Chapter 5

Customers' Expectation from Bancassurance

5.1 Introduction

Customer expectation is an important concept because they provide the customers frame of reference for evaluation of service. Expectations are "pre-trial beliefs" about a product or service (Boulding et al., 1993). Customer expectations are beliefs about service delivery that function as standards or reference points against which customers evaluate service (Zeithaml and Bitner, 1996). Customers compare their perceptions of service delivery with these reference points when evaluating service quality and therefore knowing what customers expects is critical in gaining competitive advantage (Zeithaml and Bitner, 2003). Expectations are desires or wants that the consumers feel the service provider should offer (Parasuraman, Berry andZeithaml, 1988). Failure to understand the levels of service customers expects can mean losing a customer to competitors who are able to meet customers' expectations and therefore creating a risk of losing business (Zeithaml and Bitner, 2003). Being wrong can also mean expending money, time and other resources on things that do not count to the customer. Being wrong can even mean not surviving in a fiercely competitive market. As expectations play such a critical role in customer evaluation of services, it becomes important to understand the factors that shape them.

The banking industry across the globe has witnessed a revolution in terms of financial deregulation, privatization and technical advancement. All these have changed the nature and structure of banking industry. In order to meet the ever

growing demands of customers, bank has introduced innovative business models. One such model is bancassurance. In this business model bank sells insurance plans along with other banking products (Venugopal, 2011). Traditionally insurance is sold through agents. Customers are acquainted with buying insurance policy from agent. Bancassurance pose as a deviation from this traditional method of insurance business. In bancassurance, bank provides the insurance service to the customers. Hence knowing about customers' expectation regarding this new channel is critical for survival of this business model. Today customers need are growing in variety, technology makes them much more informed about substitutes available in market and the speed and intensity of change in offers from competitors are also accelerating. In such situations achieving customer satisfaction and retention becomes very difficult. In order to achieve customer retention and satisfaction, it is very important for a bank to know the expectations of its customers to carve out appropriate strategies to meet them.

5.2 Customers' expectation from bancassurance channel

There are substantial numbers of studies about customers' expectation of banking services. A report by FIS (2015) showed that 77% bank customers cite gap in their expectations from bank. The areas where customers' expectations fall short of are fairness, reliability, transparency and obtaining financial advice.The research conducted by Vivekanandan and Jayasena (2012) concludes that customers expect the bank to provide a high level of service more than the electronic-based solutions per se. Nabi (2012) in his research aimed to measure customer expectation in private sector banking industry of Bangladesh.Marinkovic and Senic (2012) discovered three general factors that

impact banking service expectations. These are customer respect and understanding, which includes measures such as personal attention to clients, bank staff courtesy, respect for clients, understanding financial needs of client. The second factor is professionalism, which includes variables such as accuracy of the delivered service, promptness in providing a service, employee appearance, etc. The third factor is image that included variables such as bank image, branch image, modern equipment and its image compared to the competitors. Nielson et al. (1998) examined the business institutions' expectations from the banks and mentioned that long-term relationship, competitive prices for services, efficient operations are main factors of expectation. Other factors included bank's knowledge of industry and market, personal relationship, convenient location, delivery of services, quick decisions, financially health, creativity, and new technologies. Howcroft et al. (2007) also studied banking customer's expectation. Dhar and Kushwah (2009) in their study of banking services mentioned that the factors influencing customers' expectations were responsive attitude, reliability, tangibles, convenience, assurance and empathy. Mahalakshmi and Kanchana (2015) in their study mentioned basic expectation of customers towards the bank. These are end to end transparency, Global Transaction Banking, experience driven distribution model, solutions driven from customer's pain points, embedded risk understanding and management and banking technology to integrate into customers' internal IT systems.

5.3 Objectives

This chapter has the following objectives

i) To study customers' expectation from bancassurance channel.

ii) To analyze influence of demographic variables on customers' expectation.

5.4 Research questions

The answer to the following research questions are sought in this chapter.

1. What is the overall customers' expectation from bancassurance channel?
2. Is there any impact of demographic variables on customers' expectation?

5.5 Analysis and findings

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

5.5.1 Reliability of the tool

Table 5.1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.996	.996	31

Source: Compiled from questionnaire

The reliability of the scale is performed and coefficient of Cronbach's Alpha was found to be 0.996 for 31 items (or statements) considered for the study. A very high value of Cronbach's Alpha (0.996) 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).

