

# Factors affecting the uptake of insurance products in the banking sector between 2013 and 2018: Case of First Capital Bank, Zimbabwe

<sup>1</sup>Dr David Foya, <sup>2</sup>Nkosana Ncube

National University of Science and Technology, Bulawayo, Zimbabwe

## Abstract

The research paper evaluated the factors affecting the uptake of insurance products in the Zimbabwean banking sector. Case study of First Capital Bank (FCB) was used. The main objective of the study is to analyse the factors affecting the uptake of insurance products. The study adopted a mixed methods research design and a pragmatism research philosophy. The population was made up of 312 employees and 150 000 customers making a total population size of 150312. Questionnaires and interviews were used to collect data. The research findings were that customers are well aware of the endowment policy, term insurance and the whole insurance product available at FCB. In addition, the research found out that customers have limited choice in terms of the uptake of insurance policies of their choice at FCB. It was noted that there has not been an increase in the rate of consumption of insurance. The study concluded that FCB has insurance policies and uptake of insurance at FCB was low. The study concluded that economic and political factors and socio-cultural factors affect the uptake of insurance services by the people at FCB. The study recommended that bank should offer new products to the existing and should also increase its service range by offering other types of insurance services like motor vehicle insurance.

**Key words: insurance uptake; insurance products, economic situation, life assurance**

## 1.1 Background of the study

People are exposed to misfortunes, disasters and catastrophes in Zimbabwe. Most people living in Zimbabwe bear the financial burden of catastrophes themselves without access to insurance or government assistance. The Zimbabwean society, through cultural orientation adopted its own mechanisms of dealing with exposure to mishaps as casualties suffered from such events have been fatal.

## Zimbabwean Perspective

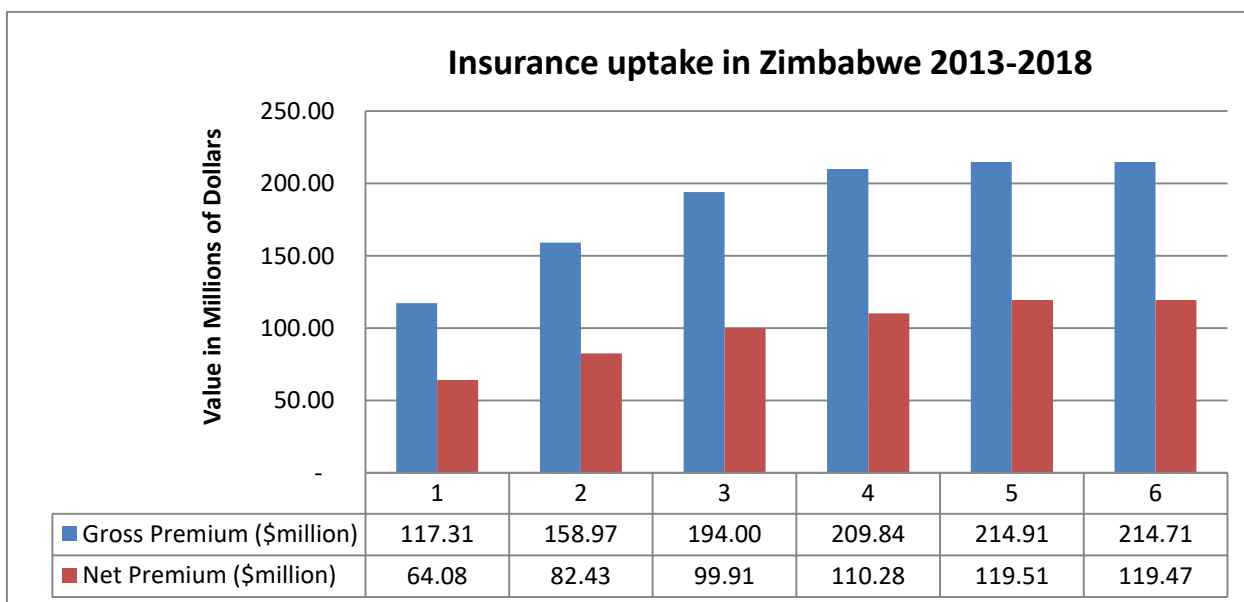
There are many players in the Zimbabwean insurance industry like in any other country and these include reinsurers, insurers, reinsurance brokers, insurance brokers, loss assessors as well as agents who all play an important role in the provision of insurance to the general public. Zimbabwe's insurance industry is similar to that of Kenya where there are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers. According to IPEC (2015), there are six hundred and five players. The non-life insurance industry in Zimbabwe is regulated by the Insurance and Pension Commission with which the commissioner is responsible for the enforcement of insurance rules and regulations through the enforcement of the Insurance Act of Zimbabwe Chapter 24:07. This insurance acts regulates the activities that are carried out by all the players in the industry to ensure fairness and smooth competition. Non-life insurance products include fire,

property, theft, liability, agricultural, aviation and marine insurance, among others. According to the IPEC (2015), the following classes of business are underwritten in the insurance industry of Zimbabwe: motor, marine, fire, health, farming, aviation, liability, accident, miscellaneous accident, hail, bonds and guarantee, engineering and hire purchase.

According to Majaka (2018) at least 70% of Zimbabwe’s adult population is not insured at all,” which shows that there is a large market for the insurance companies to tap in. According to Finscope Consumer Survey Zimbabwe (2014), 68% of the 70% say that they cannot afford insurance cover at all. Of the 68% who do not have insurance, 30% claim that insurance is very expensive and not affordable whilst the other 30% believe that they do not need it at all. Another 30% of those who claim to have insurance, it is in the form of insurance cover by burial societies and the other group of 10% is constituted by those people who are clueless of what insurance is. These statistics show that insurance uptake in Zimbabwe is very low and the current penetration rate is at 2.1% which is the lowest in the region. This can be further evidenced by the gross premiums written for the year 2010 to 2018. The life assurance industry of Zimbabwe consists of 11 life assurers and 3 life reassurers and the industry is regulated by Insurance and Pension Commission (IPEC) an organisation formed to pursue the requirements of the Insurance and Pension Commission Act of Zimbabwe. The life assurance industry is characterised by stiff competition such that at least 80% of the market share is usually concentrated by the top three companies namely Old Mutual Life, First Mutual Life and Nyaradzo Funeral Assurance whilst the remaining percentage is shared among the rest of the players (IPEC, 2016).

Nduna (2013) defines insurance penetration as a ratio of total premiums to Gross Domestic Product (GDP) expressed as a percentage. Insurance density as a ratio of the total insurance premiums to total population. According to Swiss Re (2015) Africa’s average insurance penetration is 3.5% whilst the global average penetration rate is 6.3%. Ngwerume (2017) states that Zimbabwe currently has an insurance penetration rate of 1.5%. The penetration rate is way below the continent’s average rate and lower than that of other sub-Saharan African countries.

**Figure 1. 1: Trend of insurance penetration for some African countries**



**Source:** Swiss Re (2019)

Figure 1.1 shows that during the post dollarization era, insurance took an upward trend which saw the short term insurance industry writing more insurance business each year compared to previous years. Though gross premium written for each year has been increasing, the rate at which it has been increasing is decreasing gradually as a result of the decrease in the uptake of insurance by the majority of the

Zimbabwean population. As stipulated by Nyakazeya (2014), the insurance industry tends to move in tandem with the economic environment and hence the downward trend of the gross premium written. Furthermore, the emergence of the multicurrency system contributed to a decrease in the uptake of insurance in Zimbabwe by the insuring public, which lost its confidence in insurance as it lost its insurance covers during the hyperinflation era and was hence told to purchase new covers using the new currencies available. This left it with the perception that insurance companies are crooks henceforth felt more comfortable bearing its own risks than passing them on to insurers.

