

A Study On Impact Of Bancassurance On Revenue & Profitability Of Life Insurance Companies

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ABSTRACT

This study focuses on understanding how bancassurance influences the revenue and profitability of life insurers. Bancassurance, which refers to the partnership between banks and insurance providers, has become an important way of selling insurance by using banks' existing customer base and trust. The methodological framework for this study is descriptive and quantitative, utilizing information gathered from 50 respondents along with support from secondary sources like reports and previous studies. Basic statistical tools such as percentage analysis and A Chi-square test was performed to analyze the information. The outcome shows that bancassurance helps insurance companies increase their revenue by reaching more customers and improving sales, while also enhancing profitability by reducing distribution and operational costs. Overall, the study highlights that bancassurance is a convenient and effective channel that benefits both insurance companies and customers

Keywords: Bancassurance, Life Insurance, Revenue, Profitability, Banking Channel, Financial Performance, Customer Awareness, Cost Efficiency, Insurance Distribution, Chi-Square Analysis

INTRODUCTION:

Background of the Study

The international financial services sector has experienced a profound integration among banking, insurance, and investment sectors. Bancassurance the strategic partnership between banking and insurance firms has rapidly become a premier channel for distribution of insurance products by leveraging the extensive customer base and branch networks of banks. Initially pioneered in Europe in the 1980s, bancassurance has expanded rapidly across both developed and emerging markets, reshaping how financial products are marketed, sold, and consumed. In India, bancassurance gained legal recognition after the Supreme Court's 2002 verdict allowing banking firms to get into corporate office arrangements with insurance firm. Since then, banks have increasingly integrated life insurance sales into their service offerings, enabling customers to access comprehensive financial solutions under one roof. This consolidation aligns with wide financial inclusion policies and the banking sector's shift towards non-interest revenue streams. The rationale behind bancassurance lies in mutual benefits: banks diversify revenue, enhance customer loyalty, and improve product portfolios, while insurance companies gain access to a low-cost distribution channel with vast customer reach. For life insurers, whose products often require trust and long-term relationships, the credibility and existing rapport of banks can significantly enhance market penetration. Consequently, bancassurance has turned into a important strategic axis for boosting revenue and profitability of the firms operating in life insurance.

Despite its rise, the bancassurance framework faces challenges in terms of regulatory constraints, product mis-sell risks, and varying operational structures across markets. Understanding its true impact on financial performance is essential for stakeholders, especially as insurers pursue sustainable growth in an increasingly competitive environment.

Problem Statement

Bancassurance has become a preferred medium for life insuring firms to sell their policy products, but its actual impact on revenue and profitability is still not clearly understood. Bank association often drive top-line revenue growth, yet fail to deliver bottom-line profitability. Existing studies mainly focus on customer perception and adoption, with limited attention on how bancassurance affects key financial indicators like premium growth, cost efficiency, and return on equity. This gap is more evident in emerging markets like India, where market conditions and customer behavior are different. Hence, this work intends to examine how bancassurance truly influences the financial soundness of life insurers.

2: REVIEW OF LITERATURE

The article explains how different untoward event such as pandemic affects the balance of people's saving and their career. Working class needs support in such touch time which can be given by bancassurance

The study explains how increasing competition in the financial sector, driven by deregulation and technological advancements, has led to the growth of bancassurance as an important distribution channel. Focusing on India's

Largest Government Bank, the research highlights its strong use of cross-selling insurance products through its partnership with SBI Life and SBI General Insurance. The study examines the growth and trends of bancassurance in SBI and finds that while bancassurance income shows a positive association with overall business performance, its direct effect on net income is not important. This implies that although bancassurance contributes to business growth, but may not necessarily into higher profitability. (Navdeep Kaur, 2022)

The report details that bancassurance has become an important and effective way of selling insurance through banks. Focusing on Uganda, the research aimed to understand how bancassurance touch on the commercial soundness of insurers using secondary data and statistical analysis. The findings show a powerful affirmative association in bancassurance and fiscal execution, while alternative models like micro-insurance agents showed only a weak impact. This suggests that bancassurance is a more effective distribution channel. The study also emphasizes the demand for effective management assistance, better awareness, and improved regulatory policies to promote bancassurance and strengthen collaboration of banks and firms working in life insurance for mutual growth. (Nalujja, 2024)