5.5.2 Measuring Expectation of the customers

The items statistics for the expectation of customers with respect to the various items considered for the study is presented in table 5.2.

Table 5.2: Item Statistics

Particulars	Mean	Std. Deviation
Explaining insurance policy	4.57	0.513
Not disclosing personal information	4.57	0.513
Convenience of paying first premium	4.57	0.507
Time required to get policy document	4.57	0.508
Details in the policy bond are same as in application form	4.57	0.508
Comfort with type of document sought	4.57	0.496
To suggest most suitable policy	4.56	0.526
Not disclosing financial information	4.56	0.514
Correction in the inappropriate policy	4.56	0.509
Medical examination for getting insurance policy	4.56	0.509
Comfort with type of information asked	4.56	0.508
Getting help in filling up application form	4.56	0.497
Payment of renewal premium	4.56	0.497
Procedure for assignment of insurance policy for loan	4.56	0.503
Giving intimation about renewal premium date	4.56	0.503
Getting help in revival of lapsed insurance policy	4.55	0.51
Getting a loan on insurance policy	4.55	0.516
Intimation about the maturity amount	4.55	0.498
Help in getting maturity amount	4.55	0.498
Procedure for getting maturity value	4.55	0.498
Time taken in getting maturity value	4.55	0.499
Eager to solve problems at an earliest	4.55	0.504
Keeping accurate records of premiums	4.55	0.504
To tell exactly when the service will be performed	4.55	0.51
Information about fund value	4.54	0.505
Receiving help in getting fund value	4.54	0.505
Information about new policy in market	4.54	0.516
Information about changes in regulation of life insurance	4.54	0.533
Willingness to provide service do not vary	4.54	0.511
Getting individual attention	4.54	0.511
To give occasional gifts	4.52	0.566

Source: Compiled from questionnaire

From table 5.2, it can be concluded that customers have high expectation for all the variables considered.

5.5.3Scale Statistics

Table 5.3: Scale statistics

Mean	Variance	Std. Deviation	N of Items
141.15	221.176	14.872	31

Source: Compiled from questionnaire

There are total 31 numbers of items in the considered scale. The scale used for the study was a Likert scale. The responses were from very high expectation to very low expectation. For the response of very high expectation a score of 5 was given. Similarly for the response of high, moderate, low and very low expectation a score of 4, 3, 2, and 1 were given respectively. 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 expectation. The result is interpreted in exhibit 5.1.

Exhibit 5.1
Interpretation table

31-55.8	Very low expectation
55.8-80.6	Low expectation
80.6-105.4	Moderate expectation
105.4-130.2	High expectation
130.2-155	Very high expectation

By looking at the scale statistic the mean score is 141.45 which fall under very favourable expectation. Thus, it can be interpreted that customers of bancassurance have very favourable expectation with respect of getting insurance related services from banks.

Using the interpretation table given in exhibit 5.1 overall expectations is calculated for each of the respondent. Table 5.4 represents customers' overall expectation.

Table 5.4: Overall expectation

Particulars	Frequency	Percent
High expectation	134	38.8
Very high expectation	211	61.2
Total	345	100.0

Source: Compiled from questionnaire

Table 5.4 shows that majority of the customers have very high expectation about bancassurance services provided by the bank.

5.5.4 Influence of demographic profile on customers' expectation

A. Relation between age of customers and customers' expectation from bancassurance

The association between age of customers and their expectation from bancassurance channel is presented under table 5.5.

Table 5.5: Age of customers and customers' expectation

Particulars		Age					Total
		Less than 25 years	25 years to 35 years	35 years to 45 years	45 years to 55 years	More than 55 years	
High expectation	Count	1	5	35	72	21	134
	% of Total	.3%	1.4%	10.1%	20.9%	6.1%	38.8%
Very high expectation	Count	0	12	58	107	34	211
	% of Total	.0%	3.5%	16.8%	31.0%	9.9%	61.2%
Total	Count	1	17	93	179	55	345
	% of Total	.3%	4.9%	27.0%	51.9%	15.9%	100.0%

Source: Compiled from questionnaire

The relation between age of customers and their expectation from bancassurance channel is not significant. Because the Approx Significant value of

Cramer's V test is 0.659 which is more than 0.05 (5% level of significance).Thus it can be inferred that age of customers buying insurance from bank has no significant impact on their expectation from bancassurance channel.

B. Gender of customers and customers' expectation from bancassurance

The relation between gender of customers and customers' expectation from bancassurance channel is presented in table 5.6.

