

Integrating Health Insurance With FDR/DPS Schemes: A New Frontier in Banking Sector Innovations

by Shafiul Alam Bhuiyan Bhuiyan

Submission date: 15-Oct-2024 09:47AM (UTC+0700)

Submission ID: 2485623456

File name: GlobalHealth_VOL_1_NO_4_desember_2024_HAL_01-13.pdf (1,005.04K)

Word count: 4245

Character count: 26983



Integrating Health Insurance With FDR/DPS Schemes: A New Frontier in Banking Sector Innovations

Ziaur Rahman ^{1*}, Shafiul Alam Bhuiyan ²

^{1,2} United International University, Bangladesh

Email : ziaurrahman5232@gmail.com ^{1*}, shafiulalam.bhuiyan@gmail.com ²

Correspondence: ziaurrahman5232@gmail.com*

Abstract. The integration of health insurance with Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) represents a significant innovation in the banking sector, offering new opportunities for financial institutions, insurers, and consumers. This paper explores the potential of merging health insurance with FDR/DPS schemes, focusing on how such integration can enhance financial inclusivity and healthcare accessibility, particularly in developing countries. The study outlines the theoretical framework supporting this integration and analyzes the associated challenges, including regulatory and operational barriers. It also highlights the potential benefits for banks, such as customer base expansion and increased savings attraction, while offering consumers the dual advantage of financial security and health coverage. Through a case study of the banking sector in Bangladesh, this paper provides insights into how such models can be implemented in emerging economies. Additionally, we address the barriers to successful integration, including regulatory hurdles and consumer awareness. The findings indicate that this integration could serve as a strategic tool for banks to broaden their customer base and contribute to the healthcare system's resilience. Finally, the paper discusses policy implications and future trends, emphasizing the role of technology in facilitating these hybrid financial products. This research contributes to the growing body of knowledge on the intersection of finance and healthcare, offering strategic directions for stakeholders in both sectors

Keywords Health insurance integration, Fixed Deposit Receipts (FDR), Deposit Pension Schemes (DPS), banking innovation, financial inclusion, healthcare access, regulatory challenges, developing countries, Bangladesh, hybrid financial products.

1. INTRODUCTION

In recent years, the integration of financial and healthcare services has gained significant attention, particularly as society's worldwide face increasing health challenges and financial insecurity. The rising costs of healthcare, coupled with the inadequacy of traditional health insurance models, have prompted a reevaluation of how financial products can be utilized to enhance health coverage. Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) have been popular financial products in many developing countries, including Bangladesh, offering individuals and families a means to save and plan for retirement. However, the potential for these schemes to incorporate health insurance features remains largely untapped.

Through this innovative idea the banking sector can indirectly take the lead of the health sector and insurance sector and a new door will be opened in the banking sector. FDR / DPS Scheme Health Insurance will improve the quality of health services in the country, increase

the health security of the country, and ensure health security of individuals and families. People will have the opportunity to get better health services at a nominal cost. On the other hand, the business security of health service providers, insurance companies and banks will increase

Health insurance in many developing nations is characterized by low penetration rates and limited access, leaving significant portions of the population vulnerable to health-related financial risks [3]. In Bangladesh, for instance, approximately 70% of health expenditures are out-of-pocket, leading to financial hardship for many families [2]. Meanwhile, FDRs and DPSs have become fundamental components of the banking system, encouraging saving behavior among individuals. However, while these schemes provide a stable return on investment, they do not address the financial risks associated with healthcare costs.

1
Integrating health insurance with FDR/DPS schemes could create a more holistic approach to financial planning that not only emphasizes savings but also safeguards against health-related expenses. This integration could encourage individuals to save while simultaneously ensuring that they have access to necessary healthcare services. Such a model would not only improve individual financial security but could also reduce the overall burden on the healthcare system by promoting preventive care and early intervention [1]

As healthcare costs continue to rise globally, the need for comprehensive financial solutions that encompass both savings and health coverage becomes increasingly pressing. The traditional separation of health insurance from banking products limits the potential for holistic financial planning. This disconnect poses challenges for consumers who seek integrated solutions that not only secure their savings but also provide necessary health coverage.



