential for the insurance industry in India. But 10% believe that due to the emergence of the new technology the visits in the branches are going to be less because of ATM's and e-banking. So there is not much scope for it.

Chart - 4.5.1.12 Future of bancassurance in India.



4.5.2 ANALYSIS OF RESPONSES ON QUESTIONNAIRES FROM EMPLOYESS OF THE BANKS:

This questionnaire has been filled by 30 employees working in eight different banks. The collected data from such survey has been put in pie-charts and bar graphs which have been produced by using the tabulated data, have been incorporated at appropriate places in the analytical interpretative text which has been drawn below.

Table 4.5.2.1 Banks involvement in the activity of bancassurance.

Bank's involvement in bancassurance	**Yes**	**No**	**Total**
No of respondents	22	8	30
Percentage	73.3%	26.7%	100%

Out of total 30 bank employees surveyed, 73.3% of employees are involved in the activity of bancassurance and remaining 26.7% employees are not involved in the activity of bancassurance. It is observed that, major portion of the employees area involved in the activity of bancassurance.

Chart 4.5.2.1 Banks involvement in the activity of bancassurance.

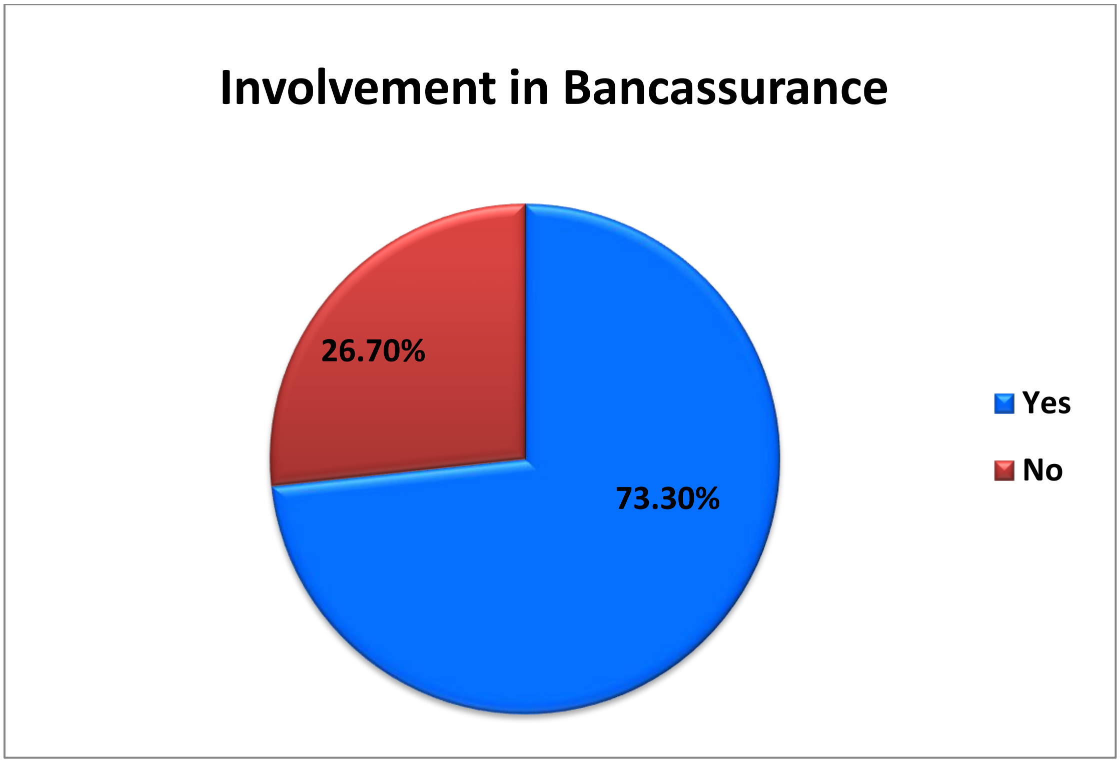


Table 4.5.2.2 Training given to bank employees for bancassurance.

Training given for bancassurance	**Yes**	**No**	**Total**
No of respondents	11	19	30
Percentage	36.4%	63.6%	100%

Out of 30 employees, 36.4% employees have been given formal training for cross-selling of bancassurance products and the remaining 63.6% have not been given any training for bancassurance. It has been observed that, maximum number of employees have not been given training for cross-selling of bancassurance products.

Chart 4.5.2.2 <u>Training given to bank employees for bancassurance.</u>

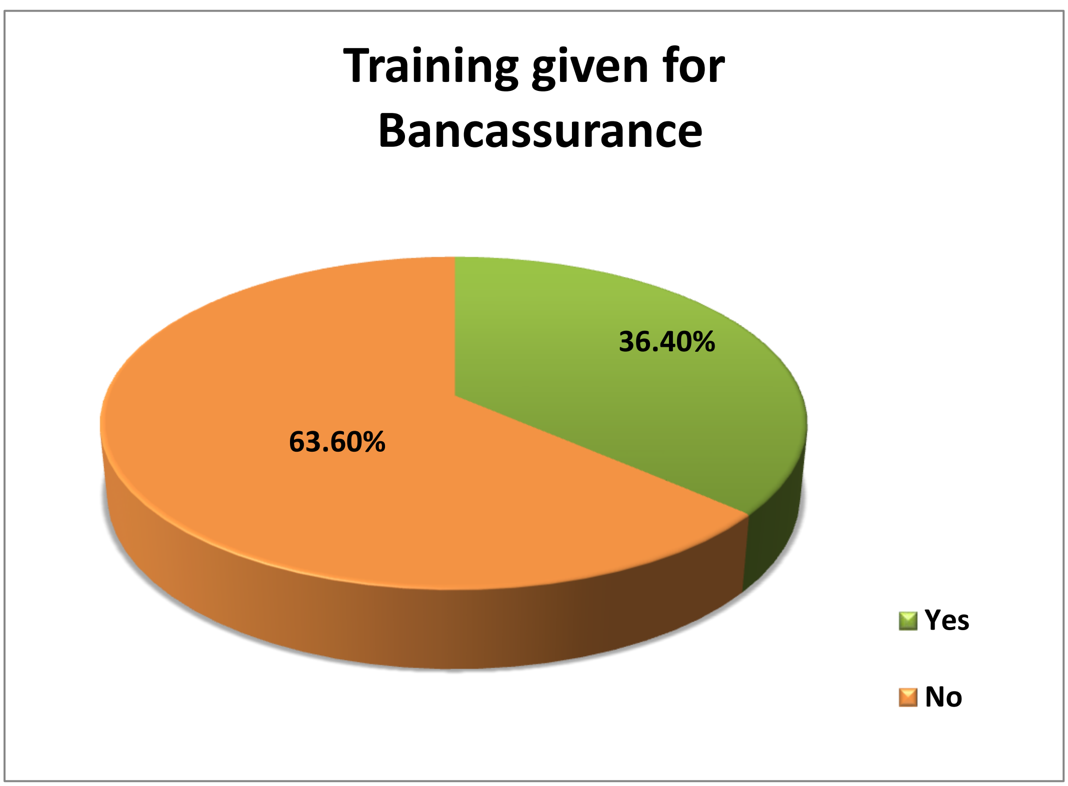
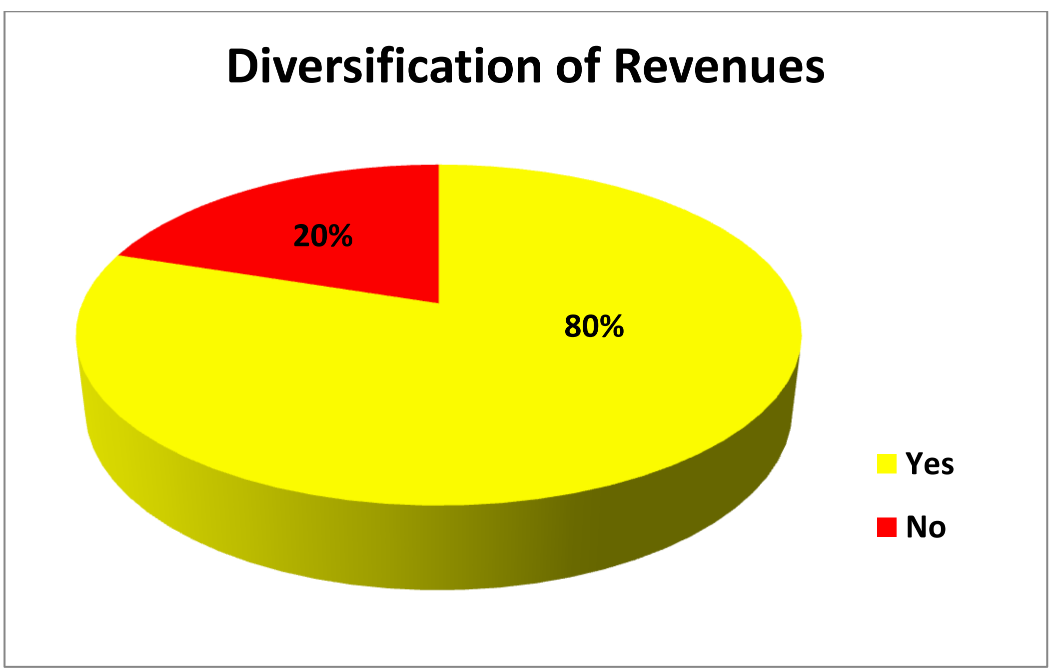


Table 4.5.2.3 <u>Diversification of revenue with the help of bancassurance.</u>

Diversification of revenue with the help of bancassurance	Yes	No	Total
No of respondents	24	6	30
Percentage	80%	20%	100%

Chart 4.5.2.3 <u>Diversification of revenue with the help of bancassurance.</u>



Out of 30 employees, it is observed that major portion i.e. 80% employees told that bancassurance is helping in the diversification of revenue to the bank and the remaining 20% of the employees say that it is not helping in the diversification of revenue to the banks.

Table 4.5.2.4 Increase in the customer loyalty.

Loyalty of customer	**Yes**	**No**	**Total**
No of respondents	27	3	30
Percentage	90%	10%	100%

Out of 30 employees, it is observed that major portion i.e. 90% employees told that bancassurance is helping in increasing the customer loyalty to the banks and the remaining 10% of the employees say that it is not helping in increasing the customer loyalty to the banks.

Chart 4.5.2.4 Increase in the customer loyalty.