Table 5.6: Gender of customers and customers' expectation

Particulars		Gender		Total
		Male	Female	
High expectation	Count % of Total	107 31.0%	27 7.8%	134 38.8%
Very high expectation	Count % of Total	153 44.3%	58 16.8%	211 61.2%
Total	Count % of Total	260 75.4%	85 24.6%	345 100.0%

Source: Compiled from questionnaire

There is no significant relation between gender of customers and their expectation from bancassurance channel. Because the Approx Significant value of Cramer's V test is 0.123 which is more than 0.05 (5% level of significance).Thus it can be concluded that gender of customers buying insurance from bank has no significant impact on their expectation from bancassurance channel.

C. Marital status of customers and customers' expectation from bancassurance channel

The relation between marital status of customers and customers' expectation from bancassurance channel is presented in table 5.7

The relation between marital status of customers and their expectation from bancassurance channel is not significant. Because the Approx Significant

value of Cramer's V test is 0.991 which is more than 0.05 (5% level of significance).Thus it can be inferred that marital status of customers buying insurance from bank has no significant impact on their expectation from bancassurance channel.

Table 5.7: Marital statusof customers and customers' expectation

Particulars		Marital status				Total
		Married	Unmarried	Divorced	Widow/widower	
High expectation	Count % of Total	124 35.9%	5 1.4%	1 .3%	4 1.2%	134 38.8%
Very high expectation	Count % of Total	195 56.5%	7 2.0%	2 .6%	7 2.0%	211 61.2%
Total	Count % of Total	319 92.5%	12 3.5%	3 .9%	11 3.2%	345 100.0%

Source: Compiled from questionnaire

D. Number of family members of customers and customers' expectation

The relation between number of family members of customers and customers' expectation from bancassurance channel is represented in table 5.8

Table 5.8: Number of family members of customers and customers' expectation

Particulars		Family members									Total
		1	2	3	4	5	6	7	8	More than 8	
High expectation	Count % of Total	0 .0%	0 .0%	7 2.0%	29 8.4%	65 18.8%	21 6.1%	8 2.3%	3 .9%	1 .3%	134 38.8%
Very high expectation	Count % of Total	2 .6%	2 .6%	14 4.1%	48 13.9%	91 26.4%	37 10.7%	15 4.3%	2 .6%	0 .0%	211 61.2%
Total	Count % of Total	2 .6%	2 .6%	21 6.1%	77 22.3%	156 45.2%	58 16.8%	23 6.7%	5 1.4%	1 .3%	345 100.0%

Source: Compiled from questionnaire

There is no significant association between numbers of family members of customersand their expectation from bancassurance channel. This is because

the value of Cramer's V test is 0.622 which is more than 0.05 (5% level of significance).Thus it can be stated that number of family members of customers has no significant impact on customers' expectation from bancassurance channel.

E. Family income of customers and customers' expectation

The relation between family income of customers and customers' expectation from bancassurance channel is depicted in table 5.9

Table 5.9: Family income of customers' and customers' expectation

Particulars		Family income					Total
		Less than 2 lakh	2lakhs to 5 lakhs	5 lakhs to 8 lakhs	8 lakhs to 11 lakhs	More than 11 lakhs	
High expectation	Count	8	92	20	8	6	134
	% of Total	2.3%	26.7%	5.8%	2.3%	1.7%	38.8%
Very high expectation	Count	30	118	35	20	8	211
	% of Total	8.7%	34.2%	10.1%	5.8%	2.3%	61.2%
Total	Count	38	210	55	28	14	345
	% of Total	11.0%	60.9%	15.9%	8.1%	4.1%	100.0%

Source: Compiled from questionnaire

The association between family income of customersand their expectation from bancassurance channel is not significant. This is because the value of Cramer's V test is 0.068 which is more than 0.05 (5% level of significance).Thus it can be inferred that family income of customers has no significant impact on customers' expectation from bancassurance channel.

F. Education of customers and customers' expectation from bancassurance channel

The relation between education of customers and customers' expectation from bancassurance channel is presented in table 5.10

There is no significant association between customers' education and customers' expectation from bancassurance channel. This is because the value of Cramer V test is 0.156 which is more than 0.05 (5% level of significance).Thus it can be inferred that education of customers has no significant impact on their expectation from bancassurance channel.