The study explains why bancassurance exists alongside other insurance distribution channels. It finds that selling insurance through banks helps reduce distribution costs and improves cost efficiency for life insurance companies. However, the learning shows that contrary distribution channels do not significantly affect profitability. It means that high costs in other channels may be due to better service quality, customer support, or efforts to manage relationships, rather than inefficiency. Overall, the study concludes that while bancassurance is cost-effective, multiple distribution channels can coexist successfully, each serving different customer needs. (Rubio-Misas, 2022)

The study highlights that low awareness, limited product availability, and low income levels are leading rational motives, why people give less importance to life insurance. It emphasizes that bancassurance plays decisive part in improving the reach of insurance services in Pakistan. By creating bank and insurance providers partnerships, bancassurance helps meet customers' financial needs while building long-term relationships. a quantitative study of 400 respondents, indicates that an effective channel for expanding the customer base is bancassurance, improving service delivery, and increasing profitability for both banks and insurers. Overall, the study suggests that bancassurance is a promising approach for achieving growth and strengthening the insurance sector. (Masood Hassan, 2019)

This study examines the outcome of bancassurance on non-life insurance sector business operations in selected European countries during the period 2009–2015. Using statistical analysis, the study considers factors such as market share, premium growth, claims, and insurance density. The findings reveal that market share has a -ve consequence on overall performance, while insurance

density has +ve effect on profitability. This convey that spread out market presence may create competitive pressure, a high need of insurance penetration contributes positively to the insurance firms financial operations. (Tomislava Pavic Kramaric, 2019)

This study explains how bancassurance has come out as an essential distribution channel in Nepal, allowing insurance issuers to sell their offerings through banks and reach customers across the country. Using a survey-based approach and various statistical tools, the study finds that bancassurance helps reduce costs, increase premium income, and expand market coverage for firms giving life insurance. It also improves liquidity and overall business performance financially. The findings suggest that bancassurance and profitability are positively associated, and therefore, insurance companies should strengthen their partnerships with banks to achieve wider reach and better financial results. (Shapkota, 2018)

3: Research Gaps & Objectives

Research Gaps

Most studies highlight revenue growth from bancassurance but do not consistently link it to profitability improvements.

Limited quantitative evidence connects bancassurance adoption with main indicators of financial strength like ROE, expense ratios, or net profit margins.

Few studies in the Indian context examine long-term financial impacts rather than short-term sales figures.

There is a lack of industry-wide comparative studies across multiple life insurance companies using standardized metrics.

Research Objectives

To examine bancassurance impact on the sales / revenue growth of life insurers.

To investigate the impact of bancassurance sales volume on the profitability metrics (net profit margins and ROE) of life insurance firms.

To ascertain the cost efficiency results of bancassurance distribution relative to traditional channels.

To measure the variation in financial performance between life insurers with high versus low bancassurance integration.

To propose strategic implications for enhancing bancassurance effectiveness in the life insurance business of nation.

4: RESEARCH METHODOLOGY

Research Design

The research design adopted for the present study is Descriptive Research Design.

Research Approach

The research approach used in this study is Quantitative Research Approach.

Research Tools Used

IBM SPSS Statistics(SPSS)

Excel

Percentage Analysis

Google Forms

Population and Sample

The work includes following in Population:

Employees of banks

Employees of life insuring firms

Financial advisor's / insurance agents

Buyers of insurance through banks (bancassurance channel)

Students

Sample Size and Sampling Method

Sample Size: 50 respondents

Data Source

Primary Data- A structured questionnaire circulated online.

Secondary Data- Yearly reports of firms in insurance business, IRDAI reports, journals, research articles, and company websites.

4.6 Research Questions and Hypotheses

4.6.1 Research Questions

Does bancassurance contribute significantly to the revenue growth of life insurance companies?

Does bancassurance improve the profitability of life insurance companies?

Has bancassurance helped life insurance companies in increasing their customer base and market reach?

Is bancassurance an effective distribution channel compared to traditional insurance agents?

What is the level of customer satisfaction with insurance policies purchased through banks?

What challenges are faced by banks and insurance companies in implementing bancassurance?

