

The Impact of Banking Insurance and Mutual Fund Business on Financial Inclusion and Awareness

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ARTICLE HISTORY

Paper Nomenclature:
View Point (VP)

Paper Code: V11N1JM2019VP2

Originality Test Ratio: 0%

Submission Online: 4-March-2019

Manuscript Acknowledged 8-March-2019

Originality Check: 12-March-2019

Peer reviewers comment: 22-March-2019

Blind Reviewers Remarks: 10-April-2019

Author Revert: 11-April-2019

Camera-Ready-Copy: 20-June-2019

Editorial Board Citation: 25-June-2019

Published Online First: 25-July-2019

EDITORIAL BOARD EXCERPT

At the initial Time of submission paper had 0% plagiarism which is highly appreciable and is accepted for publication. The editorial board is of an observation that article had a successive close watch by the blind reviewer's which at later stages had rectified and amended by author in various phases as and when requisite to do consequently. The reviewers had in a beginning stages mention with minor revision with a following statement which at a small duration streamlined by author (Krishna Chandra Bain).

The comments related to this manuscript are that although the objective of this paper is very apt as it is the need of the hour to understand it personally and for the society at large to bring out the real changes and will help in overcoming the challenges on its way. Suggestion and the general awareness were realistic and share a great point that must be focused upon.

All the comments had been shared as mixtures of dates by the authors in due course of time and same had been incorporated by the author in computation. By and large all the editorial and reviewer's comments had been incorporated in a paper at the end and further the manuscript had been earmarked and decided under "View Point" category as its highlights and emphasize the views and compilation of the various views by the author in general.

ABSTRACT

Insurance and Mutual Fund was not the core business of banking Industry a few years back. Now a numbers of banks are engaged in this business. The main objectives are to increase risk free income. Banks are conducting insurance and mutual fund business with indigenous or foreign companies. These sectors are still untapped. To utilize these huge potentials, banks are doing business under cross selling. Banks are having both advantages and disadvantages in doing insurance and mutual fund business. The challenges for bank are to reach to new clients other than their own customers. 15 Micro Insurance, 2 Re-insurance, 24 Life Insurance & 34 General Insurance companies are engaged in insurance business. 46 Mutual Fund houses or Asset Management Companies are providing their services. Up to December, 2018, Assets Under Management is Rs.24,08,538 crores. Investment in good times in insurance policies helps insured in bad times. FDI in insurance sector has been hiked from 26% to 49%. Powers of IRDA has been strengthened. It enhances the financial literacy, awareness among customers and non customer's. Foreign Companies are taking lot of interests. Insurance by bankers are known as bancassurance. Customers are offered Mutual Fund as Dual Advantage Fund (DAF) to make it more attractive. Collected amount from these businesses are used to develop the infrastructure of the country.

KEYWORDS Bancassurance | Dual Advantage Fund (DAF) | Financial Literacy | Infrastructure | Non-interest Income | Potential | Sectoral Fund

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<https://doi.org/10.18311/gjeis/2019>

Volume-11 | Issue-1 | Jan-Mar, 2019 | Online ISSN : 0975-1432 | Print ISSN : 0975-153X

Frequency : Quarterly, Published Since : 2009

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Introduction

Every investor in India seeks more reliability, trust and protection on their invested amount. Most of the middle class people in India expect a good return from their investment. It may be Insurance or Mutual Fund or Post Office saving or Bank Deposit, investors always demand 100% return of their money along with some interest. Investment in insurance and mutual funds are comparatively safer and investors need very less analyzing capacity to select the scheme. Any investor will think many times that the investment is in safe hand. There are numerous bad histories regarding non- return from the investment in India. People in the rural areas are not having much financial knowledge and they need proper information, guidance and motivation regarding investment. There is a huge potential with the vast number of investors in the country. Many people feel that the insurance is not a good scheme for investment. Term Insurance is a nice scheme and return is also good. It provides protection to the family in the absence of the bread earner. We need a good mechanism, transparent organization, reliable companies along with Government support.

Every matured citizen wants to see a growing economy, saving and investment oriented people. The fund managers should be professional and with ethics and values. Recently it is observed that the foreign companies are coming forward and collaborating with the Indian companies, making remarkable efforts in insurance as well as mutual fund business. In the last 2 to 3 years, the trend is positive; people are coming forward to invest in various scheme. Some investors are very happy to receive substantial return. This information is changing the mind set towards investment habit. The increased fund of Asset under Management (AUM), in mutual fund business and Insurance sector has shown a boom. For the development of the financial sector, contribution of banks is remarkable. Bankers are looking forward to improve the insurance as well as mutual fund business among existing as well as new customers.

