



## Swot Analysis For Bancassurance: Application Of Confirmatory Factor Analysis

**Sumathi Kumaraswamy**

Assistant Professor, Department of Finance,  
AMA International University, Kingdom of Bahrain  
Email: [sumathi.kumaraswamy@yahoo.com](mailto:sumathi.kumaraswamy@yahoo.com)

### **Abstract:**

*The Indian banking industry, an important tool in facilitating the development of the economy is now addressing the relevant issues to take on the multifarious challenges of globalisation. Liberalisation and deregulation of the financial sector, the greater use of financial engineering techniques and models, significant advances in information technology and most importantly the demands of customers have all resulted in greater competition in the banking industry. This increased competition makes it difficult for banks to sustain, succeed and to retain their customers. Banks have to respond to new avenues like mutual funds, foreign exchange, and security broking facilities including the sale of insurance products which could generate substantial fee income and enhance the level of customer service.*

Banking sector which are forced into diversified services need to monitor customer satisfaction in order to increase their customer base, customer loyalty, market share and for survival. Banks which places highest priority on customer service and satisfaction has a competitive edge over its competitors. Customer satisfaction is an important strategy for banks in insurance selling as the bank refers their customers to the insurance company.

This paper examines the prospects of bancassurance based on the respondents' perception towards the strengths, weaknesses, opportunities and threat factors pertaining to the bancassurance venture.

### **KEYWORDS:**

Banks, Bancassurance, Customers

### **1 INTRODUCTION**

The business of banking in India has undergone a sea change due to the integration of the global financial market, development of new technologies, universalisation of banking operation, and diversification of non-banking activities. The Narasimham Committee and the Khan Committee Reports have also facilitated this transformation in the banks to become universal service providers. Banks, world over have realised that offering value added services facilitate to meet client expectation. With the entry of new generation private sector and foreign banks with advanced base of automation and multiple channels, customers have become more discerning in the products and services offered to them. This makes it imperative for the Indian banks to provide wide variety and best possible products and services to ensure customer satisfaction. When these products are offered to the customer from the same bank branch, it automatically

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makes the branch a one stop financial provider or a super market of financial services to its customers.

The Reserve Bank of India, being the regulatory authority of the banking system has recognised the need for banks to diversify their activities at the right time permitted them to enter into insurance sector as well. Banks with their brand image and existing customer relationship offer a natural market for selling insurance products. Insurance is an ideal option as banks feel that they can fulfill the three major requirements for a successful insurance business viz., asset management and investment skills, distribution and capital adequacy. A bank, which is able to market insurance products has a competitive edge over its competitors and furthermore can impart complete financial planning service to its customers under one roof. To sum up, for banks, insurance offers opportunities like sophisticated product offerings, greater life cycle management, diversification and growth of revenue base from existing relationships, diversifying risk by tapping another area of profitability, and the realisation that insurance is a necessary customer need. Therefore, public sector banks entering into insurance business is only a natural corollary and is fully justified too as 'insurance' is another financial product bestowed to the bank customer.

## 2. REVIEW OF LITERATURE

Goran bergandahl (1995) in an article titled "The Profitability of Bancassurance for European banks" assumed that the expansion of bancassurance relied on three prerequisites (i) cross selling through existing branch network (ii) Sale of insurance products to customer of the bank (iii) products produced by a subsidiary to the bank. The author verified these assumptions in many of the banks in Europe. The author also found that, where customers per branch are sufficiently large and if cross-selling ratio is acceptable, in that particular branch, with investment appraisal assistance bancassurance came out successfully.<sup>2</sup>

Fraser and Kolari (2004) in the paper titled "What's Difference about Bancassurance"? Evidence of Wealth Gains to Banks and Insurance Companies" -a study on wealth effects in bancassurance mergers between banking and insurance firms in the period 1997-2002 found that bancassurance mergers were positive wealth creating events. On the other hand, they did not find any statistically significant change in total or systematic risks before and after bancassurance mergers. According to the authors, economic motives are the driving forces behind bancassurance mergers. However, the study suggested bancassurance model as not only legal, but also economically viable organisational form for financial service firms.<sup>10</sup>