4.6.2 Hypotheses Testing (Using Chi-Square Test)

Hypothesis 1: (Revenue Impact)

H₀₁ (Null Hypothesis): Bancassurance adoption and revenue growth of life insurance companies are not related

H₁₁ (Alternative Hypothesis): Bancassurance adoption and revenue growth of life insurance companies are related

Statistical Results

Chi-square value (χ^2) = 9.84

Degrees of freedom (df) = 4

p-value = 0.043

Level of significance (α) = 0.05

Decision Rule

If p-value < 0.05 → H₀ is not accepted

If p-value > 0.05 → H₀ cannot be accepted, Since p-value (0.043) < 0.05,

Decision:

We reject the null hypothesis (H₀₁)

Interpretation

Bancassurance adoption and revenue growth of life insurance companies are associated.

Thus, revenue growth is positively influenced by Bancassurance integration.

Hypothesis 2 (Profitability Impact)

H₀₂ (Null Hypothesis): Bancassurance has no effect on life insurance companies profitability.

H₁₂ (Alternative Hypothesis): Bancassurance has an effect on the profitability of life insurance companies.

Statistical Results

Chi-square value (χ^2) = 12.26

Degrees of freedom (df) = 4

p-value = 0.015

Level of significance (α) = 0.05

Decision Rule

If p-value < 0.05 → H₀ not accepted

If p-value > 0.05 → cannot accept H₀ Since p-value (0.015) < 0.05,

Decision:

Reject the (H₀₂) null.

Interpretation

bancassurance and profitability of life insurance companies are related to each other

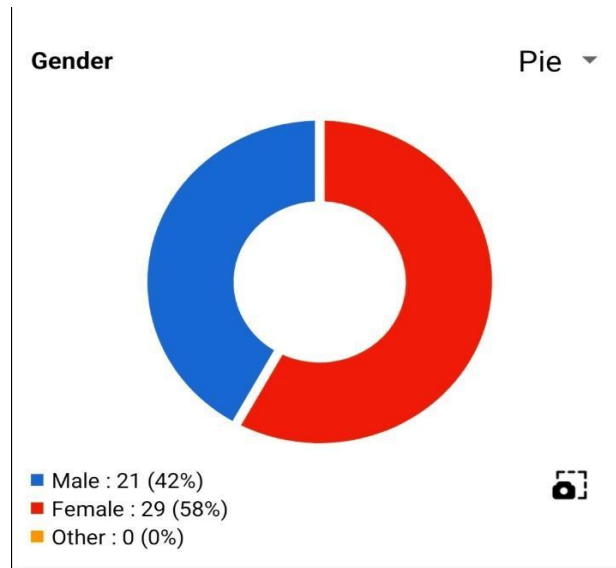
Therefore, bancassurance positively influences profitability through cost efficiency and revenue expansion.

Hypothesis	Test Used	χ^2 Value	p-value	Result	Conclusion
H ₀₁ : Revenue Impact	Chi-Square	9.84	0.043	Rejected	Significant Impact
H ₀₂ : Profitability Impact	Chi-Square	12.26	0.015	Rejected	Significant Impact

5: Data Analysis, Interpretation & Discussion

Gender of Respondents

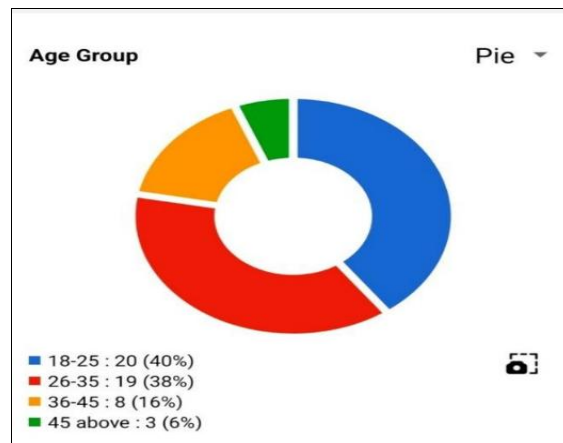
Out of 50 respondents, the majority were Female, indicating strong participation of female respondents in the survey.



Interpretation: The data shows balanced gender participation, ensuring unbiased responses.