To improve the economy of a country, the financial sector should be stable. The regulators and

supervisors have to monitor it properly. The Central and State Government should support for a robust and dynamic progress. Majority of our population resides in the rural areas. To cover them with insurance, especially with Health & Crop Insurance, will help them to lead to a better life. Investors need a financially a better place in order to keep it a safe platform.

Awareness and making Plat Form for Business Growth

The investors should be apprised of the reality, risk factors, and the actual terms and conditions of any investment. Asset Management Companies or Insurance Companies are taking adequate care to improve their return from the fund they are managing. Building trust among the innocent rural people is the most essential factors to enlarge the clusters of investors. If the return is good, investor is benefited; the future market of mutual fund and insurance will see a matured and developed investment. We live in a developing country, but to become developed, contributions of financial partners as well as participation by investors of all categories are must. Various schemes of mutual fund, and its customization as per the need of the investor, are very essential for successful marketing. The risk and return to be analyzed and to be made easily understandable among the insured and policy holders. Poor people are by default financially illiterate and will not understand good and bad effect of proper portfolio management. The Asset Management Companies should decisively and wisely diversify the portfolio in such a way that the return does not get suffered.

Consumer Focus and Role of Regulators:

To bring low income group under the financial coverage, more and more bank account to be opened. Financial inclusion will be successful, through financial literacy and bringing the benefit of banking transaction within the reach to them with low cost. Banks have to provide proper customer service, making their product easily accessible to the customers, providing credit facility as well as

other products such as insurance, mutual fund etc. When bank sells insurance policy to its customers it is called bancassurance.

Investment either in equity or insurance or mutual fund to make money in short period will not be good. Those who invest for 1 or 2 years, returns are not encouraging for them. For a minimum period of 3 years normally provide a good return and all this things should be properly communicated to the investors.

Many people invest for the purpose of saving Tax. It is observed that those people take interest in investment in the last quarter of the year i.e. in January, February and March. In a hurry, lot of errors take place. If proper guidance is received in time, contingency plans are created; the financial pressure in the last minute can be avoided. If people are interested in insurance, need based schemes and plans should be explained to them. It may be term plan or endowment plan. Every citizen actually needs insurance. The need among them to be created. Some time people feel that the returns are not good in insurance. It requires proper understanding about his need, based on his income and future plan.

SEBI as well as IRDA are taking initiatives to protect the investors money. The scheme should be very clear. The Term Insurance Policy should be explained to the customer without making them tempted. Un-ethical promises, false assurance, not to be made. When there is a need by the customer, proper service & support to be provided to the insured as well as to the mutual fund investor. If there is any claim for any insurance policy, should be settled immediately. SEBI has issued fresh guidelines in December, 2018. As a supervising and monitoring authority, SEBI has asked the Asset Management Companies to reclassify mutual fund to avoid duplicity of scheme. The investor across the country to be treated in the same way. IRDA (Insurance Regulatory Development Authority) has taken lot of measures to safeguard the insurance purchaser.

Functions of Banks towards Society

After the financial sector reforms, Indian Banking sectors, including Public Sector Banks are getting momentum to carry out their bancassurance business. A few companies are doing very well. The trend of the profitability is encouraging. It is motivating other players also.

Bank gets advantage to help their customers as per the need of their client. Realizing the objectives, it can sell insurance and various mutual fund products. Bank's contribution to financial inclusion is appreciable. At the same time, the lock in period and other disadvantages to be made known to them such as ULIPs, PPF, etc. In the absence of this kind of information, the policy holders will face hardship in case of urgent requirement to withdraw the invested fund. Benefit of term insurance policies, mutual fund schemes, varies provisions under 80C for tax savings, will make the task easy for marketing people. Banks are now selling DAF (Dual Advantage Fund) to customers to get more business. Within the bank, the potential for business is very huge.

Making investment in the early years will help to achieve financial goal easily. In order to obtain fair return and safe investment, Asset Management Companies are now offering investors around 800 open ended schemes. It is comprised of large cap, medium cap and small cap. Based on the management of the fund, it is invested in various sectors. Some time best performing equity is selected. Some portion is invested in debt fund. It is observed that in a particular period, the Technology companies did well. Few years back Health sector was lucrative. At present FMCG (Fast Moving Consumer Goods) are giving good return.