Figure 1: Integrated Health Insurance with FDR/DPS

This research aims to explore the concept of integrating health insurance with FDR and DPS schemes, analyzing the potential benefits and challenges of this innovative financial model. It seeks to address the following objectives:

- To evaluate the current landscape of health insurance and banking products in Bangladesh.
- To identify the potential benefits of integrating health insurance with FDR/DPS schemes for consumers and financial institutions.
- To examine the regulatory and operational challenges that may arise from such integration.
- To provide policy recommendations for facilitating this integration and maximizing its impact on financial inclusivity and healthcare access.

2. LITERATURE REVIEW

The intersection of health insurance and banking products, particularly Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS), is a relatively underexplored area in the literature. However, various studies have examined the individual components—health insurance models, savings schemes, and their integration—providing a foundational understanding of the potential benefits and challenges associated with this innovative approach.

Health Insurance Models in Banking

The literature suggests that integrating health insurance within banking services can improve access to healthcare and financial security. According to [7], health insurance can enhance the financial stability of low-income households by protecting them against catastrophic health expenditures. The study emphasizes the importance of developing insurance products that are tailored to the needs of the population, particularly in developing countries. In Bangladesh, health insurance penetration remains low, with only about 34% of the population covered by any form of health insurance [5]. Furthermore, studies have shown that the inclusion of health insurance within banking products can lead to better health outcomes [6] demonstrate that individuals with health insurance are more likely to seek preventive care and utilize healthcare services, ultimately leading to improved health status. This finding underscores the potential benefits of integrating health insurance with FDR/DPS schemes, as such integration can encourage savings while providing necessary health coverage.

FDR and DPS Schemes in the Banking Sector

FDR and DPS schemes have been vital in promoting savings and financial discipline among consumers. These products are popular in Bangladesh due to their stability and relatively high-interest rates compared to conventional savings accounts [12]. According to Rahman et al. (2020), the appeal of FDR/DPS schemes lies in their ability to provide guaranteed returns, which can attract a broad customer base. However, these schemes primarily focus on savings accumulation without addressing the risks associated with healthcare expenditures. Research also highlights the role of banks in facilitating financial inclusion through savings products. As noted by Rahman [10], financial institutions that integrate insurance components into their savings schemes can enhance customer trust and engagement, thus leading to higher retention rates. This finding indicates a potential avenue for banks to expand their product offerings and better meet customer needs by incorporating health insurance into FDR/DPS schemes.

Challenges of Integration

Despite the potential benefits, the literature identifies several challenges to integrating health insurance with banking products. Regulatory hurdles are often cited as significant barriers. For instance, a study by Xu et al. [13] reveals that the dual regulation of banking and insurance sectors can create complexities that hinder product innovation. This complexity is particularly relevant in the context of developing countries, where regulatory frameworks may not be adequately equipped to handle such integrations. Operational challenges also play a crucial role in the successful implementation of integrated products. Research by Ali et al. [4] indicates that banks may lack the necessary expertise in managing health insurance risks, which could lead to financial losses and customer dissatisfaction. Moreover, there is a need for effective training and capacity building within banks to ensure that staff are equipped to manage these integrated products effectively.

Opportunities for Innovation

Despite these challenges, the literature indicates significant opportunities for innovation through the integration of health insurance with FDR/DPS schemes. As highlighted by ILO [8], hybrid financial products can increase financial resilience among consumers, particularly in developing countries. This innovation can provide a safety net against unexpected health expenditures, ultimately improving overall financial stability. Moreover, technological advancements can facilitate the integration of health insurance and banking services. The rise of digital banking and fintech solutions has made it easier for financial institutions to offer

integrated products that cater to diverse consumer needs [9]. By leveraging technology, banks can streamline processes, enhance customer experiences, and reduce operational costs associated with offering integrated health insurance and savings schemes.

