

RESEARCH ARTICLE

# Measuring Customers' Perception in Bancassurance Channel Using Psychometric Scale

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**Abstract:** The study attempts to investigate the customers' perception towards bancassurance channel. Customers' perception towards bancassurance is studied by considering six attributes, namely, compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy. The study is based on primary data collected using structured questionnaire from the customers buying life insurance policy of SBI Life through different branches of State Bank of India in Guwahati City of Assam. Cronbach's alpha is used to test the reliability of the questionnaire. Other statistical tools like Mean, Standard Deviation, Kolmogorov-Smirnov, and Friedman test were used to arrive at suitable conclusion. The study finds that customers have favourable perception regarding reliability, responsiveness, empathy, and assurance of bancassurance channel. Customers perceive that bank's tangible infrastructure is adequate for providing insurance service and the bank has moderate compliance with insurance related rules and regulations. Favourable customers' perception towards bancassurance channel is very important as it is expected to bring more customers for the bank.

**Keywords:** Bancassurance, Banks, Customers' Perception, Insurance, State Bank of India (SBI), Service quality

**JEL Classification:** M21, M310, M370

In today's competitive marketplace, customers' perceptions are becoming important for gaining sustainable competitive advantage. Measuring customers' perceptions has become an important tool for evaluating marketing strategies. This is because there is a growing customers' perception that company's image and its products affect the buying decision of customers.

In the case of a bank, customers' perception is formed through its customers' assessment of the quality of service provided and their satisfaction level with its overall service (Zeithaml & Bitner, 2003). Customers'

perception with respect to a bank means the customers' overall picture of the bank, including bank's image, expectations, external influences, service quality, and so forth. All interactions that occur between the customers and the bank will ultimately affect the customers' view and image of the bank. All that the customers see, hear, and experience are linked together and form their overall perception towards the bank (Aspfors, 2010).

With the advent of financial deregulation and globalization, competition in the banking sector is getting fierce day-by-day. In this dynamic competitive

scenario, banks are devising new products and formulating new business models in order to gain competitive advantages over their competitors. One such model is “bancassurance” (Malik, 2014).

After liberalization of the insurance business, this model has gained considerable momentum. Bancassurance is a combination of the term “Bank” and “Insurance.” It is a business model that refers to the selling of insurance policies through a bank’s established distribution channels (Aggarwal, 2004). It is the concept of a bank selling insurance plans along with a complete range of banking and investment products and services (Venugopal, 2011). Here, the bank simply plays the role of an intermediary for sourcing business to the insurance company.

In bancassurance model, banks do not only face competition from other banks. Rather, they also face competition from insurance companies and individual insurance agents working under agency channel. In order to survive this cutthroat competition, it is essential for banks to understand their customers’ perception towards bancassurance channel.

Today’s banking customers are more aware and rational in their selection of service provider (Kaur, Sharma, & Kapoor, 2012). Thus, amidst the avenue of substitutes, there is every possibility for customers to opt for competitors. Therefore, it is necessary to identify the factors that attract customers to visit any particular bank to buy an insurance policy. The bank must attempt to address the needs of their clients constantly. This would help a bank generate a competitive advantage over others. It also facilitates a bank to differentiate itself from its competitors. One of the best ways to address customers’ need effectively is by knowing the customers’ perception of the service provided by the bank (Zemke & Woods, 1998). Customers’ perception alone influences overall service quality of a bank (Boulding, Kalra, Staelin, & Zeithaml, 1993). Thus, it would enable the bank to provide and promote effectively those products and services that would be in demand and thereby endure the competition of insurance business.

Through bancassurance channel, bank earns significant non-interest income in the form of commission. This posits bancassurance channel as lucrative model for banks. Hence, exploring customers’ perception of bancassurance channel can be a matter of financial significance for banks.

The rest of the paper is organized as follows: section 2 focuses on measurement of customers’ perception towards bancassurance channel; section 3 discusses the attributes considered for measuring customers’ perception of bancassurance; section 4 depicts objectives of the study; section 5 presents hypothesis considered for the study; section 6 throws light on data and research methodology adopted to carry out the study; section 7 focuses on the analysis and findings; section 8 discusses about the policy implication and conclusion of the study; and lastly, section 9 portrays the scope of future research.

### **Measurement of Customers’ Perception Towards Bancassurance Channel**

There have been numerous studies on measuring the perception of customers. Out of them, a significant number of studies have been done on measuring the customers’ perception especially for banking and insurance industry. Zeithaml, Bitner, and Glemmler (2009) have calculated customers’ perception as the difference between the scores of expected service regarding a particular dimension and perceived service on the same dimension. Customers’ perception towards service quality is difficult to quantify. However, Renganathan, Balachandran, and Govindarajan (2012) were of the opinion that customers’ perception can be measured by ensuring that a service is provided as per customers’ perception and expectation. Dabholkar, Thorpe, and Rentz (1996) proposed that customers’ perceptions are multilayered and comprise of customers’ overall perception of quality (physical attributes, reliability, personal interaction, problem solving, and policy), and other sub-dimension (appearance, convenience).

Bahia and Nantel (2000) proposed a specific scale—Bank Service Quality (BSQ)—for measuring customers’ perception in retail banking. It consists of six dimensions, namely, effectiveness and assurance, access, price, tangibles, service portfolio, and reliability. Aldlaigan and Buttle (2002) have developed and validated a new 21-item scale that describes customers’ perceptions comprising of four dimensions, namely, service system quality, behavioral service quality, service transactional accuracy, and machine service quality. The scale developed by Aldlaigan and Buttle (2002) was based

on the technical and functional service quality schema proposed by Gronroos (1984).