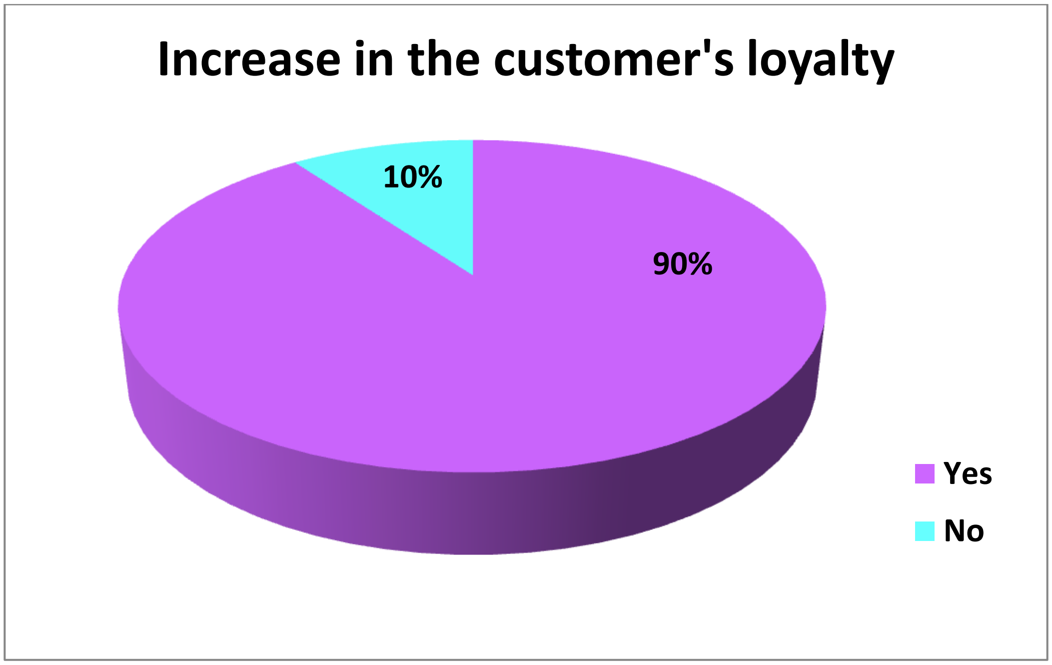


Table 4.5.2.5 Bancassurance increases the total other income of the banks.

Increasing total other income	Yes	No	Total
No of respondents	21	9	30
Percentage	70%	30%	100%

Out of 30 employees, it is observed that major portion i.e. 70% employees told that bancassurance is helping in increasing the total other incomes of the banks and the remaining 30% of the employees say that it is not helping in increasing the total other incomes of the banks.

Chart 4.5.2.5 <u>Bancassurance increases the total other income of the banks.</u>

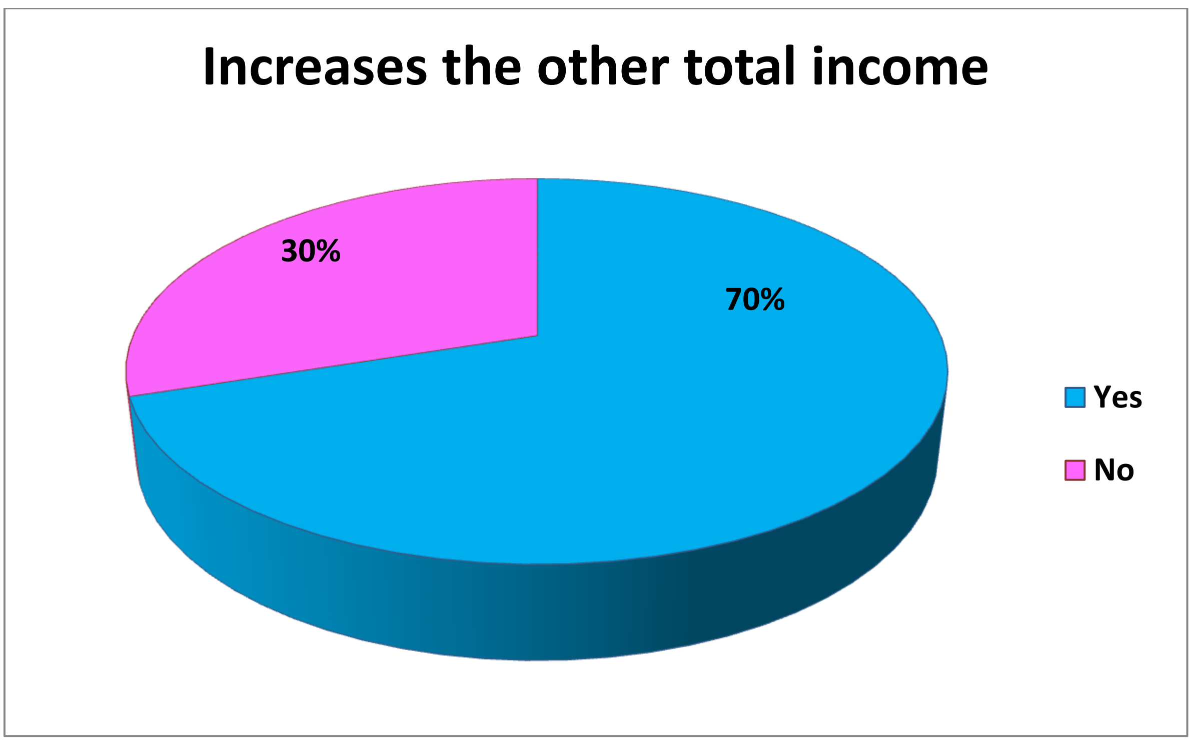
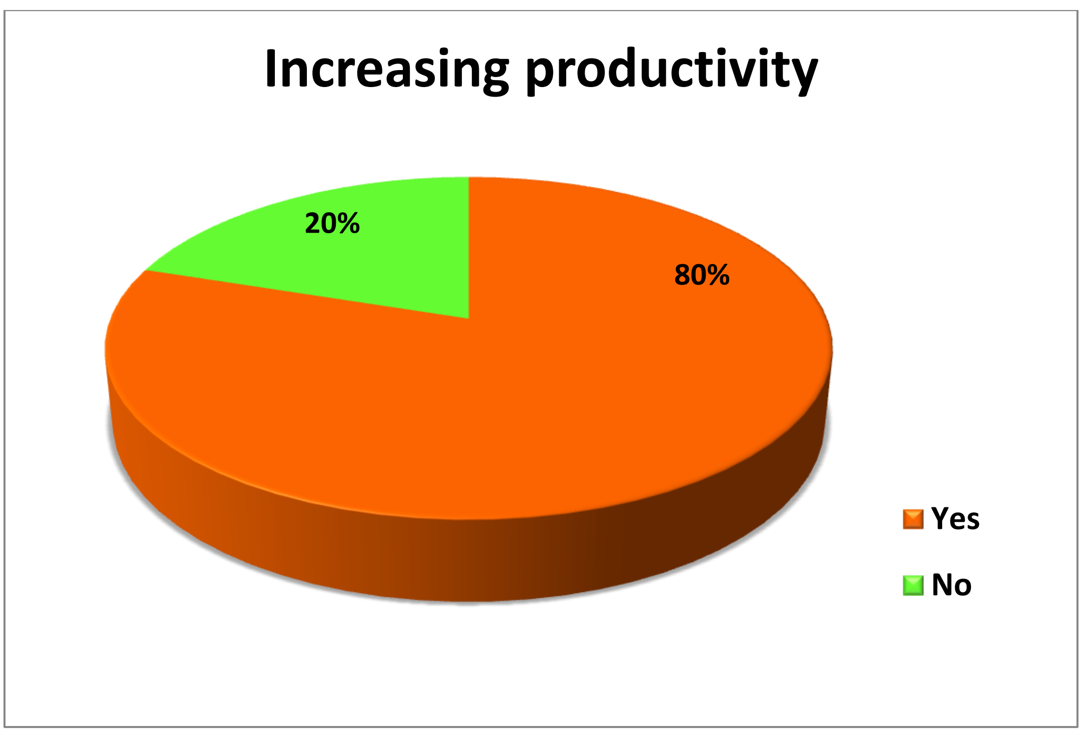


Table 4.5.2.6 Bancassurance increases the productivity of the banks.

Increasing productivity	Yes	No	Total
No of respondents	24	6	30
Percentage	80%	20%	100%

Chart 4.5.2.6 Bancassurance increases the productivity of the banks.



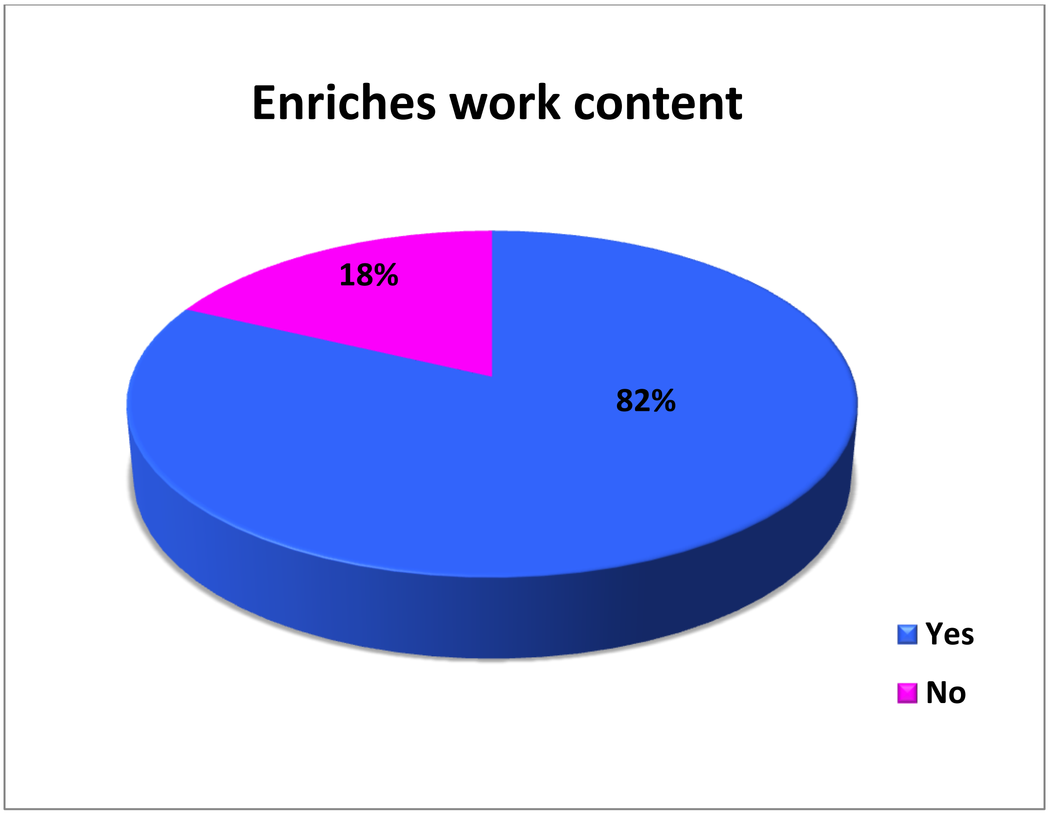
Out of 30 employees, it is observed that major portion i.e. 80% employees told that bancassurance is helping in increasing the productivity banks and the remaining 20% of the employees say that it is not helping in increasing the productivity of the banks.

