Penetration of Life Insurance in Pakistan: A Conjunctual Ecological Frame Work of Life Insurance Channels

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Abstract

In Pakistan, channels of life insurance are working according to their generalized functions and procedure but there is no interdependency and correlation found between them which help to evaluate life insurance penetration and its contribution in consumer sector. As such the purpose of the study is to ecologically frame life insurance growth in Pakistan through statistical and empirical study. A conjuctual model is designed to evaluate the interdependency of life insurance channels as well as penetration of life insurance in Pakistan. Keeping in mind the end goal to address the issue, here the study traces theoretical drivers to quantify life insurance penetration through its channels in life insurance development of Pakistan. It incorporates Micro insurance, Bancassurance, E Insurance and Group life. Quantitative technique is used to conduct the research by selecting a sample of four hundred respondents from life insurance industry. Sampling technique used in the study is convenient sampling. Secondly, the study discuss about correlation between the variables to check conjuctual frame work of life insurance penetration model. Summarized correlation results are significant and find out that the channels for life insurance penetration are correlated with each other and all the constructs are reliable for the model. Due to the correlation between the variables, the study finds out the interdependency between the channels of life insurance which help to increase penetration of life insurance in Pakistan.

Keywords: Penetration, Micro insurance, Group Life, Bancassurance, E-Insurance

1.   Introduction

Pakistan is situated in an intense neighbourhood and given its history; it has needed to allot vast totals of open funds for its barrier. In any case, the prominent recognition that Pakistan's economy had been seeping because of an incredibly high responsibility of open uses towards resistance to the detriment of improvement is not borne out by an evaluation of hard confirmation. Protection uses in genuine terms (as rate of GDP and as a rate of open incomes and as a rate of aggregate uses) have been on a descending way since 1990 (Hussain, 2004).

Decision about physical dispersion or distribution channel for sales are key vital choices to any organization. In pakistan all insurance firms uses bancassurance as a distribution channel and the individuals who do as such utilize it as a vital device to build their business sector infiltration. Progressively it includes vital organizations together and associations which are established on trust and shared advantages. Appropriation procedure is impacted by the business sector structure, the company's destinations, assets and obviously it's general showcasing methodology as per (Friedman and Furey, 1999).

Bancassurance can be characterized as the strategic alliance between a bank and an insurance organization whereby the insurance agency offers its approaches through the bank system. The requirement for survival as a consequence of changes in direction, Globalization and the adjustments in Customer requests have prepared for the development of Financial Conglomerates bringing about Bancassurance (Karunagaran, 2006).

According to (Florido, 2002), Bancassurance, is comprising of "banque or bank" and "confirmation" meaning that both saving money and protection are being given by the same corporate element. This technique is advantageous to both the bank offering its channel and the insurance agency giving the administrations as the bank acquires a danger free salary, alluded to as Fee-based pay while the Insurance organization builds its ability in achieving a more extensive client base, therefore expanding its numbers.

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Bancassurance as a method for monetary arrangement has advanced across the board consideration in the realm of analysts and business. It offers purchasers a moment choice for a bigger scope of fiscal item. This type of a complete financial combination has rapidly developed following the 1980s when premium edges on credits diminished dynamically and banks began investigating new wellsprings of wage. As from the 1990s, bancassurance has developed into a noteworthy distribution divert in numerous protection commercial centers. In the bancassurance prototypical, bank representatives, instead of a protection merchant, turn into the purpose of offer or purpose of contact for the client. Bank staffs are prompted and bolstered by the insurance agency through item data, advertising advancements and exchanges preparing. Both the bank and insurance agency share the salary (Voutilainen, 2006).

1.1 Problem Statement

Channels of life insurance in Pakistan are working according to their generalized functions and procedure but there is no interdependency and correlation found between them which help to evaluate life insurance penetration and its contribution in consumer sector. Previous studies in Pakistan hardly focused to empirically evaluate life insurance penetration through different channels of distribution.

The study is to evaluate that whether there is any interdependency between the channels of life insurance or not? Following research question is generated.

1. What is the effect of microinsurance on life insurance penetration in Pakistan?
2. What is the effect of Group Life insurance on life insurance penetration in Pakistan?
3. What is the effect of Bancassurance on life insurance penetration in Pakistan?
4. What is the effect of E insurance on life insurance penetration in Pakistan?