Popli and Rao (2009) found from their survey that trust, personal relationship, and convenience are the main reasons for buying insurance products from a bank vis-à-vis bancassurance channel. Choudhury and Singh (2015a) and Choudhury, Singh, and Saikia (2016) studied experience of customers with regard to bancassurance channel. Ali and Chatley, (2013) measured the customers' perception towards bancassurance, considering the dimensions like ease in premium payment, timely intimation of policy details, and staff behavior. Factors like payment equity, experience, image, service convenience, interpersonal relationship, and trust affect customers' perception in buying insurance from banks (Fan, Lee, Tang, & Lee, 2011). Customer perceives bancassurance channel as an authentic source to purchase insurance policy (Satsangi, 2014; Kumari, 2012). Soni and Rao (2014) and Choudhury and Singh (2015b) have measured the customers' perception using psychometric scale towards bancassurance with respect to the channel's reliability. Tiwari and Yadav (2012) found that customers perceive bancassurance channel as trustworthy and safe. Choudhury and Singh (2015c) found that there is relatively high degree of responsiveness of bancassurance channel. Choudhury and Singh (2015c) have used a psychometric tool for which necessary reliability and validity test was claimed to be done. In the life insurance industry in India, responsiveness dimension of service quality provides maximum customer satisfaction (Goswami, 2007; Parthivan, 2014).

Khurana (2013) has studied the gap between customer's expectation and perception towards the reliability dimension of service quality in Indian life insurance industry using a questionnaire and found that Indian customers perceive Indian life insurance industry as relatively reliable. Another study by Duodu and Amankwah (2011) concluded that reliability has a significant impact on customer satisfaction in insurance industry in Ghana. Singh and Kaur (2011) in their study revealed that responsiveness, tangibles, services innovation, reliability and accessibility, assurance, pricing and other facilities, problem solving capability, and convenient working hours are the main determinants of customer satisfaction in insurance industry as perceived by the customers. Safety and security, risk coverage, and agent's cooperation are the

factors that are perceived by the customers as the main motivators to buy the insurance products from agency channel (Karthiga & Vadivalagan, 2013). Sandhu (2011) concluded that proficiency, physical and ethical excellence, and functionality has significant impact on the overall customers' perception towards service quality of Life Insurance Corporation of India (LICI).

Rajan and Gomatheeswaran (2013) have found that customers do not evaluate a bank on the basis of its being public or private; rather, they give importance to how conveniently they get their products/services. Employee and customer perception of service quality are related with each other in retail bank (Clark, 1997).

The most significant work in the context of customer's perception is done by Parasuraman, Berry, and Zeithaml (1988). They developed SERVQUAL scale to measure customer's perception of service quality. The scale consists of five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. The SERVQUAL instrument has been the predominant method used to measure customers' perceptions of service quality (van Iwaarden, van der Wiele, Ball, & Millen, 2003). SERVQUAL has been extensively used to measure service quality of financial services (Bahia & Nantel, 2000; Lassar, Manolis, & Winsor, 2000; Cui, Lewis, & Park, 2003; Guo, Duff, & Hair, 2008).

Saraswati (2011) and Khare (2011) aimed to measure customers' perception in private banks by using SERVQUAL scale. Glaveli, Petridou, Liassides, and Spathis (2006) examined the difference in customers' perception regarding the banking services of five Balkan countries namely Greece, Bulgaria, Albania, FYROM, and Serbia. Arasli, Mehtap-Smadi, and Katircioglu (2005) aimed to measure the perception of Greek Cypriot bank customers. Tsoukatos and Rand (2006) applied SERVQUAL scale in their study of customers' perception of Greek insurance industry. Vikas (2011) and Bapat, Soni, and Joshi (2014) applied SERVQUAL scale to measure customers' perception in public and private insurance companies.

From the review of literature it has been found that there is lack of studies on customers' perception towards bancassurance. Many researchers have studied customer's perception in banking industry and insurance industry. But bancassurance, a business model that combines the features of banking and insurance industry has received little attention. This paper, therefore, focuses on measuring customers' perception

in bancassurance channel. Out of various aspects considered for measuring customers' perception, the most widely used scale of measuring customers' perception is SERVQUAL. The SERVQUAL scale is used in measuring customer's perception of service quality in five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

Along with these five dimensions, this paper considers one more dimension: perception of customers towards compliance by the bank of IRDA norms. China, a country with the fastest growing economy has given much attention on compliance of insurance business in accordance with established rules and regulations. The insurance companies and employees involved in insurance selling must adhere to related laws and regulation (China Insurance Regulatory Commission, 2007). Okediji (1992) studied the extent of compliance of Nigerian Life Insurance industry. World Economic Forum (2015) in their research report mentioned compliance to be a new set of risks for financial institutions. PricewaterhouseCoopers (2014) conducted a survey of state of compliance in insurance industry. It is mentioned in the report that compliance is vital in operational and strategic planning of insurance industry. Kabiru, Oino, and Kuloba (2012) in their study mentioned the importance of finding out challenges faced by insurance companies regarding compliance. In view of these, this study considers customers' perception towards bancassurance channel regarding tangibility, reliability, responsiveness, assurance, empathy, and compliance.

### Attributes Considered for Measuring Customers' Perception of Bancassurance

For measuring customers' perception of bancassurance, the present study has considered the following six attributes.