Table 4.5.2.7 The activity of bancassurance enriches the work content of the banks.

Increasing productivity	Yes	No	Total
No of respondents	25	5	30
Percentage	82%	18%	100%

Out of 30 employees, 82% employees told that their work content is enriched by the activity of bancassurance and the remaining 18% of the employees say that it is not enriched by the activity of bancassurance. It is observed that maximum number of employees told that their work content is enriched by the activity of bancassurance.

Chart 4.5.2.7 <u>The activity of bancassurance enriches the work content of the banks.</u>



4.5.2.8 Advantages of bancassurance as told by the employees:

For the last questions, i.e. advantages of bancassurance, the employees told the following things:-

- It will increase the income of the bank as well as the income of the staff by providing them the incentive of bancassurance or cross-selling.
- No Non-Performing Assets (NPA) on account of death of the borrower because entire outstanding loan amount will be reimbursed by the insurance company.
- With the existing staff bank can do insurance business also. No extra manpower is required.
- The bank staff will be motivated when there is no further scope in their career progression.
- Bancassurance will bring in more customers to the bank.

CHAPTER - 5

CONCLUSION AND SUGGESSIONS

CHAPTER - 5

CONCLUSION AND SUGGESIONS

5.1 INTRODUCTION AND INTREPRETATION

This chapter, being the final chapter of this report, the findings from the analysis and interpretation of the survey and research work needs to be summarized in order to derive meaning out of the research activity and to understand the extent to which bancassurance has reserved a place in the lives of people. After conducting an exercise in analyzing and interpreting the data collected during the course of this study, the following conclusions pertaining to the impact of bancassurance product on banking business in India are being presented in this chapter.

The researcher has come out with various findings and has made certain recommendations or suggestions based on the conclusions derived for an efficient and effective management of bancassurance business in India.

The Interpretation and conclusion drawn from the following tables showing growth in the Net Profit, Income from Life Insurance and General Insurance Business, Proportion of insurance income with Net Profit of eight selected banks reveal that bancassurance has paved a way for banks to grow. Although there are number of other factors which have contributed to the growth of banks, the researcher wanted to know whether bancassurance is the only reason for these changes or there are other factors also involved.

Table - 5.1.1 Net Profit of selected Banks.

(In Crores)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
2008-09	653	2,072	893	2,245	3,758	859	758	9,121
2009-10	1,046	3,019	1,170	2,949	4,025	1,031	1,135	9,166
2010-11	1,267	4,025	1,413	3,926	5,151	1,650	1,503	8,265
2011-12	1,345	3,282	1,506	5,167	6,465	2,032	1,142	11,707
2012-13	1,289	2,872	1,435	6,726	8,325	1,882	1,328	14,105

Source: Annual Report of selected banks from 2008 to 2013.

Table 5.1.1 shows that the Net profit of Andhra Bank increased registering a strong growth by 60.15% to Rs. 1,046 crores in 2009-10 from Rs. 653 crores in the previous year 2008-09. It increased by 21.15% from Rs. 1,046 crores in 2009-10 to Rs. 1,267 crores of 2010-11. It has grown by 6.1% to reach Rs. 1,345 crores in the year 2011-12. Net profit for the year 2012-13 stood at Rs. 1,289 crores. It reduced by showing a loss of -4.16%.

Net profit of Canara Bank increased registering a strong growth by 45.2% to Rs. 3,019 crores in 2009-10 from Rs. 2,072 crores in the previous year 2008-09. It increased by 33.2% from Rs. 3,019 crores in 2009-10 to Rs. 4,025 crores of 2010-11. In the year 2011-12 it has reduced by -18.49% and earned a profit of Rs. 3,281 crores as compared to previous year's profit of Rs. 4,026 crores. Net profit for the year 2012-13 stood at Rs. 2,872 crores. It reduced by -12.49%.

Net profit of Corporation Bank increased registering a strong growth by 31.08% to Rs. 1,170 crores in 2009-10 from Rs. 893 crores in the previous year 2008-09. It increased by 20.77% from Rs. 1,170 crores in 2009-10 to Rs. 1,413 crores of 2010-11. In the year 2011-12 it has shown a moderate growth of 6.58% and earned a profit of Rs. 1,506 crores as compared to previous year's profit of Rs. 1,413 crores. Net profit of the bank has marginally decreased from Rs. 1,506 crores in previous year 2011-12 to Rs 1,435 crores during the year 2012-13. It reduced by -4.71%.

Net profit of HDFC Bank increased registering a strong growth by 30.2% to Rs. 2,949 crores in 2009-10 from Rs. 2245 crores in the previous year 2008-09. It increased by 33% from Rs. 2949 crores in 2009-10 to Rs. 3,926 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 31.6% and earned a profit of Rs. 5,167 crores as compared to previous year's profit of Rs. 3,926 crores. Net profit of the bank increased by 30.17% during the year 2012-13.

Net profit of ICICI Bank increased registering a strong growth by 7.10% to Rs. 4025 crores in 2009-10 from Rs. 3,758 crores in the previous year 2008-09. It increased by 27.98% from Rs. 4,025 crores in 2009-10 to Rs. 5151 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 25.51% and earned a profit of Rs. 6,465 crores as compared to previous year's profit of Rs. 5,151 crores. Net profit of the bank has increased by 28.77% from Rs. 5,151 crores in previous year 2011-12 to Rs. 8,325 crores during the year 2012-13.

Net profit IDBI Bank increased registering a growth by 20.20% to Rs. 1,030 crores in 2009-10 from Rs. 856 crores in the previous year 2008-09. It increased by 60.04% from Rs. 1,031 crores in 2009-10 to Rs. 1,650 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 23.15% and earned a profit of Rs. 2,032 crores as compared to previous year's profit of Rs. 1,650 crores. Net profit of the bank has decreased as compared to the previous years of Rs. 2032 crores and earned a profit of Rs. 1,882 crores during the year 2012-13. It has reduced by -7.38%.

Net profit of OBC Bank increased registering a growth by 49.61% to Rs. 1,135 crores in 2009-10 from Rs. 758 crores in the previous year

2008-09. It increased by 32.45% from Rs. 1,135 crores in 2009-10 to Rs. 1,503 crores of 2010-11. In the year 2011-12 it has shown a reduction of -24.04% and earned a profit of Rs. 1,142 crores as compared to previous year's profit of Rs. 1,503 crores. Net profit of the bank has increased by 16.29% as compared to the previous years of Rs. 1,142 crores and earned a profit of Rs. 1,328 crores during the year 2012-13.

Net profit of SBI increased registering a growth by 0.49% to Rs. 9,166 crores in 2009-10 from Rs. 9,121 crores in the previous year 2008-09. It decreased by -9.83% from Rs. 9,166 crores in 2009-10 to Rs. 8,265 crores of 2010-11. In the year 2011-12 it has shown an increase of 41.66% and earned a profit of Rs. 11,707 crores as compared to previous year's profit of Rs. 8,265 crores. Net profit of the bank has increased by 20.48% as compared to the previous years of Rs. 11,707 crores and earned a profit of Rs. 14,105 crores during the year 2012-13.

Table - 5.1.2 Income of the selected Banks derived from its Life Insurance Business.

(In Crores)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
	IndiaFirst Life Insurance Co.	Canara HSBC OBC Life Insurance Co. Ltd.	LIC of India	HDFC Standard Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.	IDBI Federal Life Insurance Co. Ltd.	Canara HSBC OBC Life Insurance Co. Ltd.	SBI Life Insurance Co. Ltd.
2008-09	-	18	18	327	-780	6	-	-26
2009-10	16	53	20	534	258	21	37	276
2010-11	47	51	23	670	808	33	19	366
2011-12	23	26	43	456	1,384	31	14	556
2012-13	28	26	45	472	1,496	45	13	622

Source: Annual Report of selected banks from 2008 to 2013.

Table - 5.1.2.1 Growth Rate of income from Life Insurance Product of the selected Banks.

(In %)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
	IndiaFirst Life Insurance Co.	Canara HSBC OBC Life Insurance Co. Ltd.	LIC of India	HDFC Standard Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.	IDBI Federal Life Insurance Co. Ltd.	Canara HSBC OBC Life Insurance Co. Ltd.	SBI Life Insurance Co. Ltd.
2008-09	-	-	-	-		-	-	-
2009-10	-	194.44%	11.11%	63.30%		250%	-	
2010-11	193.75%	-3.77%	15.00%	25.47%	213.18%	57.14%	-48.65%	32.61%
2011-12	-51.06%	-49.02%	86.96%	-31.94%	71.29%	-6.06%	-26.32%	51.91%
2012-13	21.74%	0	4.65%	3.51%	8.09%	45.16%	-7.14%	11.87%

Source: Annual Report of selected banks from 2008 to 2013.

Table 5.1.2 and 5.1.2.1 shows that Andhra Bank along with Bank of Baroda and Legal & General Group of UK has formed a joint venture life insurance company i.e. IndiaFirst Life Insurance Company under bancassurance business. It posted a net profit of Rs. 16 crores in the year 2009-10 and a whopping profit of Rs. 47 crores for the year 2010-11 showing an immense growth of 193.75%. During the year 2011-12, the income from life insurance business dropped down by -51.06% and earned Rs. 23 crores. In the year 2012-13 the bank recorded an income of Rs. 28 crores registering a growth of 21.74%.

The total income of Canara HSBC OBC Life Insurance Co. Ltd has shown a robust growth of 194.44% from Rs. 18 crores in the year 2008-09 to Rs. 53 crores in the year 2009-10. During the year 2010-11 the income from Life Insurance business dropped down by -3.77% and earned Rs. 51 crores. In the year 2011-12, the bank recorded a commission income of Rs.26 crores and there was a decrease in the growth rate by -49.02%. in the year 2012-13, there was no growth as the income remained the same as the previous years i.e. Rs. 26 crores.