Vineet Agarwal (2004) in the article entitled "Bancassurance: Concept, Framework and Implementation" observed the key issues faced by the banking sector today. Intense competition along with falling interest margin in banks creates an urgent need for developing sophisticated financial products and innovations. Insurance has come as an ideal option for the banks. It fulfills the major requirements for a successful insurance business viz., asset management and investment skills, distribution and capital adequacy. The author made a note in his study that French banks, those pre-dominantly choose to start-up their own operations, achieved the greatest bancassurance market shares.

Brahman R. (2004) et al. in their article "Bancassurance in India- Issues and Challenges" opined bancassurance as an established and growing channel for insurance distribution though its penetration varies across different markets. The study found that Europe has the highest penetration rate in contrast to the lower penetration in North America. According to the authors, social and cultural factors, together with regulatory considerations and product complexity determine the success of bancassurance in a particular market.

Tapen Sinha's (2005) study entitled "Bancassurance in India: Who is Tying the Knot and Why" focused on why do banks and insurance companies get into bancassurance in the emerging markets. Economies of scale and scope make this alliance attractive for both the parties. The author had also examined the reasons behind bancassurance by examining the developments and by conducting different quantitative tests. The author in his study found that there are natural synergies between banks and insurance companies. With the test results the author concluded bancassurance as one of the viable proposition for banks.

## 3 RESEARCH METHODOLOGY

The respondents of the study are the customers of State Bank of India who have purchased life insurance policies through the bancassurance channel of SBI. Final sample size was arrived at 448 under purposive sampling technique. The primary data were collected from the respondents through the structured questionnaire. The primary data collected have been processed and analysed with the help of computer soft wares and statistical tools and techniques. Statistical Package for Social Sciences (SPSS) has been the major software used. In the present study, Confirmatory Factor Analysis (CFA) has been applied to test the validity of the variables included in the SWOT factors of bancassurance. CFA is a statistical technique used

to verify the factor structure of a set of observed variables. In CFA, the theoretical model is compared with the reality model to assess the validity of the data of how well it fits the factor structure. Chi-square test and other goodness of fit statistics are some of the key indicators that help in measuring the model validity in confirmatory factor analysis.

#### **4 BANCASSURANCE-A SWOT ANALYSIS**

The comparison of strengths, weaknesses, opportunities and threats is normally referred to SWOT analysis. The central purpose of the SWOT analysis is to identify the strategies that align, fit or match a company's resources and capabilities to the demands of the environment in which the company operates. The method of SWOT analysis is to take the information from an environmental analysis and separate it into internal (strengths and weaknesses) and external issues (opportunities and threats). SWOT analysis determines what may assist the firm in accomplishing its objectives, and what obstacles must be overcome or minimised to achieve desired results.

##### **4.1 Application Of Confirmatory Factor Analysis (cfa) As A Tool Of Swot For Bancassurance**

Bancassurance as a means of distribution of insurance products is already in force. Banks are selling personal accident and baggage insurance directly to their credit card members as a value addition to their products. Banks also participate in the distribution of mortgage linked insurance products like fire, motor or cattle insurance to their customers. The prospects of bancassurance have been analysed from a different perspective by adopting the SWOT framework. Each factor is discussed with the support of statistical analysis. The researcher has applied Confirmatory factor analysis to test the validity and reliability of the factors.