1. **Compliance:** Compliance is a state in which someone or something is in accordance with established guidelines, specifications, or legislation. In insurance industry, the term "compliance" means that organizations involved in insurance service and the employees and marketing staff of the organization shall carry out insurance operation and management behaviours subject to the related laws and regulations, provisions of insurance regulatory organizations, self-discipline rules of the industry, their internal management system, and the ethical code of honesty and good faith (China Insurance Regulatory Commission, 2007). In this present study, the statements considered under compliance dimension are explaining the product benefit as per the norms set by the Insurance Regulatory and Development Authority of India (IRDA) and providing insurance services as per the norms set by IRDA.
2. **Tangible Infrastructure:** It denotes bank's physical facilities, equipment, and appearance of bank personnel (Parasuraman, Zeithml, & Berry, 1990). In this study, the variables considered under this dimension are up-to-date equipment available in bank, availability of adequate furniture in bank, visually appealing physical facilities of bank, well-dressed sales personnel of bank, Internet facility of bank (Rajasekar & Kumari, 2014), and convenient location of bank's branch (Siddiqui & Sharma, 2010).
3. **Reliability:** It means the ability of the bank to perform the promised service dependably and accurately (Parasuraman et al., 1990). Choudhury and Singh (2015b) and Rajasekar and Kumari, (2014) considered the following variables to measure reliability of bancassurance channel: keeping accurate records of insurance related transaction, providing services by bank employees at the time they promise to do so, security of transaction in bank, the information provided by the bancassurance channel is accurate, trustworthiness of bank, consistency in behaviour of bank's staff, consistency in performance of bank's staff, disclosing customer's financial information to others, and bank disclosing customer's personal information to others.
4. **Responsiveness:** It denotes willingness of bank's employees to help customers and provide prompt service to the customers (Parasuraman et al., 1990). The variables considered under responsiveness dimension are providing prompt service to the customer by the bank's employees, providing the service that is exactly required by the customer, willingness

of bank's staff to help the customer, replying any query of the customer related to insurance, and providing insurance related service on favourable terms (Rajasekar & Kumari, 2014; Choudhury & Singh, 2015c).

5. **Assurance:** It is a state of customer feeling free from danger, risk, or doubts including physical safety, financial security, and confidentiality. It involves the factors such as trustworthiness, belief, and honesty (Parasuraman et al., 1990). Under this dimension, the variables considered in this study are: sympathetic approach of bank's staff, politeness of the sales personnel of bank, knowledge level of the sales personnel of bank, customers feel free to talk about insurance related problems with the sales personnel of bank, and bank personnel giving customers financial advice other than insurance (Siddiqui & Sharma, 2010).
6. **Empathy:** It includes making an effort by the bank's employees to understand the customer's individual needs, providing individualized attention to the customers, recognizing the customer when they arrive, and so on (Parasuraman et al., 1990). Under this dimension, the study considers variables like giving individual attention to the customer, bank's working hours is convenient to all customers, trying to know the actual insurance need of the customer, and gaining confidence of the customer (Rajasekar & Kumari, 2014).

## Objective of the Study

The study's objective is to understand and analyze the perception of customers towards bancassurance channel of buying life insurance policy. The paper attempts to study customers' perception towards bancassurance channel with respect to compliance with the insurance regulation, availability of tangible infrastructure, reliability, responsiveness, assurance, and empathy shown by bancassurance channel.

## Hypothesis of the Study

From the review of literature discussed, it is evident that customers' perception with respect to the

variables identified in the study can be measured. It is also evident that customers have favourable/positive perception regarding bank as a channel of distribution including that of insurance product for almost all the variables. This has given us the impetus to frame the following null hypothesis:

$H_0$ : There is no significant difference amongst perception with respect to compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy of the customers buying life insurance policies from bancassurance channel.

## Research Methods

### *Universe of the Study*

The universe of the study consists of all State Bank of India, Guwahati's customers who have received life insurance related services from the bank's 37 branches. Total number of such customers as of 11<sup>th</sup> March, 2013 was 3,315.

### *Sampling Unit and Sample Size*

Using random sampling at 95% confidence level and 5% confidence interval, a sample of 345 customers was obtained. This sampling unit consists of those customers who are registered with Regional Office of SBI Life, Guwahati, irrespective of various branches of State Bank of India in Guwahati.

### *Data Collection*

The study is mainly based on primary data. A "structured questionnaire" was used to collect the necessary information relevant for the study. For secondary data, official reports and records, journals, newspapers, and magazines are accessed.

### *Development of Questionnaire*

Questionnaire was developed to collect primary data from the bank customers who have bought insurance policy from the bank. The questionnaire was designed to measure the perception of the customers with respect to the dimensions and variables mentioned in this paper. The variables considered to measure a particular attribute were converted into statements and respondents were asked to give their opinion on those statements on a five point scale. Thus, the responses regarding the abovementioned statements

were obtained on a five-point scale ranging from 5 to 1 for each of the selected dimension where 5 denotes very high level of compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy, respectively; and 1 indicates very low level of compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy, respectively. The variables identified in the study were converted into affirmative statements that are understandable to the respondents, except a few respondents were asked to provide their opinion ranging from strongly agree to strongly disagree. Some of the questions were in reverse scaling to ensure accuracy of response.

#### *Administration of Questionnaire*

A list of 3,315 customers was obtained on 11<sup>th</sup> March, 2013. Out of these 3,315 numbers of customers, 415 customers were identified by using random table at 95% confidence level and 5% confidence interval. Then, questionnaire was distributed among these 415 customers. Out of this, 350 filled-up questionnaires were returned. After scrutinizing the 350 filled-up questionnaires, five questionnaires were found defective and incomplete. Therefore, these five filled-up questionnaires were rejected. Thus, there were 345 questionnaires filled-up accurately.

