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Exploration of the Factors Influence Bancassurance as a Successful Corporate Synergy in Pakistan

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Abstract

Existing theories on life insurance sector rarely focusing the factors behind Bancassurance as a successful corporate synergy. Bancassurance plays a vital role in development of life insurance sector of Pakistan. The rationale of this study is to identify the factors influencing Bancassurance as a successful corporate synergy. This research will further drive implications and develop new dimensions in corporate sector through Bancassurance as a successful business intermediary. For this research, qualitative methodology has been adopted. Thematic and framework analysis has been used as a tool for this research after interview transcription. The result obtained through thematic analysis is the customers are given a personalized insurance solution by Bancassurance, Bancassurance develops an institutional advantage for insurers and banks, Alignment of business culture, priorities, and vision is typically obvious in Bancassurance corporate practices, Non-financial benefits are expanded to include recognition as the primary motivator for corporate synergy. In many corporate organizations especially banks, Bancassurance has developed into a crucial component. Therefore, to expand the Bancassurance channel and establish themselves as a leader, banks and insurance firms require sustainable corporate plans. Most mass-market consumers seeking affordable, straightforward goods from a reputable provider now turn to insurance offers supplied through banks.

Keywords

Bancassurance, Corporate synergy, Sustainable plans

1. Introduction

The term “Bancassurance” describes a relationship between a bank and an insurance provider whereby the bank uses its distribution networks to offer consumers insurance products (Nguyen, 2021; Jeon et al., 2020). The possibility of cross-selling and higher revenue for both sides has made this partnership

more and more well-liked in the financial services sector. According to several research, Bancassurance is a productive business synergy that has advantages like higher market share and customer satisfaction (Nguyen, 2021; Jeon et al., 2020). Using the bank's current customer base to market insurance products is one of the main benefits of Bancassurance. Both the bank and the insurance provider may see an increase in income as a result, as well as a rise in client satisfaction. Also, by providing a greater choice of financial services and products, Bancassurance may assist the bank in standing out from rivals (Jeon et al., 2020).

The possibility for cost reductions through resource sharing and decreased marketing expenditures is another advantage of Bancassurance. For instance, the bank can sell insurance goods using its current resources and personnel, which may be less expensive than creating a separate distribution network (Nguyen, 2021).

Notwithstanding the advantages, Bancassurance has drawbacks too, including possible conflicts of interest and regulatory obstacles. The good news is that these issues may be resolved by taking sensible risk management and compliance actions (Jeon et al., 2020).

In order to increase efficiency and maximize value for shareholders, two or more firms or entities are strategically combined to form corporate synergy. Synergy may be attained in a number of ways, including enhanced market power, higher income, and cost savings. Scholars have intensively researched the idea of corporate synergy in the domains of finance and management, looking at its different manifestations and motivators (Scherer & Ross, 2020).

The origins of corporate synergy may be traced to the 1960s, a time when conglomerates were becoming more prevalent and businesses started to diversify their business models in order to realise economies of scale and lower risk (Scherer & Ross, 2020). At that time, the notion of corporate synergy has developed into a key one in the research on mergers and acquisitions, strategic alliances, and other types of business partnerships.

The possibility for cost savings via economies of scale and scope is one of the main factors that encourage corporate synergy. For instance, two businesses in related industries might be able to cut expenses by pooling their resources for marketing, distribution, and R&D (Firth, 2021). Also, through cross-selling, improved product options, and a broader market presence, corporate synergy can result in higher revenue growth (Scherer & Ross, 2020). Corporate synergy can potentially generate substantial value for shareholders, but it also comes with dangers related to integration, cultural differences, and possible conflicts of interest (Firth, 2021). In order to maximize the potential advantages of corporate synergy while limiting the hazards involved, effective management and communication are essential.

1.1 Problem Statement

Existing theories on life insurance sector rarely focusing the factors behind Bancassurance as a successful corporate synergy (Amir & Mustafa, 2021). Amir and Mustafa (2021) further assert that a study of Bancassurance efficacy as a corporate synergy in Pakistan is necessary. Similar to this, Khan and Ahmed (2019) claim that Bancassurance has promise in Pakistan but that further study is needed to

fully understand its influence on financial performance that leading Bancassurance as a successful corporate synergy.