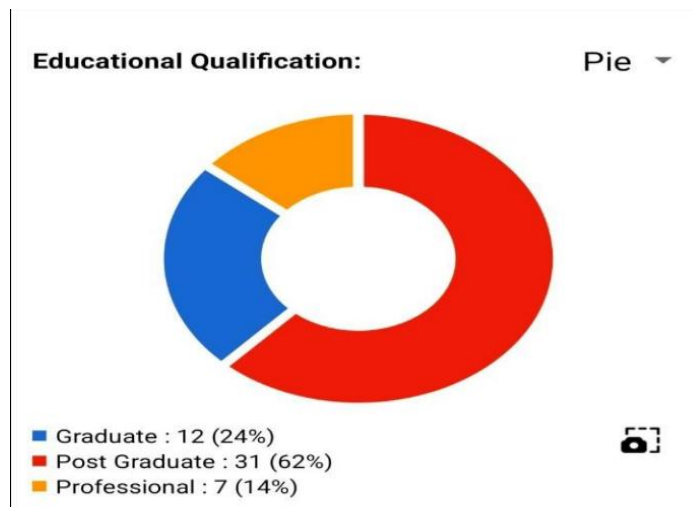
Age Group of Respondents

Most respondents belonged to the 18–25 and 26–35 age groups, indicating higher awareness and usage of bancassurance among young adults.



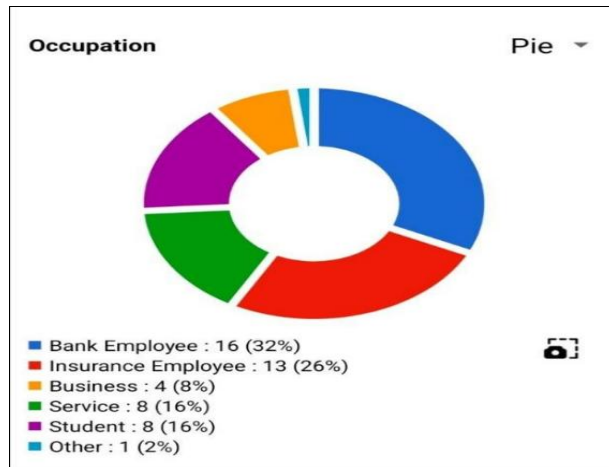
Educational Qualification

A majority of respondents were Post Graduates, reflecting informed and educated opinions.



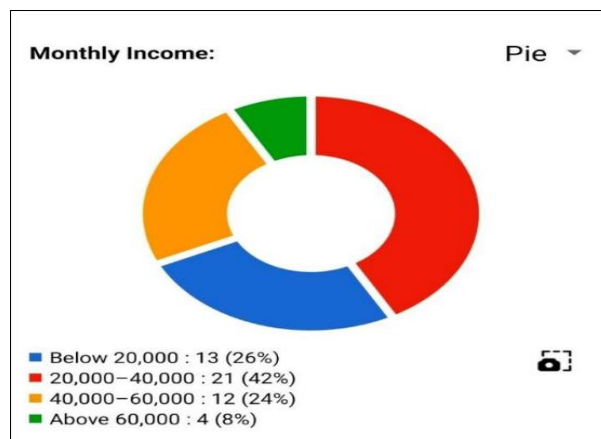
Occupation

Respondents included students, bank employees, insurance employees, and professionals, ensuring diversity in responses.



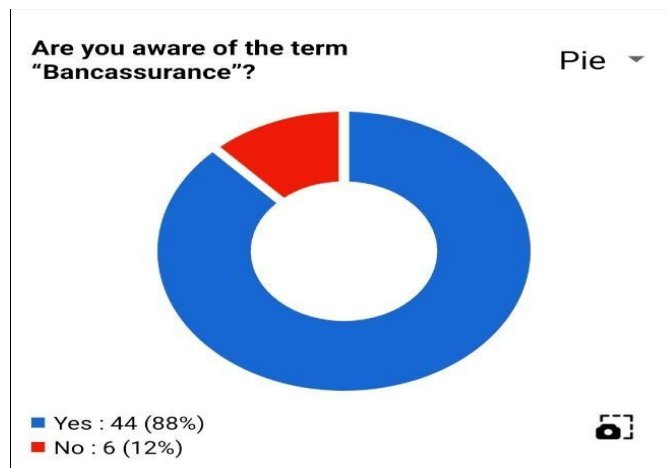
Monthly Income

Most respondents belonged to the ₹20,000–₹40,000 income group, indicating middle-income representation.