#### *Tools for Data Analysis*

To investigate the perception of the customers' towards bancassurance channel, statistical tools like mean, standard deviation, One-Sample Kolmogorov-Smirnov Test, Friedman Test, and post hoc test were used. Cronbach's alpha is used to test the reliability of scale developed to measure customers' perception with respect to identified dimensions.

## **Analysis and Findings**

### *Reliability of the Questionnaire*

The reliability of the questionnaire was tested using Cronbach's Alpha. The result of the test is given in the Table 1.

The coefficients of Cronbach's Alpha with respect to all the considered dimensions were found to be more than 0.70. A very high value of Cronbach's Alpha is indicative of very high degree of reliability of scale. It also shows that the items are highly correlated. Cronbach' Alpha of more than 0.70 is considered to be good measure of reliability of scale (Nunnaly, 1978). It also indicates that the items considered for measuring the latent variable are actually measuring the latent variable.

### *Measuring Perception of Customers Towards Bancassurance Channel*

Perception of the customers towards bancassurance channel is measured with respect to the dimensions like compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy. It is presented in detail under the following paragraphs:

#### ***I. Perception with respect to compliance shown by bancassurance channel***

Table 2 consists of two items considered for measuring perception of customers towards compliance of bancassurance channel with the various rules and regulations framed by IRDA. It is evident that customers perceive that there is relatively higher compliance of bank with regards to providing the service as per IRDA norms and the bank compliance

**Table 1.** *Reliability of Questionnaire Using Cronbach's Alpha*

<b>Dimension of Customer Perception</b>	<b>Cronbach's Alpha</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>No. of Items</b>
Perception of customers towards compliance	0.814	0.836	2
Perception of customers towards tangible infrastructure	0.780	0.784	6
Perception of customers towards reliability	0.922	0.935	9
Perception of customers towards responsiveness	0.930	0.932	5
Perception of customers towards assurance	0.772	0.805	5
Perception of customers towards empathy	<b>0.834</b>	<b>0.832</b>	4

*Source: Authors' compilation from questionnaire*

**Table 2.** *Item Statistics for Compliance*

Particulars	Mean	Std. Deviation
Providing service as per IRDA norms	3.26	0.638
Explaining product benefit as per IRDA norms	3.1	0.864

Source: Authors' compilation from questionnaire

**Table 3.** *Scale Statistics for Compliance*

Mean	Variance	Std. Deviation	No. of Items
6.36	1.945	1.395	2

Source: Authors' compilation from questionnaire

**Exhibit 1.** *Interpretation Table to Interpret Compliance Score*

Perception score	Interpretation
2–3.6	Very low level of compliance
3.6–5.2	Low level of compliance
5.2–6.8	Moderate level of compliance
6.8–8.4	High level of compliance
8.4–10	Very high level of compliance

is relatively low with regard to explaining product benefits as per IRDA norms. It is known that IRDA has set some norms and criteria for providing service and these norms and criteria have to be mentioned in the illustration prepared by the insurance company to explain the product benefit to their customers. Thus, it is assumed that banks are providing these leaflets to their customers.

There is a total of 2 numbers of items in the considered scale. The scale used for the study was a Likert scale. The variables were converted into affirmative statements and respondents were asked to provide their opinion as strongly agree, agree, moderate, disagree, and strongly disagree. For the response of strongly agree, a score of 5 was given. Similarly for the response of agree, moderate, disagree, and strongly disagree, a score of 4, 3, 2, and 1 were given respectively. Thus, for a scale consisting of 2 items, the maximum score possible is 10 (2X5) and minimum score possible is 2 (2X1). The difference in scores is 8 (10–2). It is divided by 5 to demonstrate five different layers

of perception regarding compliance. Thus, if 8 is divided by 5, the result is 1.6. Therefore, the first level of customers perception score with respect to compliance is between 2 (minimum possible score) and 3.6 (2+1.6) which is interpreted as very low level of compliance. Similarly, other intervals are calculated to demonstrate different level of customers' perception with respect to compliance with the insurance regulations. Exhibit 1 is prepared to interpret the total compliance score.

By looking at the scale statistic in Table 3, the mean score is 6.36. It falls under moderate level of compliance. Thus, it can be interpreted that customers of bancassurance perceive that banks have moderate compliance with insurance regulation.

## ***II. Perception with respect to tangible infrastructure of bancassurance channel***

Table 4 consists of items relating to availability of tangible infrastructure. It is seen in Table 4 that customers perceive that there is relatively

**Table 4.** *Item Statistics Used for Measuring Tangible Infrastructure*

Particulars	Mean	Std. Deviation
Up-to-date equipment	4.12	0.409
Adequate furniture	4.1	0.478
Well-dressed sales personnel	4.1	0.424
Visually appealing physical facilities	4.05	0.5
Convenient location of branch	4.01	0.417
Internet facility	3.9	0.487

*Source: Authors' compilation from questionnaire*

adequate availability of tangible infrastructure in bank for bancassurance business regarding “up to date equipment” and “adequate furniture.” Customers perceive that tangible infrastructure is relatively weak for bancassurance business with respect to “internet facility” and “convenient location of branch.” Customers’ perception of having relatively weak “internet facility” needs urgent attention from the policy makers as it is very important for efficient customer services and satisfaction of customers (Lin & Chang, 2011; Singh, 2011).

**Table 5.** *Scale Statistics for Tangible Infrastructure*

Mean	Variance	Std. Deviation	No. of Items
24.28	3.539	1.881	6

*Source: Authors' compilation from questionnaire*

As explained in Exhibit 1, an interpretation table is made considering the six items taken for measuring customers’ perception regarding tangible infrastructure and it is presented in Exhibit 2.

