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Editor
Mr. A. P. Singh
Director, Amity School of Insurance Banking and Actuarial Science
Amity University, Uttar Pradesh
Sector – 125, Noida
Uttar Pradesh,
India.

From the Desk of Editor

It gives me an immense pleasure to release the Volume 3 First Issue (January – June 2020) of Amity Journal of Insurance Banking and Actuarial Science. (AJIBAS). This issue of AJIBAS consists of five research papers and one case study on the recent developments in Banking and Insurance Industry. Themes of these research papers are: Determinants of dividend policy of banks, AML / KYC guidelines, Impact of digital banking on customer satisfaction, On line trading versus off line trading preference of customers of different age group, Restructuring Insurance Value Chain in Sync with Advanced Technology and case study on Restructuring Insurance Value Chain in Sync with Advanced Technology. I hope the readers will enjoy reading these articles while learning the new concepts and procedures being followed by the corporate houses in achieving customer satisfaction and Business enhancement.

We would like to express our gratitude to Honorable Founder President D. Ashok K Chauhan for his constant motivation and inspiration. We are grateful to our respectable Chancellor Dr. Atul Chauhan for his continuous guidance. Our sincere thanks to Vice Chancellor Dr. Balvinder Shukla for continuous guidance and motivating in publication of compendium of papers.

Editor

A. P. Singh

Contents

Determinants of Dividend Policy for Banking Sector in India: An Empirical Analysis

Dr. Puneet Dublish

Associate Professor & Area Chair-Finance Jaipuria Institute of Management, Noida

Determinants of dividend payment are one of the vigorously discussed theme in corporate finance. The research paper attempts to explore the impact of factors namely past earnings growth, leverage, profitability and systematic risk on the dividend payment ratio of public and private sector commercial banks in India. The research concludes that earnings growth, beta and ROE are statistically notable determinants of dividend policy. This empirical research is a noteworthy addition to the theory on dividend policy determinants particularly for Indian banking sector.

Key Words: Bank Dividend, Corporate Finance, Net Profit after Tax, Profitability, ROE

Introduction

The distribution of net profit or profit after tax to shareholders is called as dividend (Pandey, 2004). The profit that the company earns can be returned to shareholders as dividend or retained for future expenditures. Every business enterprise based on their specific situations follows different policy with regard to the distribution or retention of money generated through profit. There are a number of conflicting theories with respect to dividend policy determinants (Alkuwari, 2009).

Many research papers in the past have investigated the dividend policy determinants but no consensus has emerged with respect to factors that affect the decision to pay dividends and dividend pay-out.For instance, liquidity and profitability have been recognized by Botoc and Pirtea (2014) as useful dividend pay-out determinants in sixteen emerging markets, on the other hand relation between profitability and dividend pay-out is negative, while liquidity is an insignificant forecaster of dividend pay-out ratio for firms listed in Turkey (Kuzucu, 2015). Lintner (1956) identified historical dividends as an important factor of dividend policy. The dividend behavior of listed firms in emerging economies has not been investigated as much as the developed Western Europe and Northern American Regions (Musiegaet al., 2013).

Study done on developing models to predict dividend behavior in developed markets may or may not be relevant to emerging markets because of their distinctive corporate regulations, behavior and attitude of investors (Musiegaet al., 2013). Researchers have also differed on the impact of dividend decision on the valuation of shares with few suggesting it increases the equity value and others concluding that it decreases the equity value. But according to Modigliani and Miller (1961) and Anupam (2012), dividend decision has no impact on equity valuation.

Dividend policy is not systematized. The dividend pay-out varies across industries, companies and time frames. For instance, healthcare and pharmaceutical industries normally have low pay-out ratios while chemicals and electric utilities have high pay-out ratios. Technology companies in India as compared to United States have high pay-outs. Not much research is available on banking sector especially in India. Logically, high growth companies will require more funds and hence will have high retention ratio. Corporate finance theory suggests investment opportunities, uncertainty of future income, legal constraints, growth in net profit, borrowing capacity and availability of liquid funds as major factors of dividend pay-outs.

Banking Sector in India

The banking system in India comprises of 12 and 22 public sector and private sector banks respectively. The banking sector is dominated by public sector with total market share of 72.9% as compared to private sector banks with 19.7%. Over the past decade credit off-take has gone up, fuelled by healthy economic growth, upward disposable incomes, rising consumerism and smooth access to credit. From 2007 to 2018, credit off-

take witnessed a compounded annual growth rate (CAGR) of 11%. In the first quarter of 2019-20, total credit sanctioned has gone up to Rs 86,976 billion (US$ 1,297.4 billion). The growth in both corporate and retail credit demand has come from real estate, consumer durables, services and agriculture allied sectors. The total deposits have increased from US$ 1,822.708 billion in June 2019 to US$ 1,852.173 billion in September 2019.

Literature Review

Past researches have introduced pure explanations for dividend payments build on determinants of dividend policy (Dewasiri and Weerakoon, 2016; Baker and Weigand, 2015; Baker et al., 2011; Bhattacharya, 2007). Dewasari and Weerakoon, 2016 and Baker, et al, 2011, however emphasize that a lone determinant improbably not explain the dividend behavior.

In response to Modigliani & Miller's irrelevance theory, the bird in hand theory developed by Myron Gordon (1963) and John Lintner (1964) says that investors are normally risk averse and considering the uncertainty of return from equity market and information asymmetry will prefer dividend payment over capital gain, as it results in transfer of money from company account to their account.

Lintner's (1956), in signaling theory, has identified earnings as an important dividend policy determinant. In similar research done on USA firms by Baker et al. (1985) has also identified earnings as an important dividend policy determinant and similarly in Malaysia context (Yusof and Ismail, 2016).

In this regard there are few studies in the Indian context, for example in industries such as cement, chemical, sugar, jute textiles and coal mining, Lintner model can explain dividend behaviour (Rao and Sharma, 1971). Bhat and Pandey (1994) also supported Lintner model in the Indian context. However, Bhattacharya (1979) concluded that the bird in hand hypothesis is not correct.

Saxena (1999) discovered that systematic risk, historical revenue growth rate, number of shareholders and projected earnings are significant dividend policy determinants.

Lintner (1956) recognizes corporate leverage or debt as not so much dominant factor of firm dividend policy. In another study by Rozeff (1982), it was found that higher financial leverage in companies lead to truncated dividend pay-outs ratios. This was due to the fact that external financing will result in transaction costs. Al-Malkawi (2007) also concludes that corporates with elevated debt ought to pay less dividend. Arkoet al. (2014), Patra et al. (2012) and Bokpin (2011) recognize leverage as a significant dividend policy determinant.

Husamet al. (2007) in its research on Jordanian companies identified ownership, profitability, size and age of the firm as significant dividend policy determinants.

Objective of the Study

The research paper strives to explore the determinants of dividend payment decisions of listed Indian Banks from public and private sector in India. The objective is to comprehend the effect of past earnings growth, profitability, and systematic risk (Beta) of banking companies on dividend pay-out ratio.

Research Hypotheses

The independent variables identified on the basis of literature review are past earnings growth, profitability and risk. Hence the null hypotheses of the research are given below:

H1. Earnings growth is a determinant of dividend policy

H2. Profitability is a determinant of dividend policy

H3. Risk is a determinant of dividend policy

Research Methodology

Data

The research focuses on quantitative study of data sourced from Ace Equity data base and published (market)

data. The sample consists of twelve and seven public and private sector banks respectively listed on Bombay Stock Exchange (BSE) in India. The period of the study, which is taken into account is ten years starting from 1st April, 2009 to 31st March, 2018. Accordingly, 190 banking company year observations (19 banks x10 years) are observed for the analysis.

Dividend Policy Variables

In the research study the dependent variable is Dividend Pay-out ratio. Earnings per share growth (EPSG) as measured by CAGR, Profitability as measured by Net Interest Margin (NIM), Return on Assets (ROA) and Return on Equity (ROE), Risk as measured by Beta and Price/Earning (PE) ratio are the independent variables.

Empirical Result & Analysis

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.532[a]	.283	.075	4.6712396	.283	.790	6	12	.594
2	.532[b]	.283	.007	4.4882071	.000	.001	1	12	.973
3	.532[c]	.283	.078	4.3269233	-.001	.012	1	13	.915
4	.526[d]	.276	.131	4.1985111	-.006	.123	1	14	.731

a. Predictors: (Constant), ROE, BETA, PERATIO, EPSG, NIM, ROA

b. Predictors: (Constant), ROE, BETA, PERATIO, EPSG, NIM

c. Predictors: (Constant), EPSG, BETA, ROE, PERATIO

d. Predictors: (Constant), EPSG, BETA, ROE

Table 2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	103.469	6	17.245	.790	.594[b]
	Residual	261.846	12	21.820		
	Total	365.315	18			
2	Regression	103.443	5	20.689	1.027	.442[c]
	Residual	261.872	13	20.144		
	Total	365.315	18			
3	Regression	103.203	4	25.801	1.378	.049[d]
	Residual	262.112	14	18.722		
	Total	365.315	18			
4	Regression	100.903	3	33.634	1.908	.038[e]
	Residual	264.412	15	17.627		
	Total	365.315	18			

a. Dependent Variable: POR

b. Predictors: (Constant), ROE, BETA, PERATIO, EPSG, NIM, ROA

c. Predictors: (Constant), ROE, BETA, PERATIO, EPSG, NIM

d. Predictors: (Constant), EPSG, BETA, ROE, PERATIO

e. Predictors: (Constant), EPSG, BETA, ROE

In this analysis, two models viz. 3 and 4 are found to be significant. As there is no significant change in the value of R square of these two models, therefore, last model with least number of variables (i.e. EPSG, BETA, ROE) as a predictor is selected.

Table 3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
4	(Constant)	36.468	17.833	.804	2.045	.060	.431	1.322
	EPSG	3.831	1.645	-.169	2.330	.035	.504	1.986
	BETA	-4.655	8.783	-.124	-.530	.044	.407	1.455
	ROE	-.037	.106		-.351	.045		

a. Dependent Variable: POR

Hence the fitted regression equation is

DPR = 36.468 + 3.831[EPSG] – 4.655[BETA] - .037[ROE]

All the three predictors namely CAGR in EPS [EPSG], BETA, and ROE are statistically significant at 5% level. EPS growth has a positive influence while BETA and ROE has a negative influence on the dependent variable (POR).

Hence based on the above findings and analysis, hypothesis 1 is accepted completely, under hypothesis 2, out of three measures of profitability, ROE has a negative impact on the dependent variable. Beta as compared to PE ratio is statistically significant and shows that banks with higher systematic risk tend to distribute lower proportion of earnings to shareholders.

Conclusion

This research study finds that bank's achieving higher compounded annual growth rate (CAGR) tends to pay a higher dividend. Net Interest Margin and Return on Assets performance showed no impact on the dividend paying behaviour of Indian Commercial Bank's. But Return on Equity (ROE) surprisingly showed a negative relationship with dividend payment, which means that bank's having higher ROE prefers to retain more to shore up capital base to enable more lending. Also, bank's with low/high PE ratio didn't have any effect on the dividend pay-out ratio, while systematic risk was a significant factor as bank's stock showing higher vulnerability to market risk prefers to pay less dividend.

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Case Study : Disputed Fire Insurance Claim in NCDRC

Gajanand Elastic Industries Vs. India Assurance Co. Ltd.
National Consumer Dispute Redressal Commission, New Delhi (NCDRC)

Mr. B.R. Singh

Assistant Professor, Amity School of Insurance Banking & Actuarial Science, Amity University, U.P.

Introduction

Fire incidents often cause substantial damage or total loss to residential, commercial and industrial properties-moveable and immovable. To combat the significant financial loss associated with fire damage, insurance companies may conduct extensive investigations to determine the actual cause of claim to prevent fraudulent or highly exaggerated claims. Fire claims are sometimes denied owing to a strong suspicion that the insured deliberately staged the fire. These 'suspicions' can arise due to a variety of "red flags," often unsupported by real evidence of owner-arson. Insurance companies allege, sometimes with little proof, that the property owner is guilty of intentionally setting fire to their property and submitting a fraudulent property loss claim.

Facts of the Case:

The complainant Shri Gajanand Elastic Industries, partnership firm, is in the business of manufacturing mainly woven narrow fabrics in factory situated at Dediyasan, Mehsana (North Gujrat). The firm has taken a Fire Insurance Policy C (meant for industrial risk) for building, plant & machinery, furniture and fittings for a sum insured of Rs. 41,00,000 through Gujrat State Financial Corporation(GSFC) and another Fire Insurance Policy C for stocks and stock in process for a sum of Rs.10,00,000 through Dena Bank, Mehsana Branch Office.

During the currency of these policies, on 07-11-1999 the fire broke out and it was reportedly caused by short circuit at about 6.30 p.m. on 7th November, 2019 and was discovered only at about 7.00 p.m. by an employee Mr. Solanki. This was a big fire incident which destroyed the entire building, Plant and machinery, accessories, stock and furniture of the factory. The insured filed their claim amounting to Rs.51, 00,000, however, the Insurance company repudiated the same vide their letter dated 07-08-2000.

Bone of Contention:

Following are the issues of dispute.

1) Whether the fire was accidentally caused by 'Short circuit' as reported by the claimant or was the fire incident engineered (plotted)?
2) Whether the machinery, accessories and stocks were completely destroyed in the fire?
3) Whether the insured really had the quantity of stocks in the godown at the time of fire as claimed by them.
4) Why did the said employee not inform the fire brigade simultaneously or immediately after he informed the police?

Arguments given by Insurer in defense of having repudiated the claim:

Aggrieved by the repudiation, the insured appealed in the National Commission for relief. The Insurance Company, in their defense, argued and raised the following issues:-

1) The report of the Forensic Scientific Laboratory, Ahmedabad has not categorically confirmed about the cause of fire.
2) According to the insurance surveyor, the whole episode is an attempt by the insured to get rid of the old

and defective stock and faulty machines at the cost of insurer.The surveyor further says that the firm had been incurring losses for the last 4 years continuously and the alleged incident of fire was engineered to get false claim from the Insurance Company to cover up their accumulated losses.

3) According to the survey report, fire in the factory premises was scattered at different places i.e. the fire occurred near the machines and in godown. Office premises which seemingly situated between the factory and godown was not affected by fire. Normally, fire only travels by line and does not have scattered marking.

4) As per the survey report, the fire had broken out and reportedly caused by short circuit probably at 6.30p.m. on 7th November, 2019 and was discovered only at about 7.00 p.m. by Mr. Solanki who was returning from Mehsana after Diwali shopping along with his sister. Solanki went to the neighboring factory to inform the owners about the incident.

5) Mr. Solanki has said in the above statement that he had went for shopping with his sister while his wife has given statement to the police on the next day that she had gone for shopping with her husband and on their return they discovered the fire at 7.00p.m. She also confirmed to the police that the entire factory was engulfed in flames.

6) The owner reached the factory within 20 minutes and informed the fire brigade and the police Control Room. Here, the question arises as to why the employee did not inform the fire brigade simultaneously, nor did the owner instruct the employees to inform the fire brigade immediately.

7) The FIR was lodged at 8.15pm. Thus it appears that from 6.30 pm to 8.15 pm no appropriate action was taken by Mr. Solanki nor by owner of the factory to control fire.

8) Immediately on receipt of loss intimation, the insurer appointed a surveyor for preliminary survey and in the statement given to this surveyor, the owner of the factory said that before locking the factory he (owner) had shut the power main switch for the sake of safety and then left for his home.

9) Lastly, the insurance company alleged that the insured has not come up with clean hands and has suppressed material facts.

Reply given by the claimant to allegations made by the insurer:

While refuting the charges of the insurance company, the insured replied/submitted as under:-

1) He emphatically denied of having given any statement regarding switching off main switches.

2) He was relying upon the report of Forensic Lab. which has not completely ruled out possibility of short circuit.