To ascertain the issue, a conjuctual ecological model designed to evaluate life insurance channels correlation and interdependency as well as their contribution in life insurance penetration of Pakistan. The study helps to measure the interdependency and correlation between the channels of life insurance in Pakistan. This interdependency and correlation will help the insurance business strategist and planers how to use these different channels in better manner for effective utilization of resources.

2. Literature Review
2.1 Insurance Penetration

Protection infiltration or Insurance Penetration is essentially shows the action of protection. It is characterized as a proportion of premium for each GDP. It is measured by the commitment of premium by country according to whole financial efficiency. In past decade, protection entrance stayed around 0.7% of nation's economy (Kumar, 2006). In spite of the fact that the development of Pakistan protection industry is acceptable, yet protection examination with cutting edge and additionally immature nations implies horrifying low protection infiltration in the nation (Akhter and Rehman, 2011). The fundamental measurement of protection entrance is the current business sector which implies firm is now offering items or administrations to the client however can conjecture that the current deals figures can be enhanced by taking a shot at showcasing infiltration system (Ansoff , 1990).

2.2 Insurance Density

The accomplishment of higher productivity level for any safety net providers is one of their primary business targets, however in today's perplexing and related financial world, it is presently truly trying for the guarantors to achieve higher effectiveness level. The guarantors in creating nations like Pakistan are confronting more financial difficulties which confine the safety net providers in accomplishment of higher effectiveness level. These difficulties incorporate, reserves deficiency, lower development rate, increasing expenses and forceful monetary changes (Afza and Asghar, 2012).

2.3 Micro insurance and Life Insurance Penetration

Micro insurance or miniaturized scale protection is a rising money related administration. It fills an essential hole for shoppers by furnishing them with a danger administration apparatus that, when legitimately outlined and conveyed, can lessen the defenselessness of low-wage families. Micro insurance is not only cut back renditions of existing protection items, in any case. It is a subset of protection that gives the poor budgetary security against specific dangers in a way that mirrors the money imperatives and scope

necessities of the low-salary market. Since small scale protection is exceptionally specialized, a watchful appraisal of business sector request before its outline and conveyance is key (McGuinness and Tounytsky, 2006).

2.4   Bancassurance and Life Insurance Penetration
Bancassurance builds the protection entrance and thickness which develops nation's economy. Short and long haul speculation of advantages and liabilities is the shared advantage of bancassurance for bank and insurance agency (Diamond, 1984). A few components including funds, venture, security, openness of item through online entries are the key elements that turn the bancassurance as a flexible dissemination model in life coverage part (Pinter, 2013).

By business sector, almost half of the aggregate extra security business executes through bank and even this rate ascends to 60% or more in different nations of Europe such as France and Spain which are the clear as crystal figures of life coverage entrance through bancassurance (Sreedevi and Auguskani, 2014).

2.5   Group life and Life Insurance Penetration
Group Life Insurance offered by a business or expansive scale substance (i.e. affiliation or work association) to its laborers or individuals. Bunch life coverage is commonly offered as a bit of a bigger business or enrollment advantage bundle. By acquiring scope through a supplier on a "wholesale" premise for its individuals, the scope costs every individual specialist/part a great deal not exactly in the event that they needed to buy an individual approach. Individuals who choose scope through the gathering approach get an 'endorsement of sound scope' which will be important to give to an ensuing insurance agency if the individual leaves the organization or association and ends their scope. Over an expansive scale, A corporate segment receives the office of gathering disaster protection for their workers with proficient medicinal and wellbeing offices. This channel gets a dynamic change extra security entrance in Pakistan and each private or open firm guaranteed their workers through the channel of gathering protection (Singh, Chakraborty and Raju, 2011).

2.6   E Insurance and Life Insurance Penetration
The utilization of Information Technology (IT) by business firms has expanded enormously, so is case with protection industry. In an IT based economy the requirement for E-Insurance has ended up basic to meet the current difficulties of the 21st century. The Insurance organizations on the planet are utilizing IT to build their efficiency/pay and client base by utilizing most recent IT frameworks. The Pakistan's insurance agencies are not lacking behind and utilizing most recent IT frameworks for execution changes. E-Insurance in Pakistan is becoming quickly. There are changes occurring in the IT scene of Pakistan's protection industry. The reason for this paper is to think about the IT use in the protection business and where Pakistan remains as far as IT selection at its major organizations such as the State Life Insurance Corporation of Pakistan (Malik, Malik and Faridi, 2011).