By looking at the scale statistic in Table 5, the mean score is 24.28. It falls in the category of adequate infrastructure. Thus, it can be interpreted that customers of bancassurance perceive that the bank has adequate tangible infrastructure to provide bancassurance service. This is expected to provide competitive advantage to bank over agency channel as the availability of tangible infrastructure is low in public sector insurance companies (Vikas, 2011; Rajasekar & Kumari, 2014).

**Exhibit 2.** *Interpretation Table to Interpret Score of Tangible Infrastructure*

Perception score	Interpretation
6–10.8	Very inadequate infrastructure
10.8–15.6	Inadequate infrastructure
15.6–20.4	Moderate infrastructure
20.4–25.2	Adequate infrastructure
25.2–30	Very adequate infrastructure

### **III. Perception with respect to reliability of bancassurance channel**

Table 6 shows that customers perceive the reliability of the bank as relatively higher with respect to the factors like “security of transaction” and “keeping accurate records of insurance related transaction.” Customers perceive relatively lower reliability of bank with respect to the factor like “providing service at the time they (bank personnel) promise” and “consistency in performance.”

As explained in Exhibits 1 and 2, an interpretation table is made by considering nine items of measure on perception of customers with respect to reliability of bancassurance channel. Thus, the interpretation table is given in Exhibit 3.

By looking at the scale statistic in Table 7, the mean score is 35.29. It falls under high level of reliability. Thus, it can be interpreted that customers of bancassurance perceive bank to be highly reliable channel for buying life insurance. Choudhury and Singh (2015b) and Soni and Rao (2014) have also gotten similar findings. Thus, high reliability of

**Table 6. Item Statistics Used for Measuring Reliability of Bancassurance**

Particulars	Mean	Std. Deviation
Security of transaction	4.14	0.398
Keeping accurate records of insurance transaction	4.12	0.374
Disclosing financial information	4.12	0.355
Disclosing personal information	4.11	0.352
Trustworthiness	3.99	0.56
Information provided by channel is accurate	3.96	0.577
Consistency in behaviour	3.69	0.728
Consistency in performance	3.61	0.763
Providing service at the time they promise	3.56	0.753

Source: Authors' compilation from questionnaire

**Table 7. Scale Statistics for Reliability of Bancassurance Channel**

Mean	Variance	Std. Deviation	No. of Items
35.29	15.963	3.995	9

Source: Authors' compilation from questionnaire

**Exhibit 3. Interpretation Table to Interpret Reliability Score of Bancassurance Channel**

Perception score	Interpretation
9–16.2	Very low level of reliability
16.2–23.4	Low level of reliability
23.4–30.6	Moderate level of reliability
30.6–37.8	High level of reliability
37.8–45	Very high level of reliability

bancassurance channel is definitely advantageous for the banks in getting more customers.

#### **IV. Perception with respect to responsiveness of bancassurance channel**

It is shown in Table 8 that customer perceives responsiveness of bank as relatively high for the factors like “providing service exactly required by

customers” and “replying insurance related query of customer” and relatively low responsiveness of bank regarding the factor like “providing prompt service to customers.”

Like Exhibits 1, 2, and 3, an interpretation table is made by taking five items considered for measuring perception of customers with respect to responsiveness. The following interpretation table is framed and presented under Exhibit 4.

**Table 8.** *Item Statistics for Measuring Responsiveness of Bancassurance Channel*

Particulars	Mean	Standard Deviation
Providing service exactly required by customers	3.75	0.64
Replying insurance related query of customer	3.75	0.701
Willingness to help customers	3.68	0.72
Providing insurance related service on favorable terms	3.52	0.656
Providing prompt service to customers	3.4	0.768

*Source: Authors' compilation from questionnaire*

**Table 9.** *Scale Statistics for Responsiveness of Bancassurance Channel*

Mean	Variance	Std. Deviation	No. of Items
18.10	9.545	3.089	5

*Source: Authors' compilation from questionnaire*

**Exhibit 4.** *Interpretation Table to Interpret Responsiveness Score of Bancassurance Channel*

Perception score	Interpretation
5–9	Very low level of responsiveness
9–13	Low level of responsiveness
13–17	Moderate level of responsiveness
17–21	High level of responsiveness
21–25	Very high level of responsiveness

By looking at the scale statistic in Table 9, the mean score is 18.10. It is falling under the category of high level of responsiveness. Thus, it can be interpreted that customers of bancassurance perceive that banks have high responsiveness regarding insurance related service.

#### ***V. Perception with respect to assurance of bancassurance channel***

Table 10 represents that customers perceive that the assurance provided by bancassurance channel is relatively high with respect to the factor like “feel free to talk about insurance related problems” and relatively low degree of assurance with respect to the factor like “giving financial advice other than insurance.”

As discussed in Exhibits 1, 2, 3, and 4, an interpretation table is presented under Exhibit 5 to

interpret the perception score of customers with respect to assurance dimension of bancassurance by considering five items.

Table 11 shows that the mean score is 17.45. It falls in the category of high level of assurance. Thus, it can be interpreted that customers of bancassurance perceive that the bank provides high degree of assurance regarding insurance related services. This finding is in accordance with the findings of Vikas (2011) and Rajasekar and Kumari, (2014).