3) With regard to the allegation that insured did not fully cooperate and provided the necessary material /documents, the insured contended that he had furnished the entire books of accounts / bills /invoices, bank statements, excise records, quotations for purchase of new machinery, income tax and sales tax details as required by the surveyor.

4) The insured had gone even to the extent of requesting the surveyor and the Insurer to appoint an investigator to find out the facts. However, the insurance company never appointed any investigator.

5) He further stated that the report and the photographs fully substantiate that the Plant, equipment and machinery and also the stocks were completely destroyed leaving no manner of doubt that we have suffered huge loss.

6) As regards to continuing losses, the insured contended that the loss or profit by him is neither the main feature of the policy to decide the claim nor is it relevant. He further explained that it was due to recession in the market that not only he but the entire industrial sector had suffered loss with some of them having reduced their production.

7) The insured further contended that the attitude of the final Surveyor was negative from the very beginning and the Insurance company has erroneously relied upon the report of the surveyor with a prejudicial attitude to defeat the genuine claim.

Teaching Notes:

Here are some questions relating to this case.

1) What was the main reason for the surveyor to suspect that it was a staged fire rather than an accidental fire?

2) What should be the final verdict of the National Commission in your view?

3) Can the insurer repudiate the claim for the reason that the cause of fire, which is said to be short circuit, was not confirmed by the Forensic Science Laboratory?

4) Could this case of disputed claim be resolved through arbitration?

5) If this claim is payable as per the verdict of the NCDRC, who will receive the claim amount or how will this claim amount be distributed among the insured firm - Gajanand Elastic Industries, Gujrat State Financial Corporation and Dena Bank?

Answer to Q. No. 1): According to the survey report, fire in the factory premises was scattered at different places i.e. it was near the machines and in godown. Normally, fire travels by lineonly and does not have scattered marking. More over the office premises which was seemingly situated between the factory and godown was surprisingly not affected by the fire incident.

Answer to Q. No. 2): On the basis of certain evidences like scattered fire, discrepancy in statements of Mr. Solanki and his wife substantiated by the absence or inaction of the watchman, the NCDRC may justifythe decision of the insurance company in repudiating the claim.

Answer to Q. No. 3): The insurer cannot repudiate the claim for the reason that the cause of fire was not confirmed by the Forensic Science Laboratory or Fire Brigade. Unless the insurance company has proved that the property has been damaged by fire which in turn has been caused by an excluded risk like terrorism or Forest fire, the claim cannot be repudiated.

Answer to Q. No. 4): Only those claims where liability has been admitted by insurer but there is dispute over quantum (amount) of claim, such claims can be referred to and resolved through arbitration.

Answer to Q. No. 5): Apart from the insured firm one bank and one financial institution are also having insurable interest in this Fire Insurance policy which has been issued subject to 'Agreed Bank' clause. According to this clause "any monies becoming payable under this policy the same shall be paid by the Company to the Bank and such part of any monies so paid as may relate to the interests of other parties insured hereunder shall be received by the Bank as Agents for such other parties. The Bank shall mean the first named Financial Institution/ Bank named in the policy." Hence the claim under Fire Insurance policy covering building, plant & machinery etc will be paid to Gujarat State Financial Corporation, whereas claim under other policy covering stocks will be paid to Dena Bank.

A Cross Sectional Study: To Assess the Sensitivity of First line of Defense Related to Regulated Entities regarding their KYC and AML policies

Sagrika Chadha

Student, B.A. (H) Insurance & Banking, Amity School of Insurance, Banking and Actuarial Science

Anita Kohli

Assistant Professor, Amity School of Insurance, Banking and Actuarial Science, Amity University, U.P.

This paper explores and assesses the awareness of Regulated Entities to their AML and KYC policies. It basically focuses on how sensitive the Regulated Entities are towards their AML and KYC policies. How prepared the Regulated Entities are to detect, prevent and control money laundering activities through their systems. It outlines and compares the awareness of anti-money laundering procedures followed by Regulated Entities. Money Laundering and concealing of the act is a serious crime which results in fatal consequences not solely to the concerned institution and individuals involved, but additionally to the society and the economy. This thesis also discusses the penalties and the punishments given to the individuals participating in the evil act of laundering money under the various money laundering acts of the country. The paper focuses on the roles and responsibilities of entities such as FATF, FIU, EGMONT GROUP who regulate and prevent money laundering activities. It also focuses on proper practices of banking standards and codes, proper adherence to KYC and AML policies and procedures.

Key Words: Awareness, Anti Money Laundering, Combating of Financing of Terrorism, Financial Intelligence Unit, Financial Action Task Force

Introduction

Money laundering is an atrocious crime within the financial sphere. It is prevalent in all the countries irrespective of the scale of their economies. The PMLA (Prevention of Money Laundering Act of India), 2002, defines money laundering as "any process or activity connected with proceeds of crime including it's concealment, possession, acquisition or use and projected or claiming it as unblemished property".

Money laundering in layman language may be understood as the process by which illegally gained money is brought into the financial system to make it appear as if it has a legitimate origin.

The Process of Money Laundering

There are three stages in the process of money laundering, viz. placement, layering and integration.

- **Placement** is the first stage of physically entering or placing the illegal cash proceeds into the financial system.
- **Layering** is the second stage, wherein, through layers of complex financial transactions, the proceeds from criminal activity is separated from its origins, to obscure the real source of funds.
- **Integration** is the third and final stage of providing a legitimate explanation for the source of funds, for the illegal proceeds of crime which were placed in the legitimate financial system and then layered in the stage one and two.

The Impact of Money Laundering

Money laundering is a crime that must be eradicated from the financial system because it not only hampers one particular bank but also the global economy as a whole. Since our economies and markets are integrated with

one another, a crisis for one economy could also mean bad news for the rest of the economies. Like the 2007/08 global financial crises which originated because of subprime mortgages in the United States and gradually affected most of the global economies. Money laundering too starts from an economy and gradually affects the other economies. Money laundering has a negative effect on a country's economy, its governance and the social well-being of its citizens. The negative impacts of money laundering are discussed in the following paragraphs.

Increased number of crime and corruption

Money launderers encourage people to indulge in criminal activities like extortion, drug trafficking, prostitution, kidnapping, murder etc by rewarding these criminals by given them money for completing a crime. Bribery becomes a normal thing in a society that is plagued with money launderers. Bureaucrats are on the pay-checks of the criminals. Politicians become puppets of these money launderers. People who were supposed to uphold the trust and integrity in the financial system start to dance to the tune of these criminals.

The decrease in foreign investments

If a country is known for its relaxed anti-money laundering regulations and a relaxed regulation for its banking system then foreign investors may choose to stay away from investing in such countries because these countries are not only inviting money launderers into their country but also putting the foreign investors at risk. In addition to this, if a country is listed in the "non-cooperating countries and territories" (NCCT) list maintained by FATF (Financial Action Task Force), foreign financial institutions may limit their transactions to the banks in the NCCT listed countries and also the transactions to these countries would be subject to extra scrutiny and due diligence making it a troublesome procedure for investors to transfer money to such countries.

Increased competition for the legitimate businesses

Money launderers create fake companies commonly known as shell companies which combine the illegal proceeds with legitimate profits from legitimate businesses to hide their illegally obtained funds. In a scenario like this, the money launderer combines his funds gotten by drug trafficking, prostitution, extortion etc with the proceeds from a legal business such as a hotel or a normal retail store. These 'hotels' and 'normal retail stores' have access to a huge amount of illegal money, which allows them to sell their products at a price that is far lower than the average market price of the product. By doing this, people prefer to buy products from these businesses because of their low prices without knowing the reason behind the lesser than average pricing of their products and services. Therefore, these front companies have a considerable advantage over their legitimate counterparts trying to make a living by selling their products. This makes it extremely difficult for legitimate businesses to sell their products and earn a profit which may result in bankruptcy and eventually lead to the private sector being controlled by shell companies of money launderers.

No control over the economic policies of the country

In some developing economies, the effect of money laundering could disturb the government budgets which could result in having little or no control over the economic policies. It could also affect the strength of the currency in that particular country and also the interest rates as the launderers invest their money somewhere else with laxity in regulations.

The risk to reputation

Countries cannot afford to diminish their reputation and the reputations of the financial institutions in that particular country by associating with money laundering. By being associated with money laundering the particular loses its reputation and also its financial integrity which in turn will cost them a lot of money when the investments start to decrease. The country also becomes less likely to receive financial aid from any other donors because of such an association with money laundering.

Public distrust towards financial institutions

Financial institutions that turn a blind eye on negative developments such as money laundering may enjoy a short-term privilege of having an excess of cash in their treasury but these assets and cash are short terms

because the cash in the bank would be withdrawn or taken out from the bank as quickly as they were deposited. This makes the bank more prone to bankruptcy. In addition to this people will lose the trust they once had in that particular bank and they may withdraw all their deposits causing a bank run.

Various Entities Concerned with Anti Money Laundering and Combatingof Financing of Terrorism

Egmont Group

In 1995, the Egmont group was established for global cooperation among financial institutions in the world for decreasing money laundering, terrorism funding and other crimes. The first meeting of Egmont Group was held at Egmont Arenberg Palace in Brussels. The Egmont Group is a global organization consisting of 164 FIUs. It acts as a forum for FIUs to discuss different facts and figures, ideas for decreasing money laundering and terrorist funding. The Egmont Group helps FIUs across the globe to meet and debate their anti- money- laundering and counter-financing of terrorism programs, discuss and share financial intelligence information and access money laundering and terrorist financing risks.

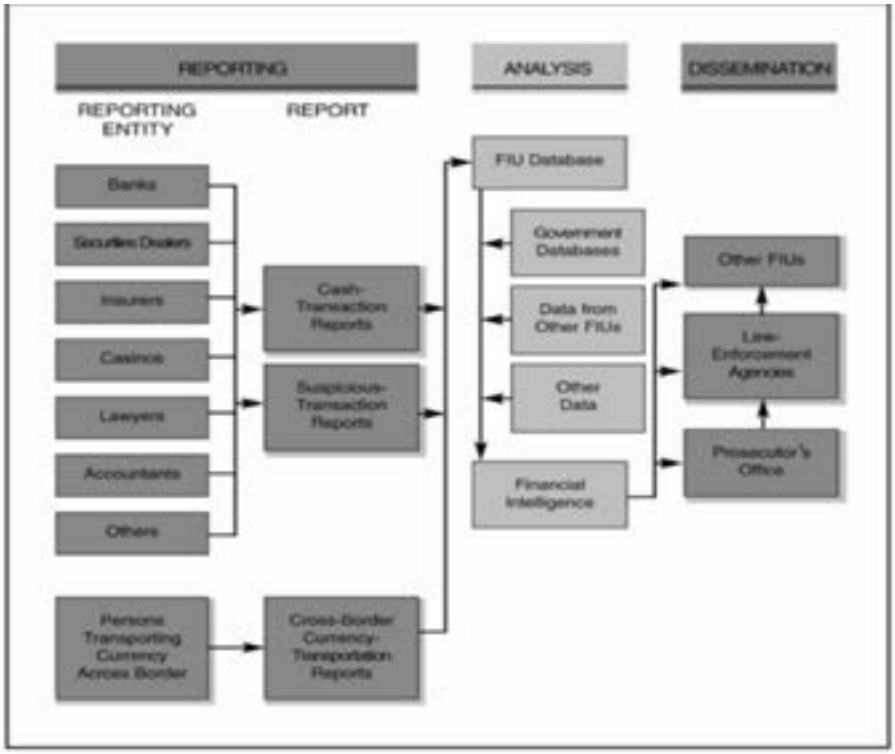
Table 1. Organisation structure of Egmont Group

Financial Intelligence Units (FIUs)

After the meeting in Egmont Arenberg Palace, it was decided that countries should have their own Financial Intelligence Unit (FIUs). Currently, there are 164 FIUs. The function performed by a FIU are,

- Collect information regarding suspicious or unusual financial transactions and analyse the information which is then sent to the concerned law enforcement agencies of the country where the suspicious transaction took place.
- Act as a national centre to gather, analyse and disseminate Suspicious Transaction Reports and other reports to detect money laundering and financing of terrorism.
- To effectively carry out its work, the FIU has direct and indirect access to the administrative, financial and law enforcement data across the country from all finance companies, banks and institutions.
- To engage and exchange information internationally for countering financing of terrorism and money laundering.
- Maintain databases and conduct training and awareness about AML and CFT among the Regulated Entities in their respective countries they are formed.

Table 2. Functions of FIUs



FIU-IND (Financial Intelligence Unit- India)

FIU-IND is the main agency in India responsible for receiving, analysing and reporting the information relating to suspicious transactions to other relevant authorities. FIU-IND also has an added responsibility of coordinating and strengthening efforts of investigation and intelligence reporting. FIU-IND was established on 18th November 2004, under Prevention of Money Laundering Act,2002.

The Financial Action Task Force (FATF)

The Financial Action Task Force, popularly known as the FATF is an inter-governmental entity that was established in 1989 in Paris after the G7 economic summit. The important functions of FATF are,

- To combat financial crimes such as money laundering and terrorist financing in the banking system.
- To tackle the issue of money laundering from drug trafficking and other illicit activities.
- To set standards of legal regulations for banksand the financial institutions of the world to adopt to stop the misuse of financial system for illicit activities.
- To identify and respond to threats to the integrity and financial stability of the international financial system.

There are currently 37-member countries of FATF and 2 regional organisations that represent most of the major financial centres around the globe. In addition to this the FATF has several international organizations as observer. The FATF tackles the issues related to money laundering, financial crimes and other threats to financial institutions by giving recommendations to its member countries. The member countries implement the recommendations to the Regulated Entities, the financial institutions and banks in their respective country.

- The FATF has developed and published 40 + 9 special recommendations.
- In the latest review in 2012, FATF has published the revised recommendations, the, "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation". These standards deal with new threats such as financing of proliferation of weapons mass destruction and to be clearer on transparency and tougher on corruption.

- Another role of the FATF is to identify and engage with non-cooperative countries and territories. This is done to bring all financial centres into the purview of the FATF so that the recommendations published by the FATF can be followed universally by Regulated Entities, banks and financial institutions in all the countries.
- FATF also gives out a list of high-risk jurisdictions, that have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the ongoing money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country. This list is often externally referred to as the "black list".

If a country has been black-listed by the FATF then that country would find it extremely difficult to gather foreign investment which subsequently harms the overall development of the nation.

- FATF also gives out the list of jurisdictions under increased monitoring that are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. This list is often externally referred to as the 'grey list'.

Enforcement Directorate

The Enforcement Directorate functions to enforce the Foreign Exchange Management Act (FEMA),1999 and certain provisions relating to investigation and prosecution under Prevention of Money Laundering Act (PMLA), 2002.The Enforcement Directorate has the right to investigate and persecute offenders under FEMA, 1999 and PMLA,2002 and also confiscate properties and assets which have been derived from the money laundering or any other financial crime.

Practices Undertaken by Financial Institutions to Control Money Laundering

As discussed in the earlier chapter, tracing the original source of illegitimate money is a daunting task when there are millions of intra and interbank transfers taking place every day all around the world. Difficult as it may be, it is not impossible, to detect money laundering and stop money earned from financial crimes from entering the financial system by putting in place legislation and law enforcement. Most countries have similar legislation to detect and deter financial crime. Let us look at the case of India.

Prevention Of Money Laundering Act, 2002

The prevention of Money Laundering Act, 2002 (PMLA, 2002) was established by an act of parliament of India to with an aim to prevent money laundering and to create standard laws that are applicable to confiscation of property derived from money laundering.Although this act was established in 2002 it was implemented on 1st July 2005.

After 1st July 2005, banks, financial institutions and financial intermediaries are obliged to strictly verify the identity of their clients, maintain records of their clients and furnish these records when asked for by relevant authorities. The Financial Intelligence Unit of India (FIU-IND) was established under PMLA, 2002.The Act has been amended in 2005, 2009 andin 2012.