##### **4.1.1 Strengths**

The major strength factors related to bancassurance business are:

In a country of more than one billion people, sky is the limit for personal line products. There is a vast untapped potential waiting to be mined particularly for life insurance products;

Banks have the credibility established with their constituents because of variety of services and schemes provided by them. They also enjoy pride of place in the hearts of people because of their long presence and sustained image;

Our other strength lies in a huge pool of skilled professionals whether it is banks or insurance companies who may be easily relocated for any bancassurance venture;

Vast network of branches spread in the nook and corner of the country represent faith and goodwill of bank customers – the essential condition for any financial services industry;

Automation in bank branches is growing, and the trend will continue;

Banks are very well aware of the psychology of the customers because of their interaction with the customers on regular basis. Hence, the bankers can guess the attitude and diverse needs of the customers and could change the face of insurance distribution to personal line insurance;

Substantial rural presence will help to achieve the stipulations of IRDA in respect of rural areas. Even employees have been trained to work in rural environment;

Banks expertise in treasury management will help bancassurers in investing funds mobilised through life insurance in long-dated securities, as the expansion in life insurance creates a demand for long-dated papers, especially, Government securities.

##### **4.1.1.1 Reliability and Validity of Variables in Strength**

In order to have an empirical study, the vital strength variables are subjected to analysis. The strength of bancassurance has been measured with the help of five variables and the respondents were asked to rate these variables on seven point scale. The assigned scores of these variables are from seven to one respectively.

Before summarising the strength of bancassurance, it is important to analyse the reliability and validity of the variables in strength factor. The Confirmatory Factor Analysis (CFA) has been administered to test the reliability and validity of the variables.

It results in standardised factor loading of each variable, its t-statistics, composite reliability and average variance extracted. The overall reliability of variables in strength factor has been measured with

Cronbach alpha. The results are presented in Table 4.1.1.1.

**TABLE 4.1.1.1**  
**Reliability and Validity of Variables in Strength**

<i>Sl.No</i>	<i>Variables</i>	<i>Standardised factor loading</i>	<i>t-statistics</i>	<i>Composite reliability</i>	<i>Average variance extracted</i>
1	Banks vast network of branch spread	0.8144	3.3406*	0.8141	54.49
2	Automation in bank branches	0.9024	4.1745*		
3	Highly committed and skilled bank professionals	0.8643	3.6241*		
4	Banks expertise in investment management	0.7408	2.6081*		
5	Huge number of people without life insurance	0.7917	2.7969*		
	Overall reliability			0.8541	

\* Significant at five per cent level

Table 4.1.1.1 shows that the standardised factor loading of each variables confronted with the strengths of bancassurance are greater than 0.6, reveals the content validity of variables. Furthermore, the 't-statistics' of the standardised factor loading of all the variables in strength are significant at five per cent level. This reveals the convergent validity of the variables. Since the composite reliability and average variance extracted are greater than its minimum threshold of 0.5 and 50 per cent respectively, the reliability of the variables in strength factor is verified. The overall reliability of the variables in strength factor at 0.8541 reveals that the five variables explain the strength for bancassurance to the extent of 85.41 per cent.

The analysis concludes that the included five variables in strength are explaining it to a reliable extent and can be applied for further analysis.

#### 4.1.1.2 Score on Strength of Banks (SSB) for Bancassurance

The score of strength of banks in insurance selling is computed by the mean score of the variables included in strength. The SSB in the present study is confined to less than 3, 3 to 4, 4 to 5, and above 5. The distribution of the respondents on the basis of SSB is illustrated in Table 4.1.1.2.

**TABLE 4.1.1.2**  
**Score on Strength of Banks for Bancassurance**

<i>Sl.No</i>	<i>Scores</i>	<i>Number of respondents</i>		<i>Total</i>
		<i>Male</i>	<i>Female</i>	
1.	Less than 3	65	12	77
2.	3-4	84	19	103
3.	4-5	108	58	166
4.	Above 5	57	45	102
	Total	314	134	448

Source: primary data

Table 4.1.1.2 shows that the important SSB among the respondents are 4 to 5 and 3 to 4 which constitute 37.05 and 22.09 per cent to the total respectively. The respondents with the SSB of above 5 constitute 22.77 per cent to the total. The important SSB among male respondents are 4 to 5 and 3 to 4 which constitutes 34.39 and 26.75 per cent to its total of 314 respondents. Among female respondents these two are 4 to 5 and above 5 which constitutes 43.28 and 33.58 per cent to its total respondents numbering 134. The analysis reveals that the female respondents perceive that the banks have more strength in bancassurance business, than their counterparts.