#### ***VI. Perception with respect to empathy revealed by bancassurance channel***

Table 12 shows that customers' perception with respect to empathy from the bancassurance channel is relatively high regarding the factors like “working hours convenient to customers”

**Table 10.** *Item Statistics for Measuring Assurance of Bancassurance Channel*

Particulars	Mean	Std. Deviation
Feel free to talk about insurance problems	3.97	0.496
Knowledge level of sales personnel	3.76	0.623
Politeness of sales personnel	3.72	0.642
Sympathetic approach	3.62	0.738
Giving financial advice other than insurance	2.39	0.979

*Source: Authors' compilation from questionnaire*

**Table 11.** *Scale Statistics for Assurance of Bancassurance Channel*

Mean	Variance	Std. Deviation	No. of Items
17.45	6.661	2.581	5

*Source: Authors' compilation from questionnaire*

**Table 12.** *Item Statistics with Respect to Empathy*

Particulars	Mean	Std. Deviation
Working hours convenient to customers	3.89	0.444
Gaining confidence of customers	3.77	0.651
Giving individual attention to customers	3.59	0.672
Trying to know actual insurance need of customers	3.21	0.796

*Source: Authors' compilation from questionnaire*

**Table 13.** *Scale Statistics for Empathy*

Mean	Variance	Standard Deviation	No. of Items
14.46	4.557	2.135	4

*Source: Authors' compilation from questionnaire*

**Exhibit 5.** *Interpretation Table to Interpret the Assurance Score of Bancassurance Channel*

Perception score	Interpretation
5–9	Very low level of assurance
9–13	Low level of assurance
13–17	Moderate level of assurance
17–21	High level of assurance
21–25	Very high level of assurance

and relatively low empathy of bank regarding the factor “trying to know actual insurance need of the customers.”

Exhibit 6 is prepared to interpret the perception score of customers under empathy dimension of bancassurance by considering four items.

By looking at the scale statistic in Table 13, the mean score is 14.46, which falls under the category of high level of empathy. Thus, it can be interpreted that customers of bancassurance perceive that banks show high empathy in providing insurance related service. This finding supports the claim of Vikas (2011) but negates the claim of Rajasekar and Kumari (2014).

*Overall Rank of Perception with Respect to Considered Dimensions Towards Bancassurance Channel*

To test the normality of data, Kolmogorov-Smirnov test is performed. As seen in Table 14 under the Asymp. Significance value for two tailed test, the calculated value of each of the perception measurement is less than .05, at 5% level of significance. Thus, it can

**Exhibit 6.** Interpretation Table to Interpret Empathy Score

Perception score	Interpretation
4–7.2	Very low level of empathy
7.2–10.4	Low level of empathy
10.4–13.6	Moderate level of empathy
13.6–16.8	High level of empathy
16.8–20	Very high level of empathy

**Table 14.** One-Sample Kolmogorov-Smirnov Test

		Perception with respect to compliance	Perception with respect to tangible infrastructure	Perception with respect to reliability	Perception with respect to empathy	Perception with respect to responsiveness	Perception with respect to assurance
N		345	345	345	345	345	345
Normal Parameters	Mean	3.1246	4.1304	4.0812	3.7304	3.7797	3.7594
	Std. Deviation	.87544	.40753	.49921	.66893	.66747	.62187
Most Extreme Differences	Absolute	.217	.469	.399	.361	.368	.332
	Positive	.217	.469	.399	.268	.284	.260
	Negative	-.180	-.348	-.354	-.361	-.368	-.332
Kolmogorov-Smirnov Z		4.039	8.712	7.418	6.703	6.844	6.162
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000	.000

Source: Authors' compilation from questionnaire

**Table 15.** Mean Ranks of the Perception With Respect to the Considered Dimensions of Bancassurance

Perception regarding considered dimensions	Mean Rank
Perception with respect to compliance	2.10
Perception with respect to tangible infrastructure	4.33
Perception with respect to reliability	4.27
Perception with respect to empathy	3.37
Perception with respect to responsiveness	3.51
Perception with respect to assurance	3.43

Source: Authors' compilation from questionnaire

be concluded that the distribution of data relating to customers' perception towards various dimension of bancassurance do not follow normal distribution. Hence, parametric tests cannot be applied to this data. Therefore, non-parametric test is applied.

Friedman test is done to test if the data relating to the customers' perception towards compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy are coming from the same population. The Friedman test is the non-parametric alternative to the one-way ANOVA with repeated measures. It is used to test for differences between groups when the dependent variable being measured

is ordinal (<https://statistics.laerd.com/spss-tutorials/friedman-test-using-spss-statistics.php>).

From Table 15, it is evident in the sample that the most favourable perception is with respect to tangible infrastructure of banks for providing insurance related services followed by reliability. Out of the six dimensions considered in the study, customers have, relatively, least favourable perception with respect to the compliance of banks for various insurance related norms and guidelines, given the test and methodology.

Under the Friedman Test presented under Table 16, the calculated chi-square value is 85.576 and the Asymp. Significance value (0.000) is less than 0.001