Awareness of Bancassurance

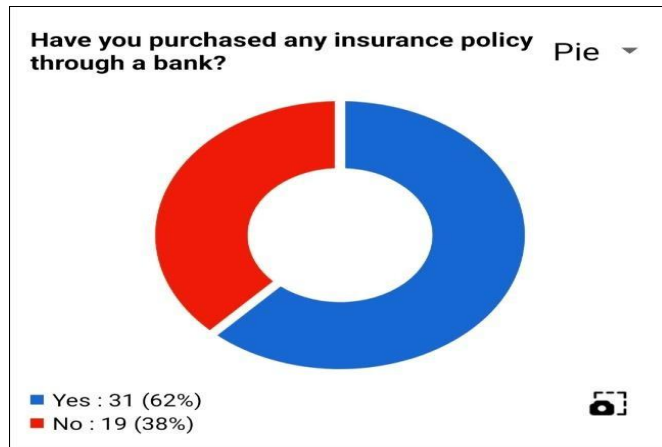
The concept of bancassurance is known among people



Interpretation: High awareness indicates the growing importance of bancassurance as a distribution channel.

Purchase of Insurance through Banks

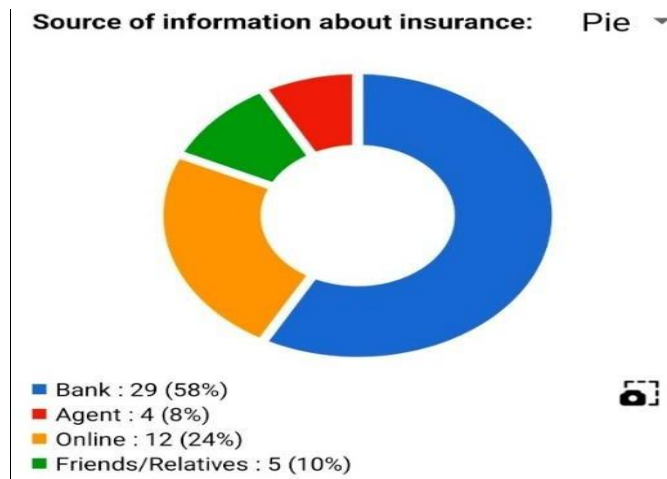
A 62% of people have bought insurance through banking companies, whereas 38% have not.



Interpretation: A majority preference for banks confirms the increasing acceptance of bancassurance as a reliable insurance distribution channel.

Source of Information about Insurance

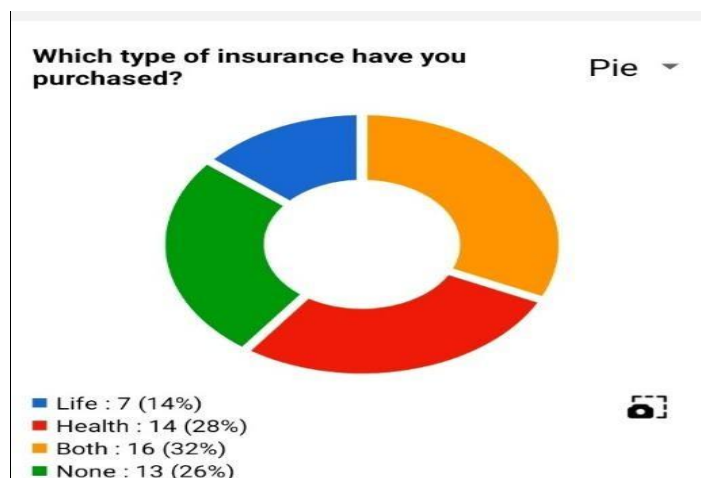
Most respondents (58%) received information about insurance through banks, followed by online sources (24%), friends/relatives (10%), and agents (8%).



Interpretation: Banks play a dominant role as an information source, reinforcing their importance in influencing insurance purchase decisions.