Table 5.10: Education of customers and customers' expectation

Particulars		Education						Total
		Less than class 10	Less than class 12	Undergraduate	Graduate	Post graduate	Others	
High expectation	Count	20	23	25	49	9	8	134
	% of Total	5.8%	6.7%	7.2%	14.2%	2.6%	2.3%	38.8%
Very high expectation	Count	27	22	39	86	29	8	211
	% of Total	7.8%	6.4%	11.3%	24.9%	8.4%	2.3%	61.2%
Total	Count	47	45	64	135	38	16	345
	% of Total	13.6%	13.0%	18.6%	39.1%	11.0%	4.6%	100.0%

Source: Compiled from questionnaire

G. Occupation of customers and customers' expectation

The relation between occupation of customers and their expectation from bancassurance channel is presented in table 5.11

Table 5.11: Occupation of customers and customers' expectation

Particulars		Occupation				Total
		Professional	Employee officer grade	Employee-non officer grade	Others	
High expectation	Count	2	22	109	1	134
	% of Total	.6%	6.4%	31.6%	.3%	38.8%
Very high expectation	Count	9	39	159	4	211
	% of Total	2.6%	11.3%	46.1%	1.2%	61.2%
Total	Count	11	61	268	5	345
	% of Total	3.2%	17.7%	77.7%	1.4%	100.0%

Source: Compiled from questionnaire

There is no significant association between occupation of customers and customers' expectation from bancassurance channel. This is because the value of Cramer V test is 0.348 which is more than 0.05 (5% level of significance).Thus it can be concluded that occupation of customers has no significant impact on their expectation from bancassurance channel.

5.6 Conclusion

The study attempts to investigate customers' expectation regarding bancassurance channel. The study finds that customers have very high expectation frombancassurance channel of buying insurance service. To have high customer expectation indicates of favourable customer experience (Johnson and Mathews, 1997;Davidow and Uttal 1989; Zeithaml et al. 1990). A study by Choudhury and Singh (2015) found that customers have favourable experience of buying insurance from bancassurance channel. This posits as an affirmative spot for bancassurance channel. However having very high customer's expectation also creates challenge for bancassurance channel. This is because high expectations signal the high level of customer hopes and wishes that they want to be fulfilled, thus failure to meet these expectations may result to customers cutting down on purchase (Zeithaml, Bitner and Gremler, 2009). If service drops below customers' expectation, customers get frustrated and this may cause dissatisfaction with the service provided by the company, and there may be out-swing of customers to competitors (Zeithaml, Bitner and Gremler, 2009). Moreover 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 manage to maintain this favorable

customer expectation. To manage customer expectation, bancassurance channel should make real promises (both explicit and implicit) (Zeithaml et al., 2013).

The study also shows that customers have high expectation for all the factors considered in the study. This is a matter of concern for bank. The bank has certain limitations in providing insurance service to customers. Therefore bank has to manage customer expectation in a realistic way. For this, the channel should promise exactly what will ultimately be delivered and fulfill the promises made. This means that bancassurance channel should attempt to create not only attractive but most importantly realistic expectation among customers.For this, the management can carve policies accordingly. The advertising strategies which include brochures, media and word of mouth advertising should be well developed so that it creates right frame of expectation among customers. The employees must be trained properly to make real promises and not to do overpromises for obtaining business (Davidow and Uttal 1989; Zeithaml et al. 1990; Johnson and Mathews,1997). In the short run this may seem less profitable. But in the long run, making real promises will make loyal customers in turn. Once customers come to know that the bancassurance channel provides what it promises, the customers will be attracted to the channel.

Expectation level of customers is a cumulative expression of the degree of their awareness level with regards to the service/product (Lather et al., 2012). Hence, the regulatory bodies can appoint an agency or organization for creating mass awareness among people regarding insurance service. IRDA in collaboration with RBI can introduce an independent agency or can assign Department of Consumer affairs to spread awareness among customers regarding

insurance service. Increase in awareness level will mould expectation of customers regarding insurance service.China Insurance Regulatory Commission (2007) has called attention to compliance of insurance business in accordance with established rules and regulations. The commission lays emphasis on the fact thatthe insurance companies and employees involved in insurance selling must adhere to related laws and regulation of insurance service. Similarly the regulatory bodies governing insurance service in India can also monitor and draw out rules for the organization carrying out insurance operation to comply with the promises they make to the customers.

The study also concludes that demographic variables considered have no significant impact on customers' expectation from bancassurance. Thus considering demographic factors while framing policies to manage customers' expectation is irrelevant.