The Objectives of PMLA, 2002

The PMLA has three main objectives

1. To prevent and control money laundering within India
2. To seize and confiscate the properties derived from laundered money

3. To deal with any other issue connected with money laundering and financing of terrorism in India

Obligations of Regulated Entities

The Regulated Entities are obliged to-

- Maintain records
- Make such reports as asked for available to the relevant authority
- Verification of customers and Customer Due Diligence
- Identification of beneficial owner of all customer type

Penalties on Regulated Entities if found guilty

Reporting agencies are also under strict vigilance and if found guilty of negligence or violations with regard to reporting of important information then Regulated Entities are liable to pay fine and in case of serious lapses can also be asked to stop doing business.

Offences under PMLA, 2002 are not bail-able. If any person is found guilty under PMLA, 2002, then punishment includes,

- Three years to seven years imprisonment if found guilty of money laundering
- If the proceeds of money laundering are used for acquisition of narcotics then the maximum punishment may extend to 10 years instead of 7 years.
- If a competent authority feels that a property is acquired from the proceeds of crimethen the appropriate authorities can 'attach' the properties/ proceeds for a period of 180 days.

Reports by Banks to FIU (Financial Intelligence Unit)

To detect and deter proceeds of financial crime from entering the financial system, FIU requires various reports to be prepared and submitted timely by the Regulated Entities.

Suspicious Transaction Reports (STRs):

As per the rule 2(g) of the PMLA, 2002 of India, suspicious transactions are defined as, "transactions in cash or otherwise that is unjustifiable, unusual or complex in nature". Regulated Entities/ Financial Institutions report suspicious transactions as and when a suspicious transaction is detected. As per the guidelines, of FIU-IND, STRs are to be reported within 7 days of suspicion by the Regulated Entity to FIU-IND.

Cash Transaction Report (CTRs):

Regulated Entity/ Bank are required to report accounts with cash deposit exceeding Rs 10 lakhs or a series of transactions and adding to Rs 10 lakhs or structured to just about avoid the threshold monthly to FIU-IND.

Counterfeit Currency Reports (CCRs):

If a banker comes across any denomination of counterfeit currency, it is not to be given back to the clients in any form and is to be disposed of, usually by marking a cross on the currency to imply that it is counterfeit. Report of the counterfeit currency is monthly submitted to the FIU.

Cross Border Transaction Report (CBTR):

Cross border transactions refer to international wire transfers. Inward and outward remittance transactions exceeding Rs 5 lakhs or in equivalent foreign currency is to be reported within one month to FIU-IND.

Methods Of Monitoring Done By Financial Institutions/ Regulated Entities

Observation Based

In this method the regulated entity officers scrutinize the customer transaction behavior against expected transaction behavior as per information shared by the client from to time and peers. If transaction behavior is found to be suspicious and no explanation can be obtained from client without 'tipping-off', the bank reports the same to FIU. For example: Frequent visits to the lockers. If a person categorized as a low risk client visits his locker with the bank for a number of times in a day, for repeated number of days, this kind of behavior will raise suspicion.

Exception Report Based

These reports are based on the exceptions of the transactions created. For example: if an account is opened with 10 lacs cash, it becomes an exception and banks must report such accounts.

AML Software Based

The AML software detects unusual transactions and sends alerts to the customer management teams that look into the alerts, many of which may have a genuine explanation, example a large value Foreign Direct Investment received, can lead to a usual amount of credit and unusual number of shares being issued. However, it may be a perfectly genuine transaction of which the bank may be aware and handling the transaction in compliance with FEMA.

Ongoing Customer Due Diligence

Regulated Entities/ Banks practice customer due diligence and enhanced due diligence depending on categorizing the customer based on his risk profile and provides banks/ Regulated Entities with useful tools to detect, deter and protect the financial system from receiving proceeds of financial crime.

Objective of Study:

- To find out if the Regulated entities have given emphasis on training their employees in KYC and AML processes.
- To find out the perception of the employees towards KYC and AML and training imparted by the employer, the Regulated Entity.
- To find out if staff have knowledge of reporting to be done to FIU-IND.
- To find out if employees of Regulated entities are aware of availability of compliance reporting line where they can report anonymously in case of conflict with manager.

Methodology and Hypothesis

The purpose of this study is to know about employees of Regulated Entities awareness, about their AML and KYC policies, to know how sensitive are the Regulated Entities towards AML and KYC procedures and to also know the problems and frauds faced by various Regulated Entities in enforcing or preventing and controlling money laundering.

Primary data was collected through a structured questionnaire. The questionnaire was filled by employees of Regulated Entities. We were able to get response from a sample of 30 respondents.

Hypothesis 9.1

Null Hypothesis: The emphasis of Regulated entities on training their employees in KYC and AML is of significant importance.

Alternate Hypothesis: The emphasis of Regulated entities on training their employees in KYC and AML is not of significant importance.

This result is obtained on basis of five questions asked to the employees working in banks/ Regulated Entities

- 78.6 percent of the employees (respondents) of Regulated Entities said they have received training on KYC policy and AML procedures. Hence, it is of significant importance. (Figure 1.)
- 89.3 percent of the employees (respondents) of Regulated Entities said Training is giving to all of frontline staff, sales managers, senior managers, and customer service staff. Hence, it is of significant importance. (Figure 2.)
- 92.9 percent of employees (respondents) of Regulated Entities said KYC and AML training is mandatory of all staff. Hence, it is of significant importance. (Figure 3.)
- 53.6 percent of employees (respondents) of Regulated Entities, received training for few hours to 1 day. We believe more than 1day training may show more importance being given to this training. We conclude it is not of significant importance. (Figure 4.)
- 35.7 percent and 21.4 percent or total 57.1 percent of employees (respondents) of Regulated Entities said the organization required the employee to qualify and get an internal certificate post training and 'KYC and AML certificate from India Institute of Banking and Finance', respectively. We conclude, it is of significant importance. (Figure 5.)

Hypothesis 9.2.

Null Hypothesis: To find out the perception of the employees towards KYC and AML training is of significant importance to the Regulated entities.

Alternate Hypothesis: To find out the perception of the employees towards KYC and AML training is not of significant importance to the Regulated entities.

- 82.1 percent of employees selected the option that they feel well equipped to save their organisation from being used by money launderers to launder proceeds of financial crime. Hence, we conclude that employees perceive that KYC and AML training is if significant importance to Regulated entities.(Figure 6.)

Hypothesis 9.3.

Null Hypothesis: Staff have significant knowledge of reporting to FIU-IND.

Alternate Hypothesis: Staff do not have significant (sufficient) knowledge of reporting to FIU-IND.

This result is obtained on basis of five questions asked to the employees working in banks/ Regulated Entities,

- 96.4 percent of employees said to detect suspicious activity by customers, they use all three options viz, interacting with the customer, customer not providing complete documents,cash withdrawals and funds are transferred without business logic or business. Hence, we conclude staff have significant knowledge of detecting and reporting suspicious transactions to FIU -IND. (Figure 7.)
- 88.9 percent of employees have selected option of reporting suspicious transaction is to report it immediately. Which is as per the regulatory requirement. Hence, staff have significant knowledge of reporting to FIU -IND. (Figure 8.)
- 88.9% of employees have selected option of reporting suspicious transaction to Compliance Department. Hence, staff have a significant knowledge of reporting to FIU-IND. (Figure 9.)
- 50 percent of the employees have not raised any suspicious transaction in the last year. While 7.1 percent have raised one STR, 28.6 percent have raised one to three STR and14.3 percent of employees have raised more than three STR. So either the staff that has not raised STR has not come across suspicious transactions or has not been able to detect. Hence, as per findings, staff does not have a significant knowledge of reporting to FIU-IND. (Figure 10.)

- 100 percent of the employees selected the option of regularly checking the CTR report, to ascertain whether the cash transactions are incidental to customer's business or there is any unusual activity. Hence, we conclude staff has significant knowledge of reporting to FIU -IND. (Figure 11.)

Hypothesis 9.4.

Null hypothesis: Employees of Regulated Entities are significantly aware of compliance reporting line as an alternative to report anonymously in case of conflict with manager.

Alternate Hypothesis: Employees of Regulated Entities are not significantly aware of compliance reporting line as an alternative to report anonymously in case of conflict with manager.

- Only 25 percent of the employees selected the option that it is advised to employees and given wide publicity. 64.3 percent of the employees said the provision is there but details are not readily available. Hence, we conclude Regulated Entities have not significantly given wide publicity to make the employees aware of the compliance reporting line as an alternative to report anonymously in case of conflict with manager. (Figure 12.)