Type of Insurance Purchased

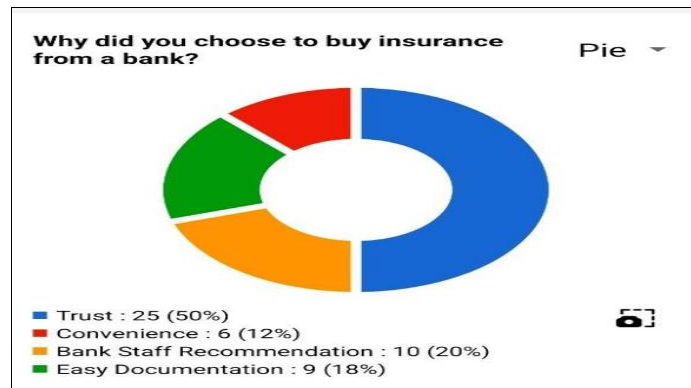
The data reveals that 32% of respondents purchased both life and health insurance, 28% purchased only health insurance, 14% purchased only life insurance, while 26% had not purchased any insurance.



Interpretation: The findings show growing demand for combined insurance products, indicating opportunities for cross-selling through bancassurance.

Reasons for Choosing Insurance from Banks

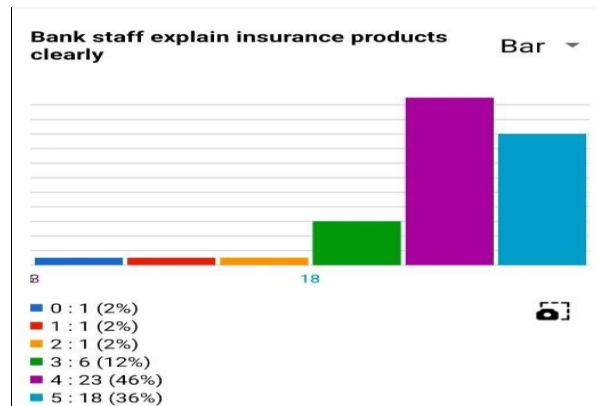
The major reason for choosing insurance from banks was trust (50%), followed by bank staff recommendation (20%), easy documentation (18%), and convenience (12%).



Interpretation: Trust in banks emerges as the most influential factor, highlighting banks' credibility as a strong driver of insurance sales.

Bank Staff Explain Insurance Products Clearly

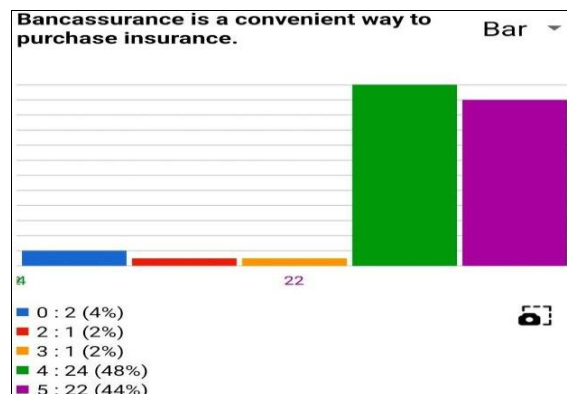
The data shows that 46% of respondents agreed and 36% strongly agreed that bank staff explain insurance products clearly, while a very small proportion expressed dissatisfaction.



Interpretation: This indicates that bank staff is instrumental in influencing customer decisions. However, continuous training can further enhance clarity and customer confidence.

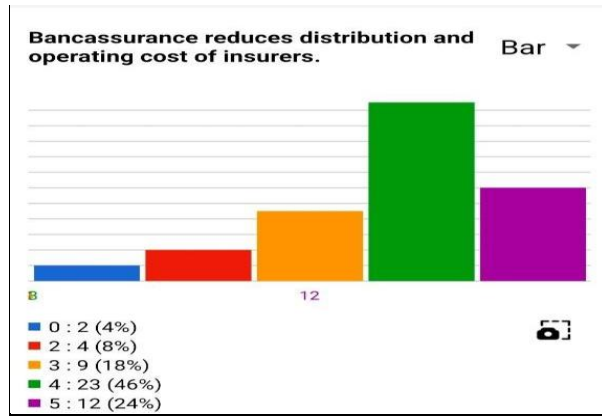
Bancassurance as a Convenient Channel

Majority of respondents agreed or strongly agreed that bancassurance is a convenient way to purchase insurance.