**Table 16. Test Statistic**

N	345
Chi-Square	605.838
Df	5
Asymp. Sig.	.000

*Source: Authors' Compilation from questionnaire*

**Table 17. Wilcoxon Signed Rank Test**

		Ranks		
		N	Mean Rank	Sum of Ranks
overall perception regarding tangible infrastructure - overall perception with compliance	Negative Ranks	8 <sup>a</sup>	81.19	649.50
	Positive Ranks	236 <sup>b</sup>	123.90	29240.50
	Ties	101 <sup>c</sup>		
	Total	345		
overall perception regarding reliability - overall perception with compliance	Negative Ranks	9 <sup>d</sup>	79.50	715.50
	Positive Ranks	241 <sup>e</sup>	127.22	30659.50
	Ties	95 <sup>f</sup>		
	Total	345		
overall perception regarding empathy - overall perception with compliance	Negative Ranks	22 <sup>g</sup>	92.34	2031.50
	Positive Ranks	192 <sup>h</sup>	109.24	20973.50
	Ties	131 <sup>i</sup>		
	Total	345		
overall perception regarding responsiveness - overall perception with compliance	Negative Ranks	20 <sup>j</sup>	89.60	1792.00
	Positive Ranks	193 <sup>k</sup>	108.80	20999.00
	Ties	132 <sup>l</sup>		
	Total	345		
overall perception regarding assurance - overall perception with compliance	Negative Ranks	21 <sup>m</sup>	80.38	1688.00
	Positive Ranks	185 <sup>n</sup>	106.12	19633.00
	Ties	139 <sup>o</sup>		
	Total	345		

Table 17 continued...

overall perception regarding reliability - overall perception regarding tangible infrastructure	Negative Ranks	51 <sup>p</sup>	42.83	2184.50
	Positive Ranks	34 <sup>q</sup>	43.25	1470.50
	Ties	260 <sup>r</sup>		
	Total	345		
overall perception regarding empathy - overall perception regarding tangible infrastructure	Negative Ranks	129 <sup>s</sup>	72.11	9302.50
	Positive Ranks	13 <sup>t</sup>	65.42	850.50
	Ties	203 <sup>u</sup>		
	Total	345		
overall perception regarding responsiveness - overall perception regarding tangible infrastructure	Negative Ranks	112 <sup>v</sup>	64.38	7211.00
	Positive Ranks	14 <sup>w</sup>	56.43	790.00
	Ties	219 <sup>x</sup>		
	Total	345		
overall perception regarding assurance - overall perception regarding tangible infrastructure	Negative Ranks	130 <sup>y</sup>	74.11	9634.50
	Positive Ranks	17 <sup>z</sup>	73.15	1243.50
	Ties	198 <sup>aa</sup>		
	Total	345		
overall perception regarding empathy - overall perception regarding reliability	Negative Ranks	122 <sup>ab</sup>	65.73	8019.00
	Positive Ranks	8 <sup>ac</sup>	62.00	496.00
	Ties	215 <sup>ad</sup>		
	Total	345		
overall perception regarding responsiveness - overall perception regarding reliability	Negative Ranks	104 <sup>ae</sup>	56.24	5848.50
	Positive Ranks	7 <sup>af</sup>	52.50	367.50
	Ties	234 <sup>ag</sup>		
	Total	345		
overall perception regarding assurance - overall perception regarding reliability	Negative Ranks	113 <sup>ah</sup>	61.78	6981.00
	Positive Ranks	9 <sup>ai</sup>	58.00	522.00
	Ties	223 <sup>aj</sup>		
	Total	345		
overall perception regarding responsiveness - overall perception regarding empathy	Negative Ranks	29 <sup>ak</sup>	40.66	1179.00
	Positive Ranks	48 <sup>al</sup>	38.00	1824.00
	Ties	268 <sup>am</sup>		
	Total	345		
overall perception regarding assurance - overall perception regarding empathy	Negative Ranks	43 <sup>an</sup>	48.50	2085.50
	Positive Ranks	53 <sup>ao</sup>	48.50	2570.50
	Ties	249 <sup>ap</sup>		
	Total	345		
overall perception regarding assurance - overall perception regarding responsiveness	Negative Ranks	42 <sup>aq</sup>	38.92	1634.50
	Positive Ranks	35 <sup>ar</sup>	39.10	1368.50
	Ties	268 <sup>as</sup>		
	Total	345		

Source: Compiled from the data collected from questionnaire

( $p < .001$ ). It can be concluded that the data relating to different dimensions vis-à-vis customers' perception towards compliance, tangible infrastructure, reliability, responsiveness, assurance, and empathy are not coming from the same population. It means the differences in the perception with respect to the various dimensions considered in the study are actually traceable in the population.

### Post Hoc Tests

To examine where the differences actually occur, there is a need to run separate Wilcoxon signed-rank tests on the different combinations of related groups. The result of Wilcoxon signed-rank tests is given in Table 17.

From Table 18, it is evident that the differences in the overall perception are statistically significant at 0.33% level of significance (5% level of significance becomes 0.33% level of significance after Bonferroni adjustment) with respect to: (1) tangible infrastructure and compliance; (2) reliability and compliance; (3) empathy and compliance; (4) responsiveness and compliance; (5) assurance and compliance; (6) empathy and tangible infrastructure; (7) responsiveness and tangible infrastructure; (8) assurance and tangible infrastructure; (9) empathy and reliability; (10) responsiveness and reliability; and (11) assurance and reliability.

Thus, the hypothesis considered for the study that there is no significant difference amongst customers' perception with respect to compliance, tangible infrastructure, to reliability, responsiveness, assurance, and empathy cannot be accepted, given the test and methodology.

### Policy Implications and Conclusions

The study attempts to examine the perception of customers towards bancassurance business model with respect to selected attributes. The study finds that customers have highly favourable perception regarding reliability, responsiveness, empathy, and assurance of bancassurance channel. Customers also perceive that the bank has adequate tangible infrastructure to provide insurance service, which is significant for bringing more customers and

retaining old customers as tangible infrastructure is low in public sector life insurance companies for doing business under agency channel (Vikas, 2011; Rajasekar & Kumari, 2014). All these are definitely strong points for the bank, but yet there are scopes for improvement in customers' perception with respect to the abovementioned attributes as there are possibilities to uplift them to a very high level too.