Under Life Insurance segment, Corporation Bank has shown a growth of 11.11% from Rs. 18 crores in the year 2008-09 to Rs. 20 crores in the year 2009-10. The bank registered a growth of 15% from Rs. 20 crores in 2009-10 to Rs. 23 crores in 2010-11. Year 2011-12 showed a robust growth of 86.96% i.e. Rs. 43 crores over previous years income of Rs 23 crores. It registered a slight growth of 4.65% for the year ended 2012-13.

In the year 2008-09, under life insurance segment, HDFC Bank earned a commission income of Rs. 327 crore from HDFC Standard Life Insurance Co. Ltd. it showed a strong growth of 63.30% i.e. Rs. 534 crores over previous years income of Rs. 327 crores. The bank registered a growth of 25.47% from Rs. 534 crores to Rs. 670 crores in year 2010-11. Year 2011-12 showed a decrease in the growth rate by -31.94% and earned a commission income of Rs.456 crores. It registered a moderate growth of 3.51% for the year ended 2012-13.

Under bancassurance business, ICICI Bank has subsidiary named ICICI Prudential Life Insurance Co. Ltd. In the year 2008-09, ICICI Life incurred a loss of Rs. (-780) crores. Profit increased from Rs. 256 crores in the year 2009-10 to Rs. 808 crores in the year 2010-11 showing a robust growth of 213.18%. In the year 2011-12 it earned a profit of Rs. 1384 crores showing a growth of 71.29% from Rs. 808 crores of previous year. In the year 2012-13, the bank registered a growth of 8.08% and recorded a commission income of Rs. 1496 crores.

Under IDBI Federal Life Insurance Co. Ltd., IDBI Bank earned an income of Rs. 6 crores in the year 2008-09. It showed a strong growth of 250% i.e. Rs 21 crores over previous year income of Rs 6 crores. The bank registered a growth of 57.14% from 21 crores in 2009-10 to Rs. 33 crores in the year 2010-11. Year 2011-12 showed a decrease in the growth rate by -6.06% and earned a commission income of Rs. 31 crores. It registered a commission income of Rs. 45 crores and a growth of 45.16% in the year ended 2012-13.

Under bancassurance business, OBC offers life insurance Solutions to various customers through Canara HSBC OBC Life Insurance Co. Ltd. In the year 2009-10, the bank earned a commission income of Rs. 37 crores from Canara HSBC OBC Life Insurance Co. Ltd. It earned an income of Rs. 19 crores and the growth rate decreased by -48.64% in the year 2010-11. Year 2011-12 also showed a decrease in the growth rate by -26.32% and earned a commission income of 14 crores. Again in the year 2012-13 the growth rate decreased by -7.14% and earned a commission income of Rs. 13 crores.

Under bancassurance business, State Bank of India has subsidiary named SBI Life Insurance Co. Ltd. In the year 2009-10, the bank earned a Net profit of Rs. 276 and against the loss of -26 crores from previous year 2008-09. The bank registered a growth of 22.82% from Rs. 276 crores in 2009-10 to Rs. 339 crores in the year 2010-11. Year 2011-12 also showed a growth of 35.99% and earned profit of Rs. 461 crores. It registered a slight growth of 3.47% for the year ended 2012-13 and earned an income of Rs. 477 crores.

Table - 5.1.3 Income of the selected Banks derived from its General Insurance Business.

(In Crores)

Year	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
	United India Insurance Co. Ltd.	New India Assurance Co. Ltd.	HDFC Ergo General Insurance Co. Ltd.	ICICI Lombard General Insurance Co. Ltd.	Bajaj Allianz General Insurance Co. Ltd.	Oriental Insurance Co. Ltd.	SBI General Insurance Co. Ltd.
2008-09	6	-	22	24	2	-	-
2009-10	8	11	54	144	2	3	-
2010-11	11	9	78	-80	4	3	-27
2011-12	12	12	110	-416	3	4	-95
2012-13	13	15	126	3.06	4	6	-145

Source: Annual Report of selected banks from 2008 to 2013.

Table - 5.1.3.1 Growth Rate of income from General Insurance Product of the selected Banks.

(In %)

Year	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
	United India Insurance Co. Ltd.	New India Assurance Co. Ltd.	HDFC Ergo General Insurance Co. Ltd.	ICICI Lombard General Insurance Co. Ltd.	Bajaj Allianz General Insurance Co. Ltd.	Oriental Insurance Co. Ltd.	SBI General Insurance Co. Ltd.
2008-09	-	-	-	-	-	-	-
2009-10	33.33%	-	145.45%	500%	-	-	-
2010-11	37.50%	-18.18%	44.44%	-155.56%	100.00%	0	-
2011-12	9.09%	33.33%	41.03%	420%	-25.00%	33.33%	251.85%
2012-13	8.33%	25.00%	14.55%		33.33%	50.00%	52.63%

Source: Annual Report of selected banks from 2008 to 2013.

Table 5.1.3 and 5.1.3.1 shows that Canara Bank has a tie-up arrangement with M/s United India Insurance Company Ltd (UIICL) for General Insurance business. Canara Bank recorded a commission income of Rs. 6 crores during the year 2008-09. It showed a growth of 33.33% i.e. Rs. 8 crores over previous year income of Rs. 6 crores. The bank registered a growth of 37.80% from Rs. 8 crores to Rs. 11 crores in the year 2010-11. Year 2011-12 registered a moderate growth of 9.09% i.e Rs. 12 crores over previous year income of Rs. 11 crores. It registered a slight growth of 8.33% for the year ended 2012-13.

For General Insurance business, the Corporation Bank has a tie-up arrangement with New India Assurance Co. Ltd. from the 2009. Corporation Bank recorded a commission income of Rs. 11 crores during the year 2009-10. It registered a decrease in the growth rate by -18.18% and earned an income of Rs. 9 crores in 2010-11 to Rs. 12 crores in the year 2011-12. It earned a commission income of Rs. 15 crores and registered a growth of 25% for the year ended 2012-13.

Under HDFC Ergo General Insurance Co. Ltd. HDFC Bank recorded a commission income of Rs. 22 crores during the year 2008-09. The bank registered a robust growth of 145.45% i.e. from Rs. 22 crores in year 2008-09 to Rs 54 crores during the year 2009-10. Year 2010-11 also showed a strong growth of 44.44% and earned a profit of Rs.78 crores. The bank registered a growth 41.03% from Rs. 78 crores in 2010-11 to Rs. 110 crores during the year 2011-12. It earned a commission income of Rs. 126 crores and registered a growth of 14.55% for the year ended 2012-13.

Under ICICI Lombard General Insurance Co. Ltd. the bank made a profit of Rs. 24 crores during the year 2008-09. In the year 2009-10, the bank earned an income of Rs 144 crores and showed a very high growth of 500%. The bank incurred a loss of Rs. -80 crores in the year 2010-11 as compared to the previous year's profit of Rs. 144 crores and the growth decreased to -155.55%. Net loss increased from Rs. -80 crores in the year 2010-11 to Rs. -416 crores during the year 2011-12 and the growth rate of loss further increased by 420%. In the year 2012-13, the bank recorded a profit of R. 3.06 crores as compared to the loss of Rs. -416 crores in the previous year 2011-12.

Under bancassurance business, IDBI Bank has a corporate agent, Bajaj Allianz General Insurance Co. Ltd which offers General Insurance to various customers. The bank recorded an income of Rs. 2 crores during the year 2008-09 which remained the same for the year 2009-10 and there was no growth. Year 2010-11 showed a robust growth of 100% from Rs. 2 crores in the year 2009-10 to Rs. 4 crores during the year 2010-11. During the year 2011-12, the growth rate decreased by -25% and earned an income of Rs. 3 crores for the year 2011-12. The bank earned a commission income of Rs. 4 crores and registered a growth of 33.33% for the year ended 2012-13.

Under Oriental Insurance Co. Ltd. the OBC Bank recorded a commission of Rs. 3 crores during the year 2009-10 which remained the same for the year2010-11. During the year 2011-12, the bank's profit increased to Rs. 4 crores and there was a growth of 33.33%. The bank recorded a commission income of Rs. 6 crores and a growth of 50% for the year ended 2012-13

SBI General Insurance Co. Ltd. completed its third year in full operation in the financial year 2012-13. Under SBI General Insurance Co. Ltd, the bank recorded a net loss of Rs. -27 crores during the year 2010-11. Net loss increased from Rs. -27 crores in the year 2010-11 to Rs. -95 crores and the growth rate of loss increased to 251.85% for the year 2011-12. Again during the year 2012-13, the net loss increased to Rs. -145 crores and the growth rate of loss further increased by 52.83%.

Table - 5.1.4 Income of the selected Banks derived from its Total Insurance Business (Life Insurance + General Insurance).

(In Crores)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
	IndiaFirst Life Insurance Co.	Canara HSBC OBC Life Insurance Co. Ltd. + United India Insurance Co. Ltd.	LIC of India +New India Assurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd. + HDFC Ergo General Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd. + ICICI Lombard General Insurance Co. Ltd.	IDBI Federal Life Insurance Co. Ltd. + Bajaj Allianz General Insurance Co. Ltd.	Canara HSBC OBC Life Insurance Co. Ltd. + Oriental Insurance Co. Ltd.	SBI Life Insurance Co. Ltd. + SBI General Insurance Co. Ltd.
2008-09	-	24	18	349	-758	8	-	-26
2009-10	16	61	31	588	402	23	40	276
2010-11	47	62	32	748	728	37	22	339
2011-12	23	38	55	566	968	34	18	461
2012-13	28	39	60	598	1499	49	19	477

Source: Annual Report of selected banks from 2008 to 2013.

Table - 5.1.4.1 Growth rate of the Income derived from its Total Insurance Business of the selected Banks (Life Insurance + General Insurance)

(In %)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
	IndiaFirst Life Insurance Co.	Canara HSBC OBC Life Insurance Co. Ltd. + United India Insurance Co. Ltd.	LIC of India +New India Assurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd. + HDFC Ergo General Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd. + ICICI Lombard General Insurance Co. Ltd.	IDBI Federal Life Insurance Co. Ltd. + Bajaj Allianz General Insurance Co. Ltd.	Canara HSBC OBC Life Insurance Co. Ltd. + Oriental Insurance Co. Ltd.	SBI Life Insurance Co. Ltd. + SBI General Insurance Co. Ltd.
2008-09	-	-	-	-	-	-	-	-
2009-10	-	154.17%	72.22%	68.48%		187.50%	-	
2010-11	193.75%	1.64%	3.22%	27.21%	81.09%	60.87%	- 45.00%	22.8%2
2011-12	-51.06%	-38.71%	71.87%	-24.33%	32.97%	- 8.11%	-18.18%	35.99%
2012-13	21.74%	2.63%	9.09%	5.65%	54.86%	44.11%	5.56%	3.47%

Source: Annual Report of selected banks from 2008 to 2013.