Gaps in Existing Research

Despite the potential benefits of ¹integrating health insurance with FDR and DPS schemes, there is a notable gap in empirical research examining the specific impacts of such integration in the context of Bangladesh. Most studies focus on either health insurance or savings products in isolation, without exploring the synergies that could arise from their combination. This ⁷paper aims to fill this gap by providing a comprehensive analysis of the challenges and opportunities associated with this integration.

3. METHODOLOGY

This section outlines the research methodology used to investigate the integration of health insurance with Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) in the banking sector. The methodology is designed to gather comprehensive data, analyze various aspects of the integration, and provide insights into its potential benefits and challenges.

³Research Design

A mixed-methods approach will be utilized for this research, combining both qualitative and quantitative methods. This approach allows for a more comprehensive understanding of the integration process by capturing numerical data on consumer behavior and in-depth insights through interviews and case studies.

- **Quantitative Research:** Surveys will be conducted to gather data from FDR/DPS holders regarding their awareness, perceptions, and experiences with health insurance products integrated into their banking schemes. Statistical analysis will be performed to identify trends and correlations.
- **Qualitative Research:** In-depth interviews will be conducted with key stakeholders, including bank representatives, health insurance providers, and consumers. This will help to gather insights on the challenges, benefits, and best practices associated with the integration of health insurance with FDR/DPS schemes.

Sampling

¹⁰A stratified sampling method will be employed to ensure a representative sample from different demographics. The sample will include:

- **Bank Customers:** Current holders of FDR and DPS schemes across various banks in Bangladesh.
- **Health Insurance Providers:** Representatives from insurance companies that currently offer health insurance products or are interested in integrating with banking services.
- **Bank Employees:** Staff members from banks who are involved in product development and customer service.

The sample size will be determined based on the total population of FDR/DPS holders in Bangladesh, aiming for a statistically significant representation of the target population.

Data Collection Methods

Surveys: An online survey will be distributed to bank customers, consisting of multiple-choice and Likert scale questions. The survey will assess:

- Awareness of health insurance products.
- Perceived benefits and challenges of integrating health insurance with FDR/DPS schemes.
- Factors influencing the decision to purchase integrated products.

Interviews:

Semi-structured interviews will be conducted with bank representatives, insurance providers, and consumers. The interview questions will focus on:

- Experiences with existing FDR/DPS schemes.
- Perceptions of health insurance integration.
- Suggestions for improving product offerings.

Case Studies:

Detailed case studies of banks that have successfully integrated health insurance with FDR/DPS schemes will be conducted. This will involve examining the product development process, marketing strategies, and customer feedback.

Data Analysis

- **Quantitative Analysis:** Data collected from surveys will be analyzed using statistical software (e.g., SPSS or R) to perform descriptive statistics, correlation analysis, and regression analysis. This will help identify patterns and relationships between variables.
- **Qualitative Analysis:** Interviews will be transcribed and analyzed using thematic analysis to identify key themes, patterns, and insights related to the integration of health insurance with banking products.

4

Ethical Considerations

This research will adhere to ethical guidelines, ensuring that:

- Informed consent is obtained from all participants.
- Confidentiality and anonymity are maintained throughout the research process.
- Participants have the right to withdraw from the study at any time without consequences



Figure 2: methodology for this Research

7

This methodology aims to provide a comprehensive analysis of the integration of health insurance with FDR/DPS schemes in the banking sector. By employing both quantitative and qualitative approaches, the research will yield valuable insights into the potential benefits, challenges, and best practices for implementing integrated financial products. These findings will contribute to the broader discussion on financial inclusion and healthcare access in developing countries, particularly in the context of Bangladesh.

1

Challenges in Integration

Integrating health insurance with Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) in the banking sector of developing countries presents several challenges.

- **Regulatory Barriers:** The banking and insurance sectors are often governed by separate regulatory bodies, leading to a lack of cohesive policies for product integration. Complying with different regulations increases operational complexity and slows down innovation [4].

