

A Study on Factors Affecting Intentions to Purchase Life Insurance through Bancassurance Channel in Vietnam



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ABSTRACT: The article aims to assess the factors affecting the intention to purchase life insurance through Bancassurance channel of individual customers in Vietnam. Research data was collected from 605 individual customers using Bancassurance services at commercial banks in Vietnam today. The study has proposed 3 main factors affecting the intention to purchase life insurance through Bancassurance, including: (i) Perception of behavior control, (ii) Subjective norms, (iii) Trust in bank employees. The results of this research are the basis to propose a number of solutions for managers in the field of banking and insurance cooperation to effectively use the Bancassurance distribution channel.

KEYWORDS: Intention, life insurance, bancassurance, banks

1. INTRODUCTION

Bancassurance was born and developed first in Europe, followed by regions in Asia such as Malaysia, Singapore, HongKong, Thailand,... Bancassurance is the process of using a Bank's customer relationships to sell insurance companies' products and it is one of the effective distribution channels of insurance businesses (Gonulal, Goulder, & Lester, 2012). Bancassurance is a system in which a Bank has an agreement with an Insurance Enterprise to provide insurance products to diversify income sources in addition to traditional banking services (Shah & Salim, 2011). Bancassurance can be described as a strategy adopted by banks or Insurers that aims to operate financial markets in a service-integrated approach (Swiss, 1992). Bancassurance brings benefits to Banks, Insurers, customers and State Management Agencies.

For banks: Bancassurance helps the Bank have more product packages and services to provide a variety of products and services to customers but does not require increasing capital on a risk basis as with simple products of the Bank, thereby improving competitiveness, increasing the ability to maintain customers and attract new customers.

For Insurers: Insurers will have the advantage of accessing the huge customer base of banks and the high-quality financial consulting system of banks and selling insurance to them through their distribution network without the need to develop a branch system and insurance staff. This is an opportunity for Insurers to obtain valuable information about the Bank's customers and help Insurers gain new business opportunities.

For customers: If customers participate in insurance products in the Bancassurance model, they will benefit from lower insurance premiums (due to cost savings by insurers) and comprehensive financial services that best suit their needs that they may not have if the Bank and Insurers operate separately from each other.

This is the current trend of implementing insurance with great efficiency when the proportion of premium revenue through banking channels is increasing and accounting for a large proportion. Data from the Vietnam Insurance Association shows that in 2022 there will be more than 900,000 life insurance contracts distributed through the bancassurance channel, accounting for 46% of new insurance premium revenue. That reflects the importance of the Bancassurance distribution channel in Vietnam today and the inevitable trend of this linked distribution channel.

2. THEORETICAL BASIS

2.1. The concept

Life insurance

Life insurance is a commitment between an insurance company and the insured (the insured) in which the insurance company (insurer) is responsible for paying the insured (the insured) a certain amount of money when predetermined events occur (the insured person dies, is permanently disabled, or lives until a time specified in the contract). The insured is responsible for paying the insurance premium in full and on time. Life insurance is a type of financial service product with common characteristics of the financial sector, but it also has the unique characteristics of a product that does not have a specific physical form.

Life insurance products are a type of product that have unique characteristics and can be distinguished from other tangible and intangible products (Cooper, 1977). A life insurance contract is a type of contract between insurance the policy owner and an insurance company, where the insurance company agrees to pay a designated beneficiary an amount of money when an insured event occur such as serious illness or death. In return, the insurance policy owner agrees to pay a premium or a set amount at regular intervals. When insurance events occur, illness treatment costs arise or there may be rehabilitation costs, replacement of artificial parts, caregiver expenses, loss of income during or after treatment, accident treatment expenses similar to illness treatment expenses, or finances left to relatives when the insured person dies (Mehr, 1970; Rejda, 2014).

Intention to purchase life insurance

There is a lot of research on intention, in which shopping intention is where customers will choose the place and product to carry out their purchaseing behavior (Ajzen, 2011). Thus, intention can be understood as a sign of a person's readiness to perform a certain behavior or action. Behavioral intention is considered an immediate antecedent of behavior. This intention is based on attitude toward the behavior; Subjective standards and perceived behavioral control weight each variable accordingly to its importance in relation to the behavior and participation of the sample (Ajzen, 2008).

Intention to purchase life insurance is when an insurance purchaseer shows signs of being willing to choose to purchase life insurance products through different channels (Mayer, 2008). Instead of purchaseing insurance in the traditional way through insurance intermediaries including insurance agents or brokers, consumers will now purchase and sign insurance contracts through the commercial banking system, also known as Bancassurance.