Figure 1. Receiving training on KYC Policy and AML procedures

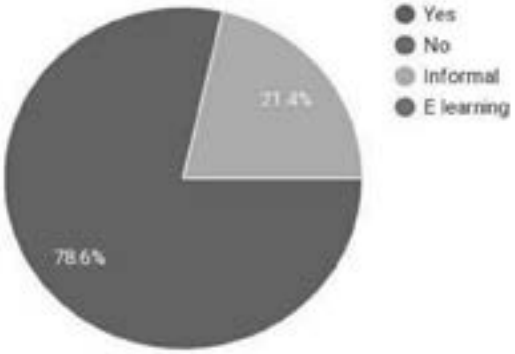


Figure 2. Recipients of KYC/AML training

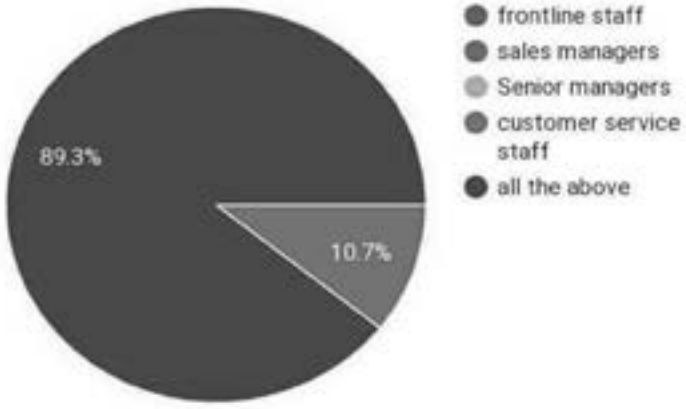


Figure 3. KYC and AML training -mandatory or optional

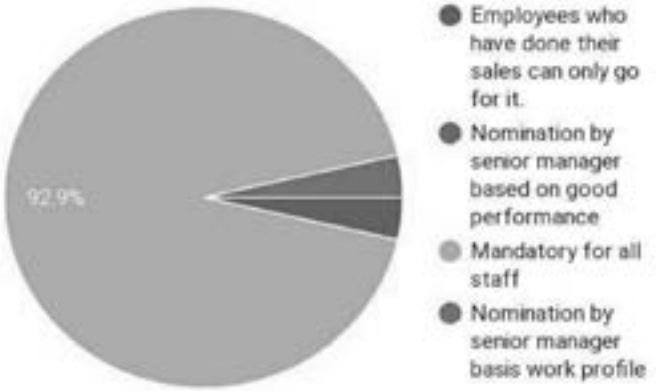


Figure 4. Duration of KYC and AML training

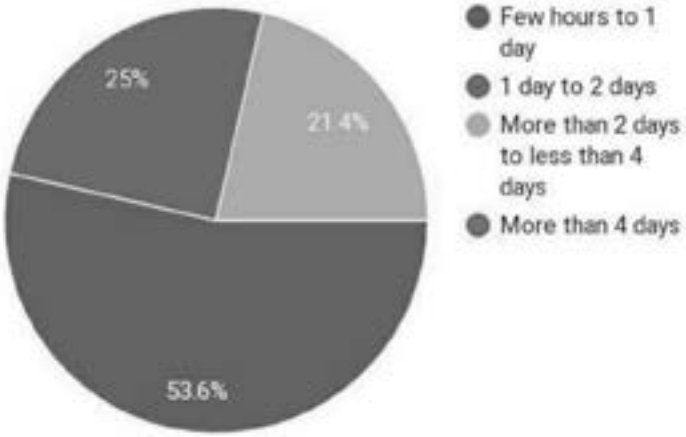


Figure 5. Requirement of KYC and AML certification

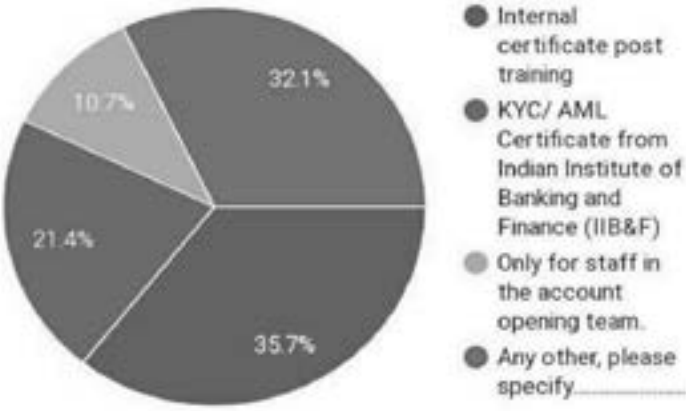


Figure 6. Satisfaction level with the KYC and AML training

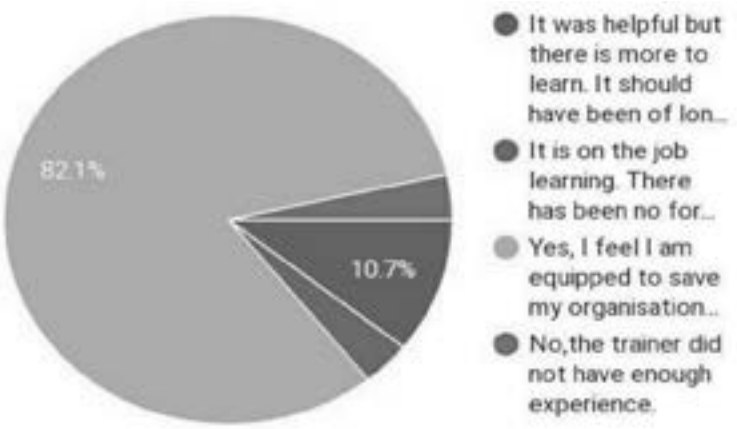


Figure 7. Detecting suspicious activity

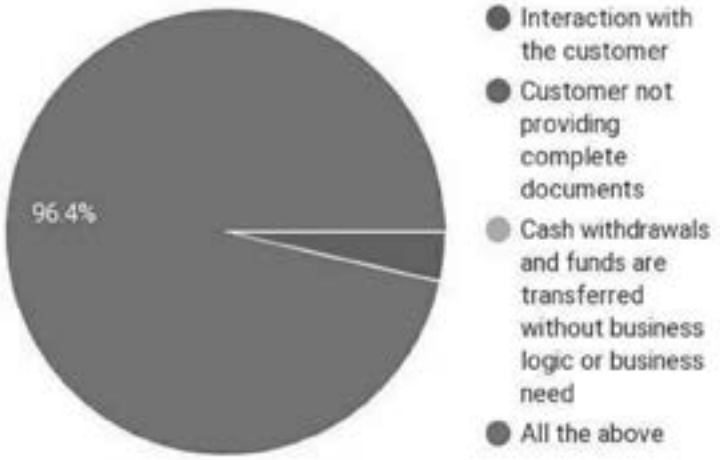


Figure 8. Reporting suspicious transaction

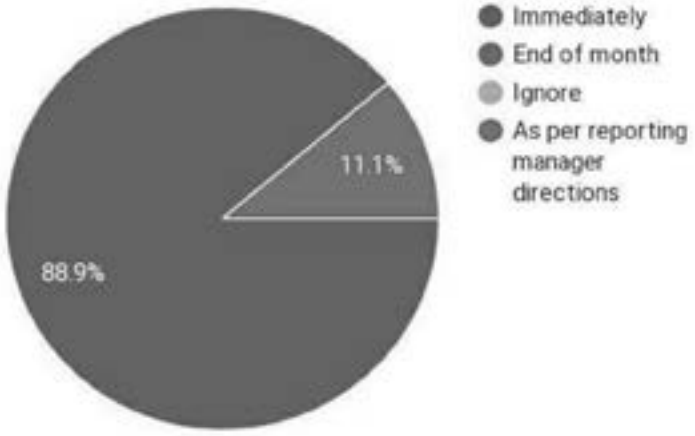


Figure 9. Whom to report suspicious transaction to

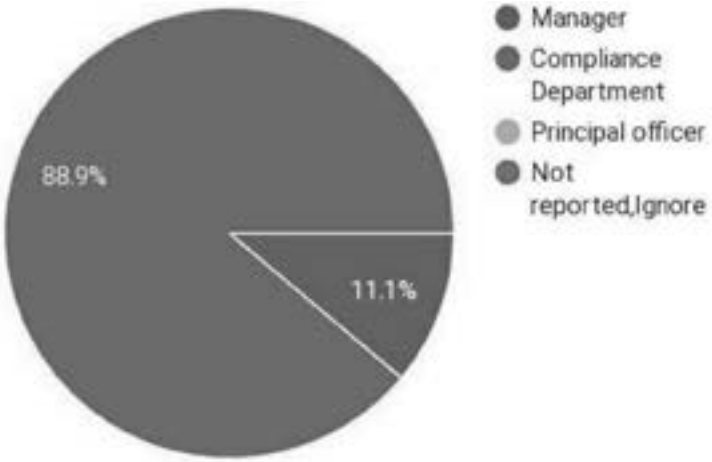


Figure 10. Number of Suspicious Transaction Report in last year

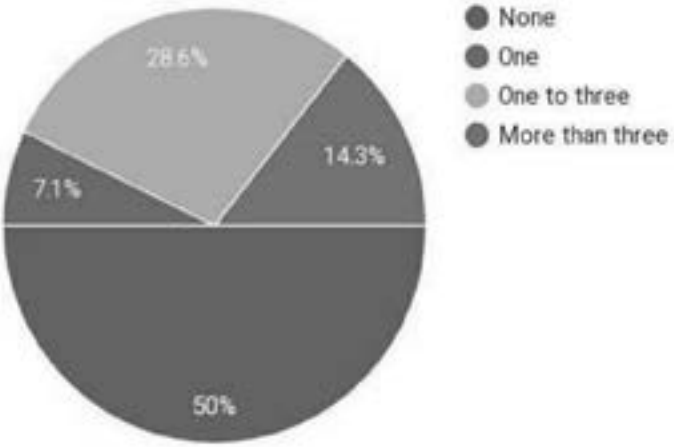


Figure 11. Relationship between CTR and STR

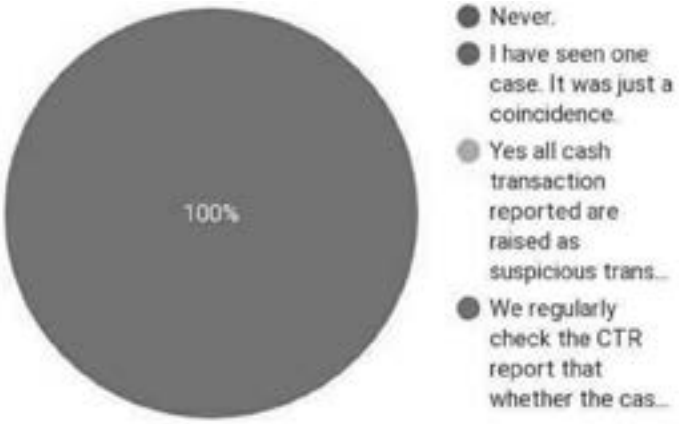
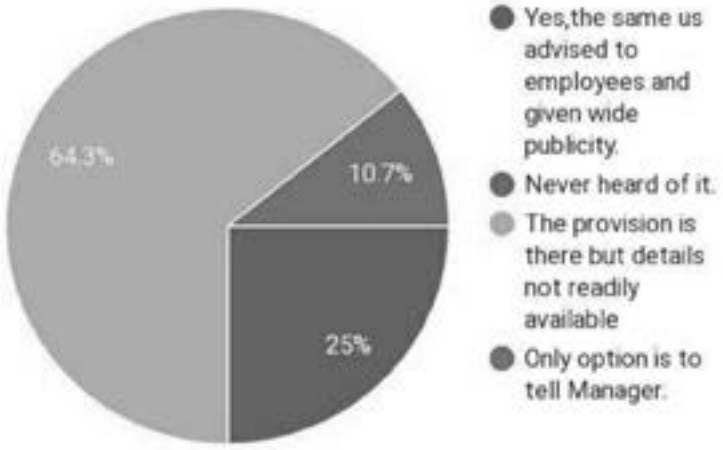


Figure 12. Awareness about 'direct compliance line for reporting'



Conclusions and Recommendations

Findings

1. The employees of banks have been given proper training on KYC policy and AML procedures which are followed in their organization.
2. All the employees of banks, including frontline staff, sales managers, senior managers and customer service staff are given KYC and AML training irrespective of their position.
3. In most of the banks, KYC and AML training is mandatory for all the staff.
4. In most of the banks, KYC and AML training duration are for few hours or 1 day.
5. In most of the banks, KYC and AML certification is required such as internal certificate post training or KYC /AML certificate from Indian institute of banking and finance.
6. From employees' point of view they felt equipped that they can save their institution from being used for money laundering or any other illegal activities.
7. Employees detect suspicious transaction on basis of interaction with customer, customer not providing complete documents, large frequent cash deposits and withdrawals and funds are transferred without business logic or business need etc.
8. Employees of the bank report suspicious transaction immediately or as per reporting manager direction.
9. Employees of the bank report suspicious transaction to the manager and Compliance Department.
10. As per the study, half the employees have not raised any suspicious transaction report in last year.
11. Banks regularly check the CTR report that whether the cash transactions are incidental to customer's business or there is any unusual activity.
12. Most of the banks have Direct Compliance line to report a suspicious transaction but details of it are not given wide publicity and are not available to the employees. Some of the banks have given details to the employees.

Results

1. Employees of the bank are given proper training on KYC policy and AML procedures to all the employees irrespective of their position and training duration is generally for few hours or one day. Most of the banks have made training mandatory for all staff.

2. Certification required by most of the banks is internal post certificate and certificate from Indian institute of banking and finance.
3. Employees detect suspicious transaction by interacting with customers or due to any missing documents or any other random transfer of funds.
4. Employees report suspicious transactions to the manager of Compliance Department immediately or as per the reporting manager directions.
5. Most of the banks have a direct compliance line to report suspicious transactions but its details are not readily available to the employees. Only some of the banks have given wide publicity to the availability of a direct compliance line to report suspicious transactions and frauds in case of conflict with normal reporting lines.

Conclusions

Money laundering is an act where the launderers try to conceal or obscure the illegitimate source of funds and make them appear as having come from a legitimate source.

Concluded from Questionnaire filled by the employees of Regulated Entities:

1. Training the employees of Regulated entities in KYC policies and AML procedures is of significant importance.
2. According to the employees, KYC policies and AML procedures is of significant importance to the Regulated entities.
3. According to the study, employees have significant knowledge of reporting suspicious transactions to FIU -IND.
4. Employees of Regulated entities are not significantly aware of the direct compliance line for the employees to report suspicious transactions in case of conflict with the manager.

Suggestions

1. All the Regulated Entities should make KYC policies and AML procedures mandatory for all employees irrespective of their positions.
2. All the Regulated Entities should extend the duration of KYC and AML training given to the employees.
3. All the Regulated Entries should assure that the details of the compliance department for reporting suspicious transactions is available to all the employees.
4. All the Regulated Entities should make it compulsory for all the employees to have KYC and AML certification.

Abbreviations

AML	Anti-Money Laundering
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
ML	Money Laundering
CFT	Combating of Financing of Terrorism.
STR	Suspicious Transaction Report
FEMA	Foreign Exchange Management Act
FIU -IND	Financial Intelligence Unit – India

CCR	Counterfeit Currency Reports
CBTR	Cross Border Transaction Report
NCCT	Non cooperating countries and Territories
GFSR	Global Financial Stability Report

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Impact of Digital Banking on Customer Satisfaction

Yaman Marwah
Student, MBA (I&B)
Amity School of Insurance, Banking and Actuarial Science, Amity University, U.P

Rajesh Verma
Assitant Professor
Amity School of Insurance, Banking and Actuarial Science
Amity University, Noida

The banking industry has witnessed a paradigm shift. It is now slowly and gradually shifting towards digitalization. There is no single bank in today's time which does not offer Digital Banking services. In my study I have tried to measure the satisfaction of the people living in Delhi/NCR with respect to the Digital Banking services offered by their respective banks. My study includes a questionnaire which was made to survey Digital Banking users in Delhi/NCR. My study also includes analysis of the respondents with regard to the total number of Digital Banking Services offered by their respective banks and their level of satisfaction with regard to the quality of these services. Today, majority of the customers visit a bank branch only to make a deposit and majority of the bank related work is done through Digital banking. Customers use various devices to avail Digital Banking services such as laptop/mobile phones/ATM/ tablets etc. This research study has also laid down some parameters to analyse its importance and measure the level of satisfaction of the people using Digital Banking services. This research paper also provides some valuable suggestions and recommendations to strengthen the bond between banks and their customers, which would in turn help them to gain more customer base..

Keywords: Digital Banking, Technology, Electronic Clearing Services, Customer Satisfaction.

Introduction

The financial institutions handle assets in a country including cash and credit. Banks are the financial institution which accept money from public, repayable on demand for the purpose of lending it to people who are in need of it or investing the money to generate returns, Given their criticalness in the economy, banks are held under demanding rule in by far most of the countries. In India, the Reserve Bank of India (RBI) is the regulator of the entire Banking in India..

Banking has grown hugely with the time.

The development of Indian Banking System can be classified into three distinct stages:

I. Early stage from 1786 to 1969 of Indian banks.

II. Nationalization of Indian Banks and up to 1991 preceding Indian financial segment Reforms.

III. New period of Indian Banking System with the approach of Indian Financial and Banking Sector Reforms after 1991.

STAGE 1

In the year 1786 the General Bank of India was established. Next came Hindustan Bank and Bank of Bengal. The East India Company established Bank of Bengal (1806), Bank of Bombay (1840) and Bank of Madras (1843) and called them Banks of the Presidency. These three banks were merged in 1921 and Imperial Bank of India came into existence, which beganas banks of experts related to private money, by and large Europeans theorists. In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1885 and 1913, Bank of India Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up Reserve Bank of India came in 1935. During the first phase the growth was very slow, and banks also experienced periodic failures between 1913

and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949 which was later changed to Banking Regulation Act, 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive power for the supervision of banking in India as the Central Banking Authority. During those day's public had lesser confidence in the banks. As an aftermath deposit mobilisation was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders..

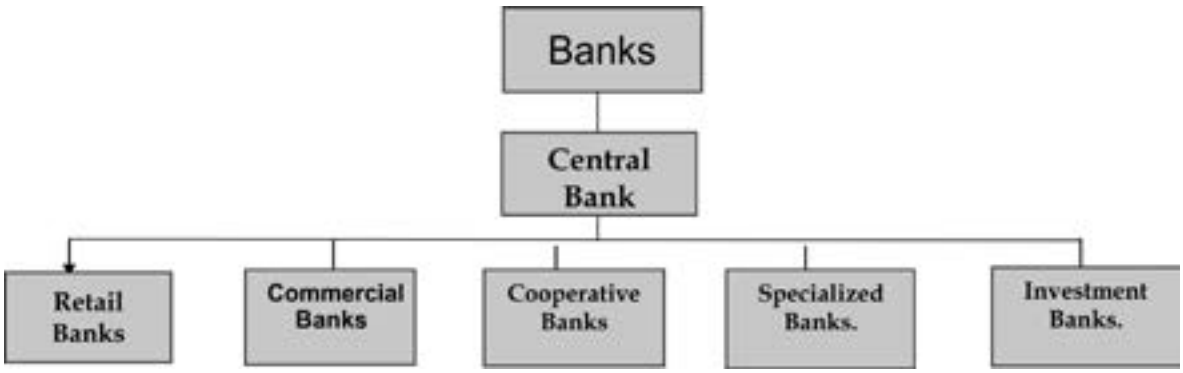
STAGE 2

Government took major steps in the Indian Banking Sector Reform after independence. In 1955, nationalised Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country. Seven banks forming subsidiary of State Bank of India were nationalised on 19th July 1959. In 1969, major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi 14 major commercial banks in the country was nationalised. Second phase of nationalisation in Indian Banking Sector Reform was carried out in 1980 with six more banks. This step brought 80% of the banking segment in India under Government ownership.

STAGE 3

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was setup by his name which worked for the liberalisation of banking practices. The country is flooded with foreign banks and their ATM stations. Efforts are being made to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swifter. Time is given more importance than money. Technology has enabled the banks to provide the convenience of anytime-anywhere-banking. Banks are now changing the way in which their services can be provided to their customers by bringing in flexibility in their distribution channels. The earlier brick-and-mortar branch (traditional banking) is no longer sufficient; technology is now taking banks to the homes or offices, 24 hours a day, 365 days a year through ATMs, mobile banking, online wallets, and more.

The banking sector is further classified in the following manner: -



Recent Trends in Banking

Electronic Payment Services – E Cheques:

Now-a-days we are getting some answers concerning e-organization, email, online business, e-tail, etc. Along these lines, another advancement is being made in US for introduction of e-check, which will over the long haul displace the standard paper check. India, as harbinger to the introduction of e-check, the Negotiable Instruments Act has recently been amended to join; Truncated check and E-check instruments.

Real Time Gross Settlement (RTGS):

Real time gross settlement is an electronic framework in which funds are transferred on a real time basis from one bank account to the other bank account anywhere in the country. The minimum amount which must be remitted through RTGS is Rs. 2 Lakhs and maximum limit is Rs. 10 lakhs per day.

National Electronic Funds Transfer (NEFT):

NEFT is anelectronic framework whereby any individual having a bank account can transfer money on one-to-one basis to any individual having an account with any bank branch in the country. Earlier money was transferred in batches but now as per the RBI guidelines NEFT is available 24x7 with effect from 16th December 2019.

National Electronic Clearing Service (ECS):

ECS was modified by RBI and was launched as NCES with an aim to centralize the clearing and have uniformity and efficiency. NECS (Credit) would allow multiple credits to beneficiaries against a single debit of the account of a user with the sponsor bank whereas NCES (Debit) would allow multiple debits to destination account against single credit to user account.

Automatic Teller Machine (ATM):

Automatic Teller Machine is India's most basic system which allows customers to withdraw money 24 hours a day 7 days. It is a system which permits account holders having ATM card to do transactions like cash withdrawal, cash deposits, cheque deposits, stop payments, balance queries etc.

Point of Sale Terminal:

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited, and the retailer's account is credited by the computer for purchase amount.

Tele Banking:

It urges the customer to do entire non-cash related wagering on telephone. Under this devise Automatic Voice Response system is used for less troublesome requests and trades. For tangled requests and trades, watched out for phone terminals are used.

Electronic Data Interchange (EDI):

EDI is the electronic exchange of business records like purchase demand, sales, conveying sees, tolerating advices, etc in a standard, PC dealt with, all around recognized association between trading accessories. EDI can in like manner be used to transmit financial information and portions in electronic structure.

Review of literature
Intention to adopt digital banking

"Muhammad and Rana (2012) found perceived ease of use, perceived usefulness, compatibility, innovativeness and perceived credibility influencing customer's intention to adopt internet banking. Similarly, Wu, Chang and Lin (2012) found trust, perceived usefulness and perceived ease of use and relative advantage having a significant effect on customer's behavioral intention to adopt internet banking". "Chang and Hamid (2010) also explored two factors viz. perceived ease of use and perceived usefulness influencing behavioural intention of customers to adopt internet banking". According to "V. Selvam and C. Nanjappa (2010) the banking sector in India has become more competitive over a period of time". Thus, the facility of Digital banking has gained a lot of recognition in order to attract and retain the customers.