Table 5.1.4 and 5.1.4.1 shows that Andhra Bank along with Bank of Baroda and Legal & General Group of UK has formed a joint venture life insurance company i.e. IndiaFirst Life Insurance Company under bancassurance business. Andhra Bank only offers life insurance has not yet started dealing with general insurance segment. It posted a net profit of Rs. 16 crores in the year 2009-10 and a whopping profit of Rs. 47 crores for the year 2010-11 showing an immense growth of 193.75%. During the year 2011-12, the income from life insurance business dropped down by -51.06% and earned Rs. 23 crores. In the year 2012-13 the bank recorded an income of Rs. 28 crores registering a growth of 21.74%.

The Canara Bank has joint venture with Canara HSBC OBC Life Insurance Co for life insurance business and a tie-up arrangement with M/s United India Insurance Company Ltd (UIICL) for General Insurance business. The total insurance income of Canara HSBC OBC Life Insurance Co. Ltd and M/s United India Insurance Company Ltd (UIICL)has shown a robust growth of 154.17% from Rs. 24 crores in the year 2008-09 to Rs. 61 crores in the year 2009-10. During the year 2010-11 the total insurance income business slightly increased by 1.61% and earned Rs. 62 crores. In the year 2011-12, the bank recorded a commission income of Rs.38 crores and there was a decrease in the growth rate by -38.71%. In the year 2012-13, there was a growth of 2.61% the total insurance income was Rs. 39 crores for the year ended 2012-13.

Corporation Bank has a tie up arrangement under bancassurance segment for both life insurance and general insurance through Life Insurance Corporation of India and New India Assurance Co. Ltd. It started its Bancassurance business in the year 2008 for life insurance and for general insurance from the year 2009. Corporation Bank total insurance income (life insurance + general insurance), has shown a growth of 72.22% from Rs. 18 crores in the year 2008-09 to Rs. 31 crores in the year 2009-10. The bank registered a growth of slight 3.22% from Rs. 31 crores in 2009-10 to Rs. 32 crores in 2010-11. Year 2011-12 showed a robust growth of 71.87% i.e. Rs. 55 crores over previous years total insurance income of Rs 32 crores. It registered a moderate growth of 9.09% for the year ended 2012-13.

Under bancassurance business, HDFC Bank has a joint venture named HDFC Standard Life Insurance Co. Ltd. and HDFC Ergo General Insurance Co. Ltd. HDFC Standard Life Insurance Co. Ltd. was established in the year 2000 and HDFC Ergo General Insurance was started in the year 2002. In the year 2008-09, the total insurance income (life insurance + general insurance) of HDFC Bank was Rs. 349 crore. In the year 2009-10, it showed a strong growth of 68.48% i.e. Rs. 588 crores over previous years income of Rs. 349 crores. The bank registered a growth of 27.21% from Rs. 588 crores to Rs. 748 crores in year 2010-11. Year 2011-12 showed a decrease in the growth rate by -24.33% and earned a commission income of Rs. 566 crores. It registered a moderate growth of 5.65% for the year ended 2012-13.

Under bancassurance business, ICICI Bank has subsidiary named ICICI Prudential Life Insurance Co. Ltd. and ICICI Lombard General Insurance Co. Ltd. In the year 2008-09 the total insurance income (life insurance + general insurance) of ICICI Bank incurred a loss of Rs. -758 crores. During the year 2009-10 the total insurance income of ICICI Bank increased to Rs. 402 crores from the loss of Rs. -758 crores in the year 2008-09. Profit increased to Rs. 728 crores in the year 2010-11 from Rs. 402 crores in the year 2009-10 showing a growth of 81.09%. In the year 2011-12 it earned a profit of Rs. 968 crores showing a growth of 32.97% from Rs. 728 crores of previous years. In the year 2012-13, the bank registered a growth of 54.86% and recorded a commission income of Rs. 1499 crores.

Under bancassurance business, IDBI Bank offers life insurance solution to various customers through IDBI Federal Life Insurance Co. Ltd and also has a corporate agent Bajaj Allianz General Insurance Co. Ltd for general insurance. In the year 2008-09, the total insurance income (life insurance + general insurance) of IDBI Bank was Rs. 8 crores. It showed a strong growth of 187.50% i.e. Rs 23 crores over previous year income of Rs 8 crores. The bank registered a growth of 60.87% from Rs. 23 crores in 2009-10 to Rs. 37 crores in the year 2010-11. Year 2011-12 showed a decrease in the growth rate by -8.11% and earned a commission income of Rs. 34 crores. It registered a commission income of Rs. 49 crores and a growth of 44.11% in the year ended 2012-13.

Under bancassurance business, OBC offers life insurance solutions to various customers through Canara HSBC OBC Life Insurance Co. Ltd. and for general insurance products through Oriental Insurance Co. Ltd. It started its Bancassurance business from the year 2009. In the year 2009-10, the total insurance income (life insurance + general insurance) of OBC Bank was Rs. 40 crores. It earned an income of Rs. 22 crores and the growth rate decreased by -45% in the year 2010-11. Year 2011-12 also showed a decrease in the growth rate by -18.18% and earned a commission income of 18 crores. In the year 2012-13 the growth rate increased by 5.56% and earned a commission income of Rs. 19 crores.

Under bancassurance business, State Bank of India has subsidiary named SBI Life Insurance Co. Ltd. which was launched in the year 2001 and SBI General Insurance Co. Ltd was launched in the year 2010. In the year 2008-09 the total insurance income (life insurance + general insurance) of SBI bank was Rs. -26 crores. In the year 2009-10, the bank earned a Net profit of Rs. 276 against the loss of -26 crores from previous year 2008-09. The bank registered a growth of 32.61% from Rs. 276 crores in 2009-10 to Rs. 366 crores in the year 2010-11. Year 2011-12 also showed a strong growth of 51.91% and earned profit of Rs. 556 crores. It registered a growth of 11.87% for the year ended 2012-13.

Table - 5.1.5 Net Profit from Banking Business and Income from Bancassurance Business.

(In Crores)

YEAR	ANDHRA BANK		CANARA BANK			CORPORATION BANK			HDFC BANK			ICICI BANK			IDBI BANK			OBC			SBI		
	N.P	I F LIC	N.P	C H O LIC	UIIC GEN	N.P	LIC	NIAC GEN	N.P	H S LIC	H E GIC GEN	N.P	I P LIC	I L GIC GEN	N.P	I F LIC	B A GIC GEN	N.P	C H O LIC	OIC GEN	N.P	SBI LIC	SBI GIC GEN
2008-09	653	-	2,072	18	6	893	18	-	2,245	327	22	3,758	-780	24	859	6	2	758	-	-	9,121	-26	-
2009-10	1,046	16	3,019	53	8	1,170	20	11	2,949	534	54	4,025	258	144	1,031	21	2	1,135	37	3	9,166	276	-
2010-11	1,267	47	4,025	51	11	1,413	23	9	3,926	670	78	5,151	808	-80	1,650	33	4	1,503	19	3	8,265	366	-27
2011-12	1,345	23	3,282	26	12	1,506	43	12	5,167	456	110	6,465	1,384	-416	2,032	31	3	1,142	14	4	11,707	556	-95
2012-13	1,289	28	2,872	26	13	1,435	45	15	6,726	472	126	8,325	1,496	3.06	1,882	45	4	1,328	13	6	14,105	622	-145

Source: Annual Report of selected banks from 2008 to 2013.

Abbreviations :

***N.P. =** Net Profit

***I F LIC =** IndiaFirst Life Insurance Co.

***C HO LIC =** Canara HSBC OBC Life Insurance Co. Ltd.

***UIIC =** United India Insurance Co. Ltd

***LIC =** Life Insurance Corporation of India

***HS LIC =** HDFC Standard Life Insurance Co. Ltd.

***HE GIC =** HDFC Ergo General Insurance Co. Ltd.

***I P LIC =** ICICI Prudential Life Insurance Co. Ltd.

***I L GIC =** ICICI Lombard General Insurance Co. Ltd

***I F LIC =** IDBI Federal Life Insurance Co. Ltd.

***OIC =** Oriental Insurance Co. Ltd.

***SBI LIC =** SBI Life Insurance Co. Ltd.

***SBI GIC =** SBI General Insurance Co. Ltd.

***NIAC =** New India Assurance Co. Ltd

***BA GIC =** Bajaj Allianz General Insurance Co. Ltd.

Table - 5.1.5.1 Growth rate of Net Profit from Banking Business and Income from Bancassurance Business (In %)

YEAR	ANDHRA BANK		CANARA BANK			CORPORATION BANK			HDFC BANK			ICICI BANK			IDBI BANK			OBC			SBI		
	N.P	I F LIC	N.P	C H O LIC	UIIC GEN	N.P	LIC	NIAC GEN	N.P	H S LIC	H E GIC GEN	N.P	I P LIC	I L GIC GEN	N.P	I F LIC	B A GIC GEN	N.P	C H O LIC	OIC GEN	N.P	SBI LIC	SBI GIC GEN
2008-09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2009-10	60.15	-	45.20	194.4	33.3	31.08	11.11	-	30.20	63.30	145.45	7.10	-	500.0	20.20	250.00	-	25.32	-	0.49	0.49	Very High	-
2010-11	21.15	193.75	33.20	-3.77	37.5	20.77	15.00	18.18	33.00	25.47	44.44	27.98	213.18	280.0	60.04	57.14	100.0	32.45	-48.65	0	-9.83	32.61	-
2011-12	6.10	-51.06	-18.49	-49.02	9.09	6.58	86.96	33.33	31.60	-31.94	41.03	25.51	71.29	420.0	23.15	-6.06	25.00	-24.04	-26.32	33.3	41.66	51.91	251.85
2012-13	-4.16	21.74	-12.49	0	8.33	-4.71	4.65	25.00	30.17	3.51	14.55	28.77	8.09	-	-7.38	45.16	33.33	16.29	-7.14	50.0	20.48	11.87	52.63

Source: Annual Report of selected banks from 2008 to 2013.