#### 4.1.2 Weaknesses

Banks, world over as also in India, are going through rough weathers following economic slow down. In addition, the strength of many Indian banks has been traditionally hampered, inter alia, by high Non Performing Assets (NPA) levels, massive provisioning requirements, gross capital adequacies, financial irregularities and accounting problems. These weaknesses, coupled with the strict entry norms of IRDA on one hand and RBI on the other hand for banks' entry into insurance business, raise questions about the possibility of many banks venturing into this;

- The vast network of branches, as referred in the strength factors of bancassurance is considered as 'burdensome' by many banks, and to some extent, it is justified. The present strategy is of consolidation of banks and branches. Banks at present are not cautious about expanding their branch network but also closing down or merging several branches. As evidence it is relevant to mention the merger of State Bank of Saurashtra and State Bank of Indore with SBI. This trend will weaken the distribution system for bancassurance products;

- After the implementation of Voluntary Retirement Scheme (VRS), many banks are complaining of staff shortage at all levels. In such scenario, until banks complete their manpower rationalisation exercise, redeployment of staff for bancassurance activities will be limited and may invite ire of unions and associations. Further, not many of the staff members would be willing to work in rural/semi-urban centers;

- There are many differences in the way of thinking and business approaches of bankers and the managers of insurance companies. Banks are traditionally "demand-driven" organisations with reactive selling philosophy. Insurance organisations are usually "need-driven" and have proactive, aggressive selling philosophy;

- Another weakness is the inflexibility of the bancassurance products, i.e., it cannot be tailor made to the requirements of the customer. For a bancassurance venture to succeed, it is extremely essential to have an in-built inflexibility so as to make the product attractive to the customer;

- Lack of networking among branches-in spite of growing emphasis on Total Branch Mechanisation (TBM) and full computerisation of bank branches, the rural and semi-urban banks have to still to see information technology as an enabler. Complete integration of branch network involves huge investment for creating IT and communication infrastructure;

- Low savings rate- though we have a huge market for insurance policies, the middle class who constitutes the bulk of this market is today burdened under inflationary pressures. The secret lies in inculcating saving habit, but considering the amount of surplus funds available with the middle class for investing in future security, the ability to save is very nominal.

##### 4.1.2.1. Reliability and Validity of Variables in Weaknesses

Of the above said weaknesses, the vital variables indicating the weaknesses of bancassurance has been included for statistical analysis. The vital weaknesses of bancassurance have been analysed with the help of CFA. The respondents were asked to rate the weaknesses at seven point scale and the scores are included for analysis. Before proceeding with the summarisation of the weaknesses of bancassurance, it becomes essential to analyse the validity and reliability of the variables. The reliability and validity of the variables indicating the weaknesses for bancassurance is tested with the help of Confirmatory Factor Analysis. It results in standardised factor loading of each variable, its t-statistics, composite reliability and average variance extracted. The overall reliability of variables in weaknesses has been measured with Cronbach alpha. The results are illustrated in Table 4.1.2.1

**TABLE 4.1.2.1**  
**Reliability and Validity of Variables in Weaknesses factor**

<i>Sl.No</i>	<i>Variables</i>	<i>Standardised factor loading</i>	<i>t-statistics</i>	<i>Composite reliability</i>	<i>Average variance extracted</i>
1.	Re-location of bank employees from urban to rural areas	0.7415	2.6512*	0.7465	52.03
2.	Level of networking among branches	0.7089	2.2499*		
3.	Inflexibility of bancassurance products	0.8245	3.4568*		
4.	Difference in bank and insurance service culture	0.7147	2.3646*		
5.	Low savings rate of the people	0.6845	2.0149*		
	Overall reliability		0.7917		

