Chapter 6

Customers Satisfaction in Bancassurance

6.1 Introduction

In today's globalized and highly competitive environment, customer satisfaction has become vital for financial service companies. This is because satisfaction represents the foundation of building long term relationship with customers (Ravald andGrönroos, 1996). In today's commoditized market where price, product, service are almost similar, building unique and long term relationship with customers allow the companies to survive (Mendoza et al., 2007). Customer satisfaction has also been a predictor for repurchase intentions, word-of-mouth and loyalty of customers (Ravald and Grönroos, 1996). Satisfied customers are considered to maintain contact with the company, buy more products or services and buy more often.

Banking being a financial service business, customers' satisfaction plays a pivotal role in the prosperity of bank. Customers' satisfaction in bank means fulfillment of customers' needs or wants by the bank (Olivia, 1992). Customers' satisfaction is the degree in which customers notice that a product or service is worth more than they paid for it (Tracey, 1996). Customers' satisfaction is measured as the extent in which expectations of the customers are met. Satisfaction is obtained as experience equals expectation or exceeds expectation. In case, experience is lower than expectation, it leads to non-satisfaction (Sadeghi and Bemani, 2011).

Globalization of market, financial deregulation and innovations have changed the whole structure and functioning of banks (Kumarswamy, 2013). New forms of businesses are coming out. One such innovative model is bancassurance. Bancassurance is the knot between bank and insurance company.In bancassurance, bank with their vast network of branches sell insurance products to their customers. Bank sells the insurance plans to its customers along with a complete range of banking and investment products and services (Venugopal, 2011).In this process, insurance company uses bank's sales channel to sell insurance products to customers(Aggrawal, 2004).

Banks are not the sole player in the market of insurance business. There are other channels of insurance distribution competing in the field. Thus, the customers are exposed to diversified choices. Latest technologies have enabled them to make comparisons of services quickly. This means that there are various switching choices for customers. Customers will choose the alternative that gives him maximum satisfaction in respect to the insurance services (Agbor, 2011). This results in cut-throat competition for bank. Thus, retention of existing customers becomes a challenge for the bank. In such competitive market, customer satisfaction is considered as main factor determining bank's success (Grigaliunaite, 2013).Customer satisfaction greatly influences customers repurchase intensions whereas dissatisfaction has been seen as a primary reason for customers' intentions to switch (Mohsan et al., 2011).

Customers satisfied after the use of the insurance service offering will engage in repeat purchase and try line extension (Bhattacharya and Dash, 2013). Thus, satisfaction stands as an important precursor in promoting customer

repurchase behaviour (Tsai and Haung, 2007). It can affect a buyer's decision to continue a relationship with the organisation (Ndubisi et al., 2009).

For industries such as banks and insurance, satisfaction is important for customer loyalty (Fornell, 1992). In the light of all these factors, it has become obvious for bancassurance channel to achieve customer satisfaction. The importance of customer satisfaction lie in the fact that satisfaction of various customer needs and demands resultantly motivate customers to do business with the channel on on-going basis (La Barbera and Mazursky, 1983).

6.2 Measuring customer satisfaction in bancassurance channel

Various researchers have studied customers' satisfaction in insurance industry. Venkatesh (1987) found that better and personal servicing to the customers results in satisfying the policyholders. In case of Life insurance Company, majority of the policyholders is satisfied with premium rates fixed by Life Insurance Company and with service of agents at the time of maturity (Narasimamurthy, 1996). In insurance service, employees who directly deal with the consumers must be trained and empowered to educate consumers which will ultimately lead to consumer satisfaction (Anjor et al. 2014).Other author likes Goswami (2007), Parthiban, (2014), Singh and Kaur (2011), Siddiqui and Sharma (2010) also studied customers' satisfaction in insurance industry.