Abbreviations :

***N.P. =** Net Profit

***I F LIC =** IndiaFirst Life Insurance Co.

***C HO LIC =** Canara HSBC OBC Life Insurance Co. Ltd.

***UIIC =** United India Insurance Co. Ltd

***LIC =** Life Insurance Corporation of India

***HS LIC =** HDFC Standard Life Insurance Co. Ltd.

***HE GIC =** HDFC Ergo General Insurance Co. Ltd.

***I P LIC =** ICICI Prudential Life Insurance Co. Ltd.

***I L GIC =** ICICI Lombard General Insurance Co. Ltd

***I F LIC =** IDBI Federal Life Insurance Co. Ltd.

***OIC =** Oriental Insurance Co. Ltd.

***SBI LIC =** SBI Life Insurance Co. Ltd.

***SBI GIC =** SBI General Insurance Co. Ltd.

***NIAC =** New India Assurance Co. Ltd

***BA GIC =** Bajaj Allianz General Insurance Co.Ltd.

Table 5.1.5 and 5.1.5.1 shows Net profit of Andhra Bank increased registering a strong growth by 60.15% to Rs. 1,046 crores in 2009-10 from Rs. 653 crores in the previous year 2008-09. It increased by 21.15% from Rs. 1,046 crores in 2009-10 to Rs. 1,267 crores of 2010-11. It has grown by 6.1% to reach Rs. 1,345 crores in the year 2011-12. Net profit for the year 2012-13 stood at Rs. 1,289 crores. It reduced by showing a loss of -4.16%. Under bancassurance business, for life insurance business, it posted a net profit of Rs. 16 crores in the year 2009-10 and a whopping profit of Rs. 47 crores for the year 2010-11 showing an immense growth of 193.75%. During the year 2011-12, the income from life insurance business dropped down by -51.06% and earned Rs. 23 crores. In the year 2012-13 the bank recorded an income of Rs. 28 crores registering a growth of 21.74%.

Net profit of Canara Bank increased registering a strong growth by 45.2% to Rs. 3,019 crores in 2009-10 from Rs. 2,072 crores in the previous year 2008-09. It increased by 33.2% from Rs. 3,019 crores in 2009-10 to Rs. 4,025 crores of 2010-11. In the year 2011-12 it has reduced by -18.49% and earned a profit of Rs. 3,281 crores as compared to previous year's profit of Rs. 4,026 crores. Net profit for the year 2012-13 stood at Rs. 2,872 crores. It reduced by -12.49%. The total income of Canara HSBC OBC Life Insurance Co. Ltd has shown a robust growth of 194.44% from Rs. 18 crores in the year 2008-09 to Rs. 53 crores in the year 2009-10. During the year 2010-11 the income from Life Insurance business dropped down by -3.77% and earned Rs. 51 crores. In the year 2011-12, the bank recorded a commission income of Rs. 26 crores and there was a decrease in the growth rate by -49.02% in the year 2012-13, there was no growth as the income remained the same as the previous years i.e. Rs. 26 crores. The Canara Bank has a tie-up arrangement with M/s United India Insurance Company Ltd (UIICL) for General Insurance business. Canara Bank recorded a commission income of Rs. 6 crores during the year 2008-09. It showed a growth of 33.33% i.e. Rs. 8 crores over previous year income of Rs. 6 crores. The bank registered a growth of 37.80% from Rs. 8 crores to Rs. 11 crores in the year 2010-11. Year 2011-12 registered a moderate growth of 9.09% i.e. Rs. 12 crores over previous year income of Rs. 11 crores. It registered a slight growth of 8.33% for the year ended 2012-13.

Net profit of Corporation Bank increased registering a strong growth by 31.08% to Rs. 1,170 crores in 2009-10 from Rs. 893 crores in the previous year 2008-09. It increased by 20.77% from Rs. 1,170 crores in 2009-10 to Rs. 1,413 crores of 2010-11. In the year 2011-12 it has shown a moderate growth of 6.58% and earned a profit of Rs. 1,506 crores as compared to previous year's profit of Rs. 1,413 crores. Net profit of the bank has marginally decreased from Rs. 1,506 crores in previous year 2011-12 to Rs 1,435 crores during the year 2012-13. It reduced by - 4.71%. Under Life Insurance segment, Corporation Bank has shown a growth of 11.11% from Rs. 18 crores in the year 2008-09 to Rs. 20 crores in the year 2009-10. The bank registered a growth of 15% from Rs. 20 crores in 2009-10 to Rs. 23 crores in 2010-11. Year 2011-12 showed a robust growth of 86.96% i.e. Rs. 43 crores over previous years income of Rs 23 crores. It registered a slight growth of 4.65% for the year ended 2012-13. For General Insurance business, the Corporation Bank has a tie-up arrangement with New India Assurance Co. Ltd. from 2009. Corporation Bank recorded a commission income of Rs. 11 crores during the year 2009-10. It registered a decrease in the growth rate by -18.18% and earned an income of Rs. 9 crores in 2010-11 to Rs. 12 crores in the year 2011-12. It earned a commission income of Rs. 15 crores and registered a growth of 25% for the year ended 2012-13.

Net profit of HDFC Bank increased registering a strong growth by 30.2% to Rs. 2,949 crores in 2009-10 from Rs. 2245 crores in the previous year 2008-09. It increased by 33% from Rs. 2949 crores in 2009-10 to Rs. 3,926 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 31.6% and earned a profit of Rs. 5,167 crores as compared to previous year's profit of Rs. 3,926 crores. Net profit of the bank during the year 2012-13 was Rs. 6,726 crores, increased by 30.17%. In the year 2008-09, under life insurance segment, HDFC Bank earned a commission income of Rs. 327 crore from HDFC Standard Life Insurance Co. Ltd. it showed a strong growth of 63.30% i.e. Rs. 534 crores over previous years income of Rs. 327 crores. The bank registered a growth of 25.47% from Rs. 534 crores to Rs. 670 crores in year 2010-11. Year 2011-12 showed a decrease in the growth rate by -31.94% and earned a commission income of Rs.456 crores. It registered a moderate growth of 3.51% for the year ended 2012-13. Under HDFC Ergo General Insurance Co. Ltd. HDFC Bank recorded a commission income of Rs. 22 crores during the year 2008-09. The bank registered a robust growth of 145.45% i.e. from Rs. 22 crores in year 2008-09 to Rs 54 crores during the year 2009-10. Year 2010-11 also showed a strong growth of 44.44% and earned a profit of Rs.78 crores. The bank registered a growth of 41.03% from Rs. 78 crores in 2010-11 to Rs. 110 crores during the year 2011-12. It earned a commission income of Rs. 126 crores and registered a growth of 14.55% for the year ended 2012-13.

Net profit of ICICI Bank increased registering a strong growth by 7.10% to Rs. 4025 crores in 2009-10 from Rs. 3,758 crores in the previous year 2008-09. It increased by 27.98% from Rs. 4,025 crores in 2009-10 to Rs. 5,151 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 25.51% and earned a profit of Rs. 6,465 crores as compared to previous year's profit of Rs. 5,151 crores. Net profit of the bank has increased by 28.77% from Rs. 6,465 crores in previous year 2011-12 to Rs. 8,325 crores during the year 2012-13. Under bancassurance business, ICICI Bank has subsidiary named ICICI Prudential Life Insurance Co. Ltd. In the year 2008-09, ICICI Life incurred a loss of Rs. (-780) crores. Profit increased from Rs. 256 crores in the year 2009-10 to Rs. 808 crores in the year 2010-11 showing a robust growth of 213.18%. In the year 2011-12 it earned a profit of Rs. 1384 crores showing a growth of 71.29% from Rs. 808 crores of previous years. In the year 2012-13, the bank registered a growth of 8.08% and recorded a commission income of Rs. 1496 crores. Under ICICI Lombard General Insurance Co. Ltd. the bank made a profit of Rs. 24 crores during the year 2008-09. In the year 2009-10, the bank earned an income of Rs 144 crores and showed a very high growth of 500%. The bank incurred a loss of Rs. -80 crores in the year 2010-11 as compared to the previous year's profit of Rs. 144 crores and the growth decreased to -155.55%. Net loss increased from Rs. -80 crores in the year 2010-11 to Rs. -416 crores during the year 2011-12 and the growth rate of loss further increased by 420%. In the year 2012-13, the bank recorded a profit of R. 3.06 crores as compared to the loss of Rs. -416 crores in the previous year 2011-12.

Net profit of IDBI Bank increased registering a growth by 20.20% to Rs. 1,030 crores in 2009-10 from Rs. 859 crores in the previous year 2008-09. It increased by 60.04% from Rs. 1,031 crores in 2009-10 to Rs. 1,650 crores of 2010-11. In the year 2011-12 it has shown a significant growth of 23.15% and earned a profit of Rs. 2,032 crores as compared to previous year's profit of Rs. 1,650 crores. Net profit of the bank has decreased as compared to the previous years of Rs. 2,032 crores and earned a profit of Rs. 1,882 crores during the year 2012-13. It has reduced by -7.38%. Under IDBI Federal Life Insurance Co. Ltd., IDBI Bank earned an income of Rs. 6 crores in the year 2008-09. It showed a strong growth of 250% i.e. Rs 21 crores over previous year income of Rs 6 crores. The bank registered a growth of 57.14% from 21 crores in 2009-10 to Rs. 33 crores in the year 2010-11. Year 2011-12 showed a decrease in the growth rate by -6.06% and earned a commission income of Rs. 31 crores. It registered a commission income of Rs. 45 crores and a growth of 45.16% in the year ended 2012-13. Under bancassurance business, IDBI Bank has a corporate agent, Bajaj Allianz General Insurance Co. Ltd which offers General Insurance to various customers. The bank recorded an income of Rs. 2 crores during the year 2008-09 which remained the same for the year 2009-10 and there was no growth. Year 2010-11 showed a robust growth of 100% from Rs. 2 crores in the year 2009-10 to Rs. 4 crores during the year 2010-11. During the year 2011-12, the growth rate decreased by -25% and earned an income of Rs. 3 crores for the year 2011-12. The bank earned a commission income of Rs. 4 crores and registered a growth of 33.33% for the year ended 2012-13.