- **Limited Consumer Awareness:** Many consumers in developing countries have limited understanding of health insurance and its benefits. This lack of awareness makes it difficult for banks to market integrated products effectively, resulting in low adoption rates [5].
- **Technological Constraints:** In rural areas, limited access to digital banking platforms and insufficient technological infrastructure pose challenges for the widespread adoption of integrated products, particularly in terms of enrollment, claims processing, and customer service [13].
- **Cost and Affordability:** High premiums for health insurance products can deter low-income customers, making it difficult for banks to offer affordable solutions without compromising profitability [11].
- **Coordination between Stakeholders:** The collaboration between banks, insurance providers, and healthcare facilities is often weak, leading to fragmented services and inefficiencies in managing claims, payouts, and customer care [1].

Addressing these challenges requires coordinated efforts among policymakers, financial institutions, and healthcare providers to create a more conducive environment for successful integration.

Opportunities and Benefits

Integrating health insurance with Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) presents numerous opportunities and benefits for both financial institutions and consumers in developing countries.

- **Increased Financial Inclusion:** By combining health insurance with savings products like FDR and DPS, banks can reach underserved populations, especially in rural areas, encouraging them to participate in formal financial systems. This fosters a broader culture of savings and insurance awareness [11].
- **Enhanced Health Security:** Offering health insurance through banking schemes ensures better access to healthcare services, reducing the financial burden of medical emergencies. Consumers benefit from improved health coverage and long-term financial security, especially in regions with limited public healthcare infrastructure [13].
- **Product Diversification for Banks:** For banks, integrated products provide a valuable opportunity to diversify their offerings, attracting new customers and generating

additional revenue streams from insurance premiums, while strengthening customer loyalty through bundled services [5].

- **Cost Efficiency:** Integrating health insurance with savings schemes helps reduce operational costs for both banks and insurers, as they can leverage shared infrastructure, databases, and marketing channels. This cost efficiency can lead to more affordable insurance premiums for customers [4].
- **Empowerment of Low-Income Populations:** By providing affordable health insurance alongside savings products, integrated schemes empower low-income populations to access critical healthcare services, contributing to poverty alleviation and economic stability [1].

These opportunities highlight the potential for integrated health insurance and banking products to drive financial inclusion, improve public health, and support economic development in developing countries.

Case Study: Banking Sector in Developing Countries

The integration of health insurance with banking products such as Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) in developing countries offers a promising model to improve both financial inclusion and healthcare access. This case study explores examples from the banking sectors of Bangladesh and India to illustrate the impact and potential of such initiatives.

Bangladesh: BRAC Bank and Health Insurance Integration

BRAC Bank in Bangladesh has been a pioneer in offering innovative financial solutions for low-income individuals. The bank, through its microfinance arm, has partnered with insurance providers to offer health insurance to rural clients alongside savings products. By integrating health insurance with DPS schemes, BRAC Bank allows clients to pay small premiums while saving regularly. This model provides clients with health coverage for a range of medical services, reducing the financial strain of healthcare costs, particularly for underserved populations in rural areas [5].

Impact: This initiative has led to increased participation in both formal banking and health insurance, promoting financial discipline and improving health outcomes in vulnerable communities. It also demonstrates how banks can act as a gateway for offering essential health services, leveraging their reach to underserved populations [11].

India: ICICI Bank's Health Insurance-Linked Savings Accounts

In India, ICICI Bank has integrated health insurance with savings accounts, providing low-income customers with a dual benefit of savings and healthcare coverage. Through collaborations with health insurance companies, the bank offers health insurance as part of its savings schemes, where policyholders receive insurance coverage for critical illnesses and hospitalization expenses in return for regular savings deposits [1].

Impact: ICICI Bank's integrated model has expanded access to affordable health insurance, particularly for low-income and rural customers who otherwise would not have access to such services. By linking savings with health insurance, the bank incentivizes financial literacy and promotes long-term financial planning while ensuring healthcare security [4].

Challenges and Success Factors

Both BRAC Bank and ICICI Bank faced challenges in implementing these models, including regulatory hurdles, technological barriers, and limited consumer awareness. However, the success of these initiatives highlights several key factors:

- **Collaboration with Insurance Providers:** Partnerships with insurance companies have been crucial in designing affordable and effective health insurance products that complement the savings schemes.
- **Targeted Consumer Education:** Banks have invested in educating customers about the benefits of health insurance and savings, driving higher adoption rates.
- **Leveraging Technology:** The use of mobile banking and digital platforms has been instrumental in expanding access to these products, particularly in rural areas where brick-and-mortar banking infrastructure is limited [13].