The insurance industry is comprised of the service providers as well as the consumers of the service however; major and most Zimbabwean companies who are part of the major client base of most insurance companies have since downsized or closed down. These companies are the major purchasers of insurance in Zimbabwe and hence the decrease in the uptake of insurance. This follows the reduction of the population that also used to purchase insurance as a result of retrenchments. According to Mangudhla (2014) the insurance industry follows the fortunes of its clients and when their business is going down the industry cannot grow. However, some short term insurers have resorted to making insurance affordable to the poor since the majority of the Zimbabwean population is living below the poverty datum line.

According to Nyakazeya (2014), trying to match the PDL, which is currently pegged at US\$505, is too steep for many employers who themselves are struggling with liquidity and capacity utilization challenges. Thus leaving a lot of Zimbabweans with a little of their disposable income to purchase insurance. Makanda (2013) further says that most Zimbabweans view insurance as a luxury and not a priority since they earn very little wages which are not even enough for their minimum life requirements. There are various products that insurers are tailor making in order to make insurance affordable.

First Capital partnered with ZimNat Insurance Company in 2013 in a bancassurance arrangement to distribute both life and non-life products, but the uptake has not been significant despite the marketing efforts. ZimNat insurance company underwrites insurance for First Capital Bank in Zimbabwe. To date 6000 life policies have been signed up against a database of over 140 000 customers. The uptake in insurance in the market is measured by use of Insurance penetration ratios and insurance density. To date 6000 life policies have been signed up against a database of over 140 000 customers. Factors affecting insurance uptake include inefficiency in claims settlement, high cost of premiums, and technicality of insurance, disposable income, focusing on core business, poor product knowledge and historic experiences.

## **1.2 Main research objectives**

The aim of this research paper is to establish factors affecting the successful uptake of insurance products at First Capital Bank. The specific objectives are to:

- To examine the level of uptake of insurance services at First Capital Bank.
- To determine the factors that affect the uptake the insurance services by the people at First Capital Bank.
- To assess the strategies that First Capital Bank can adopt in order to improve the uptake the insurance services by the people.

## **Interim Literature Review**

### **2.1 Importance of Insurance**

According to Lusardi, Mitchell and Curto (2010) insurance provides safety and security. Insurance always provides financial support and decreases dangers in economic and social life. According to Lin, and Grace (2007) insurance also provides a cover against any sudden loss. For example, people can say that, in case of life insurance financial assistance guarantee to the family of the insured on his death. According to Loke, and Goh (2012) insurance makes financial resources. As an economic category insurance, which is part of the financial system, Lim and Haberman (2004) state that insurance is the foundation and utilization process of the targeted finance funds established to eliminate the damage from the sudden accidents and emergency, to provide financial support to the citizens in the accidents connected with their private lives. One of the

main roles of insurance in economy is that, it generates financial resources by collecting insurance premiums. According to Liebenberg, Carson, and Dumm (2012) these funds are invested in government securities and stock. This process increases development economy of each country. Lim and Haberman (2004) state that insurance increases savings. According to Liebenberg, Carson, and Dumm (2012) one of the main roles of insurance is that, it encourages people's savings. Life insurance increases people's savings due to payment of regular premium and it provides regime of investment. It develops a habit of saving money by paying premium. So, insured get the lump sum amount at the maturity of the contract. Thus according to Loke, and Goh (2012) life insurance encourages savings.

Loke, and Goh (2012) put forward that insurance spreads risk. The insurance sector is susceptible to systemic risks generated in other parts of the financial sector. For most classes of insurance, however, there is little evidence of insurance either generating or amplifying systemic risk, within the financial system itself, or in the real economy. According to Lusardi, Mitchell and Curto (2010) insurance protect people from loss, from danger. People know that danger can occur every time and it is in light of this understanding that a person, who wants to insure his property, pays some insurance premium to insurance company. The property is guaranteed by insurance company. According to Lin, and Grace (2007) whenever a loss occurs, it is compensated out of funds of the insurer. With this process insurance spreads risk in life. In addition to eliminating risk for the individual through transfer, according to Lim and Haberman (2004) the insurance device reduces the aggregate amount of risk in the economy by substituting certain costs for uncertain losses.

Mahdzan and Victorian (2013) put forward that insurance gives medical support to society. Many companies insure their workers with medical insurance. A medical insurance considered essential in managing risk in health. Every worker can fall ill, or can victim of critical disease unexpectedly. For this reason medical insurance is one of the insurance policies that cater for different type of health risks. The insured gets a medical support in case of medical insurance policy. According to Lin, and Grace (2007) medical insurance always protect people from illness, and company's workers also can get treatment with medical insurance. Liebenberg, Carson, and Dumm (2012) state that insurance plays great role in society.

### **3.0 Research Methodology**

#### **3.1 Research design**

The researchers adopted a mixed approach for this paper. Kothari (2014) highlighted that being quantitative and being qualitative does not mean the research is purely at the two ends, but somewhere between the continuums. The researchers adopted a research design closer to being quantitative than being qualitative. The reason for adopting a mixed method design was that she could use either qualitative or quantitative method in order to thoroughly evaluate the factors that affect the rate at which customers buy insurance products. However, more of quantitative methods were employed as opposed to qualitative methods. The reason was that, as Kothari (2014) highlighted, quantitative methods numerically express the position of a phenomenon, and are best in describing the relationships between variables. The demand factors would be evaluated mainly on the basis of how well they are able to stimulate uptake of insurance products, which was more of a causal relationship.

#### **3.2 Research Philosophy**

Saunders, Lewis and Thornhill (2009) suggest that positivism is a research paradigm which deals with cause and effect relationship between variables as opposed to anti-positivism which deals with understanding social phenomenon and pragmatism which is middle-of-the-road approach combining both elements of positivism and anti-positivism. The researcher opted for the pragmatism paradigm so as to clearly articulate the factors that affect the rate of insurance products uptake in the banking sector in Zimbabwe. The above-mentioned research assumptions or beliefs point to pragmatism, therefore, the researcher found herself opting for a pragmatism philosophy. This philosophy enabled the researchers to employ any applicable data collection and analysis method that could evaluate the factors that affect the rate at which customers buy insurance products in the banking industry. The population, according to secondary data is constitutes of

312 employees and 150 000 customers (to the nearest 50 000), making a total population size of 150312. The breakdown of the research population is presented in Table 3.1.

**Table 3. 1: Research population**

Population Category	Population Size
First Capital Bank Employees	500
First Capital Bank Customers	150 000
TOTAL	150 500

**Source: Research data, 2021**

First of all, the researcher used quota sampling, whereby the two population categories of employees and that of customers certainly had to be represented into the sample. Cluster sampling was used (based on the bank’s branches in Harare), and 5 clusters were randomly selected. From the five randomly selected clusters (bank’s branches), probabilistic methods were applied to fill the quota for First Capital Bank employees. The major method used was stratified random sampling, since the researchers could easily obtain the bank’s employee names from the Human Resources department of the Headquarters, hence the researchers had a sampling frame. Systematic sampling was considered much easier in that, simple random sampling had to be applied only onto the first few (alphabetically arranged and number-coded) population elements. When it comes to the customers, convenience sampling was used. The researchers would visit the selected banking halls, and then select those clients who had time and were willing to participate (volunteering).