Parmjit and Meenakshi (2010) in their study found that satisfaction with product offerings is the primary driver of overall customer satisfaction in case of insurance industry. Trust, competence, and product appropriateness play an integral part in customer satisfaction in life insurance (Kuhlemeyer and

Allen,1999). Vazifehdust and Farokhian (2013) found that access, customer response time and trust effect customer satisfaction in insurance industry. Epetimehin (2011) stated that market segmentation can be used for improving customer satisfaction in insurance industry.

Considerable numbers of studies have been conducted about customer satisfaction in banking industry. Mandal and Bhattacharya (2013) and Ganguli and Roy (2011) explored the dimensions that effect customer satisfaction in Indian retail banking.Estiri et al. (2011) revealed that value proposition quality and service delivery quality are the two major factors driving customer satisfaction in Islamic retail banking. Al-Eisa and Alhemoud (2009)found that fast service, courtesy and helpfulness of employees and availability of self-banking services are the critical factors for customer satisfaction in retail banks in Kuwait. Kanning and Bergmann (2009) found that major factors affecting customer satisfactionin the German retail banking sector were performance of banks and fulfillment of customer expectations. Molina et al. (2007) showed that confidence benefits have a direct, positive effect on the satisfaction of customers with their bank in Spanish retail banking. Ndubisi and Wah (2005)found that five key dimensions, namely competence, communication, conflict handling, trust, and relationship quality were the major determinants of customer satisfactionin the Malaysia. The dimensions of customer satisfaction in the Chinese retail banking sector was studied by Zhou (2004). Jamal and Naser (2003) found service quality as an important determinant of customer satisfaction in the retail banking sector of Pakistan.

Customer satisfaction enhances customer loyalty, improved reputation, lower down price elasticity, lower the cost in future transaction and also increase employees competence (Anderson et al., 1994; Fornell, 1992; Swanson and Kelly, 2001;Pont and McQuilken, 2005).Research has also been conductedto determine the factors affecting customer satisfaction in retail banking by various researchers like Lassar et al. (2000), Johnston (1997), Levesque and McDougall (1996),Moutinho and Brownlie (1989), Goode et al., (2001), Cheung and Wai-Ming, (2012) and Hansen and Sand (2008).

There are some other researchers who have investigated customers' satisfaction in bancassurance.In bancassurance service, customer benefit, acquisition cost, value added service and customer's trust effect customer satisfaction (Rajan and Gomatheeswaran, 2013). Customers are satisfied with the assistance provided in bancassurance service to choose better plans (Banudevi, 2013). Customers who acquired insurance policy from the banks were satisfied for availing customized services (Shukla et al., 2012).

These studies have considered particular features of insurance service and attempted to find out satisfaction level of customers regarding those considered features of insurance service.

While there have been several studies on customers satisfaction in banking and insurance industry, there has been little empirical research examining the satisfaction level of customers in bancassurance channel. This chapter, therefore, attempts to examine the level of satisfaction of bancassurance customers.It is well-known that satisfaction of customers depends upon the expectation level of customers. Therefore, the present study uses GAP model

[Expectation-experience gap] to find out the satisfaction level of bancassurance customers.

6.3 GAP Model

Parasuraman, Zeithaml and Berry (1988) proposed expansion model of service quality. In this model, they suggested five gaps in service quality. These five gaps are the reason that service providers cannot satisfy customers' need and expectation. The following is the explanation of five gaps of this model.

- Gap 1:Customer expectation and management perception gap. The cause of this gap is management's ignorance to customer expectation.
- Gap 2: Management's projected customer expectation and actual service gaps. This gap is caused by the limitation of management resources, negligence and unstable market.
- Gap 3: Service quality standards and real service gap. This gap is formed when service providers do not meet the standards of management.
- Gap 4: Service delivery and external communication gap. This gap is caused when management communicate void promises to customers.
- Gap 5: Expected service and actual service gap. This gap forms when customers' pre service expectation differs from real experience. If the real experience is better than the pre service expectation, customers are satisfied. If the real experience is worse than their expectation, customers are not satisfied.To provide satisfactory service, businesses have to close the fifth gap, because this gap has positive effect on customers' satisfaction (Almsalam, 2014).