3.   Critical Review
In a Literature survey, the previous studies was discussed with relevant literature about variables that are formulated in conceptual frame work of study. The relationship between the variables are discussed with relevant definitions selected from literature survy of previous studies which design the foundation and formulation of hypotheses for research work. On the basis of conceptual frame work, the relationship between the variables was discussed which led to develop the hypothese. Based on literature review and hypothetical questions, following hypotheses are measured to ascertain the research questions.

H1: Micro Insurance has a positive influence on Life insurance penetration
H2: Bancassurance has a positive influence on Life insurance penetration
H3: Group life has a positive influence on Life insurance penetration
H4: E Insurance has a positive influence on Life insurance penetration
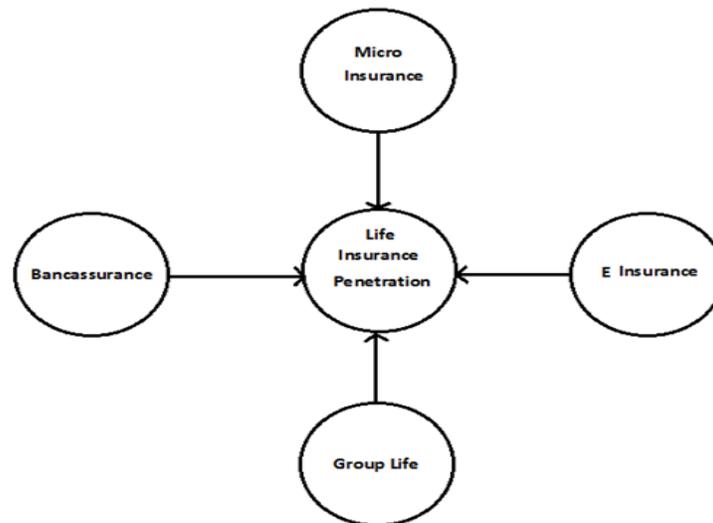
3.1 Conceptual Framework

Figure 1: Conceptual (Ecological) Framework Represents Life Insurance Penetration

4. Methodology

The methodology of research discussed in detail including research design, Population, Sample size, Sampling technique, and techniques that are adopted to test hypotheses. Methodology is basically the mapping for researcher that explained how the research was carried out, what approaches, techniques and tools are applied to perform research. Previous study was conducted at Ohio state university and its methodology based on 49 countries GDP to measure their insurance penetration. Here the study discusses the same methodology in Pakistan to measure the insurance penetration as per GDP and a model based on four channels of life insurance are formed to assess life insurance penetration in Pakistan.

4.1 Research Design

Quantitative technique is adopted for this study and all the statistical analysis test the hypotheses. The study is based on both primary and secondary source of data. Questionnaires are used as primary data collection tool and relevant literature and articles are selected to construct the literature review for the purpose of secondary data.

4.2 Population

The Population of this study is the customers of Jubilee life who availed life insurance product through distribution channel of bancassurance. The population estimates about 400,000 Jubilee Life Insurance customers.

4.3 Sample Size

For this Research, A Sample size is 400 hundred respondents was selected. In terms of gender 291 (73%) were male and 109 (27%) were females and age range were selected between 18 to 60 years. For marital status, 40 (10%) were single and 360 (90%) were married. For education, 173 (43%) are upto intermediate, 147 (37%) are Graduate, 65(16%) are Masters, 7(2 %) are Mphil and 8(2%) are on doctoral status.

4.4 Sampling Technique

This research is a co relational study to measure the interdependency between the channels of life insurance and to ascertain the approximation of hypotheses. Convenient Sampling is used for preliminary stage of research and it is a non probability research technique in order to gross the estimation of results with any expense of time and money like required in random sampling technique (Rajasekar, Philominathan and Chinnathambi, 2013). If the respondents are appropriate in fulfilling the questionnaires for the selected study then such techniques is called convenient sampling (Rajasekar, Philominathan and Chinnathambi, 2013).

5.   Analysis of Results
5.1   Descriptive Statistics

Below mention Table 1 discuss the summarized result of data through descriptive statistics for ascertain the data normality.