**Table 3. 2: Sample sizes**

Population Category	Population size	Sample size	Instrument
Employees	500	62	Questionnaire
Customers	150000	320	Questionnaire
ALL	150500	382	Questionnaires

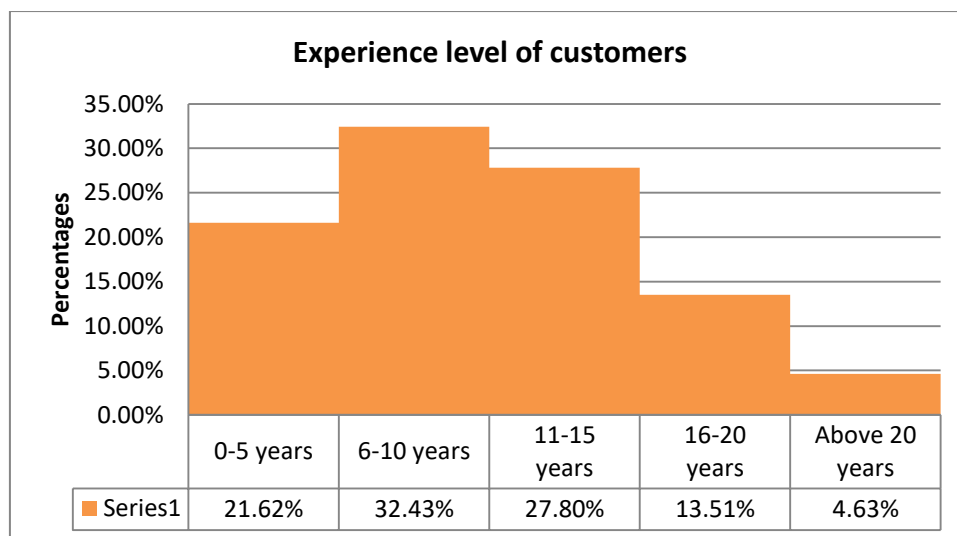
Table 3.2 has the research instruments for each population category superimposed, showing the instrument for primary data collection from each population category sample elements. For the purposes of this research, the researchers used interview and questionnaires for data collection.

#### 4.0 Presentation of findings

##### 4.1 Experience level at FCB Bank

The results from the two categories of the respondents are presented below. Figure 4.1 presents the customers’ experience with FCB Bank.

**Figure 4. 1: Experience level of customers**



**Source: Primary Data (2019)**

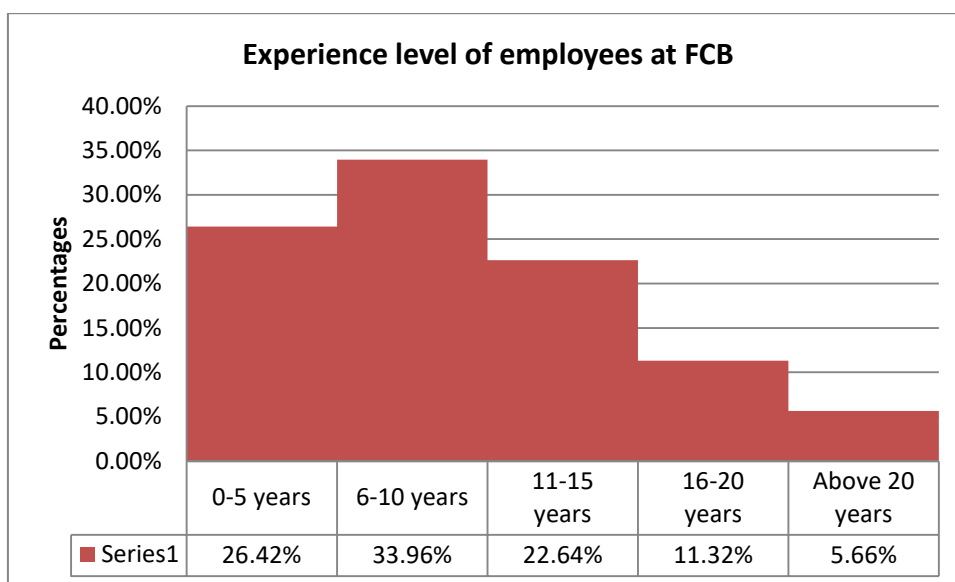


A general overview of Figure 4.1 shows that the modal class of the level of experience of the customers with FCB Bank was the 6 to 10-year class with 32.43%. This was followed by respondents with 11 to 15 years were 27.80%. 0-5 years category was 21.62%, 16-20 years category had 13.51% and the least category which is above 20 years' group had 4.63%. The experience shows a generally negative skewness, implying that most of the values are to the right; hence this shows that generally, the majority of the respondents had higher experience levels with the bank. The experience was considered as essential in proving whether customers had any history sufficient enough for them to have testimonies to share with respect to the factors affecting the uptake of insurance in the banking sector between 2013 and 2018. As a result, the researchers found the level of experience of the respondents high enough for them to contribute reliable data for the research. The other reason why there were less people who had been with FCB is that a lot more banks had come into existence and other people had moved into those banks as they could be offering better or competitive products

#### 4.2 Experience level of employees with FCB

Employees' experience with FCB Bank is presented in Figure 4.5. This was done to show whether employees had any history sufficient enough for them to have testimonies to share with respect to the factors affecting the uptake of insurance in the banking sector between 2013 and 2018.

**Figure 4. 2 Experience level of employees at FCB**



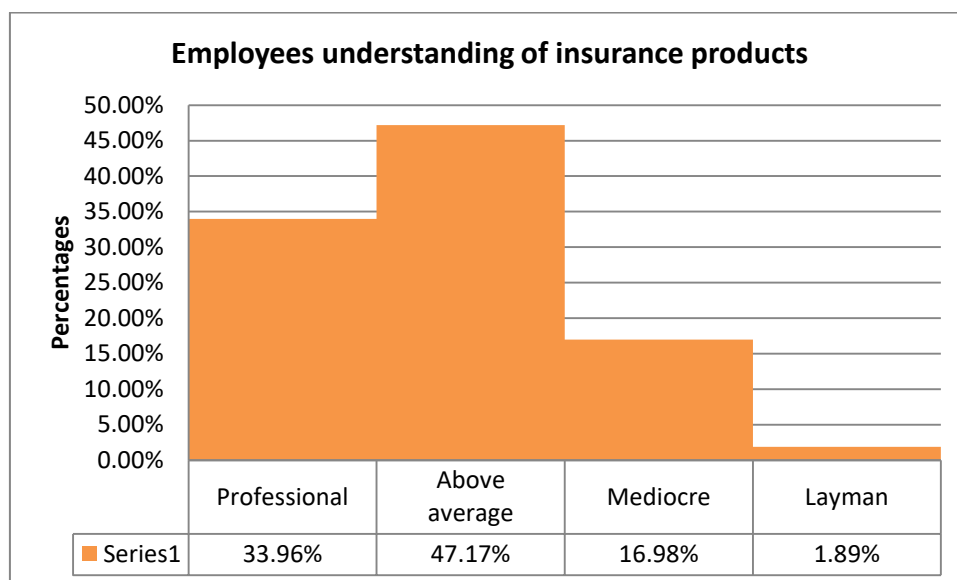
**Source:** Primary Data (2019)

The modal class of the level of experience of the employees with FCB Bank was the 6 to 10 years class with 33.96%. This was followed by respondents with 0-5 years of experience were 26.42%. The experience shows a generally negative skewness, implying that most of the values are to the right; hence this shows that generally, the majority of the respondents had higher experience levels with the bank. 11 to 15 years were 22.64%, 16-20 years category had 11.32% and the least category which is above 20 years group had 5.66%. As a result, the researchers found the level of experience of the respondents high enough for them to add to the reliability data for the research.