In the light of the fifth gap of service quality model, the study attempts to identify customers' satisfaction in bancassurance channel.In bancassurance service, customer satisfaction is obtained when experience equals expectation or exceeds expectation. Non-satisfaction is obtained when experience is lower than expectation (Sadeghi and Bemani, 2011). This means that if the difference of expectation and experience is zero or negative, this indicates satisfaction. And if the difference is positive i.e. expectation is more than experience than customer is not satisfied.

6.4 Objective

This chapter attempts to analyze the level of satisfaction of customers buying insurance policy through bancassurance channel.The corollary objective is framed as follows:

i) The impact of demographic profile on customers' satisfaction in bancassurance.

6.5 Hypothesis of the study

The hypothesis considered to test in this chapter is as follows:

- There is no significant difference between expectation and experience of customers buying life insurance service from State Bank of India, Guwahati.

6.6 Analysis and findings

The analysis and findings of this chapter are reported under following paragraph:

6.6.1 Reliability of the questionnaire

The result of the reliability test is presented in table 6.1.

The coefficient of Cronbach's Alpha was found to be 0.996 for customers' expectation and 0.908 for customers' experience for the scale consisting of 31 items (or statements) considered for the study. A very high value of Cronbach's Alpha is indicative of high degree of reliability of scale and 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).

Table 6.1: Reliability Statistics

Scale	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Customers' expectation	.996	.996	31
Customers' experience	.908	.918	31

Source: Compiled from questionnaire

6.6.2 Assessing customers' satisfaction in bancassurance channel

To find out the satisfaction level of the customers buying insurance policy from bank, Wilcoxon Signed ranks test is performed with the overall score of the customers' expectation and customers' experience. Table 6.2 represents the result of the test.

Table 6.2 presents that there are 336 cases where overall expectation of customers is greater than overall experience of customers. Thus it can be concluded that majority of the customers are not satisfied in buying insurance policy from bank. In case of 8 customers, overall expectation is less than overall experience. There is only 1 case where overall expectation of customer is equal to overall experience.

Table 6.2: Wilcoxon Signed Rank Test

	Ranks	N	Mean Rank	Sum of Ranks
Customers' experience - customers' expectation	Negative Ranks	336(a)	176.08	59162.50
	Positive Ranks	8(b)	22.19	177.50
	Ties	1(c)		
	Total	345		

a. a = experience of bancassurance customers < expectation of bancassurance customers

b. b= experience of bancassurance customers > expectation of bancassurance customers

c. c = experience of bancassurance customers= expectation of bancassurance customers

Source: Compiled from questionnaire

Table 6.3: Test Statistics of Wilcoxon Signed Rank Test

Z	**-15.980**
Asymp. Sig. (2-tailed)	**.000**
A	**Based on positive ranks**

Source: Compiled from questionnaire

Table 6.3 shows that the value of the calculated Asymp. Significance is less than 5% (5% level of significance). Thus the null hypothesis is rejected. Hence it can be concluded that there is significant difference between expectation and experience of customers buying insurance service from bank and the observed differences in the sample are also discernable in the population. This means that overall experience of the bancassurance customers are less than overall expectation of bancassurance customers. Thus, there is a scope of improving this scenario by arranging for better customer service in bancassurance channel. For better customer service, the bancassurance channel must focus on

updated technology, good infrastructure, training of employees on behavioural and technical aspects (Quadar, 2013; Lohani and Bhatia, 2012).

6.6.3Measuring expectation-experience gap in bancassurance

Table 6.4 depicts expectation-experience gap of customers in bancassurance channel.

The factors where the expectation-experience gap is relatively less or in other words, it can be said that with respect to these items the customers are relatively lesser displeased with the bancassurance channel are ‘not disclosing financial information of customers to others’, ‘not disclosing personal information of customers to others’, ‘getting help while filling up the application form’.