Objectives of the study

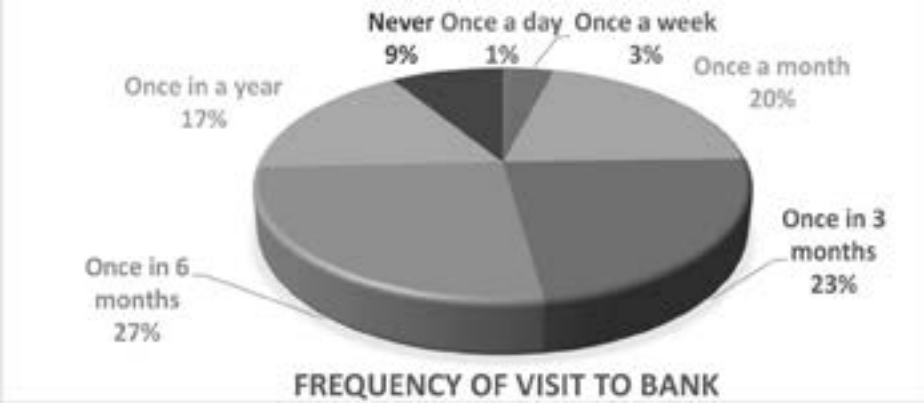
1. To study the customer perception about the importance of various service quality parameters of digital banking.
2. To study the customer satisfaction with various parameters of service quality.
3. To study the difficulties faced by the customers with digital banking

Research Methodology

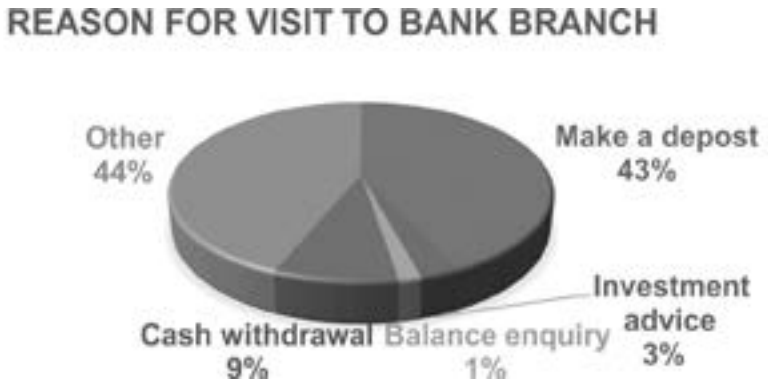
The research followed descriptive research methodology. The research instrument, a structured disguised questionnaire was designed and used, which was tested through the responses collected from 250 respondents. Primary data was collected from 250 respondents chosen through non-probability sampling from a defined target population in the geographical spread of Noida city of Uttar Pradesh. The collected data were converted into data matrix using SPSS software, and inferential analysis was employed to test various hypothesis at a 5 percent level of significance using Chi square and Anova test.

Results and discussion
Descriptive Analysis

The results of the descriptive analysis show that 29% of the respondents have account with HDFC bank, 22% have account with SBI, 17% have account with Axis bank,14% have account with ICICI bank, 7% have account with PNB and Bank of Baroda each and 2% have account with Canara and Yes bank each.

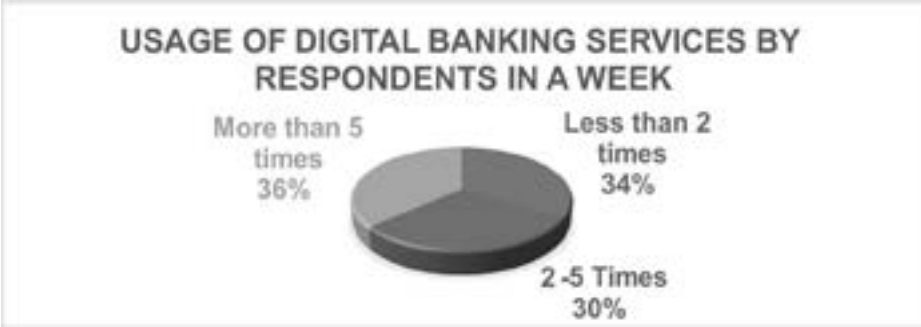


The analysis also reveals that 27% of the respondents visit their bank branch once in 6 months, 23% visit their bank branch once in 3 months, 20% visit their bank branch once in a month, 17% visit their bank branch once in a year, 9% have never visited their bank branch, 3% visit their bank branch once a week and only 1% visit heir bank branch once a day. Further it was analysed that 79% of the respondents have a savings accounts in their bank, 7% have current account, 5% have Fixed and loan account each and 2% have lockers in their banks.

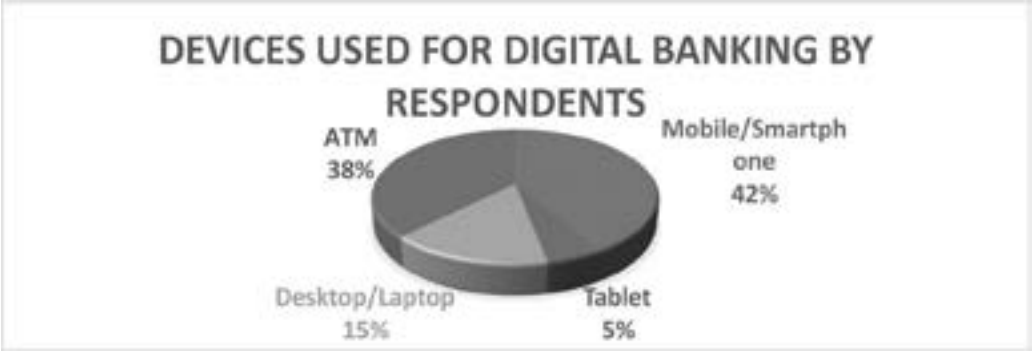


The analysis also revealed that 44% of the respondents visit the bank branch for work other than making a deposit, withdrawing cash. 43% of the respondents visit their bank branch to make a deposit, 9% visit their bank branch to withdraw cash, 3% visit their bank branch for investment advice and only 1% visit for balance enquiry. Low percentage in cash withdrawal and balance enquiry shows that people are shifting towards Digital banking for making payments or withdrawing cash from ATM instead of visiting their bank branch.

Further the results of the descriptive analysis show that all the respondents have Internet banking and ATM facility available in their bank and 83% of the respondents are using Internet banking services. 94% of the respondents are using the ATM services provided by their banks. Though 100% of the banks provide mobile banking services it can be seen that around 6% people are not aware about these services provided by their banks and 94% respondents are aware of mobile banking services available in their banks and 76% of the respondents are using this facility. This clearly shows that people that majority of people are using Digital banking services nowadays.



36% of the respondents use digital banking services more than 5 times in a week, 34% of the people use digital banking services less than 2 times in a week and 30% of the respondents use digital banking services 2 to 5 times in a week. This clearly shows that majority of people are using digital banking services in their day to day life.



From the analysis it was revealed 42% of the respondents use mobile phone to avail digital banking services, 38% of the respondents use ATM, 15% use desktop and 5% use tablet to avail digital banking services. This clearly show that majority of the people use mobile phones and ATM to avail digital banking services.

Inferential analysis

Hypothesis 1

H0: There is no significant difference between the mean ratings of the Male and Female respondents pertaining to the importance of trust and safety while using digital banking services offered by their banks.

H1: There is significant difference between the mean ratings of the Male and Female respondents pertaining to the importance of trust and safety while using digital banking services offered by their banks.

ANOVA

	Value	Degree of freedom	Significance
Pearson Chi-Square	4.259a	4	.372
Likelihood Ratio	4.299	4	.367
Linear-by-Linear Association	.356	1	.550
N of Valid Cases	249		

Trust and safety * Gender Crosstabulation Count

		Gender		Total
		male	female	
Trust and safety	1	21	25	46
	2	9	16	25
	3	10	25	35
	4	13	33	46
	5	38	59	97
Total		91	158	249

At 95% confidence level and 4 degrees of freedom the table value of chi square is 11.14, since the calculated value as per the SPSS output is 4.259, the null hypothesis is accepted which implies that there is no significant difference between the mean ratings of the Male and Female respondents pertaining to the importance of trust and safety while using digital banking services offered by their banks.

Hypothesis 2

H0: There is no significant difference between the mean ratings of the respondents in different age groups pertaining to the importance of speed of transaction while using digital banking services offered by their banks.

Age

	Sum of Squares	Degree of freedom	Mean Square	F	Significance
Between Groups	33.426	4	8.357	4.039	.003
Within Groups	504.775	244	2.069		
Total	538.201	248			

H2: There is a significant difference between the mean ratings of the respondents in different age groups pertaining to the importance of speed of transaction while using digital banking services offered by their banks.

Since the value of F is not near 1, the null hypothesis is rejected which implies that there is a significant difference between the mean ratings of the respondents in different age groups pertaining to the importance of speed of transaction while using digital banking services offered by their banks.

Hypothesis 3

H0: There is no significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the quality of digital banking services offered by their banks.

H3: There is significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the quality of digital banking services offered by their banks.

Chi-Square Tests

	Value	Degree of freedom	Significance
Pearson Chi-Square	11.617a	4	.020
Likelihood Ratio	15.898	4	.003
Linear-by-Linear Association	.143	1	.706
N of Valid Cases	249		

Satisfaction with quality of services * Gender Crosstabulation

Count

		Gender		Total
		male	female	
Satisfaction with quality of services	1	0	4	4
	2	0	9	9
	3	16	18	34
	4	44	60	104
	5	31	67	98
Total		91	158	249

At 95% confidence level and 4 degrees of freedom the table value of chi square is 11.14, since the calculated value as per the SPSS output is 11.61, the null hypothesis is rejected which implies that there is significant difference between the mean ratings of the Male

and Female respondents pertaining to customer satisfaction with the quality of digital banking services offered by their banks.

Hypothesis 4

H0: There is no significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the quality of digital banking services offered by their banks.

H4: There is significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the quality of digital banking services offered by their banks.

ANOVA

Age

	Sum of Squares	Degree of freedom	Mean Square	F	nificance
Between Groups	19.297	4	4.824	2.268	.062
Within Groups	518.904	244	2.127		
Total	538.201	248			

Since the value of F as per the SPSS output is not near to 1, the null hypothesis is rejected which implies that there is significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the quality of digital banking services offered by their banks.

Hypothesis 5

H0: There is no significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the complaint and query resolution by their banks.

H5: There is significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the complaint and query resolution by their banks.

Chi-Square Tests

	Value	Degree of freedom	Significance
Pearson Chi-Square	9.084	4	.059
Likelihood Ratio	12.054	4	.017
Linear-by-Linear Association	2.352	1	.125
N of Valid Cases	249		

Rating for complaint resolution * Gender Crosstabulation

Count

		Gender		Total
		male	female	
Rating for complaint resolution	1	0	9	9
	2	6	16	22
	3	17	31	48
	4	43	53	96
	5	25	49	74
Total	91	158	249	

At 95% confidence level and 4 degrees of freedom the table value of chi square is 11.14, since the calculated value as per the SPSS output is (9.084) less than the table value, the null hypothesis is accepted which implies that there is no significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the complaint and query resolution by their banks.

Hypothesis 6

H0: There is no significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the complaint and query resolution by their banks.

ANOVA

Age

	Sum of Squares	Degree of freedom	Mean Square	F	Sig.
Between Groups	10.786	2	5.393	2.516	.083
Within Groups	527.414	246	2.144		
Total	538.201	248			

H6: There is significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the complaint and query resolution by their banks.

Since the value of F is near to 1, the null hypothesis is accepted which implies that there is no significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the complaint and query resolution by their banks.

Hypothesis 7

H0: There is no significant difference between the mean ratings of the respondents in different age groups pertaining to problems faced with using internet banking while using digitalbanking services.

H7: There is significant difference between the mean ratings of the respondents in different age groups pertaining to problems faced with using internet banking while using digital banking services.

ANOVA

Occupation

	Sum of Squares	Degree of freedom	Mean Square	F	Significance
Between Groups	7.775	2	3.887	1.389	.251
Within Groups	688.546	246	2.799		
Total	696.321	248			

Since the value of F is not near to 1, the null hypothesis is rejected which implies that there is significant difference between the mean ratings of the respondents in different age groups pertaining to problems faced with using internet banking while using digital banking services.

Hypothesis 8

H0: There is no significant difference among the mean ratings of students, self-employed, Retired and employee in private job pertaining to problems faced with using ATM.

H8: There is significant difference among the mean ratings of students, self-employed, Retired and employee in private job pertaining to problems faced with using ATM.

Since the value of F as per the SPSS output is near to 1, null hypothesis is accepted which implies that there is no significant difference among the mean ratings of students, self-employed, Retired and employee in private job pertaining to problems faced with using ATM

Hypothesis 9

H0: There is no significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the number of digital banking services offered by their banks.

H9: There is significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the number of digital banking services offered by their banks.

ANOVA

Age

	Sum of Squares	Degree of freedom	Mean Square	F	Significance
Between Groups	15.902	4	3.976	1.857	.119
Within Groups	522.299	244	2.141		
Total	538.201	248			

Chi-Square Tests

	Value	Degree of freedom	Significance
Pearson Chi-Square	4.175	4	.383
Likelihood Ratio	5.099	4	.277
Linear-by-Linear Association	.272	1	.602
N of Valid Cases	249		

Satisfaction with no of services * Gender Crosstabulation

Count

		Gender		Total
		male	female	
Satisfaction with no of services	1	0	2	2
	2	2	10	12
	3	15	22	37
	4	42	63	105
	5	32	61	93
Total	91	158	249	

At 95% confidence level and 4 degrees of freedom the table value of chi square is 11.14, since the calculated value as per the SPSS output is (4.175) is less that the table value, the null hypothesis is accepted which implies that there is no significant difference between the mean ratings of the Male and Female respondents pertaining to customer satisfaction with the number of digital banking services offered by their banks.

Hypothesis 10

H0: There is no significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the number of digital banking services offered by their banks

H10: There is significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the number of digital banking services offered by their banks.

ANOVA

Age

	Sum of Squares	Degree of freedom	Mean Square	F	Significance
Between Groups	15.213	4	3.803	1.774	.135
Within Groups	522.988	244	2.143		
Total	538.201	248			

Since the calculated value of F as per the SPSS output is near to 1, the null hypothesis is accepted, which implies that there is no significant difference between the mean ratings of the respondents in different age groups pertaining to customer satisfaction with the number of digital banking services offered by their banks.

Banking Ombudsman Report on Customer Complaints: Source Annual Report of Banking Ombudsman Scheme for the year 2018-19 dated 17thDec, 2019

The Banking Ombudsman Scheme (BOS) was notified by the Reserve Bank of India (RBI) in 1995 under Section 35A of the Banking Regulation Act, 1949. As on date, Scheduled Commercial Banks, Scheduled Primary Urban Co-operative Banks, Regional Rural Banks (RRBs), Small Finance Banks and Payment Banks are covered under the Scheme. It is administered by RBI through 211 Offices of Banking Ombudsman (OBOs) covering all states and union territories.