#### 4.3 Employees level of understanding of insurance products

The employees were asked to show their level of understanding of the insurance products at FCB. The results are presented below.

**Figure 4.2 Employees understanding of insurance products**



**Source:** Primary Data (2019)

Results in figure 4.6 indicates that 33.96% of the professional employees have an understanding of what insurance products are. The finding is that professionals are educated and hence have an understanding of insurance products. The above average employees, 47.17% have a greater understanding of insurance policies than the professionals. The finding is that these employees are usually the ones who are involved in the day to day business of insurance hence the high level of understanding. Mediocre type of employees yielded 16.98% response to the level of understanding insurance products. The finding is that these have little understanding of insurance products. The laymen have the least understanding of insurance products yielding 1.89%. It can be said that, they do not understand insurance products at all.

**4.4 The range of insurance products offered at FCB**

The section that followed was now soliciting responses that answer the research questions that were commensurate to the research objectives. The first objective sought to establish the range of insurance products offered at First Capital Bank. The respondents were asked to highlight all the insurance services that they are aware of at First Capital Bank. The findings show that 97.68% customers are well aware of the endowment policy available at FCB Bank. The finding is that respondents are mainly concerned about savings for education and retirement hence the great numbers. 54, 83% respondents are aware of the term insurance that is being offered at First Capital Bank. The finding therefore is customers are risk averse since they want cover over a period of time. 43.24% are aware of the whole life insurance present at FCB Bank. The finding therefore is that all the insurance policies that were reviewed in literature by the researcher are present at FCB Bank.

**4.4 Insurance policies known to employees**

The employees were asked to show insurance they know that are present at First Capital Bank. Results show that 100.00% of the employees are well aware of the endowment policy available at FCB Bank. The finding is that savings for education and retirement is the most common insurance at FCB hence the great knowledge by respondents. 88.68% of the respondents are aware of the term insurance that is being offered at First Capital Bank. The finding therefore is term insurance is one of the insurance services offered by FCB. 98.11% are aware of the whole life insurance present at FCB Bank. Other types of insurance yielded knowledge of 3.77% which shows that they are not well known. The finding therefore is that all the three insurance policies that were reviewed in literature by the researcher are present at FCB Bank.

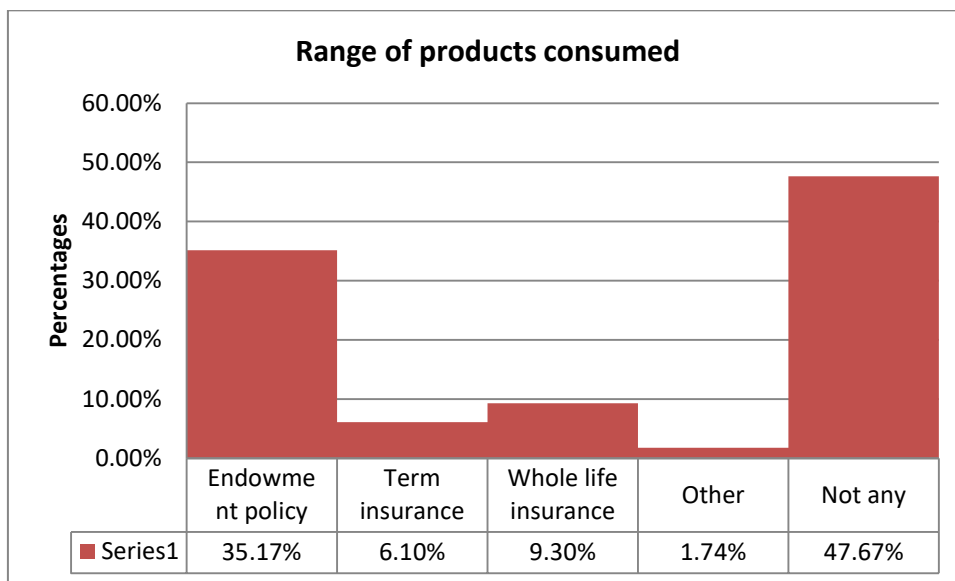
**4.5 Rate of uptake of insurance policies**

With regards to uptake of insurance policies at First Capital Bank since 2013 by showing the level of agreement or disagreement guided by literature reviewed. 45% agreed to the assertion that they bought policies of their choice. While 25% of the customers' respondents, strongly disagreed that they managed to take insurance policies of their choice at First Capital Bank. 38% disagreed to the assertion and the finding is that customers had no choice in taking insurance policies at FCB Bank. This was followed by 14% who were undecided whether they had the choice or not. To a large extent, the finding do indicate that the customers had limited choice in terms of the uptake of insurance at First Capital Bank since 2013.

#### 4.6 Range of products consumed by customers at FCB Bank

The employees were asked to show insurance they buy that are present at First Capital Bank. The results are presented below.

**Figure 4.2 Range of products consumed by customers at FCB Bank**



**Source:** Primary Data (2019)

Figure 4.7 depicts that majority of customers at First Capital Bank that is 47.67% do not have any insurance policy. The finding is that most of the bank's customers have insurance policies elsewhere or do not have insurance policies at all. This is followed by endowment policy which yielded 35.17%. The finding is that most of the respondents prefer the endowment policy compared to whole life insurance and term insurance offered at FCB Bank. Further, whole life insurance had 9.30% of the respondents which shows that it is the second most consumed of the insurance products at FCB Bank. This is followed by term insurance which had 6.10% respondents and the finding is that it is consumed by very few people. The least number of respondents, 1.74% consumer other types of insurance and are also very few. The findings were that all the range of insurance products that were identified by the researchers in the literature review were offered at First Capital Bank and some of the employees had no knowledge about the insurance services.

#### 4.7 Rate of insurance products uptake

The results show that 20.75% of the respondents strongly disagreed that from 2013 there has been an increase in insurance products uptake by customers. 41.51% of the respondents were in agreement, whilst 16.98% of the respondents were undecided as to the behaviour of the rate of consumption. There has been a positive trend in insurance products consumptions and the remaining 7.55% strongly agreed that there has been an upward trend. The results imply that, as the majority of the respondents were in disagreement, there has not been an increase in the rate of consumption of insurance. This finding confirms the findings from the customer questionnaire that they have not been able to take any insurance policy they desired over the period under study. This means that the level of uptake at FCB Bank is low as a result of the limited choice of insurance products that are offered by the bank. The level of insurance products uptake is the ratio of