The factors where expectation-experience gap is relatively more or in other words, it can be said that these items are the source of relatively greater displeasure of customers of bancassurance channel are ‘giving occasional gifts like diaries, calendars etc.’, ‘keeping customers informed about the new policy coming into market’ and ‘keeping customers informed about any changes in regulation with respect of Life insurance’.

Table 6.4: Item statistics

Sl. No.	Items	Expectation	Experience	Expectation-Experience
1	To give occasional gifts like diaries, calendars etc.	4.527536	1.226087	3.301449
2	To keep you informed about the new policy coming into market	4.542029	2.376812	2.165217
3	To keep you informed about any changes in regulation with respect of Life insurance	4.53913	2.408696	2.130434
4	Correction in the inappropriate policy bond/certificate, if any	4.55942	3.034783	1.524637
5	Procedure for Assignment of insurance policy for loan	4.55942	3.057971	1.501449
6	Getting a loan on insurance policy	4.547826	3.049275	1.498551
7	Explaining the features of Insurance policy in detail	4.573913	3.089855	1.484058
8	Getting help in case of revival of lapsed insurance policy	4.553623	3.072464	1.481159
9	Receiving help in getting surrender value/ fund value	4.542029	3.063768	1.478261
10	Intimation about the maturity amount	4.550725	3.072464	1.478261
11	Help in getting the maturity amount	4.553623	3.075362	1.478261
12	Information about the fund value/surrender value	4.53913	3.069565	1.469565
13	Procedure for Getting the maturity value	4.553623	3.095652	1.457971
14	Time taken in getting the maturity value	4.547826	3.098551	1.449275
15	To suggest the most suitable policy	4.55942	3.214493	1.344927
16	Giving Intimation about the date of renewal premium	4.55942	3.428986	1.130434
17	Eager to solve problems at an earliest.	4.552326	3.428986	1.12334
18	To tell exactly when the services will be performed	4.550725	3.44058	1.110145
19	Willingness to provide service do not vary with each occasion	4.544928	3.646377	0.898551
20	Getting individual attention	4.544928	3.686957	0.857971
21	Payment of renewal premium	4.565217	3.788406	0.776811
22	Time required to get the policy document	4.568116	3.953623	0.614493
23	Medical examinations for getting insurance policy issued	4.562319	3.991304	0.571015
24	The details in the policy bond/certificate are exactly the same as mentioned in the application form	4.568116	4.057971	0.510145
25	To keep accurate records of premiums	4.555233	4.052174	0.503059
26	Convenience of paying the first premium	4.576812	4.130435	0.446377
27	Comfort with the type of information asked	4.565217	4.147826	0.417391
28	Comfort with the type of document sought	4.568116	4.162319	0.405797
29	Not disclosing your financial information to others.	4.562319	4.165217	0.397102
30	Not disclosing your personal information to others	4.571014	4.176812	0.394202
31	Getting help while filling up the application form	4.565217	4.307246	0.257971

Source: Compiled from questionnaire

6.6.4 Association between expectation and experience of customers in bancassurance

The study considered 31 numbers of items, on a five point scale, relating to expectation and experience of customers in bancassurance. The responses were from very high experience/very high expectation to very low experience/ very low expectation. For the response of very high experience/very high expectation, a score of 5 was given and for very low experience/very low expectation, a score of 1 was given. Thus, for a scale consisting of 31 items the maximum score possible is 155 (31X5) and minimum score possible is 31 (31X1). The difference in scores is 124 (155-31). It is divided by 5 to demonstrate five different layers of experiences and expectation. Exhibit 6.1 represents the interpretation. Based on the individual score of the customers, they are categorized into five classes and labeled as 1,2,3,4 and 5 respectively.

Exhibit 6.1: Interpretation table

Scores	Interpretation	Interpretation	Categorization
31-55.8	Very unfavourable experience	Very unfavourable expectation	1
55.8-80.6	Unfavourable experience	Unfavourable expectation	2
80.6-105.4	Moderate experience	Moderate expectation	3
105.4-130.2	Favourable experience	Favourable expectation	4
130.2-155	Very favourable experience	Very favourable expectation	5

Cross tabulation is done between overall customers' experience and overall customers' expectation. The result of the test is given in Table 6.5.