A brief analysis of complaints handled by BOs during the year is as under:

i. The complaints received at OBOs rose by 32,311 taking the total to 1, 95,901 complaints in 2018-19 over the previous year (1, 63,590), recording a year on year (Y-o-Y) increase of 19.75%. Of these, 72.19% were received electronically i.e., through the online portal and by emails as against 63.61% in the previous year;

ii. The disposal rate for this year (2018-19) was 94.03% as against 96.46% in 2017-18. This is largely due to rise in volume of complaints with resource remaining the same;

iii. While non-observance of fair practices code continued to remain the major ground of complaints during the year, its percentage came down from 22.10% in the previous year to 19.17% in the current year. ATM and debit card issues had increased from 15.08% in last year to 18.65% this year;

iv. Complaints received on grounds relating to pension, levy of charges without notice, credit card related issues and remittance have declined this year vis-à-vis previous year. The number of complaints pertaining to 'mis-selling' have gone up from 579 complaints in 2017-18 to 1,115 complaints this year, an increase of 92.57%.

v. The number of complaints resolved by agreement i.e., through intervention of OBOs, mediation and conciliation, etc. rose from 65.82% during the previous year to 70.40% in 2018-19.

vi. The number of appeals received in 2018-19 stood at 78 as compared to 125 in 2017-18.

vii. The average cost of handling a complaint came down from ₹3,504/- in 2017-18 to ₹3,145/- in 2018-19 due to increased volume of disposal by the OBOs with the same resources as available in the previous year. There is thus an increased level of efficiency at the OBOs.

Disposal of Complaints

NBFC-Os handled 4,022 complaints during the year disposing 99.10% of the complaints by the end of June 2019. The detailed position of complaints disposed is given below at

Disposal of Complaints by NBFC-O		
	2017-18	2018-19
Pending at the Beginning	0	31
Complaints Received	675	3,991
Complaints Handled	675	4,022
Disposed of during the year	644	3,986
Rate of Disposal (%)	95.41%	99.10%
Complaints Pending as on June 30, 2018/2019	31	36
Age-wise Pendency		
Complaints Pending for less than one month	26	25
Complaints Pending for one to two months	3	10
Complaints Pending for two to three months	2	1

Recommendations

According to the results it is recommended that banks should focus on improving their internet and mobile banking facilities to give their customers a hassle-free experience. The focus should be on improving the site as well as mobile application aesthetics with no compromise on safety and security and improving the quality of services as it is the most important parameter which affects customer satisfaction and trust. Banks need to keep in mind the needs of the older generation and should modify their website and mobile application in a way that the older generation can easily access and use the facilities. The focus should be on providing free tutorials and 24x7 helpline for any queries related to digital banking services. Banks need to work on improving the speed of transactions as it is one of the important parameters which affects customer satisfaction. The turnaround time for complaint resolution should be reduced. Banks should focus on increasing the number of digital banking services they offer as people are less interested in visiting the bank branch which consumes time and they like to use banking services on their mobile phones or desktop without physically visiting the bank branch. The report of the banking ombudsman clearly reflects that there has been an increase in the number of complaints relating to ATM cards, Debit cards and charges for non-maintenance of minimum balance. There is a need for customer awareness on usage, terms and conditions of digital banking products as well as need of relationship manager to support the customer for online transactions. Digital Banking transactions has also increased during Covid 19 lock down and has emerge as an important tool for replacing cash and cheque-based payment system.

Conclusion

The paper studies the impact of digitalisation on customer satisfaction having individual bank accounts with reference to people living in Noida region. The report is also focused on determining the various problems faced by the customers in the era of digital banking. Data was collected from 250 individuals having bank account in Noida region and accordingly the report is prepared. The results of descriptive analysis show that majority of the respondents have bank accounts with HDFC, SBI, ICICI and Axis bank. Majority of the people do no visit their bank branch frequently and avail digital banking facilities to meet their banking requirement which include cash withdrawal, fund transfer, making payment etc. Majority of the people visit their bank branch to make a deposit. More than 75% of the people use mobile phones and ATM to avail digital banking facilities. The results of inferential analysis show that trust and safety while using digital banking services is the most important parameter and majority of people are satisfied with their banks performance with regard to the said parameter. The results show thatthe importance of speed of transaction while using digital banking services offered by their banks is more important for the younger population as compared to the older population. Results show that males are less satisfied than females with the quality of digital banking services offered by their banks Results show that the younger population is more satisfied with the quality of digital banking services as compared to the older population. Results show that older population is facing more problems while using digital banking services as compared to the younger population.

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A Study of Preference for Online Trading Account versus Offline Trading Account by Different Age Group

Jatin Kohli
Student, B.A. (H) Insurance & Banking,
Amity School of Insurance, Banking and Actuarial Science

Anita Kohli
Assistant Professor,
Amity School of Insurance, Banking and Actuarial Science, Amity University, U.P.

This study is focus to find the preference of investors towards online trading account versus offline trading account of investors of different age groups. Offline trading account is where an investor or trader is in touch with their broker physically or on mobile phone for buying and selling of securities. Whereas, online trading is when a person is using the online portal to buy and sell securities. The fees of an Offline trading account may be higher than the cost of an online trading account for small value trades. The trading hours are the same in both online and offline trading account the online trading account some time needs to be built in for customer to give instruction and for the service provider to put through the transaction. Whereas in case of online trading account in case the internet connection is good and there is no technical slag a transaction may be put just before the cut off time too. The study aims to find out if age has influence on having an online trading account versus an offline trading account and to determine the factors that influence the investor in choosing between an online trading account and offline trading account.

Key Words: Online Trading Account, Offline Trading Account, Investors, Securities

Introduction

Internet is used by billions of individuals around the globe both for financial and non-financial transactions. Internet in the last twenty years has completely changed how financial and securities transactions in the Indian financial markets are executed. Internet and technology have transformed how trading happens in the stock exchanges in India as it has changed trading in any global market around the world. The web has made trading or investing in the market accessible to more clients and removed topographical hindrances which existed in the past. Prior traders and investors had to be present in person or give power of attorney to brokers to put through financial and securities transactions and wait for days to get the money and security to reach their bank accounts and securities accounts for sell and buy transactions respectively. Now with the option of online trading, enabling of transfer of funds and securities both ways while buying and selling securities has spared time, made the exchange faster and reduced risks such as of missing deadlines. The Internet has changed the way the general public communicates and the financial markets work.

SEBI: The Securities Markets Regulator in India

The Indian Financial Market is regulated. The Securities and Exchange Board of India or SEBI is the regulator for the securities markets, established in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. The basic function of SEBI is "to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto".

The functions of SEBI, the securities regulator in India, include, (and are not limited to):

a) Regulating the business in stock exchanges and any other securities markets

b) Registering and regulating the working of stockbrokers, sub-brokers and various other intermediaries who may be associated with securities markets in any manner.

c) Registering and regulating the working of the depositories, custodians of securities, foreign portfolio investors, credit rating agencies and other intermediaries

d) Calling for information from, undertaking inspection, conducting inquiries and audits of the intermediaries and self- regulatory organizations in the securities market

e) Calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;

f) Calling for information from, or furnishing information to, other authorities, whether in India or outside India, having functions similar to those of the Board, in the matters relating to the prevention or detection of violations in respect of securities laws, subject to the provisions of other laws for the time being in force in this regard

History of Indian Securities Markets

A financial exchange is where buyer and seller (or issuer) of stocks meet.Those buying stock, can be small investors or investors with deep pockets, these may be high net worth individuals or large corporations or large institutions or even state and municipal corporations. The seller or issuer are generally corporations or institutions or state and municipal corporations. While the stock to be traded or sold may be equity shares, debentures, bonds, or any hybrid securities. The common factor will be the stock or securities are transferable. There are two-leading stock exchanges in India, the BSE and NSE.

Bombay Stock Exchange (BSE)—1875

- Bombay stock exchange (BSE) is the fastest exchange in the world, the world's tenth largest. And India's 1st Universal Exchange. BSE overall market capitalization as of April 2018, was of more than $2.2 trillion.
- BSE was set up, in the year 1875. It was formed as the 'The Native Share & Stockbroker's Association'.
- BSE was the first exchange to be granted permanent recognition under Securities Contracts (Regulation) Act (SCRA).
- BSE SENSEX was India's first equity index launched in 1986.
- In 1995, BSE On-Line Trading (BOLT) was introduced. And commodity derivatives segment was introduced in 2018.

National Stock Exchange (NSE)—1992

- National Stock Exchange (NSE) is situated in Bombay, and is India's leading stock exchange, established in 1992.
- NSE commenced operations in 1994 with the launch of the wholesale debt market.
- NSE presented Nifty 50 out of 1996 as the distinguishing base for top 50 stock file, and it is widely used as Indian capital markets indicator and by Indian speculators.
- NIFTY 50, is one of the broad-based stock market index for the Indian equity market launched by NSE.
- As of April 2018, market capitalization of NSE was over $2.27 trillion.

About Bombay Stock Exchange and National Stock Exchange

Bombay Stock Exchange (BSE)	National Stock Exchange (NSE)
#1 Oldest stock exchange in India	#1 Biggest stock exchange in India
#2 BSE was formed in 1875	#2 NSE was formed in 1992.
#3 Benchmark index for the BSE is SENSEX	#3 Benchmark index for the NSE is NIFTY
#4 Index value for BSE is 39,298.38 (as on October 2019)	#4 Index value for NSE is 11.661.85 (as on October 2019)
#5 Managing director of BSE is Mr. Ashish Kumar Chauhan	#5 Managing director of NSE is Mr. Vikram Limaye

Securities Trading Accounts

These are basically three accounts bundled together to buy or sell stocks on the stock exchange. The three accounts required for putting through a buy or sell transaction of securities are:

A Bank Account: Which is required to receive money or pay money in exchange for sale of securities or purchase of securities, respectively.

A Demat Account: This is required for receiving securities or for transferring securities out in exchange for purchase of securities or sale of securities, respectively.

An account with the broker: this is required to establish the trader/investor as a customer of the broker. To enable the broker to place, buy or sell transactions of the customer in the stock exchange.

The smallest trade to the largest trade in the stock exchange is done through the broker.

Types of Trading Accounts There are two types of trading account, the offline trading account and the online Trading account.

Offline Trading Account

The offline or traditional trading account is when an investor or trader is in touch with their broker physically or on mobile phone for their buying and selling of securities.

Information

A brokerage fee is paid by the customer to the broker. The brokerage is applicable both while buying and while selling securities. The broker analysis the market, stock and makes buy or sell or hold recommendations to the client.

Cost/ Fees

The fees of an Offline trading accounts usually higher than the cost of an online trading account. And may require large cash deposits with the brokerage firm or in a linked bank account.

Online Trading Account

Online trading account is when an investor or trader buys and sells securities on their own through online software application provided by their brokerage firm.

Information

Online brokerages have large amount of information on stocks and market movement trends easily available on their web pages. Client may go through the information and decide on their decision to buy, sell or hold based on information or advice posted on the web page of the online brokerage.

Cost/ Fees

The cost of an online trade is often lower than for offline trades. As there is no human intervention or need for a person to interact, take an order, place the order in the market and then follow through on money or securities. Most online brokerages also reduce the brokerage charged for higher value and volume of trades being put through by the client.

Characteristics of Offline and Online Trading Accounts

OFFLINE TRADING ACCOUNT		ONLINE TRADING ACCOUNT
1.	In offline the investor is not able to view his trading account and must wait to know from the broker if a trade has been put through or not.	In online trading mechanism the customer views the success or failure of the trade in the trading account, real time on his own.
2.	The investor needs to transfer funds or check receipt of funds each time a trade is done.	Investor in online trading account must ensure availability of funds in his linked bank account and money is debited and credited into the account automatically with every trade as per the trading cycle.
3.	The investor cannot do live trading	The customer has an option to do live trading.
4.	Offline investors get advice from their broker through phone	Online investors get suggestions through emails and online portals.
5.	Offline trader needs to open separate account to invest in IPO's and Mutual funds.	Online investor can invest in IPO's and Mutual funds from the same set up.
6.	Investor can place order to his/ her broker after market closes. The transaction takes place on the next working day.	Online Investor can place order on his online portal itself. The transaction takes place on the next working day.
7.	Trader cannot trade away for the place where he/she has opened its account.	The client can globally access the account and can trade anywhere in the world where Internet facility is available
8.	Delivery Instruction slips of Demat A/c are required for putting through a transaction.	No documents are required for trading
9.	Offline trading takes more time as all three parts of the transaction have to be monitored and executed.	Online trading is more time efficient as placement and settlement of the trade automatically triggers settlement in the bank account and demat account.
10.	The investor must provide DI slips or money to the broker for every transaction.	The shares or money is to be made available in the linked bank account and Demat A/c.

Practical example of how an offline trading account and an online trading account operates

Suppose an investor wants to purchase 1000 shares of Stock A1 trading at Rs 991/. And sell 100 shares of another Stock B1 that the investor is holding and trading at Rs. 5500/. Assume there is no margin trading allowed to the investor. Also for simplicity we assume nil securities trading tax, stamp duty, brokerage and any other charges. In real scenario in buy trade they will be added and in case of sell the broker will collect the charges and tax and pay the net amount.

Offline Trading Account

In case the investor has an offline trading account. The investor will leave the order with the broker to execute. On the trade day (X day) or pay-in day the broker will require-

- Rs 991000/ towards purchase of 1000 shares of Stock A1to be transferred to the broker's bank account.
- 100 shares of Stock B1to be transferred to the broker's demit account.

On the settlement day (X+2 day) also known as pay-out day the following transactions will be performed by the broker-

- Credit the Savings Account of the investor client for Rs 550000/ from sale of 100 shares of Stock B1.
- Credit the Demat Account of the investor client with 1000 shares of Stock A1.

All the debits and credits on Day X and Day X+2 will be executed and checked by the investor.

Online Trading Account

In case the investor has an online trading account. The investor will enter the trades online. The investor ensures adequate cash for buying Stock A1 and adequate quantity of Stock B1 is available in his savings account and demat account linked with the online trading account. On the trade day (X day) orpay-in day the following transactions will happen in his accounts-

- Savings Account -Debit- for Rs 991000/ towards purchase of 1000 shares of Stock A1.
- Demat Account- Debit- for 100 shares of Stock B1.

On the settlement day (X+2 day) or pay-out day the following transactions will happen in the investors' accounts-

- Savings Account -Credit – of Rs 550000/ from sale of 100 shares of Stock B1.
- Demat Account- Credit – of 1000 shares of Stock A1.

All the debits and credits on Day X and Day X+2 in linked savings account and demat account will be automatic.

Review of literature

Goldberg, S. T. (1999)Kiplinger's Personal Finance "Online Brokers Grow Up" Vol. 53, No. 11 page No.90-96

The online brokerage industry is growing up. Online brokers have generally stopped lowering their prices in the past year or so, but they have added services. Every brokerage customer gets a regular account statement in the mail, but some statements are better than others. Many investors are unaware of the hidden costs of executing a stock trade, or of the ways brokers & other executors of trades can jack up the cost of trading.

Nejati. M & Nejati M. (2010) "Global Business and ManagementResearch: An International Journal"

Share brokers offer two types of share trading. Offline Share trading-In the form of trading the customer goes to the share brokers place & sits before the share trading terminal & asks the dealer to place order in his account or rings the share broker, asks the share quotes & other related and relevant information, & accordingly places orders over the phone. Online Share Trading-The client could avail the share market & could place his order on his own from any place he wants.

Walia N. and Kumar R. (2007)

"Online stock trading in India: An empirical investigation"

"Research report examined the investors' preference for traditional trading and online trading, investor's perception on Online trading & comparing current usage of online trading and offline trading. This

study reveals that out of every 100 investors only 28 trade online, which points out a question as why investors were not able to realize the importance of technology in stock trading.

Turner T.(2007).

"A Beginner's Guide to Day Trading Online"

The stock market is the monster of all Roller Coasters, lifting traders to hair raising highs, then dropping them to the lowest lows, with no regards for their screams. Online brokers and direct access brokers have streamlined their platforms to maximum levels of speed & efficiency.

Objective of Study

The objective of the study was,

- To find if age has influence on having an online trading account versus having an offline trading account
- To find what factors influence the investor/ trader choice to use online trading account or offline trading account.

