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RESEARCH ARTICLE

Adoptive bancassurance models transforming patronization among the insured

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Abstract

Adoptive bancassurance model is an imperative and flexible developmental model focusing on the concept of a strategic approach that banks adopt in contradiction with other models where control remains rigid. The primary objective pertaining to the study is to determine all reliable characteristics that emerge from the adoption model, which modifies user patronization behaviors. A descriptive study design and a judgemental sampling method are utilized to study the respondents in the Metropolitan area of Chennai City. A Self-designed structured questionnaire was employed to collect data from a sample size of 343, carried out between March and July 2024. Using IBM SPSS and AMOS, the gathered data is analyzed using frequency analysis, model fit index, and structural equation modeling. The study asserted that the six adopting bancassurance model indices of Credibility, Personalization, Financial inclusion, Digitalization, User Interface, and Consumer Literacy, had a beneficial impact on insureds' patronage. The adoptive model's user interface's unexplored sense of flexibility goes beyond its basic features. The effects of the insured perspective on customer satisfaction, financial inclusion, and market competitiveness guide the industry toward regulated insurance product simplification and guarantee penetration. Adoptive bancassurance models effectively improve client access to insurance and expedite service delivery while promoting consistency and new product development for client retention and growth. The flexibility of adaptive models provides access to insurance through banking channels, endorsing financial inclusion and literacy and ensuring socioeconomic stability, especially for those living in underprivileged areas.

Keywords: Adoptive model, Bancassurance, Patronization, Insurance Services, Financial inclusion, Digitalization.

Introduction

The synergy between banking and insurance services, known as bancassurance, has gained wider recognition as a reformative force amongst users in its traditional form in the contemporary financial services industry. The adoptive bancassurance model refers to a type of strategic bancassurance partnership where control is primarily with the insurance agency, extending from product development to distribution networking. The banks offer to serve as a facilitation platform, improving their revenue streams and providing a flexible environment for insurance providers. Referral arrangements, corporate agencies, and joint ventures were the adoptive models developed to accommodate varied regulatory environments and customer requirements (Raushan, 2023).

The models developed in flexibility with bancassurance have encouragingly persuaded the client patronization patterns, restructuring the consumers' judgement and engagement with insurance products (Marzai, 2018). The shift towards adoptive bancassurance models reflects the dynamism in consumer behavior, where expediency and confidence affect purchasing decisions, thereby influencing penetration (Davis & Lee, 2021).

The traditional model of bancassurance focuses on revenue sources, and the functional abilities of the product and service remain rigid, while the adaptive bancassurance model is distribution-oriented, where the ultimate responsibility for product curation remains with the insurance agency, and the banks only sell them. This limited involvement helps banks to reduce the financial risk, and the tasks of underwriting remain with the insurance corporations. Separate functioning aids in leveraging customer relationships in the longer run (McKinsey & Company, 2021).

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The major difference lies in the aspects of technological integration and pre-designed insurance products. The traditional model has standardized customer service, while adoptive models curb to the personalized needs of the customer. The limitation of scalability is prevalent in the traditional bancassurance model (Dong *et al*., 2024).

This study examines the active impact of adoptive bancassurance models on consumer patronage, exploring their role in shaping market dynamics and customer relationships.

Literature Review

Traditional bancassurance models have emphasized the role of creating a cross-sectional collaboration that involves aligning customer needs under one roof. Raynardhy *et al*. (2024) argue that the hiatus in the progression of bancassurance is hindered by the awareness and literacy rates, especially in South Asia, which ultimately affects the insurance penetration and its continuity in the income stream of the banks. Traditional bancassurance strives to remain relevant in the presence of a lack of market reach, accuracy in product curation, and transparency (Iqbal & Omercic, 2024).

The lack of traditional bancassurance paved the way for the growth of adoptive bancassurance models which are more inclined as an omnichannel distribution system. This synergizes the physical and digital presence of the bancassurance in the most advanced form, leveraging customer data with a panoramic scope of provision. The adoptive bancassurance model emphasizes digital solutions, flexibility, consumer centricity, and integration of technology. Mishra (2012) stated that the accretive nature of the adoptive model molds the bancassurance environment to mitigate risk, create operational synergy, and address the dynamic needs of the customers.