1.2 Rationale of Research

Bancassurance plays a vital role in development of life insurance sector of Pakistan. The rationale of this study is to identify the factors influencing Bancassurance as a successful corporate synergy. This research will further drive implications and develop new dimensions in corporate sector through Bancassurance as a successful business intermediary.

1.3 Significance of Research

The study of Bancassurance role in effective corporate synergy in Pakistan has a number of academic and practical repercussions. First off, the results of this study can assist Pakistani officials and regulators in making judgments on the advantages and disadvantages of Bancassurance. Furthermore, it may give insurance and banking firms suggestions on how to create and sell Bancassurance products in a way that optimizes both client value and profitability. Lastly, by deepening our knowledge of Bancassurance efficiency in the context of a developing nation like Pakistan, this research can add to the body of knowledge on corporate synergy. Further studies on the impact of Bancassurance on monetary performance, customer happiness, and other pertinent factors in Pakistan's banking and insurance industries may benefit from the findings of this study.

1.4 Research Questions

Following are the research question for further research:

1. What are the factors influences Bancassurance channel as a successful corporate intermediary?
2. How Bancassurance practices can develop a successful synergy between two entities despite different nature of functions?

2. Literature Review

The practice of selling insurance through banks is referred to as Bancassurance. As more banks collaborate with insurance providers to offer insurance products to their customers, Bancassurance has grown in popularity in Pakistan in recent years. By creating rules and regulations to ensure transparency and client safety, the State Bank of Pakistan has promoted the expansion of Bancassurance in the nation (Khan, 2020). The distribution of insurance policies by insurance companies through banking channels is referred to as Bancassurance. Despite the fact that Bancassurance was initially introduced to Pakistan in 2003, the sector expanded in 2008–2009 (Iqbal & Shamsi, 2017). Pakistan's banking sector has left its economic impact. The bank has the right to provide its clients with various goods in order to inform and assist them. Together with banking items, non-banking products also have a hard time gaining client satisfaction (Iqbal, 2022).

In a strategic partnership known as Bancassurance, banks serve as a channel for the marketing of insurance goods. Because it enables banks and insurance firms to use each other's skills and resources to offer their clients a wider choice of financial goods and services, the alliance is sometimes referred

to as a corporate synergy. In the framework of corporate synergy, Bancassurance enables insurance firms to increase their distribution network and reach a wider client base while assisting banks in diversifying their income sources and enhancing customer retention (Kumar & Gupta, 2019). Bancassurance also enables banks to improve their relationship with clients by offering them a wider array of financial services (Jain & Bhargava, 2019).

Moreover, Bancassurance may save costs for both banks and insurance providers by pooling resources like IT systems and marketing costs. By doing so, operating expenses may be decreased and profitability could rise (Sahni & Khanna, 2018). Yet, the capacity to handle conflicts of interest and maintain regulatory compliance, as well as efficient cooperation between banks and insurance firms, are necessary for Bancassurance to be a successful corporate synergy (Kumar & Gupta, 2019).

In terms of income diversification, client retention, and cost efficiency, Bancassurance may be a successful corporate synergy between banks and insurance firms. Nonetheless, extensive preparation and coordination between the two businesses are necessary for a successful implementation (Kumar & Gupta, 2019).

A number of elements, including the choice of appropriate insurance products, the creation of efficient communication channels, and the creation of a business model that benefits both banks and insurers, must be taken into account in order to construct an institutional approach between them (Kirkwood & Sopariwala, 2019). The choice of appropriate insurance products is one of the main elements in creating an institutional approach between banks and insurers. Banks should choose protection products that supplement their ongoing monetary help contributions and are reliable with their essential business and purchaser requests (Pramanik & Sarkar, 2019). The products that insurance company sell through banks, then again, should be proper for the bank's customers and reliable with the bank's central goal and values (Kirkwood & Sopariwala, 2019).