Methodology

For, the purpose of this study we collected primary data through a structured questionnaire.The questionnaire was circulated as a google form on the mobile phone so that the recipient could easily respond. Follow up through whatsapp messages and phonecalls to respond was also done.

Of the many hundreds of questionnaire sent we received response from 93 respondents.

The tools used in data analysis is the frequency percentage test.

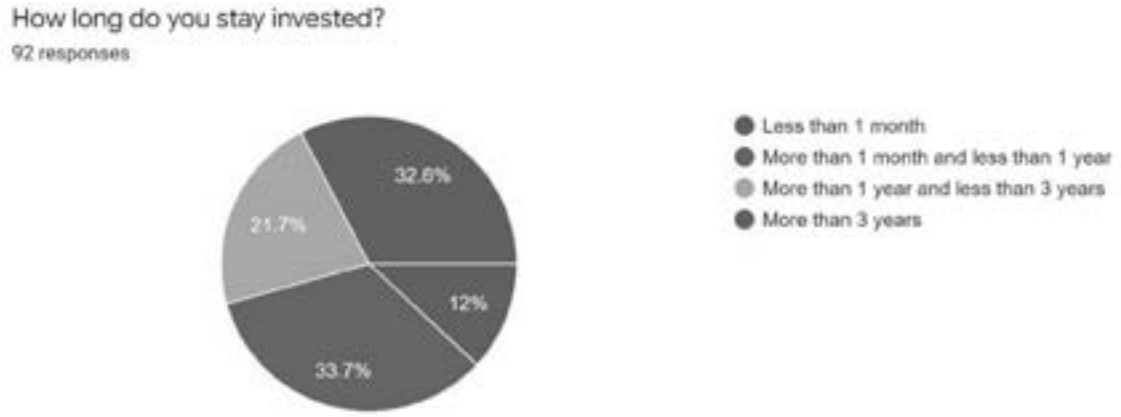
Interpretation of the data collected

We collected data on the investor/ trader investment behaviour in securities market on various parameters.

Length of investment in a security

We found that the 32.6 percent of the trader/ investor stay invested for more than three years, 21.7 percent stay invested for more than one year and less than three years,33.7 percent of the trader/ investor stay invested for more than a month but less than aone year and remaining 12 percent stay invested for less than a month (figure 1)

Figure 1. Tenor for which the respondent stays invested in securities



Frequency of trade/ investment

Our finding is that majority of the investor/ traders invest every month. As per the responses received 47.8 percent respondents invest their money monthly in mutual funds, 44.6 percent respondents trades daily in equity and remaining 7.6% invest at a quarterly or annual frequency.(figure 2)

Figure 2. Frequency of trade/ investment

Length of time investing/ trading in stock markets

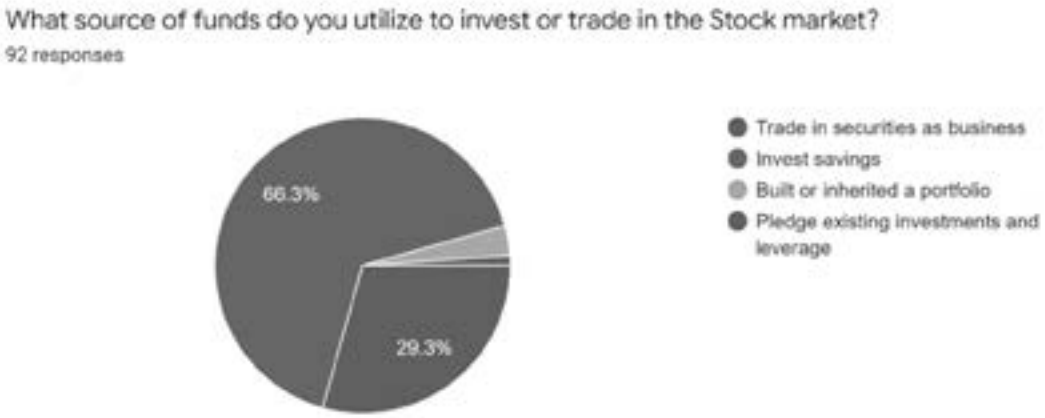
25 percent of the respondents have started investing/ trading in the last one year. While the balance 75 percent have been investing in the securities markets for more than one year. And of this 35.9 percent have invested/ traded for more than 1 year but less than 5 years, 13 percent are trading between 5 years to 10 years and 26.1 percent are trading/ investing in securities markets for more than 10 years. (figure 3)

Figure 3. Length of time investing/ trading in stock markets

Source of funds for investing/ trading in stock markets

Our finding is that 66.3 percent of the respondents invested their savings in the securities markets. And 29.3 percent of the respondents were trading in securities as a business. While the remaining 4.4% people had inherited a portfolio or pledged existing investments to leverage. (figure 4)

Figure 4. Source of funds for investing/ trading in stock markets



Type of trading account for investment in securities

As per the responses received, 32.6 percent of the 59 respondents* used online trading account, 56.5 percent used Offline trading account and the balance did not have a trading account as they were investing only in bonds or IPOs. (Figure 5)

*Out of 93 respondents, 59 traders/investors have online or offline trading account after much deliberation on the responses received.And the balance 34 investors had a demat account only.

Figure 5. Type of trading account for investment in securities

Age and type of trading account

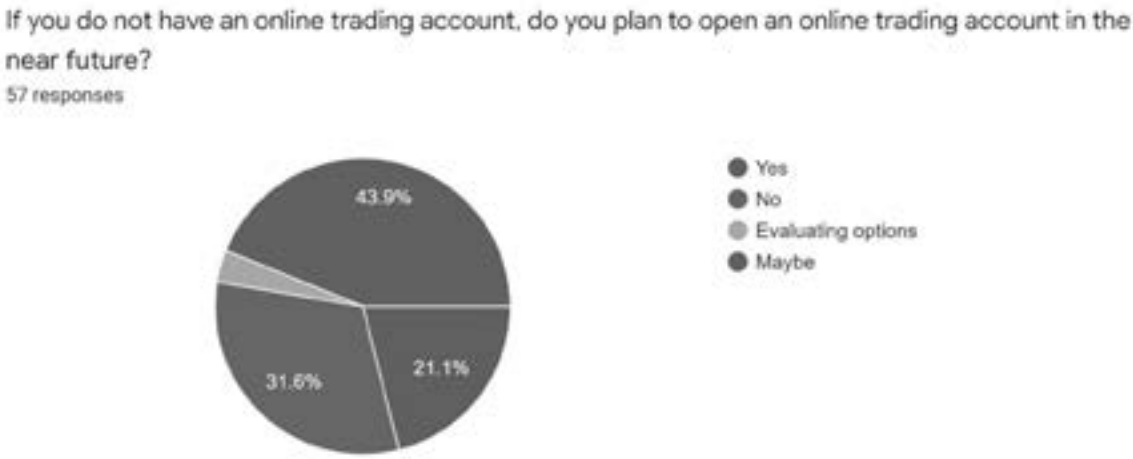
We found that, most of the respondents in the age group from 18-27 years and 28-37 years prefer online trading account for trading and investing. Respondents in the age group from 38-47 and 48-57 years prefer offline trading account over online portals. (Figure 6)

Figure 6. Age and type of trading account

Will stick with offline trading account

We found that 31.6 percent of the respondents will stick to their offline trading account and do not want to have an online trading account (Figure 7.)

Figure 7. Only offline trading account or considering online trading account



Reason for using online trading account and reason and age analysis

We found that 63.8 percent of the respondents use online trading account because it is convenient and enables them to do a transaction anytime. The balance 36.2 percent respondents use an online trading account because their perception is that the credits are faster in onlinetrading account. (Figure 8).

We also did the age analysis of these respondents and found that a higher percentage of the respondents in the age group of 18-27 years and 28-37 years reason to use online trading account is the convenience to do transactions anytime in Online trading account.While a higher percentage of the respondents the age group of 38-47 yearsand in age group of 48-57 years reason to use online trading account is their perception that the credits are faster in online trading account. (Figure 9).

Figure 8. Reason for using online trading account

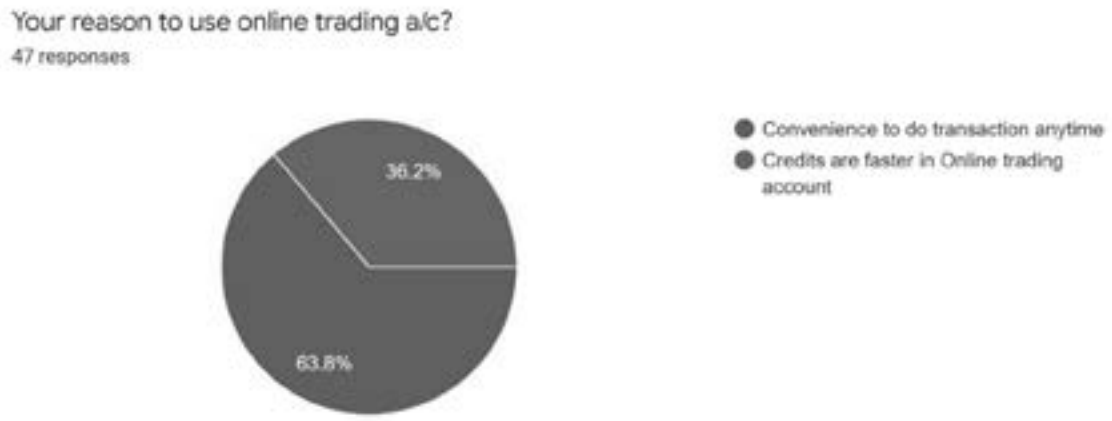
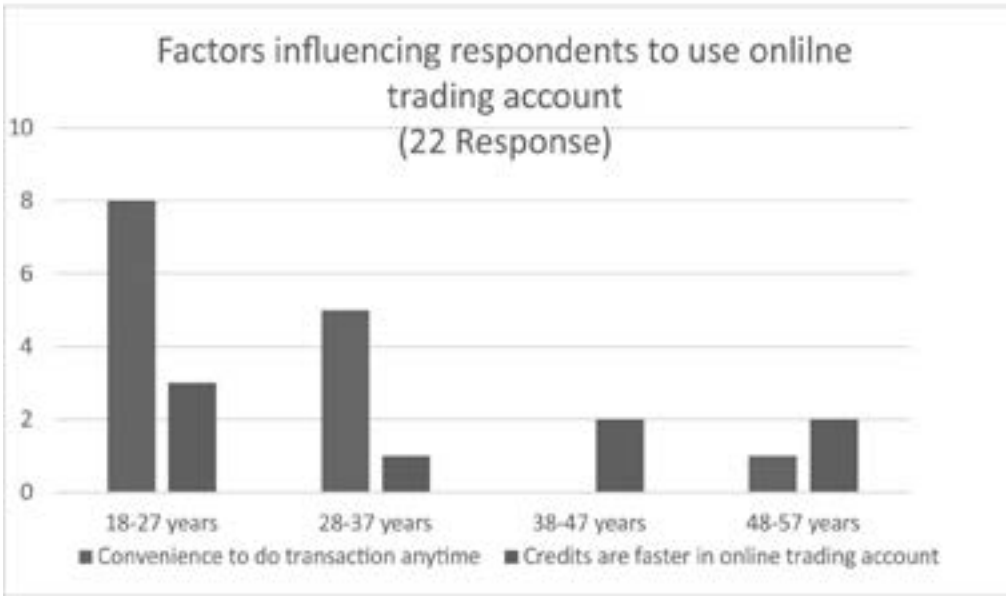


Figure 9. Reason for using online trading account with age



Reason for using offline trading account and reason and age analysis

We found that 70.2 percent of the respondents use offline trading account because they find it better to call/ discuss before leaving an order with the broker, 24.6 percent of the respondents don't have time to see the transaction online. The remaining 5.2 percent respondents use an offline trading account because their perception is that the credits are faster in offline trading account. (Figure 10).

We also did the age analysis of these respondents and found that all the respondents in the age group of 28-37 years and 48-57 years prefer to call and discuss before leaving an order. All the respondents in the age group of 38-47 years do not have time themselves to see the transaction online and therefore prefer to have an offline trading account. While there were equal number of respondents in the age group of 18-27 years quoting the two reasons.

Figure 10. Reason for using offline trading account

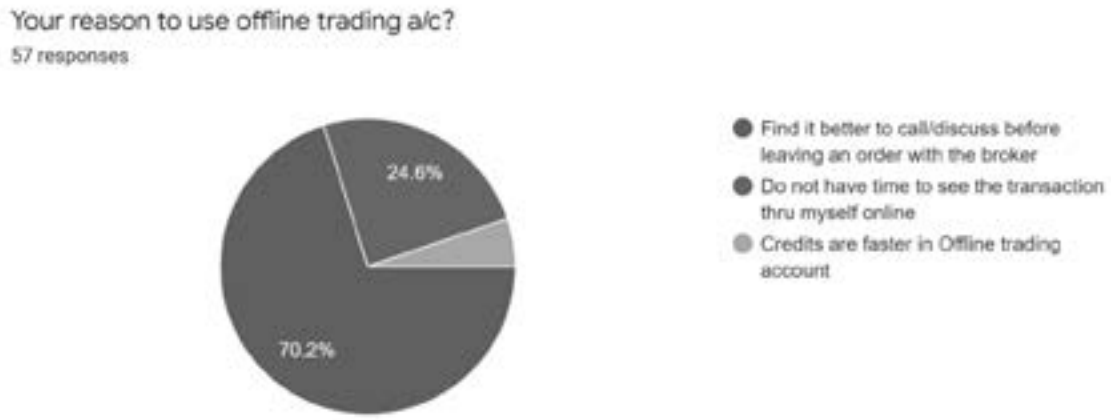


Figure 11. Reason for using offline trading account with age

Conclusion and Summary

Due to the numerous benefits of online trading account, more people are choosing online trading platforms or considering the same. People in the age group of 18-37years prefer online trading portals because of convenience, transparency, less expensive than offline trading and perceived benefits like that of being faster. Online trading account requires less paperwork and it is more effective. Whereas traders of age more than 38/ 40 years prefer to trade/ invest in securities through offline trading platforms. They prefer to talk to their brokers and get advice before finalising the trade.

Presently, there are number of online trading applications available providing quality service at an affordable price.The applications help the trader/ investor trade transparently on the go and is powered by Artificial Intelligence. They feature stocks of leading companies on the investor's mobile phone and provides useful information through the smart feed feature.

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Nejati. M &Nejati M. (2010) "Global Business and ManagementResearch: An International Journal"

Walia N. and Kumar R. (2007) "Online stock trading in India: An empirical investigation"

Turner T.(2007). "A Beginner's Guide to Day Trading Online"

Restructuring Insurance Value Chain in Sync with Advanced Technology

B R Singh

Assistant Professor,
Amity School of Insurance, Banking and Actuarial Science, Amity University, Noida

Of late there has been emergence of a number of major technology trends impacting the insurance industry, some of these are 'Artificial Intelligence', 'Machine Learning' 'Blockchain Technology', 'IoT' etc. Insurers are keen to improve customer experience and also considering innovative ways to reduce costs. Here we are going to deliberate as to how these technologies are being adopted and can befurther betterutilized by the insurance industry in the areas of risk assessment, underwriting, risk monitoring, risk prevention, fraud prevention and control, claim settlement etc.

Key Words: Insurance Value Chain,Artificial Intelligence, Machine Learning, Automation,Telematics,First Notice of Loss, FNOL, Chatbots, Predictive Analysis

Introduction

In the second decade of the 21st century, a rapid technological advancement at phenomenal speed was witnessed by us. In just about 8-10 years, a significant part of human life was affected by advanced technologies. This technology disruption changed considerably every industry all over the globe and the insurance business is no exception to this trend.

The ever-increasing use ofsocial networking, internet, mobility have drastically changed the game and shaped a new generation of customers who ask for simplicity, speed, transparency and ease in interactions and transections. These trends will not only persist but also accelerate, leading to a situation where customers will be more willing to buy directly with the help of their trust network of friends and acquaintances in taking an insurance-related decision.