Impact on Consumer Patronization

Increased Credibility

Adoptive bancassurance has suggestively influenced insured patronization by enabling convenience and credibility. Arsalan *et al*. (2023) argue that customers prefer the ease of purchasing insurance products through familiar banking channels due to their existing relationship.

Personalization

Moss *et al*. (2022) excerpts that the Targeted insurance products curated to the personalized needs using the existing database to fit their definite and financial circumstances is the desirable outcome of an adoptive model. Moreover, Raushan (2023) suggested that the personalized nature of bancassurance offerings has contributed to higher customer satisfaction and retention rates.

Financial Inclusion

The adoption of bancassurance models has reshaped market dynamics, leading to increased subsistence among insurers. According to Davis and Lee (2021), the amalgamation of financial services and its reach among users has compelled traditional insurance providers to innovate and offer more competitive products. Additionally, Staikouras (2006) determines how regulatory frameworks play a crucial role in shaping the effectiveness of bancassurance models, with variations across regions influencing market strategies to reach a wider audience. Singh & Singh (2023) emphasize that by leveraging existing banking infrastructure, insurers can reach underserved populations, thereby expanding their market base and contributing to financial literacy.

Digitalization

Innovations in Artificial Intelligence (AI) and Data Analytics have revolutionized bancassurance performance throughout the years. Baker (2024) stated that digitalization enabled operational efficiency, assessing risks faster and enabling responsiveness to assist customers in a quicker manner. The advent of Blockchain technology in the field of bancassurance has made data sharing easier, and the privacy of open data sharing is secured in the best possible way, allowing for earlier identification of deviations and mishaps.

User Interface

Digitalized UI design focuses on creating an online marketplace for cross-sectional selling opportunities, where integrated platforms providing bundled services online attract new customers and retain existing customers in the long run. It pivots towards creating a comprehensive user experience for the customer base (Vila *et al*., 2023). Nevertheless, the potential for cross-selling and customer retention provides a compelling surge for overcoming the challenges of wider reach (Arsalan *et al*., 2023).

Consumer Literacy and Awareness

Kaur and Kaur (2024) stated that the collaboration between Fintech Industries and Banks has enabled consumers to explore, research, and make informed decisions about their insurance choices. The regulatory constraints pose a reasonable threat to consumer awareness in emerging nations. Educational campaigns and literacy programs through banks can enhance awareness and literacy, thereby enabling insurance penetration. While bancassurance presents numerous opportunities, it also faces challenges such as regulatory constraints and operational complexities. Davis and Lee (2021) emphasize that compliance with varying regulations can pose significant hurdles for banks and insurers.

Summary of Literature Review

Table 1 presents the key differences between traditional and adaptive models. The gap identified through the literature review is that there are enormous counter factors in the dynamic nature of the bancassurance customers and the changing course of the external influence are compiled

Table 1: Point of difference between traditional and adaptive models

Traditional Model	*Adoptive Model*
Already existing products, created on an average preference basis	Using technology to personalize insurance products.
Functional through face-to-face interaction	Functions through digital tools such as AI, and virtual assistants.
A single channel of distribution	Multiple channels of distribution
Depending on infrastructure and physical facilities	Depends on digitalized automation.

and narrowed down to factors of Consumer awareness and Literacy, Financial Inclusion, Digitalization, Credibility, Personalization, and User Interface.

Problem Statement

The adaptation towards an ideal model of bancassurance, where all customer needs are acknowledged while promoting overall growth, is an ongoing progression that any bank strives to attain. The problem of relevance examines the rigid models with a lack of capacity in a highly aggressive and volatile insurance sector to determine the effects of adaptive models in integrating and rationalizing the product development process, ultimately providing services with appropriate customer involvement, satisfaction, and confidence.