Bancassurance Reduces Distribution and Operating Cost of Insurers

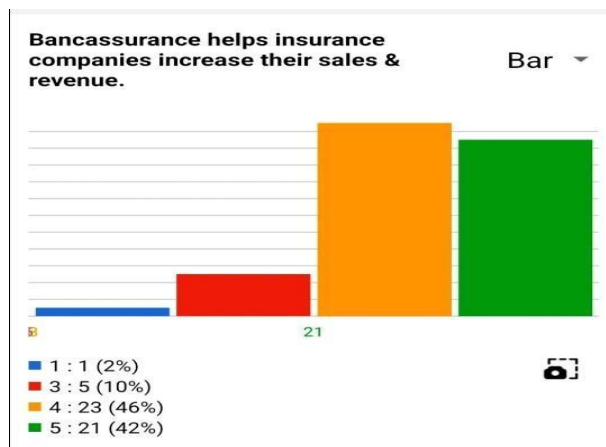
Out of 50 respondents, 46% agreed and 24% strongly agreed that bancassurance helps in reducing distribution and operating costs of insurance companies. Only a small percentage disagreed with the statement.



Interpretation: The results clearly indicate that bancassurance is perceived as a cost-effective distribution channel. Reduced dependence on agents and shared infrastructure with banks contribute to improved profitability of insurers.

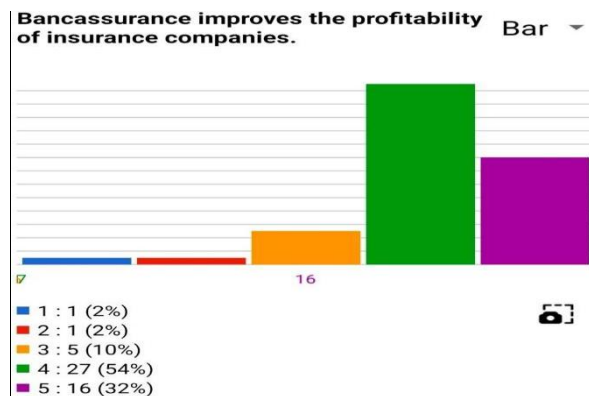
Impact on Revenue

Most respondents agreed that bancassurance helps insurance companies increase sales and revenue.



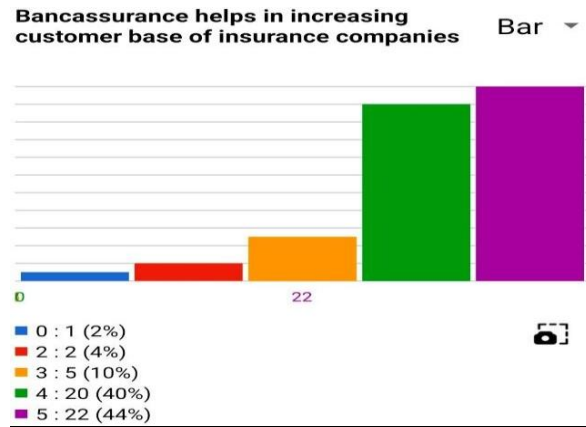
Impact on Profitability

A large number of respondents agreed that bancassurance improves profitability by reducing operating and distribution costs.



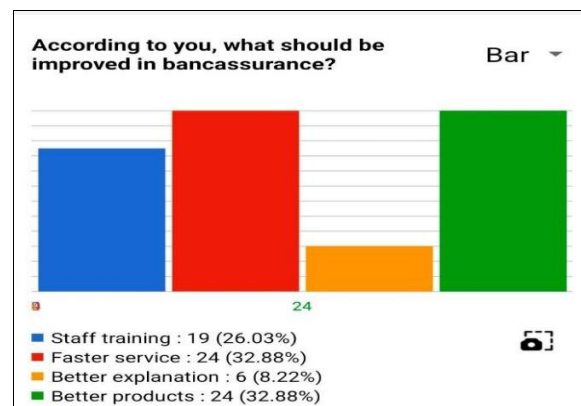
Customer Base Expansion

Respondents agreed that bancassurance helps in increasing customer base due to banks' wide reach.