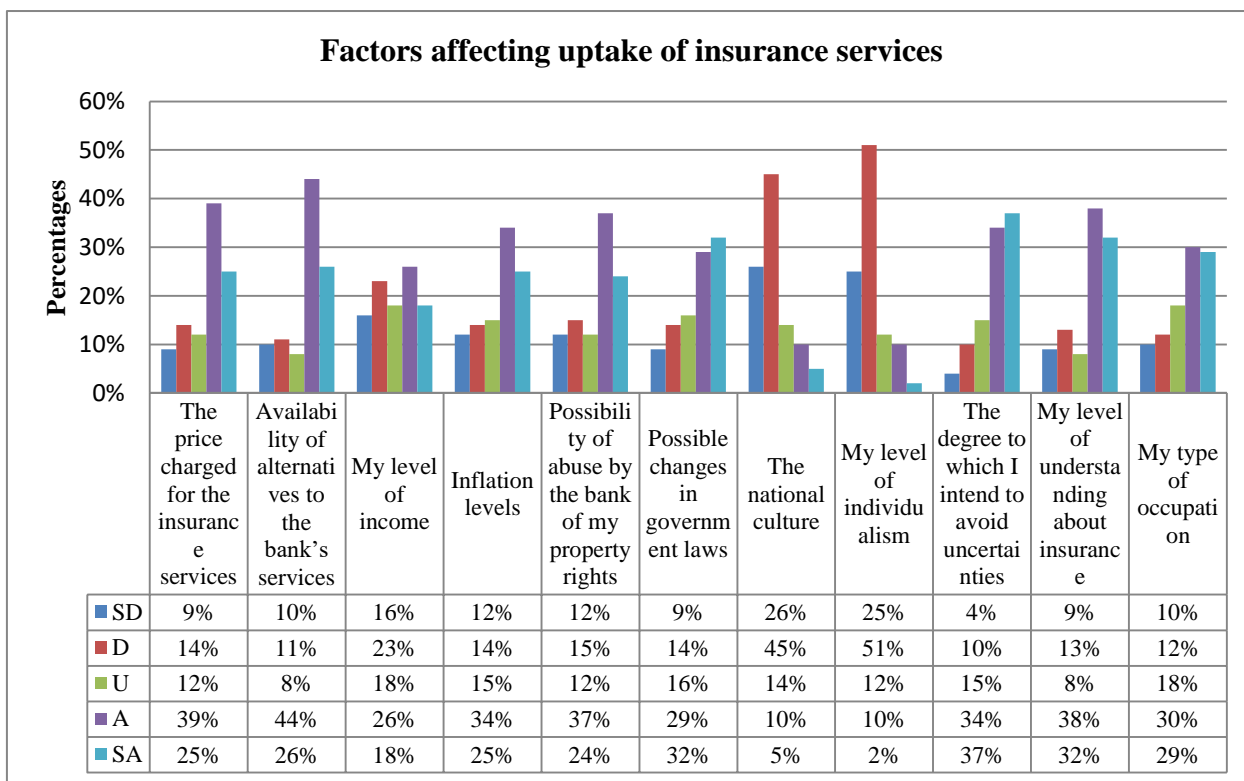


Gross Direct Premiums to Gross Domestic Product and as it stands in Zimbabwe, the rate of insurance uptake is generally low.

#### 4.8 Factors affecting the uptake of insurance services at FCB

The third objective sought to determine the factors that affect the uptake the insurance products services by the people at First Capital Bank. The respondents were asked to show the level of agreement or disagreement with the following the statements that reflect the economic, political and socio-cultural factors affecting the uptake of insurance services. The results are presented in the Figure 4.8.

**Figure 4. 1: Factors affecting uptake of insurance services**



**Source:** Primary Data (2019)

The findings presented in Figure 4.8 relating to factors affecting the uptake of insurance services at FCB Bank show that for the price charged for the insurance services 9% respondents strongly disagreed to the factor, 14% disagreed, 12% were undecided, 39% agreed and 25% strongly agreed. The finding is that customers consider the price charged on insurance services when considering the uptake of insurance. Economically this is true, considering that poverty is rife in Zimbabwe with the majority of the population living on less than US\$2 per day. This renders people failing to afford to purchase insurance products.

The situation that, 10% respondents strongly disagreed to the fact that customers consider other available alternatives compared to the bank's services, 11% disagreed, 8% were undecided, 44% agreed and 26% strongly agreed. The finding is that customers consider other available alternatives compared to the bank's services. The limitedness of the insurance products at FCB renders people considering other banks. It is within people that they look for variety and the products that suit most their expectation. This means that when the range of the available products is not approximating their needs, they withdraw and look for other suppliers.

The third factor, individual level of income yielded results which are as follows, 16% respondents strongly disagreed to the factor, 23% disagreed, 18% were undecided, 26% agreed and 18% strongly agreed. The finding is that the individual level of income is factor that affect that customers consider before buying insurance. This finding is believed considering the fact that unemployment is high in Zimbabwe (above

90%) and hence less disposable income is available for the purchase of insurance. The few people that are employed earn slim salaries that cannot enable them to consume insurance products.

The other factor that the research sought to investigate was inflation. This factor yielded that 12% respondents strongly disagreed, 14% disagreed, 15% were undecided, 34% agreed and 25% strongly agreed. The finding is that levels of inflation generally affect the uptake of insurance. The level of inflation has since been high in Zimbabwe, and as a result people's incomes have been eroded. The general populace has resorted to buying necessities only, such that insurance products have become luxurious.

Under the political factors, possibility of abuse of customer property rights by the bank yielded results which are as follows, 12% respondents strongly disagreed to the factor, 15% disagreed, 12% were undecided, 37% agreed and 24% strongly agreed. With majority of the respondents agreeing to the assertion, the finding is that possibility of abuse of the property right by the bank can be an inhibiting factor to insurance. There is a positive relationship between the protection of property rights and insurance consumption considering that finding showed that property rights are not protected, insurance uptake is hindered.

The question with regards to change of government law as a factor that affect insurance products uptake, 9% respondents strongly disagreed to the factor, 14% disagreed, 16% were undecided, 29% agreed and 32% strongly agreed is possible changes in government laws. The finding is that change of government law is a contributing factor in the uptake of insurance. In every economy, citizens are expected to live by the rule of the law. This entails that if the rule of the land states that people must have insurance, they buy. However, when laws are liberal, individuals can relax consuming insurance products.

From the socio-cultural factors the national culture, results from the respondents are as follows, 26% respondents strongly disagreed to the factor, 45% disagreed, 14% were undecided, 10% agreed and 5% strongly agreed. The finding is that, national culture does not have an impact on the uptake of insurance services in banks. Generally, the culture of Zimbabwe can be seen to have little to no impact to the level of uptake of insurance products. The level of civilization has reached a level where people can understand the calamities of life such that they do not resist consumption of insurance products on cultural results.

Level of individualism yielded results which are as follows, 25% respondents strongly disagreed to the factor, 51% disagreed, 12% were undecided, 10% agreed and 2% strongly agreed. Given that most of the respondents are disagreeing to the assertion, the finding is that level of individualism has no impact on the level of insurance services uptake. The demand for insurance is predominantly unaffected by social variables which is in agreement with the finding that social factors affect insurance uptake to a less extent.

The results from the respondents with respect to the fact an individual intends to avoid uncertainties showed that 4% respondents strongly disagreed, 10% disagreed, 15% were undecided, 34% agreed and 37% strongly agreed. The finding that was derived is that individual's level of risk taking affects the level of insurance services uptake in banks. The fact is that people are different, and as such their risk tolerance. This means that people differ the way they see risk. Some are averse and some love risk. The ones that are averse consume insurance products more than those who are risk lovers.

The other factor that was questioned was on literacy level. The results were that 9% of the respondents strongly disagree that the level of literacy affect insurance uptake, 13% disagreed, 8% were undecided, 38% agreed and 32% strongly agreed that the level of literacy affect insurance uptake. It can be noted that literacy levels on insurance services affects its consumption by customers. Illiterate people generally lack understanding of products; this will consequently affect their consumption of insurance products.