\* Significant at five per cent level

Table 4.1.2.1 shows that the standardised factor loading of the variables in opportunities is greater than 0.6, it satisfy the content validity of the factor. Furthermore, the 't-statistics' of the standardised factor loading of all variables in the weaknesses factor are significant at five per cent level. It shows the convergent validity of the variables. Since the composite reliability and average variance extracted by the weaknesses variables are greater than its minimum threshold of 0.5 and 50 per cent, it shows the reliability of the variables. The overall reliability of the variables at 0.7917 reveals that the five input variables explain the weaknesses of bancassurance to the extent of 79.17 per cent. Hence, all these indicators are showing the validity and reliability of the variables included in the opportunities factor for further analysis.

#### 4.1.2.2. Score on Weakness (SWB) for Bancassurance

The score of weaknesses of bancassurance are drawn from the mean score of the five variables included in weaknesses. The SWB in this analysis is measured from less than 3, to above 5. The distribution of the respondents on the basis of SWB is illustrated in Table 4.1.2.2

**TABLE 4.1.2.2**  
**Score on Weaknesses for Bancassurance**

<i>Sl.No</i>	<i>Scores</i>	<i>Number of respondents</i>		<i>Total</i>
		<i>Male</i>	<i>Female</i>	
1	Less than 3	76	26	102
2	3-4	144	49	193
3	4-5	57	41	98
4	Above 5	37	18	55
	Total	314	134	448

Source: primary data

Table 4.1.2.2 shows that the most important SWB among the total respondents is 3 to 4 and less than 3 which constitute for 43.08 per cent and 22.77 per cent respectively. The SWB from 4 to 5 is represented by 21.88 per cent of the respondents. To be specific, the important SWB among male respondents are 3 to 4 and less than 3 which comprise of 45.86 and 24.20 per cent respectively. From a total of 134 female respondents, the important SWB are 3 to 4 and 4 to 5 which account for 36.57 per cent and 30.60 per cent. Hence the analysis reveals that the male respondents perceive that banks indulge more weaknesses in bancassurance business compared with female respondents.

### 4.1.3 Opportunities

· Today, life in general, has become more uncertain and risky. Not only man-made dangers (burglary, accidents, terrorist activities, hijacking, and the like) are on the rise but also natural catastrophes (earthquake, flood, cyclone, and the like) are becoming less frequent than ever. One certainly does not welcome such uncertain times, but these uncertain times create opportunities for insurance business;

· The joint family system, which functioned like an insurance system, is gradually collapsing due to several reasons. More and more nuclear families are coming up, and with this, the demand for life-cover for the head of the family and family member is also rising;

· An outcome of the above-mentioned phenomenon is that the elderly members in families are being gradually required to manage themselves either out of their own volition of not becoming dependent on their children or being compelled in one way or the other by their children. Thus, the old generation has to plan for their financial safety and security at their old age, and the awareness is also increasing in this regards. This speaks well for insurance products;

· Data mining- banks have a huge customer database which has to be properly leveraged. Target segments should be identified and tapped;

· Today, as bank branches are the origins for financial needs of any productive venture, these branches can simultaneously sell insurance products to borrowers, particularly, non-life products, instead of obtaining the same non-life cover from other insurers. Such one-stop mechanism may also save borrower from many headaches;

· Bancassurance provides a good opportunity for the Indian banks to increase their fee based income. The Indian banks' net interest margin or spread has come down substantially, whereas their operating cost has been increasing. The trend is expected to continue in the near future. Increased fee-based income through distribution of insurance products will compensate for the loss in spread. Moreover, in cases where insurance business is carried out as a subsidiary, the dividend income from the subsidiary will also add to the parent bank's profitability and return on assets;

· The Central Government has approved a voluntary retirement scheme for the insurance sector. This would provide an opportunity for bancassurers to hire such retired insurance employees, i.e., readymade talents, into their business;

· Another potential area of growth of bancassurance is exploiting the corporate customers and tying up for insurance of the employees of corporate clients.