Research Gap

Consumers are the primary factor that determines the bancassurance's success, and their levels of patronage change as a result of new models and advancements. Research is required on product innovation, the integration of banking and insurance services, and the impact of socioeconomic factors on the shifting patronage trends. Customers and stakeholders whose goal is to maximize bancassurance models and strategies will gain from this thoughtful understanding. Through bancassurance models, this work aims to bridge the knowledge gap on the previously unexplored predicted features and their effects.

Objectives

The primary objective is to investigate the demographic structure of bancassurance users and the underlying rationale for adopting the bancassurance model. The study also focuses on investigating larger patterns of patronization, such as user interaction and preferences with models, as well as the utilization of these models. Results from the study aim to brief on improving the effectiveness of bancassurance services and aligning them with customer needs to drive growth in the sector.

Hypotheses for the Study

In order to achieve the above objectives, this study is based on the following hypotheses -

H_1

Customer Awareness and Education positively affect patronization through the Adoptive Bancassurance Model.

H_2

Increased Trust and Credibility positively affect patronization through the Adoptive Bancassurance Model.

H_3

Product customization and diversity positively affect patronization through the adoptive Bancassurance Model.

H_4

User Engagement and Patronization positively affect patronization through the adoptive bancassurance model.

H_5

Financial Inclusion and market penetration positively affect patronization through the adoptive bancassurance model.

H_6

Technological Advancement and digitalization positively affect patronization through the adoptive bancassurance model.

Materials and Methods

Table 2 excerpts that the study employed a descriptive research design, with judgmental sampling based on two core judgments: being a bank account holder and a bancassurance user. The study was conducted in the metropolitan area of Chennai to obtain a diversified respondent opinion that fits into the demographic nature of the respondents for an unbiased outcome. The pilot study with a sample size of 100 stated a relevance of 92.5%, and

Table 2: Research methodology

Research Design	*Descriptive Study*
Sampling Method	Judgemental Sampling
Sampling Area	Chennai City
Sampling Size	343
Research Instruments	Self-designed structured questionnaire scored using a five-point Likert scale.
Collection of Data	Primary data analysis through questionnaire; Secondary data from blog articles, research papers, websites, and case studies
Period of Study	March 2024 – July 2024
Statistical Techniques	Frequency Analysis, Structural Equation Model
Statistical Tools	SPSS 21 software, IBM AMOS 26

the study was extended. The non-probability sampling method is chosen to limit the results and their implications for bancassurance providers and users. Out of 355 responses, the missing data and improper responses were eradicated through listwise deletion and standard deviation to 343 ideal responses. The data sources utilized both primary and secondary data, tailored to the different types of data requirements.

Results

Table 3 reveals the computed information about the demographic characteristics of the bancassurance insured to identify the core segments to personalize products and services targeting the ideal groups. Through the demographic breakdown, it is evident that women make up 66.6% of all respondents, indicating the financial independence of the women's workforce and their aversion to risk, which has been attained over the years.

Table 3: Demography of the insured

Particulars		*Frequency*	*Percentage %*
Gender	Male	115	33.4%
	Female	229	66.6%
Age	20-29	20	5.8%
	30-39	59	17.2%
	40-49	145	42.2%
	50-59	87	25.3%
	60 and above	33	9.6%
Educational Qualification	Below Graduation	11	3.2%
	Under Graduation	103	29.9%
	Post Graduation	194	56.4%
	Professional Degree	31	9.0%
	Doctorate	5	1.5%
Annual Income	Below Rs.3 lakhs	17	4.9%
	Rs 3 lakhs - Rs. 5 lakhs	229	66.6%
	Rs. 5 lakhs - Rs. 7 lakhs	22	6.4%
	Rs. 7 lakhs - Rs. 9 lakhs	32	9.3%
	Above Rs. 9 lakhs	44	12.8%
Occupation	Private Sector	229	66.6%
	Public Sector	53	15.4%
	Self-Employed/ Business	47	13.7%
	Home-maker	15	4.4%
Family Type	Joint Family	71	20.6%
	Nuclear Family	273	79.4%

Note: Total Respondents – 344

Demographic Characteristics of the Insured

The mainstream population constituting 56.4% had a, post-graduation qualification academically. Respondents belonging to the 40–49 age category were highly common, indicating the security concerns and financial stability that this age group strives to attain. The majority of respondents (66.6%) had a yearly income of Rs. 3-5 lakhs since the middle-class population is higher in Chennai. With a proportion of 66.6%, private sector workers made up the majority of the workforce because of throwing growth fracturing and service sector jobs. The majority of respondents—79.4 % of the population, belong to the nuclear family type for this research study. Demographic characteristics are studied in relevance to create regression with respect to the characterized factors.