Table No.1: Descriptive Statistics

Construct	Micro	Banca	Grp. Life	E Ins	Penetrate
Mean	3.73	3.83	3.64	3.69	3.85
Maximum	5.00	5.00	5.00	5.00	5.00
Minimum	1.25	1.00	1.50	1.50	1.00
Std Deviation	0.77	0.79	0.77	0.75	0.76
Variance	0.59	0.62	0.59	0.56	0.59
Skewness	-0.49	-0.96	-0.45	-0.25	-0.84
Kurtosis	-0.02	-0.90	-0.25	-0.29	0.78

In Table 1, E Insurance (Mean= 3.69, SD= 0.75) has the lowest skewness (-0.25), and Bancassurance (Mean = 3.83, SD=0.79) has the highest skewness (-0.96). For three items, the kurtosis shown positive while the other three items have a negative kurtosis, the highest kurtosis is for Bancassurance (Mean= 3.83, SD= 0.79) is 0.90 and the lowest kurtosis is for Micro insurance which is (Mean=3.73, SD= 0.77) is -0.028.

Table No.2: Reliability of the Constructs

Constructs	Cronbach's Alpha	Cronbach's Alpha on standardized item	No of items	Mean	S.D
Micro ins	0.66	0.66	4	3.73	0.77
Bancassurance	0.71	0.71	4	3.83	0.79
Group Life	0.64	0.64	4	3.64	0.77
E Insurance	0.61	0.61	4	3.69	0.75
Penetration	0.65	0.65	4	3.85	0.76

The highest reliability shown in the above table 5 is Bancassurance ($\square$= 0.712, Mean= 3.83, SD= 0.79) while the lowest reliability is shown for E Insurance ($\square$= 0.617, Mean= 3.69, SD= 0.75). For all the other constructs, the reliability is greater than 0.6 which is the acceptable and explained that all the items have a reliability and reasonable internal consistency. (Morse, barrett, Mayan, Olson, Spiers, 2002).

5.2   Correlation
A correlation technique is applied to check the relationship between the variables (Hardoon, Szedmak, Taylor, 2003). Correlation check is a mandatory requirement for regression analysis. (Hardoon, 2003) further discussed that the range between the variables for checking correlation is 0.20 to 0.90. The item is considered to be dropped if the correlation lies below 0.20 and if greater the 0.90 then it is also considered to be dropped or merged (Hardoon, Szedmak, Taylor, 2003). Table 3 explained the summarized results.

Table No.3: Summarized Correlation Results

	Micro	Bancassuran	Group life	E Ins	Penetration
Micro insurance	1				
Bancassurance	0.13	1			
Group Life	0.22	0.31	1		
E Insurance	0.22	0.10	0.23	1	
Penetration	0.15	0.89	0.52	0.13	1

5.3 Convergent Validity

Table No.4: Convergent Validity

Construct	Mean	Std. Dev.	Reliability	Var. Exp
Micro insurance	3.73	0.77	0.66	49.94%
Bancassurance	3.83	0.79	0.71	53.69%
Group Life	3.64	0.77	0.64	48.75%
E Insurance	3.69	0.75	0.61	46.61%
Penetration	3.85	0.76	0.65	51.30%

5.4 Discriminate Validity

In order to check the distinctiveness and unique of each and every variable, A test of discriminate validity required to adopt. The square root of variance explained should be greater than square root of each pair (Russell and Peplau, 1980). According to table 5, for discriminate validity test, the data fulfill the requirement.

Table No.5: Discriminant Validity

	Micro	Bancassurance	Group life	E Ins	Penetration
Micro insurance	0.70				
Bancassurance	0.01	0.73			
Group Life	0.05	0.09	0.69		
E Insurance	0.04	0.01	0.05	0.68	
Penetration	0.02	0.80	0.27	0.01	0.70

5.5 Micro insurance (Hypothesis 1)

Through regression analysis, the hypothesis Micro insurance has a positive influence on life insurance penetration was tested. Detail of summary mentioned below in Table 6.

Table No.6 Summarized Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.237	.167		13.390	.000
	Micro ins	.434	.044	.435	9.879	.000

Note: Dependent Variable: Life Insurance Penetration, Independent Variables: Micro insurance, $R^2 = 0.189$; Adjusted $R^2 = 0.187$, $P<.05$, $F(1, 418) = 97.597$

After getting the results from regression analysis, it indicates that predictor microinsurance explains 18.9% of variance ($R^2 = 0.187$, $F(1. 418)$, $p<.05$).
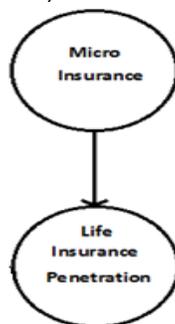

Figure 2: Hypothesized relation of Micro insurance with Life insurance penetration

5.6 Bancassurance (Hypothesis 2)

Through regression analysis, the hypothesis of Bancassurance has a positive influence on Life Insurance penetration was tested. Detail of summary mentioned below in Table 7.