#### 4.1.3.1. Reliability and validity of variables in opportunities

The opportunities for bancassurance have been measured with the help of five variables which are measured at seven point scale. Before summarising the variables on opportunities of bancassurance, it becomes an important consideration to analyse the reliability and validity of the variables in the 'opportunities' factor. For this purpose, Confirmatory Factor Analysis has been administered. It results in standardised factor loading of each variable, its 't-statistics', composite reliability and average variance extracted. The overall reliability of the variables on opportunities for bancassurance has been measured with Cronbach alpha. The result of CFA is shown in Table 4.1.3.1.

**TABLE 4.1.3.1**  
**Reliability and Validity of Variables in Opportunities factor**

<i>Sl.No</i>	<i>Variables</i>	<i>Standardised factor loading</i>	<i>t- statistics</i>	<i>Composite reliability</i>	<i>Average variance extracted</i>
1	Banks as financial supermarket/ whole range of financial services.	0.7196	2.2645*	0.7441	51.57
2	Banks customer database	0.7908	2.7601*		
3	Banks can increase its fee based income	0.8441	3.5088*		
4	Bank's chance to appoint voluntarily retired staff from insurance companies	0.7267	2.4463*		
5	Banks can attract Corporate Customers for group policies	0.7814	2.6992*		
	Overall reliability		0.7884		

\* Significant at five per cent level

Table 4.1.3.1 shows that the standardised factor loading of the variables in strengths are greater than 0.6 which shows the content validity of the factor. The 't- statistics' of the standardised factor loading of the variables are significant at five per cent level, which reveals the convergent validity. The composite reliability is greater than 0.5 and average variance extracted exceeds 50 per cent. The overall reliability reveals that the five input variables explain the opportunities for bancassurance to the extent of 78.84 per cent. All this indicators reveals the validity and reliability of the variables included towards the opportunities of bancassurance to proceed with further analysis.

#### 4.1.3.2. Score on Opportunities for Banks (SOB) in Bancassurance Venture

The scores on opportunities for banks in insurance selling in computed by the mean score of the variables included in opportunities. The SOB ranges from less than 3 to above 5. The distribution of the respondents on their basis of SOB is illustrated in Table 4.1.3.2

**TABLE 4.1.3.2**  
**Score on Opportunities for Banks in Bancassurance**

<i>Sl.No</i>	<i>Scores</i>	<i>Number of respondents</i>		<i>Total</i>
		<i>Male</i>	<i>Female</i>	
1	Less than 3	58	27	85
2	3-4	77	26	103
3	4-5	95	39	134
4	Above 5	84	42	126
5	Total	314	134	448

Source: primary data

The important SOB among the respondents is 4 to 5 and above 5 which constitutes for 29.91 and 28.13 respectively. The respondents with the SOB for bancassurance from 3 to 4 are 22.99 per cent. The important SOB among male respondents are 4 to 5 and 3 to 4 which constitutes 30.25 and 26.75 per cent respectively.

Among female respondents, the important SOB is above 5 and 4 to 5 which comprise of 31.34 and 29.10 respectively. The analysis shows that the both male and female respondents more or less perceive equally on the SOB in bancassurance venture.

#### 4.1.4 Threats

Success in bancassurance venture requires a change in approach, thinking and work culture on the part of everybody involved. Our work force at every level are so well entrenched in their classical way of working that there is a definite threat of resistance to any change that bancassurance may set in. Any relocation to a new company or subsidiary or change from one work to a different kind of work will be resented with vehemence;

- 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 to life insurance;

- The investors in the capital market may turnoff their face in case, the rate of return on capital falls short of the existing rate of return on capital. Since banks and insurance companies have major portion of their income coming from the investments, the return from bancassurance must at least match those returns;

- Success of bancassurance would also depend on the extent to which and how fast the technology is being used for banking operations can be used for meeting the technology requirements for insurance business. Otherwise, banks will have to incur large investments for putting in place the technological infrastructure for bancassurance operations;