Table 6.5: Relationship between overall customer experience and overall customer expectation

Overall experience from bancassurance channel		Overall expectation from bancassurance			
		Moderate expectation	High expectation	Very high expectation	Total
	Very bad experience	0	1	0	1
	Bad experience	0	14	2	16
	Moderate experience	1	63	23	87
	Good experience	1	188	39	228
	Very good experience	0	6	7	13
Total		2	272	71	345

Source: compiled from questionnaire

In table 6.5, it is seen that there are three types of association between customers experience and expectation. These are as follows

1. Customers experience is more than their expectation. These types of customers are known as 'boom' customers.
2. Customers experience is equal to their expectation. These types of customers are classified as bloom customers.
3. Customers experience is less than their expectation. This category of customers are labeled as gloom customers.

6.6.5 Influence of demographic variables on customers' satisfaction

Table 6.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.224(a)	.050	.033	16.30673

a Predictors: (Constant), occupation, gender, age, family income, marital status, education
Source: compiled from questionnaire

From table 6.6, it can be concluded that only 3% of the variance in customer satisfaction is accounted by the independent variables i.e. demographic variables.

Table 6.7: Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error		t	Sig.
1	(Constant)	-37.788	9.500		-3.977	.000
	Age	-.938	1.151	-.044	-.815	.415
	Gender	-1.782	2.189	-.046	-.814	.416
	Marital status	.013	1.614	.000	.008	.993
	Family income	4.055	1.035	.226	3.919	.000
	Education	-.543	.689	-.047	-.788	.431
	Occupation	.078	1.518	.003	.051	.959

aDependent Variable: Satisfaction
Source: compiled from questionnaire

Table 6.7 shows that among all the demographic variables considered, only family income has impact on customer satisfaction. Increase in 1 unit family income increases customer satisfaction by .22 units.

From table 6.6 and table 6.7, it can be concluded that since the value of adjusted R square is very low (.033) and only one independent variable, family income predicts customer satisfaction, thus there is little influence of demographic variables on customers' satisfaction.

6.7 Conclusion

The study attempts to analyze satisfaction level of customers buying insurance policy from bank using GAP model. It is found in the study that majority of customers are not satisfied with bancassurance channel. This finding contradicts the study done by Shukla et al. (2012). However a study conducted by Choudhury and Singh (2015a) concluded that customers have favourable experience from bancassurance channel. It is worth noting that in spite of having favourable experience with bancassurance channel, majority of the customers are not satisfied. This is because customers' expectations play a role in customers' satisfaction (Oliver, 1980). The factor affecting the satisfaction level of customers is the expectation of customers from bancassurance channel. To state precisely, it can be mentioned that favourable experience may not always lead to satisfaction of customers.

It can be said that the decline in customers' satisfaction in bancassurance channel is due to high expectation customers have attached to this channel.Customers have very high expectation from bancassurance channel because bank always places itself in a positive and glamorous way to the

customers through advertisement, communication etc. Products of banks are promoted in a positive way. This results in creating immense expectation among customers. On the contrary, insurance companies indulge in negative promotion, defaming their competitors. This has engulfed the insurance industry with negative vibes. So does the case with customers dealing with insurance companies. Therefore when a customer buys insurance from bank his expectations are governed by the images about the bank that he has in his mind. But in reality bank is the intermediary in insurance selling and not the actual insurance service provider. Insurance service provider is totally different entity. But a customer who buys insurance from bank expects the bank as the service provider. Since the customer has giant expectation from the bank, his experience from bancassurance channel does not lie align with his expectation. This is because the experience he is incurring from bancassurance channel is in reality the service outcome of insurance company. This creates a mismatch between customers' expectation and experience with bancassurance channel that ultimately lead to non satisfaction among customers. Bank assumes that the existing image of bank will help in selling insurance plans through bancassurance channel. Here lies the loophole. While selling/ promoting insurance plan, the bank should consider other insurance distribution channel as their competitor and not other competitor banks or insurance companies in market. Bank should assume itself as an insurance service provider rather than an intermediary. Bearing this notion in mind bank should carve unique strategy to promote the bancassurance channel. The term expectation knows no boundary. Bancassurance channel cannot expect that a customer has completed his expectation series while