The foundation of compelling correspondence channels among banks and insurance policies is likewise critical. Establishing trust, laying out expectations, and pointing out areas for improvement may all be accomplished through regular communication between the two parties (Sarkar & Sen, 2019). This may be accomplished by holding frequent meetings, working together on plans, and exchanging client feedback (Sarkar & Sen, 2019). Lastly, creating a business model that benefits both parties is essential to the long-term survival of Bancassurance relationships. To create a business model that benefits both sides and satisfies client demands, banks and insurers must collaborate. This could entail contracts for income sharing, bonuses for performance, or other kinds of cooperation (Pramanik & Sarkar, 2019).

For Bancassurance agreements to be successful, banks and insurers must adopt an institutional approach. This necessitates careful consideration of insurance product selection, efficient communication methods, and the creation of a business model that benefits all parties (Kirkwood & Sopariwala, 2019).

3. Methodology

A qualitative research methodology has been used for this study. Twenty responders have interviews with them. For this goal, semi-structured interviews are preferable since they place a strong emphasis on asking questions within a theme framework. The questions are neither organized or structured. Interviews that are semi-structured are frequently employed in qualitative research. Due to its judgmental, selective, or subjective sampling nature, a purposive sampling technique has been adopted. It is a type of non-probability sampling in which representatives from the insurance and banking industries have been chosen for in-depth information based on their knowledge and experiences.

3.1 Thematic Analysis

Transcribing interview into textual form is required for this. Reading and rereading the transcripts will help the researcher familiarize themselves with the data and develop a deeper knowledge of it. The researcher should choose relevant data units and give them codes. These codes could be interpretive, descriptive, or evaluative. The researcher should seek for patterns and connections between initial codes after creating them in order to pinpoint larger themes. The patterns or concepts that appear repeatedly in the data are called themes. The researcher should check the themes after they have been discovered to make sure they accurately represent the data. This entails returning to the initial data to examine consistency and polish the themes. The researcher should identify and characterize the topics after reviewing them. This entails putting each subject in writing and naming it in a way that conveys its significance.

Table 1. Interview Characteristics

Respondent Code	Gender	Method
KS_1	Male	In Personal
MT_2	Female	In Personal
GR_3	Male	In Personal
FY_4	Male	In Personal
KH_5	Male	In Personal
JK_6	Male	In Personal
WS_7	Female	In Personal
BM_8	Male	In Personal
NS_9	Male	In Personal
AD_10	Female	In Personal

Following are the themes obtained through transcript. Customers are given a personalized insurance solution by Bancassurance, Bancassurance develops an institutional advantage for insurers and banks, Alignment of business culture, priorities, and vision is typically obvious in Bancassurance corporate

practices, Non-financial benefits are expanded to include recognition as the primary motivator for corporate synergy.

Theme 1: Customers are given a personalized insurance solution by Bancassurance

“Customer prefers Bancassurance individualized approach to delivering insurance solutions that are suited to each individual customer’s requirements. Knowing that the coverage is based on the particular circumstances of the consumer and not just a one-size-fits-all strategy is reassuring”...JK_6.

One of the main advantages of Bancassurance is the capability to provide consumers tailored insurance solutions based on their particular requirements and situations (Schich, 2021). Bancassurance providers can provide specialized coverage and pricing that better fit the demands of their clients by having access to consumer data and banking information (Dwivedi et al., 2020). Customer retention rates may be improved by offering personalized insurance solutions that can make customers feel more satisfied and loyal (Taele & Mavundla, 2019).

“Customers like how convenient it is for the bank to handle their insurance needs through Bancassurance. Banks are better able to give customized insurance solutions that fit the demands of their clients because they have a greater awareness of their financial status”...NS_9.

Customers view Bancassurance as a practical choice for handling their insurance needs, according a study by Guo and Ma (2021). According to the report, customers value having access to bespoke insurance solutions that are catered to their specific needs and the convenience of managing their insurance policies concurrently with their banking operations. The survey also revealed that when choosing an insurance provider through Bancassurance, clients place a high emphasis on the bank’s credibility and reputation.