Literature Study/Review:

To conduct this study, researcher has extracted secondary data from research papers published in various national and international journals, published by eminent newspapers articles, blogs and websites. He also discussed the matter in detail with the Insurance professionals, intermediaries and corporate and individual customers.

Research design and methodology:

The nature of this study is descriptive and exploratory, wherein relevant data has been collected on secondary basis from various sources such as published research papers in national and international journals; published reports, newspapers and websites. The researcher has used content analysis technique to analyse the collected secondary data. To conduct this study, the researcher, applied his own experience of 35 years in the field while working as Insurance executive thereafter as teacher of Insurance.

Objectives of the study:

The objectives of this study are as follows:

- to apprise the readers of emerging technology trends and impact thereof on the insurance industry;
- exploring the possibilities of improving efficiency & accuracy, accelerating decision making, optimizing productivity, lowering costs, reducing frauds, enhancing the customer experience by adopting smarter technologies such as artificial intelligence, machine learning, IoT, etc;

- searching the possibilities of transforming Insurance marketing through new emerging trends in global insurance market;
- to highlight the new emerging innovative insurance products subsequent to emergence of advanced technologies.

Streamlining Insurance Value Chain

As the advanced technologies are continually disrupting the insurance sector, and hence the insurance industry will have to move from – 'reactive' mode to 'predict and prevent' mode. And, this development or evolution will have to be at a faster pace than ever before as the stakeholders in the insurance value chain like the intermediaries (agents, brokers, bancassurance etc) consumers, insurers, Insurtech firms and TPAs become more adept at using newly emerging technologies.

To stay competitive in this new landscape, insurance companies have started revisiting their value chain - including products, existing distribution methods and service models - through a digital lens.In order to gain a competitive edge over their competitors, several insurers have already deployed automation in areas like new business underwriting, renewals, claims processing/ settlement, and many others are following suit. Modern digital engineering can provide a competitive advantage on any or all parts of the value chain (see Figure 1).

Figure 1

Following are the emerging technology trends in the insurance industry and are expected to impact considerably the domain. These trends will certainlyhelp those vendors who embrace them, stay firm in the competition and enhance customer satisfaction through these innovations.

1. Artificial Intelligence

AI has transformed the insurance industry in a quite a short period. This technology has reduced the administrative and labour costs and also increased the efficiency of claims settling process in the recent past, so much so thatsome Insurers have started looking at AI-based solutions to retain existing and attract new customers.

Cognitive computing, along with Artificial Intelligence and neural networks, has started impacting areas across the insurance value chain and, in particular, claims management with help of FNOL (First Notice of Loss). In the case of Motor insurance, the insured or driver informs the insurer of an accident that occurred involving a vehicle. After the claim has beenlodged, Chabot will reveal that a claims surveyor or adjuster will speak with the claimant. It can also short list nearby authorised auto workshops where the customer can get an estimate before getting the damaged car repaired.

According to Ari Libarikian, senior partner at McKinsey & Company "Artificial intelligence will fundamentally disrupt and transform insurance underwriting." Insurance experts believe that Artificial intelligence will soon deliver more accurate risk assessments, better customer experiences and substantial cost benefits for insurance companies.

2. Machine Learning & Automation

Insurance technology trends in 2020 will include the overlapping of various technologies with a common objective- improving accuracy. Machine learning is capable of not only improving claims processing but also automating it. When claim files are in digital form and accessible via the cloud, they can be analysed by using pre-programmed algorithms which result in improving processing speed and accuracy. This automated review can also be used for policy administration and risk assessment.

By virtue of the potential of the intelligent systems, the insurance industry has started exploring the automation perspectives of much more complex processes such as property valuation, personalized customer interactions, receiving customer insights, fraud detection and prevention, and claim management - verification, processing and final settlement.

Automated self-services enabled by insurance technologies and the resultant improved customer experience in Insurance claim settlement are becoming a trend in the industry. The customer is required to provide video and images at FNOL (First Notice of Loss) and becomes a part of the claim settlement process.

While minor claims are handled and reviewed autonomously,prompt pay-outs can easily be completed and only in a matter of hours if not minutes the claim amount is transmitted to the customer's Bank account.

Of late some insurers have started usingunmanned aerial vehicle (UAV)commonly known as a drones for claims assessment of damaged properties.By using a drone, the time spent on gathering the relevant information can be drastically reduced and the assessor does not even have to be on-site, as a drone pilot can be sent in his place.

3. IoT (Internet of Things)

IoT is a system of interconnected devices, objects, machines, humans or other living beings having been provided with unique identifiers (UIDs) and the facility to transmit data within the network with no interaction among them. Thus IoT is a giant network of connected objects and people that gather and share data about the setting or environment around them.

These powerful IoT platforms are capable of identifying exactly what information is useful and what can safely be ignored. The collected information can be used to find out patterns, make recommendations, and predict probable perils before they occur.

A majority of consumers may readily share personal information to save money on their insurance policies – and IoT can automate much of that data sharing. Insurers can use data from IoT devices such as the various components of smart homes and wearable technologies to rationalize premium rates, mitigate risk, and even prevent losses.

IoT will reinforce other insurance technologies in use, improving the accuracy of risk assessment and giving insureds more power to directly impact their policy pricing.

4. Telematics

Telematics is a portmanteau of Telecommunications & Informatics. Motor Insurance underwriting will continue to be influenced by telematics capabilities. The Telematics technology initially applied in the Motor insurance business for its capability to track vehicle usage using a device installed in the motor vehicles. Following the emergence of Telematics model, embracing of Usage-Based Insurance (UBI) among car and other auto vehicle Insurers switched over from PAYD(Pay as You Drive Insurance) to PHYD(Pay How You Drive Insurance). Now it moved to CYD (Control Your Drive Insurance).

In this type of Motor (Auto) insurance, the premium rates are applied based on various factors and aspects like driving style, habits, behaviour, temperament and nature of the driver. Whilst this novel insurance technology rewards the careful and safety concious drivers, itmotivates the rash drivers to improve their driving pattern. Hence it is very helpful for the safe drivers to buy car insurance at a low premium rate and also it motivates rash drivers to imbibe safe driving practices.

Consumers are embracing technology all aspects of their lives, including their vehicles and driving style. They are increasingly willing to share information with their insurers in order to receive the best services. Some insurers have meticulously planned the insured driver's customer journey leveraging on the telematics data (see Figure 2).

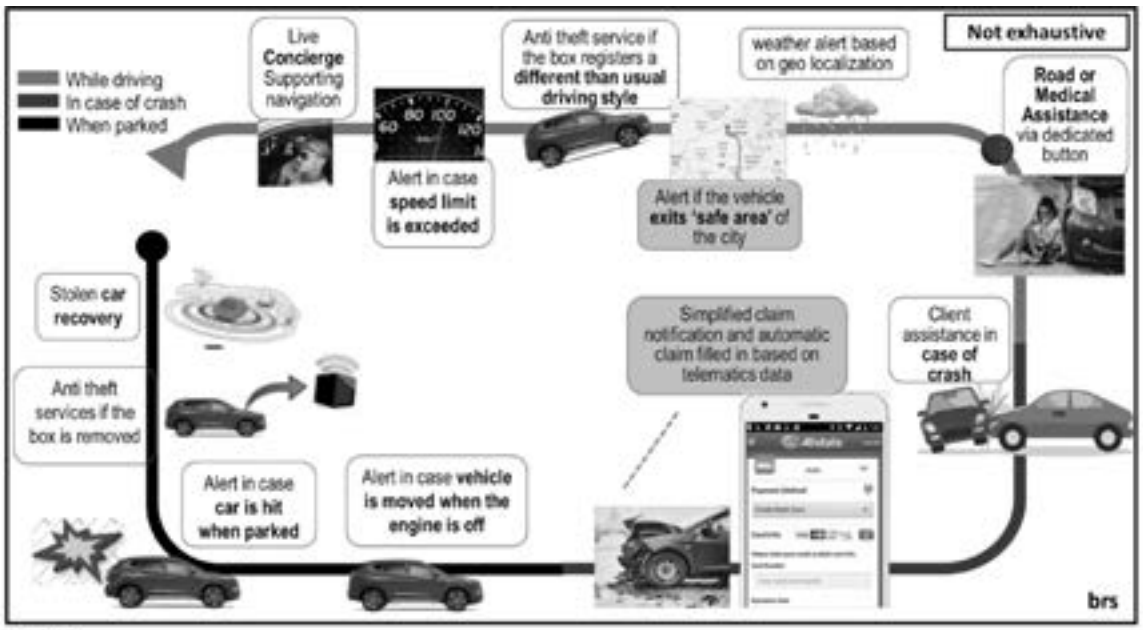


Figure 2

Telematics is an advanced technology wherein live data of the human driver is acquired with the help of Informatics, Radio Frequency (RF) advanced technology, and GPS to determine the judicious cost and price of insurance. After having monitoredseveral parameters such as the distance that the vehicle has covered, the timing and period of driving, the road/highway taken while driving, frequency of hard braking and cornering, deployment of airbag, fast acceleration etc, the insurance companies determine the premium rate for every driver. As it is based on accurate data, it is very beneficial for the insured driver and the insurer as well.

When a car is damaged in a collision with other vehicle or object the black box (telematics box) of the car instantly notifies the insurer about the event. Thetelematics box records the, time, date and location of the incidence, and relays (transmits) it to the insurance company which treats the information/data as its FNOL.

5. Digital Ridesharing Platforms

Ridesharing which has resulted in fewer people owning cars is drastically changing the whole landscape for the insurance industry, eating into premium income and (in several cases) market share.

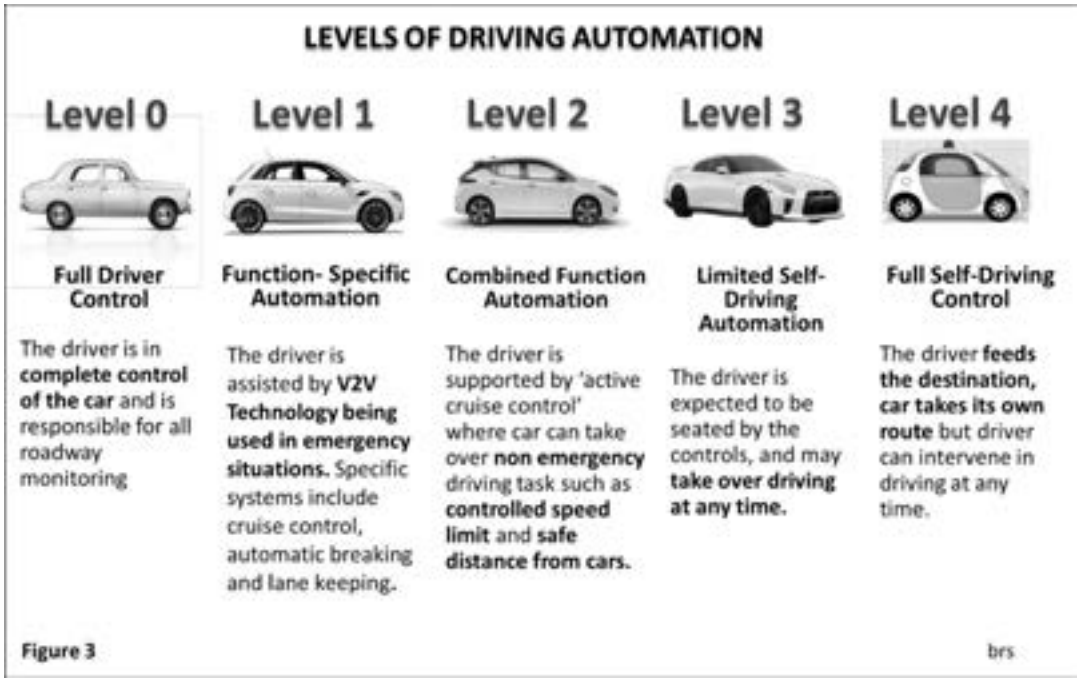
Businesses Models such as Uber and OLA Cabs may have a considerable and long-term impact on the insurance businessin the wake of the emergent requirements for ride-sharing insurance. As of now, a majority of drivers do not have ride-share insurance. The findings of a recently conducted study stablish that hardly about 22% of these cabs are covered by Auto insurance policy.

6. Rise of the Autonomous/Semi-Autonomous Vehicles

The advent of Semi-autonomous cars in the present and full flagged autonomous cars in the near future, is going to disrupting significantly the Motor Insurance segment, eroding premium amount and the size of the market. Most of the car manufacturers have started incorporating self-driving systems in their vehicles. In those cases of accidents in where the driver (human) was not involved, the manufacturer is held accountable.

Quite often many of us ask a question - what does 'autonomous driving' really mean? In 2013, National Highway Traffic Safety Administration (NHTSA) of the Department of Transportation (USA) defined different levels of autonomous driving and broadly divided the same into five categories. In October 2016, the aforesaid

administration rationalized their policy to reflect that they officially adopted the levels of autonomy outlined in the SAE International's J3016 document.



The "Level 5" of automation is likely to come after some years when the whole ecosystem will be very congenial for autonomous cars and zero human intervention will be required.

In the motor accident cases where the self-driving system of the insured car was the proximate casuse for the crash, companies like Googleaccepted liability as manufacturers (under product liability insurance).

7. Blockchain Insurance Technology

Blockchain technology is indicated as one of the biggest icons of the Industy4.0 and one of the main disruptors for many industries, including insurance. Blockchain is like a comprehensive sales ledger which is always up-to-date with the record of who is holding what or who has transferred what and to whom. This sales ledger is a secure decentralised database that is always accessible in the public domain.

Once the insurers follow this technology, potential fraudsters will find it almost impossible to forge or alter documents or transactions sequestered behind the digitally reinforced Blockchain wall. If the insurance industry is resolute to standardize transactions with blockchain, the system will swiftly expose scams and lock them out of the system early in the transaction chain. False claims involving forged medical bills from staged crashes will decrease sharply. One-off claims such as an uninsured driver faking the date of a crash will be exposed and will not be able to defraud the insurer.

The future of blockchain as a game-changer for insurance may not be assured at this early stage, however, the insurers who adopt blockchain in the right earnest will certainly have a significant advantage over those competitors who do not. This will include substantial savings from better fraud prevention and detection.

8. Predictive Analysis

Predictive analytics is the process of collecting inputs from existing data sets to determine present patterns and forecast future trends in a particular business or field. Predictive analytics is not supposed to conjecture what may happen in the future. It only foresees what may happen in the future with a fair level of authenticity.

By using Predictive analytics tools, Insurers can collect data from a variety of sources – both internal and external – to understand and predict the behaviour of insureds. P&C Insurers are collecting data from interactions with intermediaries, customer interactions, social media, Smart Homes and Health Telematics for better claim

management and underwriting.

9. Use of chatbots for improved customer service

Chatbots can answer insurance-related queries like the price, scope, coverage etc much faster and more efficiently than human representatives can do. The advantages of chatbots are not just for the insurance companies themselves but for the customers too.

Supported by AI, chatbots have turned into very smart and intelligent and have ushered in new standards in efficiency and customer satisfaction for the insurance industry. These chatbots can redirect Chats to a human representative where the robots are unable to answer complex questions.

Conclusion:

As the newly emerging disruptive technologies challenge the traditional ways of operations, the insurance industry needs to embrace the same sooner than later. The insurance sector can only improve efficiency & accuracy, accelerate decision making, optimize productivity, lower costs, reduce frauds, enhance the customer experience by adopting smarter technologies such as artificial intelligence, machine learning, IoT, blockchain, data analytics etc. The organizations who fail to adopt smarter solutions well in time will eventually lose to new market entrants. With all of the technological innovations and trends which have been emerging in recent times, 2020 will be a very interesting year to watch for the insurance sector.

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