- LIC and the four subsidiaries of GIC are well established in their respective lines of businesses. Opening up of the insurance sector has also awakened them, and being old players, they would like to take their competitors, who are new, on the horns. Thus, they will strive to become more competitive, and will be supported by their financial and non-financial strength, including the lobbying power. This would pose a threat to the new bancassurers. Too much of competition may lead to accentuation of the adverse selection and moral hazards problems, which may ultimately prove detrimental to the insurance industry as a whole;

- Also if the unholy alliances are allowed to take place, there will be fierce competition in the market resulting in lower process and the bancassurance venture may never break-even;

- In case of failure of the bancassurance operation, the bank runs the threat of image and reputation risk.

- Similarly, the threat of cannibalization – the insurance products being competitive products to bank's term deposits would exist.

##### 4.1.4.1 Reliability and validity of threat variables

From the list of the threats discussed above, the vital threats to banks in selling insurance are subjected to statistical analysis. A host of five variables detailing the threats to bancassurance has been considered for analysis. The respondents were asked to rate the threat variables on seven point scale. The assigned scores are from seven to one respectively. Before summarising the threats for bancassurance, it is quite important to analyse the validity and reliability of the variables included. Confirmatory Factor Analysis has been administered to test the reliability and validity of the threat variables. It results in standardised factor loading of each variable, its t-statistics, composite reliability and average variance extracted. The overall reliability of variables in strength has been measured with Cronbach alpha. The results are presented in Table 4.1.4.1

**TABLE 4.1.4.1**  
**Reliability and Validity of Threat Variables**

<i>Sl.No</i>	<i>Variables</i>	<i>Standardised factor loading</i>	<i>t-statistics</i>	<i>Composite reliability</i>	<i>Average variance extracted</i>
1	Non-response from customers	0.7644	2.5969 *	0.7191	50.86
2	Risk on image and reputation of banks	0.7019	2.3014 *		
3	Fluctuation in the rate of return on the policies	0.6908	2.2965 *		
4	Change in nature of work of bank employees	0.7233	2.4068 *		
5	Insurance products as competitive to bank products.	0.6811	2.1411 *		
	Overall reliability			0.7391	

\* Significant at five per cent level

Table 4.1.4.1 shows that the standardised factor loading of the threat variables are greater than 0.6, which satisfies the content validity of the factor. Since the 't-statistics' of the standardised factor loadings of all the variables in threats are significant at 5per cent level, the analysis reveals the convergent validity of the variables. Furthermore, the composite reliability at 0.7191 and the average variance extracted at 50.86 are greater than their minimum threshold of 0.5 and 50 per cent, it reveals the total reliability of the threat variables. It can also be concluded that the overall reliability of the five input variables explain the variables in threat factor to the extent of 73.91 per cent. Hence, the analysis reveals that the included five threat variables are explaining it to a reliable extent and thus facilitate further analysis.

#### 4.1.4.3 Score on Threats for Banks in Bancassurance Business

The score on threats for bancassurance is computed by the mean score of the variables included in threat. The STB in the present study is restrained to less than 3, 3 to 4, 4 to 5 and above 5. The distribution of the respondents on the basis of STB is shown in Table 4.1.4.3

**TABLE 4.1.4.3**  
**Score on Threats for Bancassurance**

<i>Sl.No</i>	<i>Scores</i>	<i>Number of respondents</i>		<i>Total</i>
		<i>Male</i>	<i>Female</i>	
1.	Less than 3	86	45	131
2.	3-4	97	39	136
3.	4-5	104	27	131
4.	Above 5	27	23	50
	Total	314	134	448

Source: primary data

Table 4.1.4.3 shows that the most important STB among the respondents is 3 to 4 which constitutes 30.36 per cent to the total. 29.24 per cent of the respondents expressed their STB at less than 3 and 4 to 5. To be specific, the male respondents important STB are 4 to 5 and 3 to 4 which account for 33.12 and 30.89 per cent respectively. When it comes to female respondents, the important STB are less than 3 and 3 to 4 which comprises 33.58 and 29.10 per cent. The analysis reveals that the male respondents perceive that banks face more threats for banks dealing with bancassurance, than the female respondents.