Another benefit of Bancassurance is that banks may offer tailored insurance solutions, in addition to ease. Banks have access to a lot of consumer information, such as their financial situation and credit history, which may help create tailored insurance solutions (Schich, 2021). This may result in more precise risk estimation and pricing, as well as more focused marketing initiatives.

Theme 2: Bancassurance develops an institutional advantage for insurers and banks

“Both insurers and banks may benefit significantly institutionally from Bancassurance. Together, they can make the most of their individual talents and abilities to provide clients with a wider variety of financial options”...MT_2.

A strategic partnership called Bancassurance allows banks and insurance firms to draw on each other’s resources and experience (Goyal et al., 2021). Banks can offer a wider variety of financial products and services, including insurance solutions, while insurers can benefit from the banks’ extensive customer network and distribution channels. For both sides, this partnership has the potential to increase productivity, reduce costs, and boost profitability (Lee et al., 2021).

“Although insurers contribute skills in risk analysis and underwriting, banks have a vast network of branches and consumer data. Increased market share, more profitable operations, and higher

profitability are all possible outcomes of this partnership”...WS_7.

Bancassurance can give insurers a considerable institutional advantage by allowing them to reach new consumer categories and widen their distribution networks, according to a research by Majeed et al. (2020). Bancassurance can provide banks with a chance to diversify their sources of income and grow their market share in the financial services sector (Goyal et al., 2021). Banks can provide a wider range of financial solutions, including insurance products, by utilizing their current client relationships and distribution networks.

Theme 3: Alignment of business culture, priorities, and vision is typically obvious in Bancassurance corporate practices.

“Companies that provide banking services frequently exhibit strong synergy between their corporate culture, business priorities, and strategic goals. This is so they may utilize the capabilities of both organizations to achieve a common purpose. Typically, they are created through a strategic collaboration between a bank and an insurance business”...GR_3.

Bancassurance partnerships may provide value for both parties by utilizing their individual strengths and competencies, according to a research by Marimuthu and Ismail (2021). These kinds of partnerships, according to the authors, can result in “better efficiency, expanded market reach, and higher consumer satisfaction.

A different research by Ndou and Bonga (2020) emphasizes the value of partner alignment in a Bancassurance business. According to the writers, success depends on having a same vision and objective as well as being ready to work together and share knowledge.

“Customers, innovation, and operational efficiency may be given top priority by Bancassurance businesses in their corporate practices, which is in line with their common goal of giving their clients full financial solutions. This synchronization may be seen in how Bancassurance organizations create and sell their products, run their operations, and interact with their clients”...NS_9.

In their corporate practices, Bancassurance organizations promote client centricity, innovation, and operational efficiency, according to a research by Bhatnagar and Sood (2020). The authors point out that these criteria are consistent with the objective of offering consumers comprehensive financial solutions.

Saini and Verma (2021) emphasize the significance of innovation in Bancassurance partnerships in yet another research. The authors contend that increasing competitiveness and generating value for consumers both depend on innovation.

Theme 4: Non-financial benefits are expanded to include recognition as the primary motivator for corporate synergy

“Corporate synergy is greatly enhanced in Bancassurance partnerships by non-financial benefits like recognition and common values”...KS_1.

Shared values and culture may have a significant role in successful mergers and acquisitions, according to a research by Cartwright and Cooper (2014). The authors observe that non-financial benefits including a common culture, recognition, and chances for personal improvement can boost employee motivation and engagement, resulting in higher success in accomplishing common objectives.

Another research by Rijswijk, Knippenberg, and van Knippenberg (2014) argues that cross-border mergers and acquisitions, where there may be more pronounced cultural disparities between the organizations involved, place a premium on the alignment of values and culture. The authors point out that effective integration and synergy may depend on understanding and addressing these cultural differences.

“The level of trust, cooperation, and drive to work together towards common objectives can grow when banks and insurance businesses have similar aims and beliefs. One of the main factors influencing the success of Bancassurance relationships may be recognized as the acknowledgment of common values and purpose alignment”...KH_5.

Aluchna and Kluczyska-Abuz (2021) looked at how corporate culture and values alignment affect the performance of Bancassurance partnerships in one recent research. The effectiveness of Bancassurance partnerships may be greatly influenced by company culture and values congruence, notably in terms of client satisfaction and financial performance, according to the authors. They added that establishing this alignment was largely due to the participating organizations’ mutual confidence and collaboration.