Table No.7: Summarized Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.137	.164		13.000	.000
Bancassurance	.448	.042	.463	10.672	.000

Note: Dependent Variable: Life Insurance Penetration, Independent Variables: Bancassurance, $R^2 = 0.214$; Adjusted $R^2 = 0.212$, P<.05, F (1, 418) = 113.889

After getting the results from regression analysis, it indicates that predictor Bancassurance explains 21.2% of variance ($R^2 = 0.212$, F (1. 418), p<.05).It is found that Bancassurance ($\beta = 0.463$, p<.05) significantly predict Life Insurance Penetration which is according to Draper and Smith (1966).
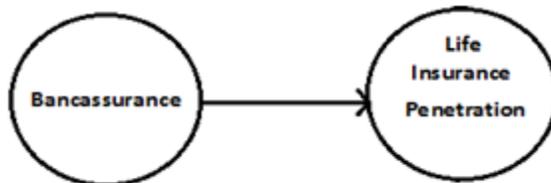

Figure 3: Hypothesized relation of Bancassurance with Life insurance penetration

5.7 Group Life (Hypothesis 3)
Through regression analysis, the hypothesis of Group Life has a positive influence on Life Insurance Penetration was tested. Detail of summary mentioned below in Table 8.

Table No.8: Summarized Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.986	.175		17.039	.000
Group Life	.239	.047	.241	5.067	.000

Note: Dependent Variable: Life Insurance Penetration, Independent Variables: Group Life, $R^2 = 0.058$; Adjusted $R^2 = 0.056$, P<.05, F (1, 418) = 25.669

After getting the results from regression analysis, it indicates that predictor Group Life explains 5.6% of variance ($R^2 = 0.056$, F (1. 418), p<.05).It is found that Group Life ($\beta = 0.241$, p<.05) significantly predict Life Insurance Penetration which is according to Draper and Smith (1966).
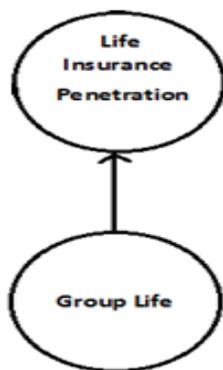

Figure 4: Hypothesized relation of Group Life with Life insurance penetration

5.8 E Insurance (Hypothesis 4)
Through regression analysis, the hypothesis of E Insurance has a positive influence on Life Insurance Penetration was tested. Detail of summary mentioned below in Table 9:

Table No.9: Summarized Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.813	.181		15.503	.000
	E Insurance	.282	.048	.275	5.856	.000

Note: Dependent Variable: Life Insurance Penetration, Independent Variables: E Commerce, R^2 = 0.076; Adjusted R^2=0.074 , P<.05, F (1, 418) = 34.298

After getting the results from regression analysis, it indicates that predictor E Insurance explains 7.4% of variance (R^2= 0.074, F (1. 418), p<.05).It is found that E Insurance (□= 0.275, p<.05) significantly predict Life Insurance Penetration which is according to Draper and Smith (1966).
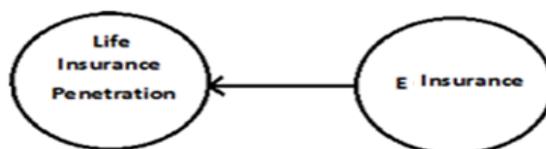

Figure 5: Hypothesized relation of E Insurance with Life insurance penetration

6.   Discussion
6.1   Hypothesis 1
It is hard to say what sway micro insurance protection has had in Pakistan, since couple of thorough assessments have been embraced to date. What we do know is that usage has been low, clarified by suppliers as restricted customer attention to the formal and scope. In the short to medium term, miniaturized scale protection effort can be extended by offering wellbeing smaller scale protection (HMI) scope to microcredit borrowers' whole family units, and by offering HMI to all group individuals inside of a RSP, instead of just microloan borrowers and their mates. Joining forces with cell telephone administrators for mechanized, advanced installments can likewise altogether grow potential client volume while lessening exchange costs (Chaudry and Nabeel, 2013).