Bancassurance distribution channel

Any product, whether tangible or intangible, if the manufacturer wants to sell the product and wants consumers to know and use the product, they need distribution channels and insurance products in general, even life insurance products in particular are no exception to that rule (Tiwari & Yadav, 2012). However, life insurance products are specific products,an intangible product which customers only receive promises and commitments through insurance contracts, requiring insurance companies (insurers) to choose appropriate distribution channels. Life insurance product distribution channel is a group of life insurance companies and individuals involved in the process of circulating life insurance products from insurance companies to people in need for insurance (Dahmen and Patrick, 2012).

Bancassurance is a system in which a Bank has an agreement with an Insurance Company to sell insurance products to earn a source of non-interest income (Genetay & Molyneux, 2016). To make the decision to purchase insurance products through the bancassurance channel, beliefs, cognitive factors of the insurance purchaseer, and the intention of the insurance purchaseer play a very important role in making the decision to purchase the product. insurance products (Popli & Rao, 2009; Tiwari & Yadav, 2012)

2.2. FACTORS AFFECTING INTENTION TO PURCHASE LIFE INSURANCE THROUGH BANCASSURANCE CHANNEL IN VIETNAM

PERCEPTIONAL BEHAVIORAL CONTROL (PBC)

Perceived behavioral control (PBC) refers to a consumer's confidence and ability to engage in the behavior, and it is a significant determinant of behavioral intention. Research overview shows that users' intentions become stronger with their perceived ability to use relevant resources to perform that behavior (Ajzen, 2008). Many domestic and foreign studies cannot confirm the strong impact of this factor (Ajzen, 2011; Eriksson & Vaghult, 2000), especially the research of (Panigrahi, Azizan, & Waris, 2018; Toukabri & Ettis, 2021) in the insurance sector.

Rajkumari (2007), when studying customer attitudes towards Bancassurance services in India, introduced the factor of customer awareness of Bancassurance services and the factor of trust in banks as factors affecting the intention to use bank-linked insurance (Rajkumari, 2007)). Thep Popli and Rao (2009) when empirically researching Bancassurance in India also emphasized the cognitive factor that affects the willingness to participate in insurance through the banking channel.

Accordingly, the research hypothesis proposed is:

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Hypothesis H1: Cognitive control of behavior has a positive impact on the intention to purchase insurance through bancassurance channel

SUBJECTIVE NORMS

Subjective norms have been found to be important factors that influence consumers' behavioral intentions when they believe they should use different distribution channels or purchasing methods to carry out their purchasing behavior (Ajzen, 2011). Similar studies in this field have also found a significant influence of subjective norms on the intention to participate in life insurance through different channels including bancassurance channels (Brahmana, Brahmana, & Memarista, 2018; Ejye Omar & Owusu-Frimpong, 2007). At the same time, subjective norms are also said to have an impact on the intention to participate in life insurance through different channels based on research by (Tian, Prybutok, Mirzaei, & Dinulescu, 2020) (Gidhagen & Persson, 2011; Tian et al., 2020; Toukabri & Ettis, 2021). In the studies of Wu and Chen, (2005); Research by (Devi, 2020; Fan, Lee, Tang, & Lee, 2011; Hong & Lee, 2014) also mentioned the support of relatives, who have experience purchasing insurance when purchasing insurance through banking channels.

Therefore, the research hypothesis proposed is

Hypothesis H2: Subjective norms have a positive impact on the intention to purchase life insurance through bancassurance channel

TRUST IN BANK EMPLOYEES

Trust has been widely studied in various contexts such as financial services (Pevzner et al., 2015; Guiso et al., 2008; Duarte et al., 2012), social networks (Carlin et al., 2009), supply chain systems (Panayides and Lun, 2009), and health services (Mou et al., 2017). However, when transacting life insurance in a banking environment, trust will appear when the purchaser trusts the bank's employees who are selling the insurance to him. In the insurance business environment combined with banking, the factor of trust in bank employees becomes an important issue for many people participating in life insurance.

Trust in Banks is included in the research of (Fan et al., 2011; Popli & Rao, 2009). These studies show that when life insurance purchasers place their trust in bank consultants, they will be more willing to accept purchasing this product through banking channels (Jalees, 2016). Because the characteristics of life insurance products are very complex and difficult to understand, the terms and factors related to cash flow are also very complicated, so customers tend to trust advice from bank employees. and that will lead to the intention to sign a life insurance contract through the banking system (Popli and Rao, 2009).