The Monopoly has Gone:

So far, Life Insurance Corporation of India (LICI) had a monopoly in Insurance sector. Now SBI Life, Bajaj Allianz, Birla Sun Life, Kotak insurance, ICICI Prudential are some of the major players in insurance sector. Insurance business is also divided in life and non-life. SBI has entered both for the life and non life



insurance business. SBI General Insurance is doing good business and two years back it went for IPO which was successful. Car insurance is picking up for SBI General in present time. Health Insurance also has shown up a good progress. Bajaj Financial Companies, along with its insurance and mutual fund managers are doing well. It is a brand name in the market. Bajaj Finance is providing consumer loan and they are selling insurance product efficiently.

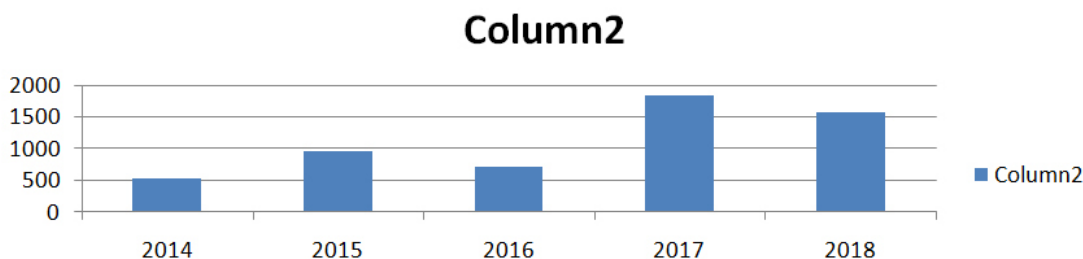
Indian financial sector was unaffected during financial turbulence of western countries in 2008-9. Our market is growing slowly but steadily and will have a good future.

Certified Financial Planner (CFP), is a professional guide, assessing the financial goals of a person, provide him the proper step in a better way to keep the financial growth with a balanced objectives. These Financial Planners are called Financial Doctors. They collect the data; analyze it, make the plan, offer necessary suggestions so that in future the financial goals are achieved smoothly. Numbers of Certified Financial Planners in India are less, comparatively to western countries. Banks are also engaging them to increase the bancassurance business.

Comparatively, Indian Mutual Fund and Insurance sector are having very good scope. In the financial year 2018-19, mutual fund industry added 9.46 lakhs accounts each month in Systematic Investment Plan (SIP) only.

Present Position of Mutual Fund Industry:

Table 1 Net Equity Inflows (Rs. billion)



Mutual fund business increased 3 times from Rs. 532 billion to Rs.1578 billion from the year 2014 to 2018.

Year	: 2014	2015	2016	2017	2018
Amount	: 532	964	721	1837	1578

Source: AMFI, Value Research. Data on 31.12.2018.

Table 2 The average assets under management of top 5 Asset Management Companies are shown below. Amount in (Rs. billion).

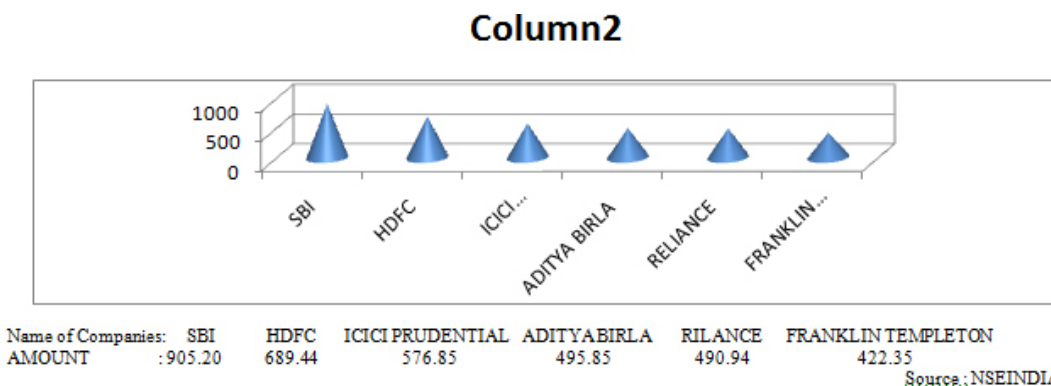
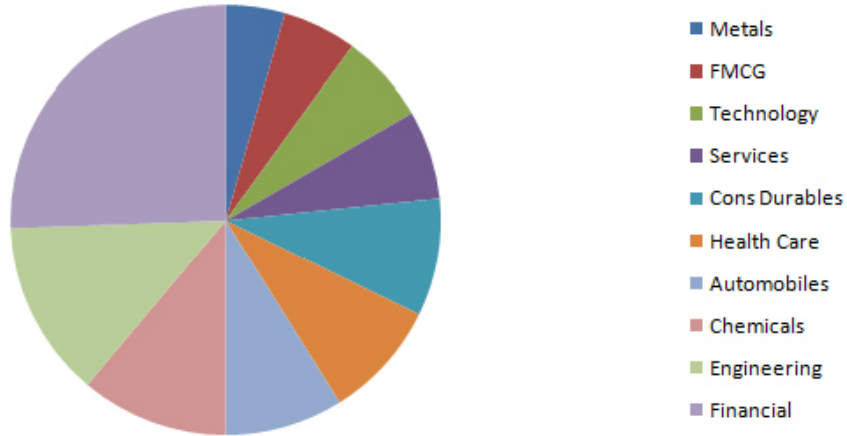