Model of Measurement

Confirmatory factor analysis (CFA) is performed to test Reliability and validity test through the measurement model.

Fit indices examined through Normed Chi-Square, CFI, TLI, RMSEA, SRMR, and GFI list all fit indices of the measurement model (Table 4). The fit indices measured in this study exceed the recommended threshold, ensuring that the identified indices for measuring patronization are accurate indicators. The X^2/pdf = 2.08, CFI = 0.94, TLI = 0.93, RMSEA = 0.05, SRMR = 0.04, which has an excellent model fit, and GFI = 0.92, which fits under a good fit.

The factor loadings for each indicator are comprehended through convergent and divergent validity, ideally representing the legitimacy of the questionnaire and the significance of the factors chosen to determine patronization.

All factor loadings are above the generally acknowledged threshold of 0.70, indicating that all the indicators are

Table 4: Measurement model fit

Fit Measures	*Measurement Model*	*Threshold*	*Model Fit*
Normed Chi-Square (X^2/df)	2.08	Between 3 – 5	Excellent
Comparative Fit Index (CFI)	0.94	> 0.9	Excellent
Tucker-Lewis Index (TLI)	0.93	> 0.9	Excellent
Root Mean Square Error of Approximation (RMSEA)	0.05	<0.8	Excellent
Standardized Root Mean Square Residual (SRMR)	0.04	<0.9	Excellent
Goodness of Fit Index (GFI)	0.92	> 0.8	Good

Table 5: Construct validity

	Indicator	Loading
Customer Awareness and Literacy	CAL1	0.80
	CAL2	0.85
	CAL3	0.78
Increased Credibility	IC1	0.82
	IC2	0.87
	IC3	0.80
Product Customization and Diversity	PCD1	0.83
	PCD2	0.86
	PCD3	0.81
User Interface and Engagement	UIE1	0.88
	UIE2	0.90
	UIE3	0.85
Financial Inclusion and Market Penetration	FIMP1	0.87
	FIMP2	0.89
	FIMP3	0.86
Technological Advancement and Digitalization	TAD1	0.84
	TAD2	0.85
	TAD3	0.88

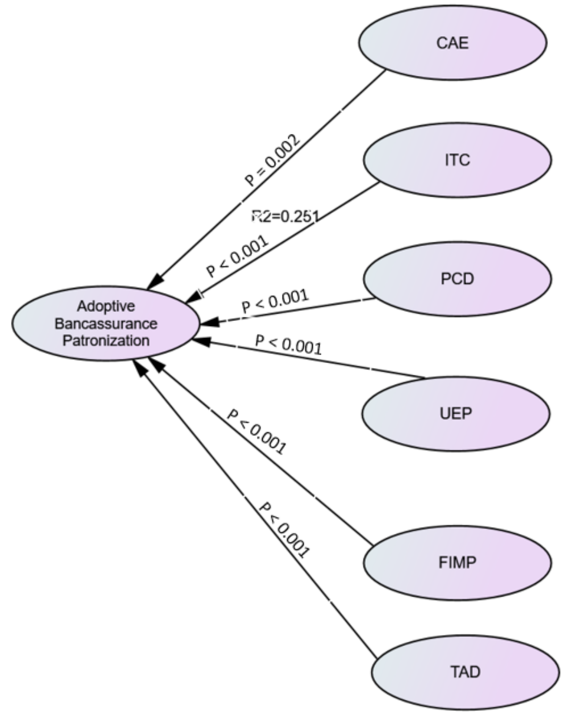

Figure 1: SEM depicting patronization model

Table 6: Hypotheses results

Hypotheses	*β -Coefficient*	***t-value***	***p-value***	*Results*
H1: Patronization → CAE	0.103	3.13	0.002	Supported
H2: Patronization → ITC	0.629	16.12	<0.001	Supported
H3: Patronization → PCD	0.501	12.02	<0.001	Supported
H4: Patronization → UEP	0.173	4.98	<0.001	Supported
H5: Patronization → FIMP	0.429	9.82	<0.001	Supported
H6: Patronization → TAD	0.242	5.27	<0.001	Supported

consistent measures of their corresponding constructs (Table 5). This suggests that the model of measurement has good convergent validity.