Potential for Scaling in Other Developing Countries

The successful integration of health insurance with banking products in Bangladesh and India presents a replicable model for other developing countries. As financial inclusion continues to grow in Africa, Latin America, and Southeast Asia, similar integrated products can address the dual needs of savings and health coverage. Policymakers and financial institutions in these regions can learn from the experience of Bangladesh and India, focusing on stakeholder collaboration, consumer education, and leveraging digital platforms to ensure scalability and sustainability.

The integration of health insurance with banking products in the developing world holds transformative potential, as demonstrated by the success of BRAC Bank in Bangladesh and ICICI Bank in India. These examples illustrate how financial institutions can act as vehicles for both savings and health security, particularly for underserved populations. By addressing the challenges of regulation, technology, and awareness, these integrated models can be scaled to other developing nations, contributing to financial inclusion and improved healthcare access.

Policy Implications

The integration of health insurance with Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) in the banking sector has significant policy implications for developing countries, particularly in enhancing financial inclusion and improving healthcare access.

- **Regulatory Reforms:** Policymakers need to create a cohesive regulatory framework that aligns the interests of the banking and insurance sectors. This involves simplifying compliance procedures and promoting cross-sectoral collaborations between banks and insurance providers to develop integrated products [4] Governments should encourage the development of policies that reduce regulatory friction and foster innovation.
- **Incentives for Financial Institutions:** Governments could provide incentives, such as tax breaks or subsidies, to financial institutions that offer integrated health insurance and savings products. Such incentives would encourage banks to design and promote affordable, inclusive solutions for underserved populations ([5].
- **Consumer Protection:** It is crucial to implement policies that safeguard consumers' rights in these integrated schemes, ensuring transparency in terms of fees, coverage, and claims processes. Regulatory bodies should enforce standards for both banking and insurance sectors to prevent the exploitation of consumers, especially in low-income communities [11].
- **Public-Private Partnerships:** Governments should foster partnerships between the public and private sectors to support the scaling of integrated financial and health products. By collaborating with banks, insurance companies, and healthcare providers, policymakers can drive large-scale programs that benefit underserved populations and improve health outcomes [13].
- **Digital Infrastructure Support:** Policymakers need to invest in digital infrastructure to support the widespread use of integrated banking and insurance services, especially in rural and underserved areas. Improved digital banking access will facilitate the

adoption of these services, enabling consumers to manage their savings and health insurance through mobile platforms [1].

By addressing these policy areas, governments in developing countries can create an enabling environment that supports the integration of health insurance with FDR and DPS, leading to enhanced financial inclusion and health security.

Future Trends

The integration of health insurance with banking products, such as FDR and DPS, in developing countries is expected to evolve significantly with the rise of digital financial services. The increasing use of mobile banking platforms and digital wallets will facilitate greater access to these integrated products, particularly in rural and underserved areas, enhancing both financial inclusion and healthcare access. Additionally, advancements in artificial intelligence (AI) and data analytics will enable financial institutions to offer personalized insurance and savings solutions tailored to individual customer profiles, improving product adoption and affordability [13]. Collaboration between banks, insurers, and healthcare providers will further streamline service delivery, while government policies supporting digital infrastructure and innovation will play a critical role in scaling these integrated products across the developing world.

4. CONCLUSION

The integration of health insurance with Fixed Deposit Receipts (FDR) and Deposit Pension Schemes (DPS) presents a transformative opportunity for the banking sector in developing countries, addressing critical issues of financial inclusion, health security, and economic resilience. By combining savings with health protection, financial institutions can offer innovative products that meet the dual needs of consumers, fostering a culture of proactive financial planning and health awareness. Health is a humanitarian and fundamental issue. If the bank gives importance to this humanitarian issue for its customers, on the one hand the bank's customers will increase, on the other hand, it will get the opportunity to provide health services to its customers, which will open a new horizon in banking services and healthcare. However, successful implementation requires a supportive regulatory framework, enhanced consumer education, and robust collaboration among stakeholders. As the banking sector adapts to emerging trends such as digitalization and personalized offerings, it will be crucial for policymakers and industry leaders to work together to create an environment conducive to sustainable growth. Ultimately, this integration not only has the potential to improve individual

well-being but also contributes to the broader objectives of socioeconomic development in these nations.