Table 3

A Typical Mid Cap Opportunities Fund Allocation

A Typical Mid Cap Opportunities Fund Allocation

% allocation



Percentage : 4% 4% 6% 6% 10% 10% 10% 11% 14% 25%

When funds are deployed in various sectors, it is called sectoral fund.

Source :NSEINDIA

The Constraint Factors

Recently, many Asset Management Companies are found worried, because of their investment in a NBFC (Non Banking Financial Companies). IL & FS, the well known NBFC, will not be able to return around Rs.20,000 crores to various fund managers. It is expected that many mutual fund as well as insurance companies may not be able to return money to the investors because of the default by IL&FS. If the promise of the investors is failed in spite of monitoring by the regulators, it will have a severe negative impact in the market. So far, it is not clear as how many companies have invested in this NBFC. The picture will be clear after some time.

Conclusion

Massive awareness on financial literacy, financial inclusion, and digital transaction in rural areas are required. SHGs (Self Help Groups), have made

a huge difference to the lives of rural members by offering them micro credit facility. PMJDY (Pradhan Mantri Jana Dhana Yojana), PMJBY (Pradhan Mantri Jivanjyoti Bima Yojana), APY (Atal Pension Yojana) have made a remarkable awareness among people in the whole country. To make a paradigm shift in insurance and mutual fund sectors, bankers are responsible to increase coverage to its existing as well as expanding customers. Seminars, publicity by private organizations as well as Government Bodies to be encouraged and held. They have to come forward, making scope for research facilities, provide necessary platform, inject with information to the needy sectors. The greedy people who disrupt the smooth flow of business should be punished severely and immediately. Numbers of chit funds companies have cheated the innocent investors. They ran away with their collected funds. Some are caught many are not. Many investors, who are



poor people, have committed suicide. CBI and EDs (Enforcement Directories) are enquiring for number of cases. The process is slow and politics is a hurdle to get the proper justice. The bad companies will be creating negative atmosphere in the mind of innocent and poor customers. Financial Literacy Mission, inclusion and awareness will turn the scenario toward positive direction.

Acknowledgments

Thanks to my University, i.e. ICFAI, for informing us with updates in many fields. My research guide, Dr. B. M. Singh is helping to enrich our knowledge.

Professor and V.C. Shree O.S.R. Rao is providing valuable inputs. SBI is the path finder in insurance and mutual fund business in India among Banks.

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Blind Reviewers Comment

The paper is of great relevance in the current economic scenario. The topic taken is highly needed to be understood to bring out clarity among the general public and society at large. The author had taken due care in explaining the topics to its fullest highlighting the importance and relevance of the same in today's context. Although the complete paper is based on secondary sources still author had tried to put it nicely and making it convenient for others to study and understand. All the sections are synchronized to make it a good piece of research.

GJEIS Prevent Plagiarism in Publication

The Editorial Board had used the turnitin plagiarism [<http://www.turnitin.com>] tool to check the originality and further affixed the similarity index which is 0% in this case (See Annexure-I). Thus the reviewers and editors are of view to find it suitable to publish in this Volume-11, Issue-1, Jan-Mar, 2019

Annexure 1

ORIGINALITY REPORT			
0%	0%	0%	0%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS
PRIMARY SOURCES			

Citation

Krishna Chandra Bain
"The Impact of Banking Insurance and Mutual Fund Business on Financial Inclusion and Awareness"
Volume-11, Issue-1, Jan-Mar, 2019. (www.gjeis.com)

<https://doi.org/10.18311/gjeis/2019>

Volume-11, Issue-1, Jan-Mar, 2019

Online ISSN : 0975-1432, Print ISSN : 0975-153X

Frequency : Quarterly, Published Since : 2009

Google Citations: Since 2009

H-Index = 96

i10-Index: 964

Source: <https://scholar.google.co.in/citations?user=S47TtNkAAAAAJ&hl=en>

Conflict of Interest: Author of a Paper had no conflict neither financially nor academically.



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