Choudhury and Singh (2015b) and Soni and Rao (2014) have found that customers perceive bancassurance channel having high reliability. Choudhury and Singh (2015c) found that customers perceive bancassurance channel as highly responsive. Agency channel of public sector life insurance companies are also perceived to be highly reliable, responsive, assured, and empathetic (Vikas, 2011; Devi, 2008; Bapat et al., 2014; Madan, 2012). Therefore, even a small reduction in the reliability, responsiveness, assurance, and empathy of bancassurance channel may lead to the outswing of customers from bancassurance channel to agency channel of public sector life insurance companies which are also equally perceived to be reliable. However, Rajasekar and Kumari (2014) found that reliability, responsiveness, and empathy of life insurance service under agency channel is low but assurance is found to be high. Thus, bancassurance channel is in an advantageous position than that of agency channel of life insurance, and it is expected to bring more customers to the bank.

However, regarding bank's compliance to insurance rules and regulation, customers perceive that the bank has moderate compliance. This finding is to be seen in the light that IRDA has made it mandatory for the insurance service providers to use illustration as per the norms set by IRDA and it is to be written on all the leaflets meant to be distributed to the potential customers. This finding is a matter of concern for the bank. This is because compliance plays a key role in selling insurance policy. Maintaining compliance enhances policyholders' experience (Ernst & Young, 2014). Compliance with laws, rules, and standards helps to maintain the bank's reputation and meet the expectations of its customers (Basel Committee on Banking Supervision, 2003). The compliance function affects the value creation in a bank. It helps in strengthening public confidence in bank (Mundra, 2014). Therefore, to enhance client base and to retain existing clients through insurance service, banks need to focus on this aspect. The bank should periodically

Table 18. Test Statistics

Z			
Asymp. Sig. (2-tailed)			
	overall perception regarding tangible infrastructure - overall perception with compliance	-13.346 <sup>a</sup>	.000
	overall perception regarding reliability - overall perception with compliance	-13.586 <sup>a</sup>	.000
	overall perception regarding empathy - overall perception with compliance	-11.229 <sup>a</sup>	.000
	overall perception regarding responsiveness - overall perception with compliance	-11.264 <sup>a</sup>	.000
	overall perception regarding assurance - overall perception with compliance	-11.044 <sup>a</sup>	.000
	overall perception regarding tangible infrastructure	-1.781 <sup>b</sup>	.075
	overall perception regarding empathy - overall perception regarding tangible infrastructure	-9.315 <sup>b</sup>	.000
	overall perception regarding responsiveness - overall perception regarding tangible infrastructure	-8.410 <sup>b</sup>	.000
	overall perception regarding assurance - overall perception regarding tangible infrastructure	-8.873 <sup>b</sup>	.000
	overall perception regarding reliability - overall perception regarding empathy	-9.830 <sup>b</sup>	.000
	overall perception regarding responsiveness - overall perception regarding reliability	-9.032 <sup>b</sup>	.000
	overall perception regarding assurance - overall perception regarding reliability	-9.265 <sup>b</sup>	.000
	overall perception regarding responsiveness - overall perception regarding empathy	-1.862 <sup>a</sup>	.063
	overall perception regarding assurance - overall perception regarding empathy	-1.021 <sup>a</sup>	.307
	overall perception regarding assurance - overall perception regarding responsiveness	-.768 <sup>b</sup>	.443

Source: Compiled from the data collected from questionnaire

review its state of affairs and activities and also impart continuous training for its human resources.

Capitalizing on the strengths, banks in India have already joined hands with insurance company for insurance distribution. For instance, State Bank of India is selling insurance of SBI Life. SBI life is a joint venture of State Bank of India and Cardiff SA, an insurance company of France. UCO bank sells insurance policy of LIC. Banks see bancassurance as a way of creating a new revenue flow and diversifying their business activities. Considering this monetary aspect of bancassurance channel, many banks have taken steps to concentrate on insurance business. For example, Canara Bank along with Oriental Bank of Commerce and HSBC bank set up insurance company named The Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited. Punjab National Bank has acquired 40% stake in US-based Met-life insurance company and it is functioning under the brand name of PNB Met-life.

The customers' perception is found to be the same for both the distribution channel of insurance, that is, agency channel and bancassurance channel, but customers will prefer bancassurance channel if efforts are placed in time and in the right direction. This is because customers trust banks usually more than insurance companies (Wang & Hwang, 2009). Customers consider the bank as the most authentic channel over other mode of distribution channel for buying insurance (Tiwari & Yadav, 2012). Reliability and trust are very important to gain customers' loyalty and these are possessed by the banks (Kuusik & Varblane, 2009). Customers prefer the bank due to convenience, interpersonal relationship, safety, and customized service (Popliand & Rao, 2009; Fan et al. 2011; Kumari, 2012; Ali & Chatley, 2013; Berghe & Verweire, 2001; Shukla, Bhatt, & Shrisvatava, 2012).

In case of selling insurance policy, the bank has a competitive advantage over traditional channel of insurance companies. The bank has financial data of their clients. Therefore, the bank can offer tailor-made insurance solutions according to the financial position and requirement of its customers. Offering customized insurance plans will boost up the business of bancassurance channel.

Therefore, banks should work on the improvement of customers' perception by taking care of the

areas considered to measure the abovementioned perceptions. In this respect, the bank can rely upon the use of technology too due to its affordability (Brige, 2006).

## Scope of Future Research

Customers' perception of bancassurance service of private banks can be considered for study. A comparative study of customers' perception of bancassurance business model and traditional insurance selling model, that is, selling policy through agent can also be carried out.

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