entering through the door (Carman, 1990). Customers' expectation can change at any time because consumers are aware of alternative service providers in this ever-growing industry (Lather et al. 2012). Therefore, bancassurance channel must build expectation among customers that can be fulfilled.The customer expectation lies under the concept of fairness. Customers expect from the service providers to treat them fairly (Quadar, 2013).To manage customer expectation, bancassurance channel should make real promises (both explicit and implicit) (Zeithaml et al., 2013).

By doing these, bank can be able to form right frame of expectation in the mind of customers, therebydiminishing the gap between expectation and experience of customers regarding bancassurance channel.

The study also identifies factors where the gap between expectation and experience is relatively lesser. These are with respect to maintaining confidentiality of financial and personal information and helping the customers in filling up the forms. This shows the reliability (Choudhury and Singh 2015b) and responsiveness (Choudhury and Singh 2015c) of the bancassurance channel towards customers.

The study also identifies the factors where the gap between expectation and experience is relatively higher. With increase in gap between expectation and experience, the satisfaction level decreases. Thus, the aspects where the expectation experience gap is more can effect customers' satisfaction critically. One such aspect is in case of giving occasional gifts to customers. Bancassurance channel should reward customers for their association with the bank. Giving occasional gifts to customer acts as switching barrier for customers to leave the

bank (Fornell, 1992). This ultimately has positive effect on customer satisfaction (Julander and Soderlund, 2003; Chen and Wang, 2006). Another aspect is keeping customers informed about new policy coming into market. Bancassurance channel should inform customers about the new policy in the market. This is because among all marketing mix elements, product significantly influences customer satisfaction (Mamoun, 2012).Product variety and product innovation are found to be important factor influencing customer satisfaction (Titko et al., 2010; Ahn et al., 2004; Szymanki and Hise, 2000 and Athanassopoulos et al., 2001).Therefore the channel must aware customers about their wide range of insurance products and services in order to ensure customer satisfaction. Lastly, the feature of keeping customers informed about any changes in rules and regulation of insurance service is observed to have immense gap. Being a service business, bancassurance channel should focus more attentively on customers, in particular, communication toward customers (Ford, 1995). Every kind of changes regarding rules, regulation or price charge of insurance policy, must be communicated properly to the customers. This is because communication is essential part of service and can be used as one of the most important tool in satisfying the customers (Henry, 2009). There is a positive relationship between customer satisfaction and service provider's communication style (Webster and Sundaram, 2009; Hoang, 2011). Therefore to prevent decline of satisfaction level of customers, bancassurance channel must train employees regarding the new policies and any kind of changes in existing insurance rules and regulation. The channel should monitor whether the employees are dispersing accurate and timely information to the customers.

The overall experience of the bancassurance customers is found to be less than overall expectation of bancassurance customers. Thus, there is a scope of improving this scenario by arranging for better customer service in bancassurance channel. For better customer service, the bancassurance channel must focus on updated technology, good infrastructure, training of employees on behavioural and technical aspects (Lin and Chang, 2011; Singh, 2011).

It is also found that demographic variables hardly influence customers' satisfaction in bancassurance. This finding supports the study of Vijay Anand and Selvaraj (2012) and Elangovan and Sabitha (2011).Elangovan and Sabitha (2011) in their study found that there is no significant difference in the level of satisfaction of the respondents belonging to different age, education and occupation except income. Thus policy makers should concentrate on framing strategies to uplift the level of customers' satisfaction irrespective of demographic factors of customers.