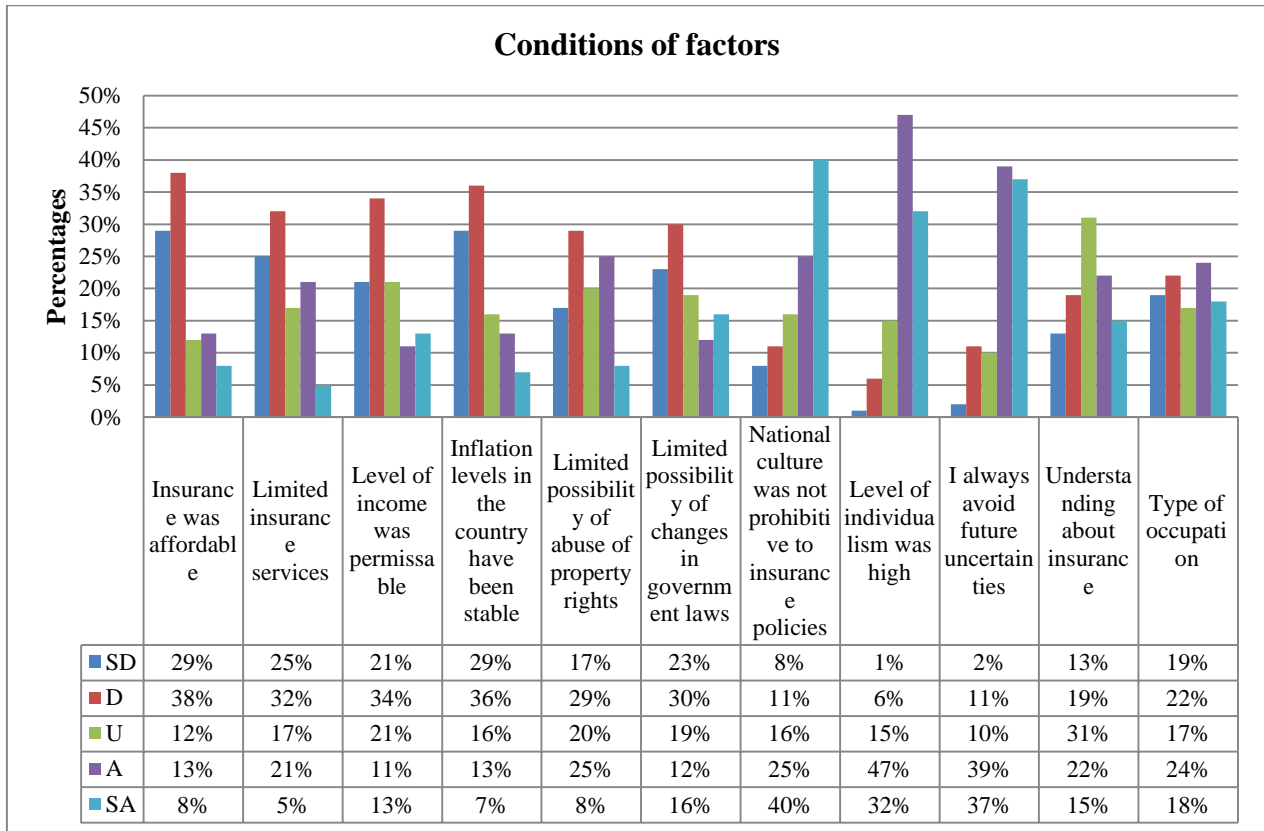
The type of occupation from the views of the respondents yielded the following results 10% respondents strongly disagreed to the factor, 12% disagreed, 18% were undecided, 30% agreed and 29% strongly agreed. The finding is that, the individuals' type of occupation has a positive relationship with the buying of

insurance services in banks. By virtue of the nature of occupation, people tend to prioritise, choose and want to or not to be associated with some products. This also applies to insurance products.

#### 4.10 Conditions of the factors to customers

The customer respondents were asked to show the level of agreement or disagreement with the conditions of the factors that affect uptake of insurance products. The figure below presents the results that were gathered.

**Figure 4. 2: Conditions of factors**



**Source:** Primary Data (2019)

The findings presented in Figure 4.9 relating to conditions resulting in factors affecting the uptake of insurance services at FCB Bank show that the price charged for the insurance services was affordable, 29% respondents strongly disagreed to the factor, 38% disagreed, 12% were undecided, 13% agreed and 8% strongly agreed. The finding is that the price charged on insurance was not affordable to the customers.

The second economic condition relating to less alternative insurance services available for purchase yielded the following results, 25% respondents strongly disagreed to the factor, 32% disagreed, 17% were undecided, 21% agreed and 5% strongly agreed. Given the results the finding therefore is that customers are in disagreement that there are few alternatives for them to obtain of insurance services elsewhere. The implication is that customers have had a wide range of choices to make with regards to choosing suppliers of insurance services.

With regards to whether or not the level of income permitted the individual to take any insurance policy that they wished, this yielded the following results; 21% respondents strongly disagreed to the factor, 34% disagreed, 21% were undecided, 11% agreed and 13% strongly agreed. The finding is that individuals have to take an insurance policy that matches their level of income.

Respondents were asked to check the condition of inflation have been affecting their uptake of insurance products. The results were that 29% of the respondents strongly disagreed to the, 36% disagreed, 16% were

undecided, 13% agreed and 7% strongly agreed is the factor describing that inflation levels in the country have been stable. Majority of the respondents disagreed to the statement. The finding is that the uptake of insurance products cannot be attributed to the unstable inflation rated between 2013 and 2018.

The condition that there was limited possibility of abuse by the bank of customers' property rights yielded the following results, 17% respondents strongly disagreed, 29% disagreed, 20% were undecided, 25% agreed and 8% strongly agreed. It can therefore be said that, banks have been abusing the property rights of customers.

The research asked if the chances of government making changes on savings protection are high, 23% of the respondents strongly disagreed, 30% disagreed, 19% were undecided, 12% agreed and 16% strongly agreed to the factor that there had been less possibility of changes in government laws regarding savings protection. From these results the findings are that the chances of government making changes on savings protection are high. With the continuous strive for excellence by the government, there is high chance that government can change laws to try and manipulate economic activities.

On the socio-cultural factors, 8% respondents strongly disagreed, 11% disagreed, 16% were undecided, 25% agreed and 40% strongly agreed to the factor that the national culture has not been prohibitive them to take insurance policies. The finding is that national culture has been accommodative to the uptake of insurance services.

The level of individualism was high, individuals cared for their future very well as a socio-cultural factor yielded the following results, 1% respondents strongly disagreed to the factor, 6% disagreed, 15% were undecided, 47% agreed and 32% strongly agreed. Given these responses it can be said that respondents had enough discretion to consider their future in insurance uptake.

Individuals have always intended to avoid future uncertainties to a higher degree yielded these results, 2% respondents strongly disagreed to the factor, 11% disagreed, 10% were undecided, 39% agreed and 37% strongly agreed. The finding is that insurance services uptake has always been to reduce risk of uncertainty to a great extent.