Hypothesis H3: Trust in bank employees positively affects the intention to purchase life insurance through bancassurance channel

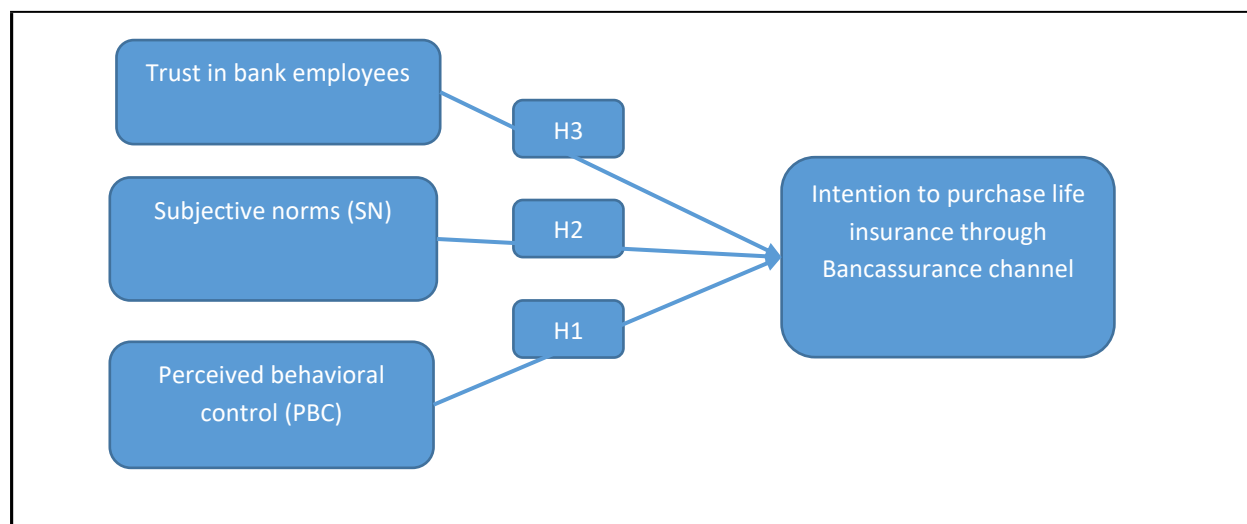


Figure 1. Research model of factors affecting intention to purchase life insurance through bancassurance channel in Vietnam

Source: Recommended by the research team

In this study, theories of individual purchasing intention are used to reflect the behavioral intention to purchase products and services of insurance purchasers through Bancassurance channels in Vietnam, including: perceived behavioral control, subjective norms and trust in bank employees

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3. RESEARCH METHODS

Research methods used by the research team include:

Qualitative research

The research team used in-depth interviews to collect information reflecting factors affecting the intention to purchase life insurance through the insurance bank distribution channel. Subjects participating in in-depth interviews were 20 customers who purchased life insurance through the bancassurance channel, 05 sales managers at the bank and 15 employees working at 5 commercial banks in Hanoi City that have implemented Bancassurance activities: Vietinbank, Techcombank, Vpbank, Tpbank, BIDV. Qualitative research results are the basis for the research team to build a scale for quantitative research. The Likert scale was used in this study with: 1 – Strongly disagree; 2 - Disagree; 3 – Normal; 4 – Agree; 5 - Completely agree.

Quantitative research

The research team conducted a survey of 650 individual customers who are currently purchasing life insurance and intend to purchase life insurance at banks: Vietinbank, Techcombank, Vpbank, Tpbank, BIDV. The number of survey samples was selected using the random sampling method. After the survey is completed, the research team will conduct a face-to-face or online interview via Google docs, Email, Zalo to the survey subjects who are using bancassurance services at commercial banks in Vietnam. A total of 650 surveys were taken, after checking the answers of customers, the number of satisfactory surveys was 605. Therefore, the research team used these 605 questionnaires for processing and analysis on SPSS 22.0 software. The research team used descriptive statistics and regression analysis methods after evaluating the reliability of the scales and measuring the convergence of factors to evaluate the intention to participate in life insurance through bancassurance channel.

4. RESEARCH RESULTS

4.1 Characteristics of the survey sample

According to survey results, male customers account for 48.4% and female customers account for 51.6%. The majority of people who intend to participate in life insurance through Bancassurance are between the ages of 25 and 45 years old and their average monthly income is mainly over 20 million VND. This characteristic is consistent with the reality of customers participating in insurance through the Bancassurance channel in Vietnam

Table 1. Information on characteristics of survey subjects

Characteristics		Quantity (person)	Proportion (%)
Gender	Male	293	48.4
	Female	312	51.6
Age	< 30 years old	101	16.7
	25-45 years old	444	73.4
	> 45 years old	60	9.9
Income	< 10 million VNĐ	35	5.8
	10 - 20 million VNĐ	203	33.5
	> 20 million VNĐ	367	60.7

Source: Survey data of the research team

4.2 Evaluate the reliability of the scale and measure the convergence of factors

Đánh giá độ tin cậy của thang đo
Data analysis results show that the observed variables used in this study all ensure reliability because the Cronbach alpha coefficient and the correlation coefficient between component variables and total variables are greater than 0.6 and 0.3 respectively. Therefore, the observed variables ensure reliability in this study.