6.2   Hypothesis 2
Life Insurers get extra capital through bancassurance dispersion model with a specific end goal to cover their dissolvability level. It gives a parity of danger and chance to life coverage division and expansion the level of gainfulness (Clipici and Bolovan, 2012). To contend a conventional protection in relationship promoting, bancassurance is a desire for disaster protection part to accomplish objectives in customer administrations with a legitimate channel (Heong and Yuan, 2005).

Bancassurance business coordinate a programmed augmentation of business for extra security part which drives life coverage and in addition bank towards widespread managing an account furthermore influence the efficiencies of bank and back up plans partnership (Sreedevi and Auguskani, 2014). The result of bancassurance meet the prerequisites of client budgetary needs and hold the customer for long haul monetary connection with back up plans which build benefit for safety net providers and acieve huge financial improvement (Krishnamurthy, S V Mony, Nani Jhaveri, Sandeep bakshi, Ramesh Bhat, M R Dixit and Sunil Maheswari, 2008).

Bancassurance is a gainful portfolio for extra security division to hold reestablishment premiums satisfactorily through bank immediately or slip and this would drives the insurance agencies towards administration expansion. This methodology expands market outreach for safety net provider (Ochieng, 2013). Because of high dependability of clients towards bancassurance, A restoration persistency likewise expands which improve the execution of life coverage segment (Singh and Choudhry, 2015).

6.3   Hypothesis 3
Group Insurance is the most critical and compelling channel for life coverage entrance in Pakistan. Each back up plan offer distinctive components and advancement in their item to provide food the requirements and requests of client in the corporate business sector. Term Insurance, Endowment

arrangements, Cash back arrangements, Pension strategies are the most esteem included components for extra security item offer by safety net providers for their corporate clients. A Group Insurance is the most alluring item that can profited by manager for their workers to safeguarded (Singh, Chakraborty and Raju, 2011).

Extra security organizations give an assortment of items with assurance and speculation highlights for business bunches and also people keeping in mind the end goal to guarantee money related security. They go about as a wellspring of long haul capital for nation's monetary task and base through money related intermediation chain in nation (Krishnamurthy, S V Mony, Nani Jhaveri, Sandeep bakshi, Ramesh Bhat, M R Dixit and Sunil Maheswari, 2008).

6.4   Hypothesis 4
Data Technology is being utilized as a part of all the business associations in Pakistan. Most advanced and cutting edge ERP IT frameworks are being utilized as a part of the organizations. The protection business is likewise not lacking behind in execution of these advanced IT frameworks. The condition of the usage of IT in the state claimed organization i.e SLIC is extremely regrettable. In spite of the fact that State life is an exceptionally old IT client yet because of moderate methodology of its administration towards utilization of IT, its dissemination has been moderate. At present, the organization is moderate in redesigning its IT frameworks. The organization has undeniable IT division with extensive no of workers yet with outdated frameworks which should be supplanted promptly with the more up to date and most recent one.

In spite of the fact that the organization has built up specific frameworks to prepare claims, finance, guaranteeing, commissions, accounts and so on and has added to its site too however it is deficient in giving on-line/constant protection offices to its clients. The site simply gives the fundamental data about the organization and a few items and nothing more. The incorporation among every one of the frameworks and joining in the middle of zones and main office is additionally missing, which is bringing on the real bottleneck in genuine IT use in SLIC (Malik, Malik and Faridi, 2011).

7.   Conclusions and Future Work
After above empirical analysis, The results of the study recognizes the performance of channels through distribution model like bancassurance. Though only individual life insurance policies are sell through branch banking network but as per above literature review and result analysis, other forms of life insurance like, microinsurance and E insurance are also applicable to sell through banking network which help to deliver life insurance product in rural areas of country where other channels not easily approached for life insurance awareness.

The study further extends to explore some key markers that require consideration of approach creators to raise the standard of instruction to expand proficiency rate, make arrangements to raise GDP per capita and devise systems for ladies investment in the financial exercises to raise GDP esteem. These pointers assume a huge part in the development of Pakistan insurance industry while improving its offer on the global insurance market. Deliberate endeavors in the right course won't just accomplish value and equity in the nation however will likewise contribute towards accomplishing long haul success and reasonable financial advancement of the nation.

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