Net profit of OBC Bank increased registering a growth by 49.61% to Rs. 1,135 crores in 2009-10 from Rs. 758 crores in the previous year 2008-09. It increased by 32.45% from Rs. 1,135 crores in 2009-10 to Rs. 1,503 crores of 2010-11. In the year 2011-12 it has shown a reduction of -24.04% and earned a profit of Rs. 1,142 crores as compared to previous year's profit of Rs. 1,503 crores. Net profit of the bank has increased by 16.29% as compared to the previous years of Rs. 1,142 crores and earned a profit of Rs. 1,328 crores during the year 2012-13. Under bancassurance business, OBC offers life insurance Solutions to suit various customers segments through Canara HSBC OBC Life Insurance Co. Ltd. In the year 2009-10, the bank earned a commission income of Rs. 37 crores from Canara HSBC OBC Life Insurance Co. Ltd. It earned an income of Rs. 19 crores and the growth rate decreased by -48.64% in the year 2010-11. Year 2011-12 also showed a decrease in the growth rate by -26.32% and earned a commission income of 14 crores. Again in the year 2012-13 the growth rate decreased by -7.14% and earned a commission income of Rs. 13 crores. Under Oriental Insurance Co. Ltd. the OBC Bank recorded a commission of Rs. 3 crores during the year 2009-10 which remained the same for the year 2010-11. During the year 2011-12, the bank's profit increased to Rs. 4 crores and there was a growth of 33.33%. The bank recorded a commission income of Rs. 6 crores and a growth of 50% for the year ended 2012-13

Net profit of SBI Bank increased registering a growth by 0.49% to Rs. 9,166 crores in 2009-10 from Rs. 9,121 crores in the previous year 2008-09. It decreased by -9.83% from Rs. 9,121 crores in 2009-10 to Rs. 8,265 crores of 2010-11. In the year 2011-12 it has shown a increase of 41.66% and earned a profit of Rs. 11,707 crores as compared to previous year's profit of Rs. 8,265 crores. Net profit of the bank has increased by 20.48% as compared to the previous years of Rs. 11,707 crores and earned a profit of Rs. 14,105 crores during the year 2012-13. Under bancassurance business, State Bank of India has subsidiary named SBI Life Insurance Co. Ltd. In the year 2009-10, the bank earned a Net profit of Rs. 276 and against the loss of (-26) crores from previous year 2008-09. The bank registered a growth of 22.82% from Rs. 276 crores in 2009-10 to Rs. 339 crores in the year 2010-11. Year 2011-12 also showed a growth of 35.99% and earned profit of Rs. 461 crores. It registered a slight growth of 3.47% for the year ended 2012-13 and earned an income of Rs. 477 crores. SBI General Insurance Co. Ltd. completed its third year in full operation in the financial year 2012-13. Under SBI General Insurance Co. Ltd, the bank recorded a net loss of Rs. -27 crores during the year 2010-11. Net loss increased from Rs. -27 crores in the year 2010-11 to Rs. -95 crores and the growth rate of loss increased to 251.85% for the year 2011-12. Again during the year 2012-13, the net loss increased to Rs. -145 crores and the growth rate of loss further increased by 52.83%.

Table - 5.1.6 Proportion of Insurance Income with Net Profit of the selected Banks.

(In %)

Year	ANDHRA BANK	CANARA BANK	CORPORATION BANK	HDFC BANK	ICICI BANK	IDBI BANK	OBC	SBI
2008-09	-	1.16	2.01	15.55	-20.12	0.93	-	-0.28
2009-10	1.53	2.02	2.64	19.94	9.98	2.23	3.52	3.01
2010-11	3.71	1.54	2.26	19.05	14.13	2.24	1.46	4.10
2011-12	1.71	1.16	3.65	10.95	14.97	1.67	1.58	3.93
2012-13	2.17	1.36	4.18	8.89	18.01	2.60	1.43	3.38

$$\text{Proportion of Insurance Income with Net Profit of the selected Banks} = \frac{\text{Total Income from Insurance}}{\text{Net Profit of the Banks}} * 100$$

Where, Total Income from Insurance = Life Insurance + General Insurance.

The following table 5.1.6 shows the proportion of insurance income to the net profit of the selected banks.

Andhra banks proportion of insurance income to its net profit was 1.53% for the year 2009-10. It increased to 3.71% in the year 2010-11. It decreased to 1.71% for the year ended 2011-12 and for the year ended 2012-13 the proportion again increased to 2.17%

Canara banks proportion of insurance income to its net profit for the year 2008-09 was 1.16%. It increased to 2.02% in the year 2009-10. It was 1.54% for the year 2010-11 and again 1.16% for the year 2011-12. During the year 2012-13 the proportion of insurance income was 1.36%.

Corporation banks proportion of insurance income to its net profit for the year 2008-09 was 2.01%. It was 2.64% in the year 2009-10. It was 2.26% for the year 2010-11. It increased to 3.65 % for the year 2011-12. During the year 2012-13 the proportion of insurance income was 4.18%.

HDFC banks proportion of insurance income to its net profit for the year 2008-09 was 15.55%. It increased to 19.94% in the year 2009-10. It was 19.05% for the year 2010-11. It decreased to 10.95 % for the year 2011-12. During the year 2012-13 the proportion of insurance income was 8.89%.

ICICI banks proportion of insurance income to its net profit for the year 2008-09 was -20.12%. It increased to 9.98% in the year 2009-10. It again increased to 14.13% for the year 2010-11. It was 14.97 % for the year 2011-12. During the year 2012-13 the proportion of insurance income was 18.01%.

IDBI banks proportion of insurance income to its net profit for the year 2008-09 was 0.93%. It increased to 2.23% in the year 2009-10. It was 2.24% for the year 2010-11. It decreased to 1.67 % for the year 2011-12. During the year 2012-13 the proportion of insurance income was 2.60%.

OBC banks proportion of insurance income to its net profit for the year 2009-10 was 3.52%. It decreased to 1.46% in the year 2010-11. It was 1.58% for the 2011-12. During the year 2012-13 the proportion of insurance income was 1.43%.

SBI banks proportion of insurance income to its net profit for the year 2008-09 was -0.28%. It increased to 3.01% in the year 2009-10. It again increased to 4.10% for the year 2010-11. It decreased to 3.93 % for the year 2011-12. During the year 2012-13 the proportion of insurance income was 3.38%.

From the above table we can conclude bancassurance is not a significant earner for the banks. Insurance companies are using banks to sell their products because of the wide network of the banks. As bank is an instrument for insurance companies for earning income, insurance companies are taking a huge portion from the profits of the banks for their business. Growth rate of insurance income is remarkable in some of the banks so there is scope of selling bancassurance products by the banks in the long run.

5.2 TESTING OF HYPOTHESIS:

1. H_0 : Majority of the people are not aware of bancassurance as a product.

Majority of people are not aware of bancassurance as a product is rejected because 60% of the respondents are aware of bancassurance. Hence, H_1 is accepted.

2. H_0 : Customers do not purchase insurance policy from the banks.

Customers do not purchase insurance policy from bank is rejected as 56% of respondents have purchased insurance policy from their respective banks.

3. H_0 : There is no significant income from bancassurance product to the banks.

Here H_0 is accepted as proportion of income from bancassurance ranges from 1% to 19% out of total profit which is insignificant. Therefore, H_0 is accepted.

5.3 LIMITATIONS WHILE CONDUCTING THE SURVEY

While conducting the survey for the actual study, the limitations that the researcher came across were:

- Researcher wanted to conduct survey in some more branches of nationalized and private banks but the managers of certain banks did not allow the researcher to conduct the survey.
- The managers of SBI, IDBI, and ICICI banks did not want their names to be revealed.
- Few fake answers were collected in the study as some of the customers felt that the questionnaires are either from the bank or they do not have time to fill the questionnaires correctly.
- Banks were packed most of the time and getting the questionnaires filled from the employees was a difficult task.

5.4 FINDINGS:

While pursuing the research study, the researcher has come across certain finding pertaining to the theory of bancassurance and they are stated as under:

- Quite a few people have a reasonable idea about bancassurance and that their banks vend various insurance products. But still few people do not know about bancassurance as a concept.
- It has been found that banks have many prospects to cross sell insurance products. The insurance companies may seize the

advantage of bank's wide network and other opportunities to sell their products.

- A brand's name and its image is a very important aspect in marketing a product line. Hence the banks and the insurance companies must tie-up with the right partners which will help them to generate a better image in the minds of the customers.
- Customers have abundance of trust on the banks and because of this reliance the customers may obtain insurance products from banks.
- Private sector banks and foreign banks have a better future in bancassurance. However the public sector banks are also trying to give a strong competition e.g. SBI Life Insurance Co.
- Many people in the rural parts of India are still unaware about insurance so, a huge potential is there before them to be tapped for life insurance business.
- Currently banks are trying to offer all kinds of services to its customers. So by providing insurance, banks can include an extra service to their catalog.

5.5 RECOMMENDATIONS OR SUGGESSIONS:

- The employees of the banks must be given appropriate training to sell insurance products so that they can respond to any queries of the clients and can supply them with products according to their needs.

- The insurance companies need to design products specifically for distributing through banks. Trying to sell traditional products may not work so effectively.
- Banks should also provide after sales services
- In order to increase the sale, they should be more rigid in selling the insurance products.
- Banks should also do the settlement of claims which can increase the trust and reliability of the customers on the banks.
- Public sector banks are well known for their lethargic attitude and for providing poor quality of customer services. In order to succeed in bancassurance business they should reconstruct their imperfect image.
- The bank's management and the management of the insurance company should amicably be able to resolve any conflicts arising between them in future.
- Banks and insurance companies should improve the products frequently according to the needs of the customers.

5.6 CONCLUSION:

The insurance industry in India has been progressing at a rapid speed since the inception of this sector. In a country like India which consists of a diverse set of people combined with problems of connectivity in rural areas makes the insurance selling a very difficult task. So due to this reason, insurance companies require good distribution strength and huge manpower to reach out to such a huge customer base.

The concept of bancassurance in India is still in its emerging stage. But an incredible potential reveals that bancassurance in India has a very bright future. Recently various innovations have taken place in the insurance sector to suit and satisfy the growing needs of various customers. So, there is every reason to be optimistic that bancassurance in India will play a long inning.

However, bancassurance segment is still facing many problems because of poor manpower management, lack of call centers, less personal contact with customers, insufficient incentive to the agents etc.

Following conclusions were drawn from the survey analysis done among 115 customers and 30 bank employees of eight different banks in Vadodara district.

- Among customers who were surveyed, 60% of the respondents were aware that their banks provide bancassurance. They knew with which insurance company their banks have tie-ups. Also they were aware about various policies provided by their banks. However, 40% of the respondents were amused with the term bancassurance and didn't know anything about it and the services provided by the banks.
- Among the respondents who were surveyed, there were only 56% of the customers who had taken insurance policy from their respective banks. Remaining 44% respondents did not opt to take a policy from their banks.
- More than 80% of the customers have trusted their banks. This shows that there is a huge opportunity for bancassurance business in India.