Table 2. Cronbach's Alpha coefficient

TT	Factor	Cronbach's Alpha
1	Subjective norms on life insurance through Bancassurance (SN) channel	0.888
2	Perception behavioral control regarding life insurance through Bancassurance channel (PBC)	0.848
3	Trust in bank employees selling life insurance (NTH)	0.802
4	Intention to purchase life insurance through bancassurance (YD)	0.816

Source: Survey data of the research team

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4.3. Exploratory factor analysis (EFA)

According to the analysis results, 11 observed variables converged into 3 factors. The KMO test value is 0.696 and the test significance level is less than 0.05, reflecting that the observed variables of each factor have a linear relationship with each other. The coefficient of total variance extracted by 71.146 reflects the factors explained by 71.146% in this study. The factor loading coefficients of the observed variables are all greater than 0.5, ensuring convergence and reliability. The factors created from the collected data are consistent with the theoretical research model.

Table 3. Rotated Component Matrix^a

	Component		
	1	2	3
PBC1	.944		
PBC2	.874		
PBC3	.750		
PBC4	.745		
NTH2		.880	
NTH1		.827	
NTH3		.805	
NTH4		.631	
SN3			.953
SN1			.889
SN2			.883

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.^a
 a. Rotation converged in 4 iterations.

Source: Survey data of the research team

4.4. Research model test results

According to analysis results, the intention to purchase life insurance through Bancassurance in Vietnam is influenced by 3 factors: SN, PBC and NTH. The adjusted explanation coefficient is 0.793, reflects that these factors explain 79.3% of the intention to purchase life insurance through Bancassurance. The significance level tested for the regression coefficients of the factors is all small 0.05, the variance magnification coefficient is less than 3, so these coefficients are statistically significant and the regression model does not have multicollinearity. The regression coefficients of the factors SN, PBC and NTH all have positive signs (+), reflects that this factor affects the intention to purchase life insurance through Bancassurance in the same direction. Among the above three factors, PCB is the factor that has the greatest impact on the intention to purchase life insurance through Bancassurance because it has the highest standardized regression coefficient (0.223). The impact levels of the remaining factors are NTH (0.177) and SN (0.147), respectively. Thus, the research hypotheses H1, H2, H3 are all accepted.

Table 4. Results of analyzing the impact of factors on the intention to purchase life insurance through bancassurance channel

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	1.502	.258		5.830	.000		
SN	.115	.030	.147	3.772	.000	.999	1.001
PBC	.215	.038	.223	5.677	.000	.982	1.018
NTH	.210	.047	.177	4.522	.000	.982	1.018

Dependent Variable: YD
 Adjusted explanatory coefficient: 0.793
 F-Test value : 770.590; F-Test Significance Level : 0.000

Source: Survey data of the research team

5. CONCLUSION

This study analyzes the influence of a number of factors on the intention to purchase life insurance through Bancassurance. Specifically, the factors of perceived behavioral control, subjective norms and trust in bank employees all have a positive influence on the intention to purchase life insurance through the bancassurance channel.

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Research results show that the factor of perceived behavioral control is the factor with the strongest impact, reflecting the customer's own ability to carry out behavioral intentions or behaviors in the model. In this model, PBC is understood as customers' awareness or understanding of life insurance products sold through the bancassurance channel and their ability to access life insurance through the bancassurance channel. If customers really understand life insurance through the insurance banking system, their intention to purchase will be higher. In Vietnam, purchasing insurance depends largely on the product knowledge provided by the distribution channels of insurance businesses such as banks. Customers will be more inclined to choose products introduced by banks.

Research results also show that, in addition to understanding the life insurance products provided by the banking system, the factor of trust in bank employees plays an important role in making decisions to purchase life insurance when making transactions at the commercial banking system. Normally, life insurance purchasers in Vietnam often completely trust the bank's staff to advise them on financial services and tend to purchase life insurance if a bank employee recommends a life insurance product that is truly suitable. In addition, the influence of important people around and relatives also promotes the intention to purchase life insurance products through banks. When relatives or important people to customers advise them to purchase life insurance through the bancassurance channel to ensure safety, the likelihood that this customer will purchase life insurance through the bank channel is higher than other methods. These research results will also provide some suggestions for insurer and commercial banks in Vietnam in improving the quality of bank employees providing insurance consulting and easy truly-to-understand product information so that insurance purchasers can understand and proactively choose products when signing through banking channels as well as preferential policies when relatives and acquaintances introduce customers to purchase life insurance through bancassurance channel.

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