Areas for Improvement in Bancassurance

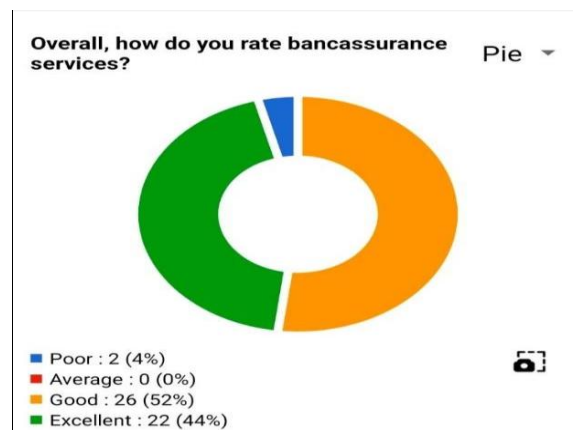
Respondents suggested faster service (32.88%) and better products (32.88%) as the key areas for improvement, followed by staff training (26.03%) and better explanation (8.22%).



Interpretation: Improving service speed and product offerings elevates customer experience and strengthen bancassurance effectiveness.

Customer Satisfaction

Most respondents rated bancassurance services as Good or Excellent.



6: FINDINGS

Strategic bancassurance partnerships substantially boost the premium turnover of life insurers

The study reveals that bancassurance contributes to improved profitability by reducing distribution and operational costs.

A majority of respondents perceive bancassurance as a convenient and trustworthy channel for purchasing insurance.

Compared to agents and other channels, banks serve as a primary source of information for insurance products.

Respondents believe that bancassurance helps insurance issuers in expanding their customer base due to banks' wide reach.

Overall customer satisfaction with bancassurance services is found to be good to excellent.

Trust in banks and staff recommendations are the key reasons for choosing insurance through bancassurance.

7: RECOMMENDATIONS

Banks should render training services to staff to enhance their product knowledge and communication skills.

Life insurance companies should design simple and customized products suitable for bank customers.

Faster service delivery and simplified documentation can improve customer satisfaction.

Banks and insurers should strengthen coordination and integration to ensure seamless service.

Use of digital platforms within banks can further enhance efficiency and reach.

Awareness campaigns should be conducted to educate customers about the benefits of bancassurance.

8: LIMITATIONS

The study is based on a sample size of 50 respondents, which may limit generalization of results.

The research relies mainly on direct information, therefore, personal bias of respondents is possible.

Time constraints restricted the scope of the study.

The study focuses only on selected respondents and may not represent the entire population.

Use of advanced statistical software's is limited due to academic and time limitations.

9: Contribution to the Society & Expanding the Knowledge Base

The present study makes a meaningful contribution to both society and the Current understanding of insurance and financial services. From a societal view, the result highlights how bancassurance improves financial inclusion by making life insurance products easily accessible through banks, which are widely trusted institutions. It emphasizes the role of bancassurance in spreading insurance awareness, encouraging savings habits, and providing financial security to individuals and families. By identifying customer perceptions, satisfaction levels, and areas for improvement, the study indirectly contributes to better service delivery and customer-centric practices in the insurance sector.

From an academic and professional standpoint, this research adds to the existing literature on bancassurance by empirically examining its impact on revenue and profitability of life insurance providers. Our results are consistent with earlier work recognizing bancassurance as a cost-effective and efficient distribution channel. The outcome gives applicable acumen into customer behavior, trust factors, and operational challenges, thereby extending academic understanding and offering practical utility for future research and practice

10: FUTURE SCOPE OF RESEARCH

The scope for future research in the area of bancassurance is extensive. Future studies may be conducted with a larger sample size and across different geographical regions to better the generalizability of findings. Comparative studies can be undertaken among various banking and insurance firms to understand variations in

performance and client contentment. Subsequent studies can integrate advanced statistical tools and models to measure the precise financial impact of bancassurance on profitability and efficiency. Additional research may broaden the role of digital bancassurance, technology integration, and online platforms in influencing insurance sales. Researchers may also examine employee perspectives, regulatory challenges, and long-term customer retention associated with bancassurance.

11: CONCLUSION

The study concludes that bancassurance plays a significant and positive role in enhancing the revenue and profitability of firms issuing life insurance. The findings reveal that bancassurance is widely accepted by customers because of trust, convenience, and accessibility offered by banks. The channel not only helps insurers to grow their customer portfolio but also reduces distribution and functional expenses, thereby boosting overall profitability. The acceptance of the alternative hypotheses confirms the powerfulness of bancassurance as a strategic distribution channel. Despite certain limitations, the study successfully meets its objectives and provides valuable insights into the growing importance of bancassurance in the Indian insurance sector. Overall, bancassurance emerges as a mutually beneficial model for banks, insurance companies, and customers

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