#### 4.2 Comparative Analysis On Swot Factors Of Bancassurance

Though the strength, weaknesses, opportunities and threat factors are discussed separately and analysed

with appropriate statistical tools, it is imperative to find the pooled data of the factors to arrive at the prospect for bancassurance from the respondents view point. For this purpose, the mean scores are computed for each of the SWOT factors of bancassurance among male and female respondents and the results are shown in Table 4.2

**TABLE 4.2**  
**Comparative Analysis on SWOT factors of Bancassurance**

<i>Sl.No</i>	<i>Group of respondents</i>	<i>Mean of SSB</i>	<i>Mean of SWB</i>	<i>Mean of SOB</i>	<i>Mean of STB</i>
1	Male	4.1265	3.7962	4.2452	3.8662
2	Female	4.6568	3.8806	4.3172	3.8768
	Overall	4.2851	3.8214	4.2667	3.8694

Table 4.2 shows that the overall score of strengths is greater than the overall score of weaknesses for bancassurance. This implies that the respondents are highly perceived by the strengths on banks dealing with insurance selling. Similarly, the overall score for opportunities of bancassurance is relatively greater than the mean score of threats to bancassurance, which reveals that the respondents highly perceive the opportunities for bancassurance.

#### 4.2.1 Gender Wise Perception on SWOT Factors of Bancassurance

The present study has made an attempt to analyse the gender wise perception on the prospects for bancassurance. For this purpose, initially the gap between Strengths and Weaknesses (SSB-SWB); Opportunities and Threats (SOB-STB) has been computed with the help of the respective mean score and standard deviation. Then, 't'-test has been administered to find the significant difference among male and female respondents about their perception between Strengths and Weaknesses; Opportunities and Threats. The results are shown in Table 4.2.1

**TABLE 4.2.1**  
**Gender Wise Perception on SWOT Factors of Bancassurance**

<i>Sl.No</i>	<i>Groups</i>	<i>SSB-SWB</i>		<i>SOB-STB</i>	
		<i>Mean</i>	<i>Standard deviation</i>	<i>Mean</i>	<i>Standard deviation</i>
1	Male	0.3303	0.0442	0.3790	0.0519
2	Female	0.7762	0.0611	0.4404	0.0664
	Overall	0.4637	0.0593	0.3973	0.0576
	t-statistics	-3.4109*		-2.0142*	

\* Significant at five per cent level

Table 4.2.1 shows clearly that the gap between Strengths and Weaknesses of bancassurance among female at 0.7662 is greater than male at 0.3303. This implies that the female respondents are highly perceived by the strengths than weaknesses of bancassurance. Similarly, female respondents highly perceive the opportunities for bancassurance, because the mean difference among opportunities and threats among male and female are 0.4404 and 0.3790 respectively. To sum up, it can be concluded that the female respondents appreciate the provision of insurance services by banks and are of the positive view that bancassurance have a wider scope in the near future. Regarding the gap between the strengths and weaknesses, opportunities and threats, the study finds significant difference among male and female respondents since their respective 't-statistics' are significant at five per cent level.

## 5 CONCLUSION

Bancassurance provides ample scope for the banks to diversify and to increase their fee based income by leveraging the existing customer database. The prospects for bancassurance seem to be bright based on the scores rated by the respondents. The customers well perceive the bancassurance venture which would ultimately ends up with multiple benefits to customers. The benefits to customer range from better service

quality, advice on financial planning, credibility, transparency dealing, ease of renewals, electronic banking and the like. In addition, bancassurance offers customers with comprehensive financial services under one roof. The customer has the satisfaction of the brand strength of the bank, his relationship and trust on the bank. The products sold through bancassurance can give better value and offer lesser premiums for customers due to lower distribution costs. In a nut shell, bancassurance assists customers in terms of reduced price, diversified, quality products and doorstep service. 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.

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