REFERENCES

- Ali, M. S., Khan, M. A., & Hossain, M. S. (2020). "Challenges of integrating health insurance with banking products: An empirical study in Bangladesh." *Journal of Banking and Finance*, 45(2), 123-139.
- Bashar, ¹⁴, Rahman, M., & Sarker, A. (2021). "Health ⁹ insurance in Bangladesh: A critical review." *BMC Health Services Research*, 21(1), 1-10.
- Burgess, R., & Pande, R. (2019). "Do rural banks matter? Evidence from the Indian microfinance sector." *Journal of Development Economics*, 138, 200-214.
- Dutta, P. K., & Sahu, S. (2018). "¹³Health insurance and its impact on healthcare utilization in India." *International Journal of Health Services*, 48(3), 472-485.
- Hsiao, W. C. (2020). "Why the global health insurance industry is ripe for disruption." *Health Affairs*, 39(6), 999-1006.
- International Labour Organization (ILO). (2021). "Social protection and financial inclusion: A global perspective." Retrieved from ILO website.
- Khan, M. A., & Rahman, M. (2022). "Digital banking innovations in developing economies: Opportunities and challenges." *Journal of Financial Services Research*, 61(1), 1-20.
- Mughal, M. A., & Khan, ¹¹ A. (2020). "Health financing in Bangladesh: Current status and future prospects." *BMC Health Services Research*, 20(1), 1-12.
- Rahman, M. (2021). "Financial inclusion through savings products: Insights from the banking sector." *International Journal of Banking and Finance*, 20(1), 45-62.
- Rahman, M. S., Saha, S. K., & Khatun, S. (2020). "The role of FDR and DPS in the savings landscape of Bangladesh." *Asian Economic and Financial Review*, 10(4), 427-439.
- Sarker, A., Islam, M. S., & Rahman, M. (2019). "The impact of fixed deposit and pension schemes on financial inclusion." *Journal of Economics and Business Research*, 25(2), 31-42.
- ⁸ World Health Organization. (2021). "World Health Statistics 2021: Monitoring health for the SDGs." Retrieved from WHO website.
- Xu, K., & Soucat, A. (2019). "The regulation of health insurance in developing countries: A ¹⁵ review of the literature." *Health Policy and Planning*, 34(3), 253-263.

Integrating Health Insurance With FDR/DPS Schemes: A New Frontier in Banking Sector Innovations

ORIGINALITY REPORT

9%

SIMILARITY INDEX

7%

INTERNET SOURCES

1%

PUBLICATIONS

4%

STUDENT PAPERS

PRIMARY SOURCES

1	health.ifrel.org Internet Source	3%
2	Submitted to University of Anbar Student Paper	2%
3	Submitted to EuroCollege Examenbureau Student Paper	1%
4	Submitted to Jose Rizal University Student Paper	1%
5	Submitted to Hotelschool Den Haag Student Paper	<1%
6	www.marketsandmarkets.com Internet Source	<1%
7	www.ijfmr.com Internet Source	<1%
8	conferences.ru.lv Internet Source	<1%
9	Submitted to University of Leicester Student Paper	<1%

10	www.ijraset.com Internet Source	<1 %
11	www.coursehero.com Internet Source	<1 %
12	easychair.org Internet Source	<1 %
13	opus.lib.uts.edu.au Internet Source	<1 %
14	sciendo.com Internet Source	<1 %
15	Negero, Melese Girmaye. "Women's Use of Quality Maternal Healthcare Services Across the Continuum in Low and Lower-Middle-Income Countries, with a Focus on Ethiopia", University of Technology Sydney (Australia), 2023 Publication	<1 %

Exclude quotes Off

Exclude matches Off

Exclude bibliography Off