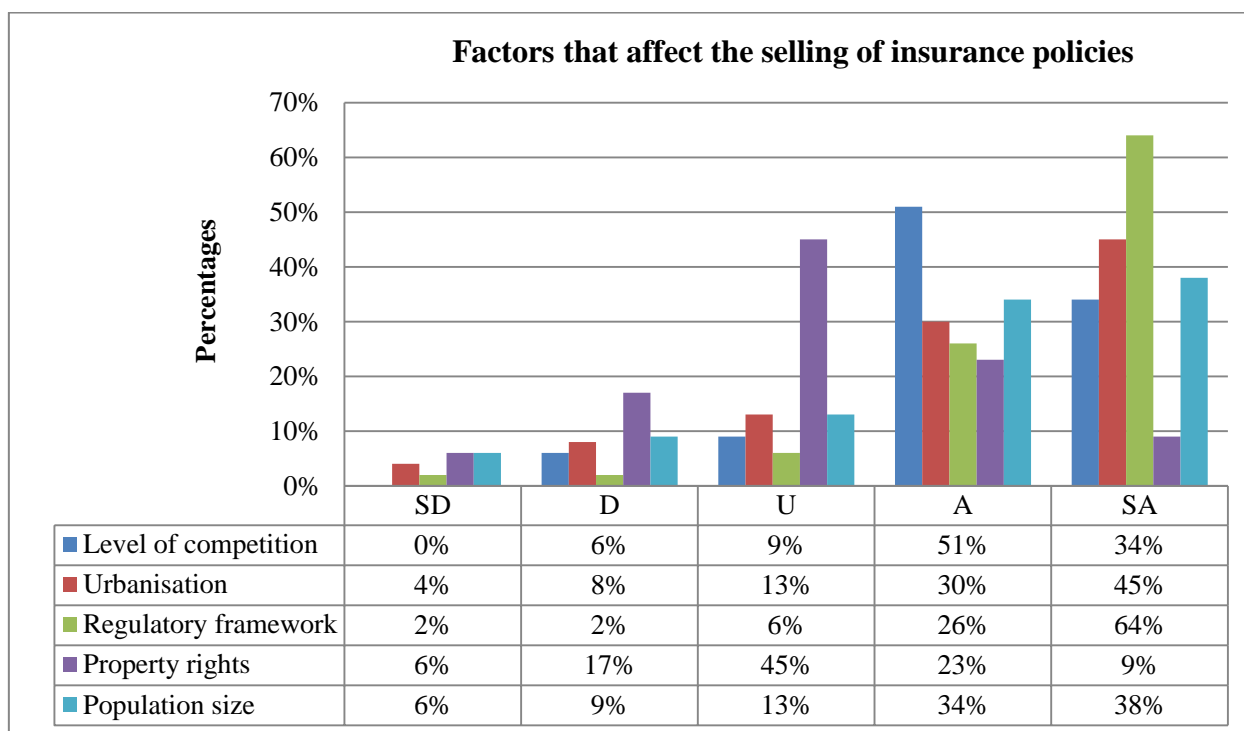
13% respondents strongly disagreed, 19% disagreed, 31% were undecided, 22% agreed and 15% strongly agreed to the factor that they have had a level understanding about insurance and its implications on their life. The finding is however, having these mixed results customers do not have enough information regarding the implication of insurance on their lives.

The type of occupation has necessitated that insurance be taken yielded these results, 19% respondents strongly disagreed to the factor, 22% disagreed, 17% were undecided, 24% agreed and 18% strongly agreed. The finding is that insurance mostly is necessitated by the type of occupation an individual has. Occupations determine consumption of products including insurance products.

#### **4.11 Factors that affect the selling of insurance policies**

The employees were asked to show the level of agreement or disagreement with the factors that affect First Capital Bank's ability to sell insurance policies from 2013. The Figure that follows presents the results.

**Figure 4. 3: Factors that affect the selling of insurance policies**



**Source:** Primary Data (2019)

The results in Figure 4.10 show findings relating to factors that affected the selling of insurance policies at FCB Bank with level of competition in the insurance industry. This yielded the following results, 34% of the respondents strongly agreed to the competition being a contributing factor, 51% agreed, 9% were undecided, 6% disagreed and none strongly disagreed. This shows that respondents are of the view that the competition in insurance industry affected the selling of insurance policies. The finding therefore is that, in 2013, the level of competition in the insurance industry was a source of hindrance to the selling of insurance policies at FCB Bank.

Urbanization as a factor that affect uptake of insurance products, the results showed that 4% of the respondents were strongly disagreed to the effect of urbanisation 8% disagreed, 13% were undecided, 30% agreed and 45% strongly agreed. Since majority agreed, the finding was that in urbanization affected the sale of insurance policies. With urbanisation, people start to view things differently and the risks to which they get exposed to intensify. This entails that people start to consume more and more insurance products.

The research also asked if the regulatory framework was stable enough to allow for the sale of insurance policies. The results showed that 2% strongly disagreed, 2% disagreed, 6% were undecided, 26% agreed and 64% strongly agreed is stability of the regulation framework as a factor. It was found that the regulatory framework was not stable enough to allow for the sale of insurance policies.

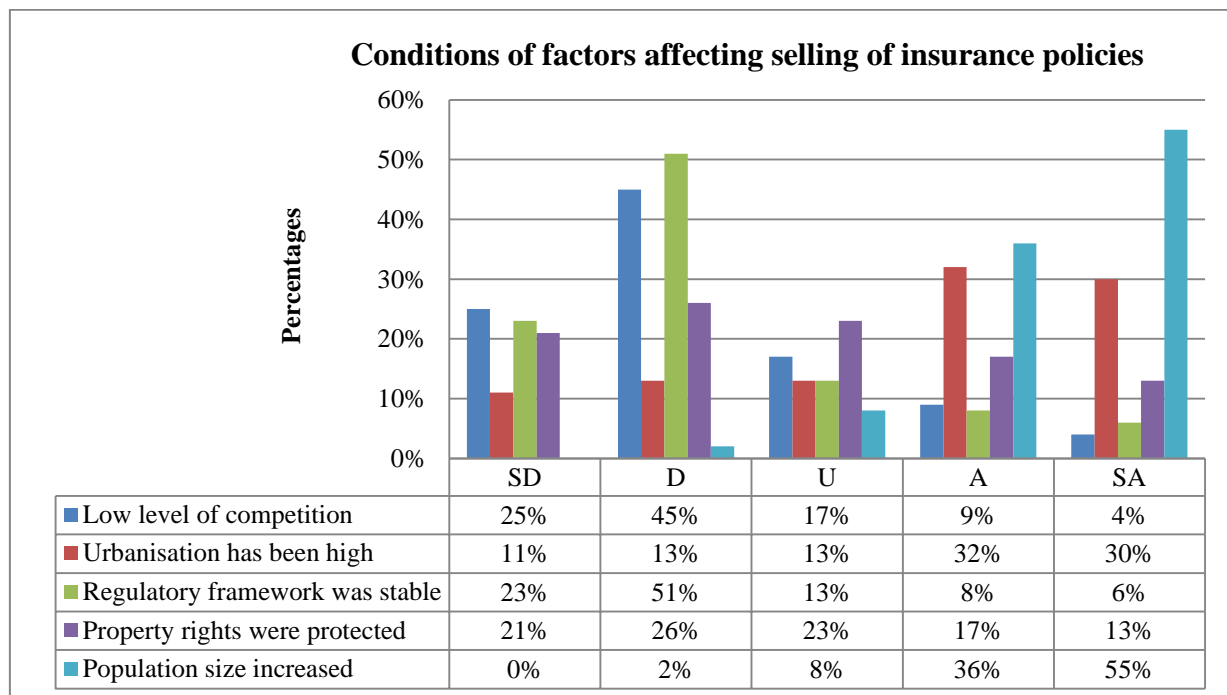
The study also asked if the protection of property rights was an inhibiting factor on the selling of insurance policies. The results showed that, 9% of the respondents strongly agreed to the factor being a contributing factor, 23% agreed, 45% were undecided, 17% disagreed and 6% strongly disagreed. This produced mixed results since respondents were mostly not sure of the effect of the protection of property rights being an inhibiting factor on the selling of insurance policies at FCB Bank.