- It is observed that 49% customers preferred agents because they provide personalized services. 24% took insurance from companies because of their trust on the company. 21% said they would buy insurance from banks because of the brands name and their trust on banks. Only 6% said that they would buy insurance from brokers.
- We can infer from the survey that 90% respondents said that private sector banks would excel in bancassurance because of their powerful selling policies and they provide quality services to the customers. 70% votes were given to foreign banks because they have proper management and aggressive selling strategies. The public sector banks were given the least votes i.e. 38% because of their laid back attitude towards their work.
- 90% of the respondents said that they believe that bancassurance has a very bright future because there is an immense potential for the insurance industry in India. But 10% believe that due to the emergence of the new technology the visits in the bank branches are going to be less because of ATM's and e-banking. So there is not much scope for it.
- Out of total 30 bank employees surveyed, 73.3% of employees are involved in the activity of bancassurance and remaining 26.7% employees are not involved in the activity of bancassurance. It is observed that, major portion of the employees area involved in the activity of bancassurance.
- Out of 30 employees, 36.4% employees have been given formal training for cross-selling of bancassurance products and the remaining 63.6% have not been given any training for

bancassurance. It has been observed that, maximum number of employees have not been given training for cross-selling of bancassurance products.

- It was observed that major portion i.e. 80% employees told that bancassurance is helping in the diversification of revenue to the bank and the remaining 20% of the employees say that it is not helping in the diversification of revenue to the banks.
- 90% employees told that bancassurance is helping in increasing the customer loyalty to the banks and the remaining 10% of the employees say that it is not helping in increasing the customer loyalty to the banks.
- It was observed that major portion i.e. 70% employees told that bancassurance is helping in increasing the total other incomes of the banks and the remaining 30% of the employees say that it is not helping in increasing the total other incomes of the banks.
- 82% employees told that their work content is enriched by the activity of bancassurance and the remaining 18% of the employees say that it is not enriched by the activity of bancassurance. It is observed that maximum number of employees told that their work content is enriched by the activity of bancassurance.

The figures of net profit, total income generated through life insurance and general insurance business and the proportion of income with net profit of the banks reveal that bancassurance is not a significant earner for the banks. However, to elaborate on the above, following trends have been noticed:

- Income from life insurance business of banks like Corporation Bank, ICICI Bank, IDBI Bank and SBI has increased significantly. Whereas, insurance income from Andhra Bank, Canara Bank and OBC showed a fluctuating growth trend.
- Income from general insurance business of HDFC bank shows a very successful and a stable growth trend as compared to the other banks. Banks like Canara and OBC has shown a moderate but stable growth in all subsequent years. Whereas, insurance income from Corporation Bank, ICICI Bank and IDBI Bank showed a fluctuating growth trend. The worst affected performance in the general insurance business has been of SBI which has shown a constant loss from their inception.
- The total insurance income (Life insurance + General insurance) of Corporation Bank, ICICI Bank, IDBI Bank and SBI shows a very successful and a stable growth trend as compared to the other banks. Whereas, total insurance income from Andhra Bank, Canara Bank, HDFC Bank and OBC showed a fluctuating growth trend.
- The proportion of insurance income to the net profit of the selected banks ranges from 1% to 19% which proves that banks are not a significant earner of bancassurance products as it contributes a very small amount of profit when compared to its proportion of net profit.
- There is a possibility of progress in future which is indicated by the total insurance income of banks like Corporation Bank, ICICI

Bank, IDBI, and SBI. So in future, bancassurance can be a significant product to earn the income.

Therefore, from the above statements we can conclude that bancassurance is still in its infancy stage and gradually it is gaining recognition in the market. Insurance companies are using banks to sell their products because of the wide network of the banks. As bank is an instrument for insurance companies for earning income, insurance companies are taking a huge portion from the profits of the banks for their business. Growth rate of insurance income is remarkable in some of the banks so there is very good scope for further development in the selling of bancassurance products by the banks in the long run. Hence, it is too early to judge its potential today.

I have covered some of the private and public banks, co-operative and foreign banks are not covered under this study. There is definitely scope for further study on bancassurance in co-operative and foreign sector banks. Moreover, I have undertaken this study from the year 2008 to 2013 and that too covering only eight selected banks in Vadodara district. Therefore there is scope of further study.

In a nutshell it can be said that, a lot of facts could be generated from this study. A mine of information could be elicited from this coverage, though many constraints and difficulties were faced, but having had just a simple idea about bancassurance, a detailed research in this topic helped to find how important bancassurance can be for bankers, insurers as well as the customers. Since very few research and dissemination of bancassurance have reached these areas, this study provided a comprehensive and representative data which is very challenging for future research. I am satisfied that all my objectives have been met to its fullest.

I strongly feel that though bancassurance is not being utilized to its fullest, it surely has a bright future ahead. India is at the threshold of a significant change in the way insurance is perceived in the country. Bancassurance will positively play a significant role as an alternative distribution channel and will transform the way insurance is sold in India.

The bridge has been built and many have started taking cautious steps across it, now it is a matter of time to see how this progresses. Bancassurance strategy would be win-win situation for all the parties involved - customers, insurance companies and banks. Bancassurance in India has just taken a flying start and it has a long way to go. After all, THE SKY IS THE LIMIT!

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NOTES:

1. In this research, financial Institutions are not taken into an account only banks are brought into consideration.

2. Most of the people are chosen for data collection, were connected with the banks that used to sell the insurance products.

3. Certain views are also derived from the people who have filled the questionnaire for this particular research. These persons were really very helpful for making this research paper completed.

APPENDIX

सत्यं शिवं सुन्दरम्

DEPARTMENT OF ACCOUNTING AND FINANCIAL MANAGEMENT
FACULTY OF COMMERCE
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Lokmanya Tilak Raod, Sayajigunj, Vadodara
Ph. (+91) – 0265 – 2795557/2780014

Date: 05/12/2012

To,
The Branch Manager,
The State Bank of India,
Cantonment Branch,
Fatehgunj, Vadodara.

Sub.: Permission for conducting the survey for research study

Respected Sir,

My student, Tripti .M. Gujral, from Faculty of commerce, M. S. University, Vadodara, is pursuing her Ph.D. in Accounting and Financial Management on subject titled "An Impact of Bancassurance Product on Banking Business in India – An Indepth Study".

I request you to grant my student permission to conduct her survey and collect the necessary information from the employees and customers of your esteemed organization for her doctoral research.

These samples gathered during the survey would purely be used for research purpose and would be kept confidential.

I request you to help the student for her academic career.

Thanking you,
Yours Sincerely,

(Dr. S.R. Kulkarni)
Research Guide, Reader.

Respected Sir/Madam,

I, Tripti .M. Gujral, from The Maharaja Sayajirao University of Baroda, Department of Accounting and Financial management, Faculty of Commerce, am pursuing my PhD under the guidance of Dr.S.R.Kulkarni, wherein my subject is "An impact of bancassurance product on banking business in India – An in-depth study". Considering the reputation of your esteemed organization, I would like to include your valued organization to be a part of my research work.

I request you to kindly spare just a few minutes to fill in the questionnaire below. All you have to do is tick or mark options or give your view in a line or two. This valuable information from you will greatly help me to further proceed my research work.

I shall remain grateful for your help in which ever way possible.

Thanking you,
Yours truly,

Tripti .M. Gujral — Dr.Shirish kulkarni
(Research student) — (Research Guide, Reader)

QUESTIONNAIRE FOR THE EMPLOYEES OF THE BANK

1) Name:

2) Age:

3) Designation:

4) Are you aware of bancassurance activity?

   a. Yes ☐
   b. No ☐

5) Have you been given any training for bancassurance?

a. Yes ☐
b. No ☐

6) Is the activity of bancassurance helping in diversification of revenue to the bank?

a. Yes ☐
b. No ☐

7) Do you think bancassurance is increasing customer loyalty to the bank?

a. Yes ☐
b. No ☐

8) In your opinion is bancassurance increasing total other income of the bank?

a. Yes ☐
b. No ☐

9) Do you think your work content is enriched by the activity of bancassurance?

a. Yes ☐
b. No ☐

10) What are the advantages and disadvantages of bancassurance?

<u>THANK YOU</u>

DEPARTMENT OF ACCOUNTING AND FINANCIAL MANAGEMENT
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Shri ganeshay namah
Respected Sir/Madam,

I, Tripti .M. Gujral, from The Maharaja Sayajirao University of Baroda, am pursuing my PhD under the guidance of Dr.S.R.Kulkarni, wherein my subject is "An impact of bancassurance product on banking business in India – An in-depth study"

I request you to kindly spare just a few minutes to fill in the questionnaire below. All you have to do is tick or mark options or give your view in a line or two. This valuable information from you will greatly help me to further proceed my research work.

I shall remain grateful for your help in which ever way possible.

Thanking you,
Yours truly,

Tripti .M. Gujral — Dr.Shirish kulkarni
(Research student) — (Research Guide, Reader)

QUESTIONNAIRE FOR THE CUSTOMER'S OF THE BANK

1) Name of the respondent

2) Age of the respondent

3) Educational Qualification of the respondent

4) Annual Income of the respondent

5) Are you aware of bancassurance?

   a. Yes ☐
   b. No ☐

6) Have you taken any insurance policy from your bank?

a. Yes ☐
b. No ☐

7) What type of insurance policies have you taken from your bank?

a. Vehicle Insurance ☐
b. Life Insurance ☐
c. Health Insurance ☐
d. Pension Insurance ☐
e. Unit Linked Insurance ☐

8) On your choice of which mode of insurance distribution channel would you prefer?

a. Banks ☐
b. Insurance Companies ☐
c. Brokers ☐
d. Agents ☐

9) What are the reasons for buying insurance products from your banks instead from agents?

a. Personal relationship ☐
b. Trust ☐
c. Convenience ☐
d. Communication ☐
e. Financial soundness ☐
f. Expertise ☐
g. Service quality ☐

10) From where do you obtain the sources of information regarding bancassurance?

a. Advertisement ☐
b. Bank employees ☐
c. Friend ☐
☐

d. Internet
e. Published materials like brochures etc. ☐

11) Which banks do you feel would excel in bancassurance? Rate them accordingly.

a. Public Banks ☐
b. Private Banks ☐
c. Foreign Banks ☐

12) Do you think bancassurance has a good future?

a. Yes ☐
b. No ☐

THANK YOU