Another research by Kiatpongsan and Puttanapong (2020) looked at the importance of trust in Bancassurance partnerships and discovered that it was essential for creating effective collaboration and customer satisfaction for the partnering firms. According to the writers, trust was developed via open communication, respect for one another, and a common set of goals.

3.2 Research Framework

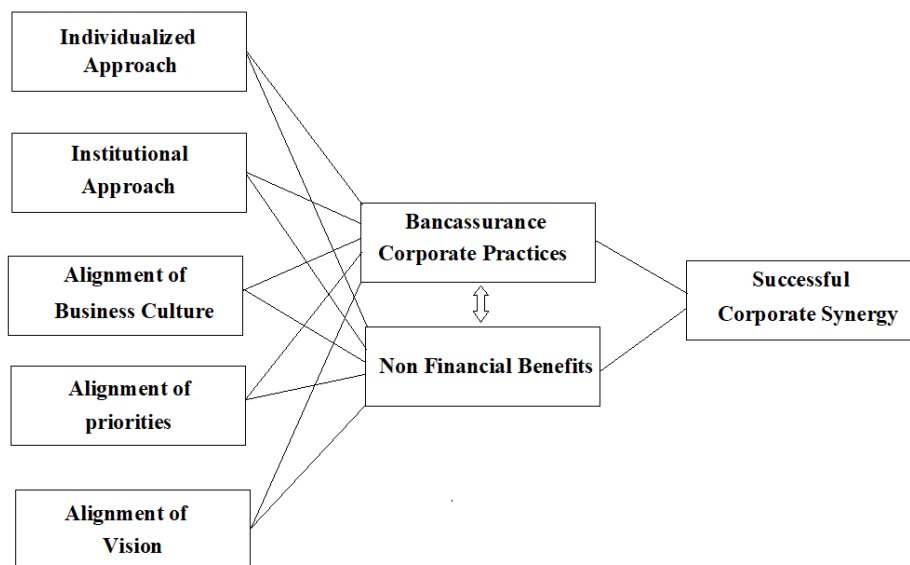


Figure 1. Bancassurance Corporate Synergy (BCS) Model

4. Conclusion

The research conducted on the explored factors influencing successful corporate synergy in the organization found that individualized approach, institutional approach, alignment of business culture, alignment of priorities, and alignment of vision have a direct positive impact on successful corporate synergy. Bancassurance corporate practices and non-financial benefits were found to mediate the relationship between the independent variables and successful corporate synergy.

According to the study's findings, businesses may increase their corporate synergy by taking an individual approach to each of their customers and workers. This means giving them specialized care and services that are tailored to their requirements. Promoting consistent standards and procedures throughout the company can also be helped by an institutional approach. In order to foster a feeling of cohesion and shared purpose inside the firm, it was discovered that the alignment of corporate culture, priorities, and vision was essential. Employee cooperation towards shared aims and objectives is more possible when these components are in harmony, which encourages effective organizational synergy.

The association between the independent variables and effective corporate synergy was shown to be mediated by banking assurance corporate practices and non-financial advantages. The adoption of corporate strategies and procedures to enhance Bancassurance is referred to as "Bancassurance corporate practices," and it might result in more coordination across various business divisions and departments. The achievement of good corporate synergy can also be motivated by non-financial benefits like prizes and incentives.

The study offers insightful information on the elements that contribute to an organization's effective corporate synergy. The study's conclusions point out that in order to successfully foster corporate synergy, organizations should take an institutional and individualized approach to their clients and workers, ensure that business culture, priorities, and vision are aligned, and implement Bancassurance corporate practices and non-financial benefits. By putting these techniques into practice, companies may create a more harmonious and productive work environment, which can enhance performance and help the organization achieve its goals.

5. Future Recommendations

The current study concentrated on the elements that contribute to successful corporate synergy; however, it did not precisely analyze how such synergy affects organizational performance. Future studies can study this connection and the precise ways that successful business synergy influences increased organizational performance.

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