The Structural Model and Hypotheses

The structural equation model examines the hypothesized associations between the latent paradigms.

SEM results of the research model are presented in Table 6 and Figure 1. All the factors relevant to patronization are at a significant P value <0.05 and support all the Hypotheses: H1, H2, H3, H4, H5, and H6. The SEM results emphasized that Customer awareness and education positively influence patronization (β -Coefficient = 0.103, t- t-value is 3.13, the p-value is 0.002), Increased Trust and Credibility through the adoptive model has a positive influence over patronization (β -Coefficient = 0.629, t- value = 16.12, p- value < 0.001), Product Customization and Diversity revealed through the study has a positive influence over patronization towards bancassurance (β -Coefficient = 0.501, t- value = 12.02, p- value < 0.001), User Engagement and Patronization positively influences patronization (β -Coefficient = 0.173, t- value is 4.98, p- value < 0.001), Financial Inclusion and Market Penetration has a significant positive influence over the patronization towards bancassurance (β -Coefficient = 0.429, t- value = 9.82, p- value < 0.001) and Technological Advancement and Digitalization examined through the model has a significantly positive influence over the patronization towards bancassurance.

Discussion

The Demographic analysis of women users being the majority of patrons because of the financial independence and literacy that they attained over the years accommodating general behavior of mitigating risks and their existing trust with the banks. Baker (2024) notes that the use of technology and personalized services in bancassurance models throughout Asia has fostered heightened customer trust and retention, supporting this study's finding on the role that digital tools and personalized products have played in driving patronization. Moreover, the respondents' demographic characteristics, including higher levels of education and a large proportion of private-sector employees, reflect findings by Raushan (2023), which associate higher education with higher financial literacy and bancassurance product engagement. The compelling impact of this study is its focus on respondents' nuclear family structure. While not emphasized in the past, the demographic characteristic of changing family structure is one key aspect of context that may affect financial decision-making, which can be further pursued in future research. The adoptive bancassurance model has a profound positive impact on patrons , driven by customer awareness, credibility, customization, and digitization. These results align with the literature highlighting these components for enhancing customer engagement and satisfaction in financial services. The structural equation model developed satisfies all the hypotheses generated to support the attributes of the adoptive bancassurance model, establishing that the identified measurement indices indicate the success of existing bancassurance models. This study confirms the importance of implementing technology and personalizing these efforts within bancassurance, as previous studies have also confirmed, while suggesting new approaches to these models that take demographic trends, such as those of families, into account. These new approaches could have future implications for the strategies of financial service implementations. Yet the indices followed the demography of the current working population in an urban set-up. These indices may not be the ideal recommendation for widely varied customers with different backgrounds and technological advancements.

Conclusion

The identified indices in this study focused on the literacy levels, the credibility of the customers with banks, Personalized products for their needs, digitalized user interfaces, aspects of financial inclusion, and the scope of digitalization for ease of use, pointed out from existing literature which is the core of determining customer preference and retention. The research demonstrates its positive performance compared to the patronization of the bancassurance model over traditional insurance or banking services. This simplified integration oversees all the barriers of separate functioning to the customers. Banks and insurance agencies benefit through financial, managerial, and operational efficiencies. The diversification and mutual trust through the functioning aids the bigger picture of inclusivity and economic growth, which can incorporated with a further study. The study can be further extended to study the dynamics of bancassurance from the provider's perspective. Benefits with meager disadvantages are the base for increased patronage amongst the users.

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Conflict of Interest

The authors declare no competing conflicting interests.

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