Out of the 53 respondents, 6% strongly disagreed, 9% disagreed, 13% were undecided, 34% agreed and 38% strongly agreed that population size has an impact on the selling of insurance policies at FCB Bank in 2013. The finding therefore is that population size affects the bank’s ability to sell insurance policies in 2013.

#### 4.12 Conditions of factors affecting selling of insurance policies

The employees were asked to show the level of agreement or disagreement with the following the statements that reflect the level or condition of each factor that has affected First Capital Bank’s ability to sell insurance policies from 2013. Figure 4.11 shows the results.

**Figure 4. 4: Conditions of factors affecting selling of insurance policies**



**Source:** Primary Data (2019)

The results in Figure 4.11 show findings relating to low level of competition in the insurance industry being a condition of a factor. This yielded the following results, 25% of the respondents strongly disagreed to low competition being a condition, 45% disagreed, 17% were undecided, 9% agreed and 4% strongly agreed. This shows that respondents are of the view that low competition in insurance industry could not have affected the selling of insurance policies. The finding therefore is that, in 2013, the level of competition in the insurance industry was high in the insurance industry.

The employees at FCB were also asked to determine if urbanisation has an effect on the consumption of insurance products. The study found that 11% of the employee respondents were strongly disagreeing, 13% were disagreeing, 13% were undecided, 32% agreed and 30% strongly agreed that urbanization affect the sale of insurance policies. Since majority is agreeing, the finding is that in 2013 there was high urbanization which affected the sale of insurance policies.

The employees at FCB were asked on their views concerning regulatory framework if it was not stable enough to allow for the sale of insurance policies. The results showed that 23% strongly disagreed, 51% disagreed, 13% were undecided, 8% agreed and 6% strongly agreed that the regulation framework has been stable. It was found that the regulatory framework was not stable enough to allow for the sale of insurance policies since majority of respondents are disagreeing.

There have been property rights protection yielded the following results, 21% of the respondents strongly disagreed to the condition of the presence of property rights protection, 26% disagreed, 23% were undecided, 17% agreed and 13% strongly agreed. The finding is that there was no property rights protection in 2013 at FCB Bank.

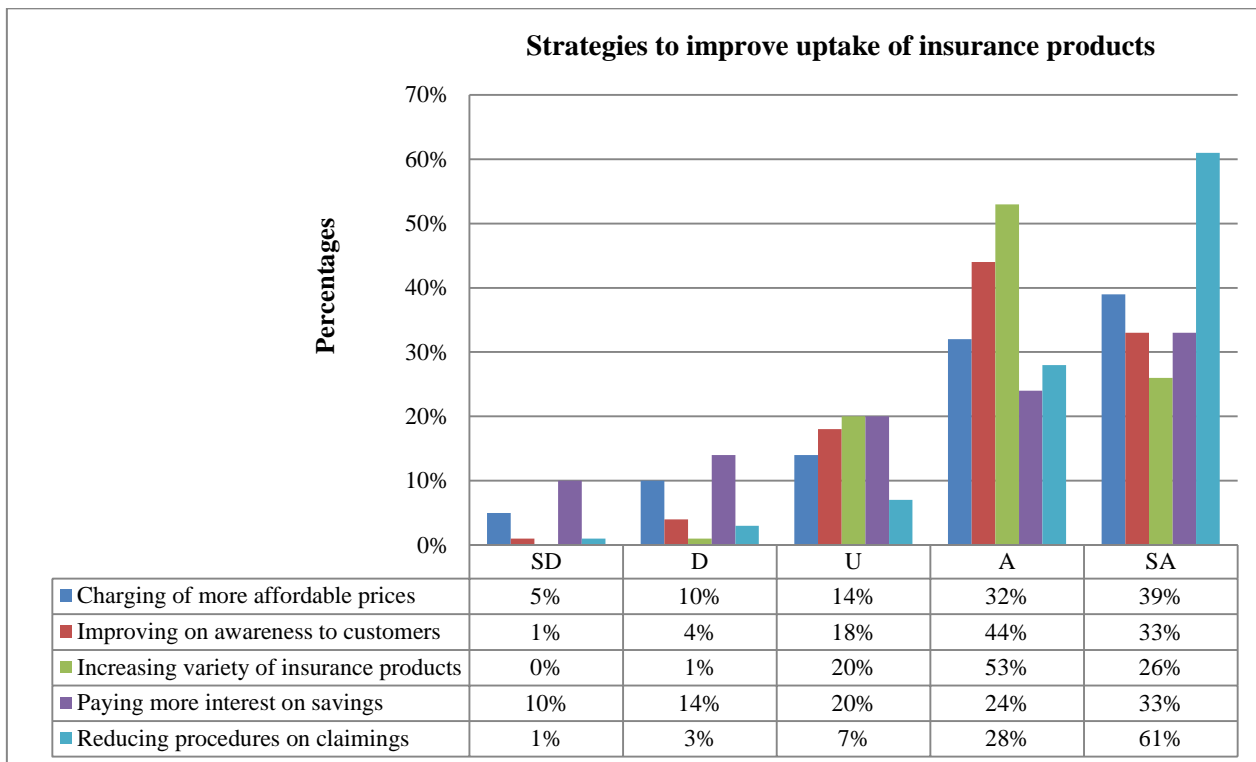


Out of the 53 employee respondents, 0 % strongly disagreed, 2% were disagreeing, 8% were undecided, 36% agreed and 55% strongly agreed that population size was high and increasing. The finding therefore is that the growth of population size affected the bank’s ability to sell insurance policies in 2013. When the number of people increases, their needs as well increase. Just demand for consumer goods that follows population size, insurance products get demanded more than when population size is small.

#### 4.13 Strategies to improve uptake of insurance products

The fourth objective sought to assess the strategies that First Capital Bank can adopt in order to improve the uptake of insurance products by the people. The customers were asked to indicate their levels of agreement with each proposed strategy whether or not it would be applicable to FCB. The Figure that follows presents the findings to this objective.

**Figure 4. 5: Strategies to improve uptake of insurance products**



**Source:** Primary Data (2019)

Figure 4.12 show findings relating to strategies that First Capital Bank may need to put in place to improve customers chances of taking insurance policies show that charging of more affordable process for insurance services yielded the following results, 39% of the respondents strongly agreed to the proposed strategy, 32% agreed, 14% were undecided, 10% disagreed and 5% strongly disagreed. The finding since majority is agreeing is that, charging more affordable insurance service process can encourage the uptake of insurance.

Improving on awareness to customers about insurance services yielded the following results, 44% of the respondents agreed to the proposed strategy, 33% strongly agreed, 18% were undecided, 4% disagreed and 1% strongly disagreed. Majority of the respondents agreed to the proposed strategy. The finding on these results is that there is need to increase awareness of insurance services to customers.

The opinion that customers need insurance products that match their level of income and desires yielded the following results: 53% of the respondents agreeing to the proposed strategy, 26% strongly agreeing, 20% were undecided, 1% disagreeing and 0% strongly disagreeing is the strategy to improve on the type of insurance products to cater for all individuals depending on their earnings and desires. The finding is that

customers need insurance products that match their level of income and desires. This shows that people of different tastes prefer different products.

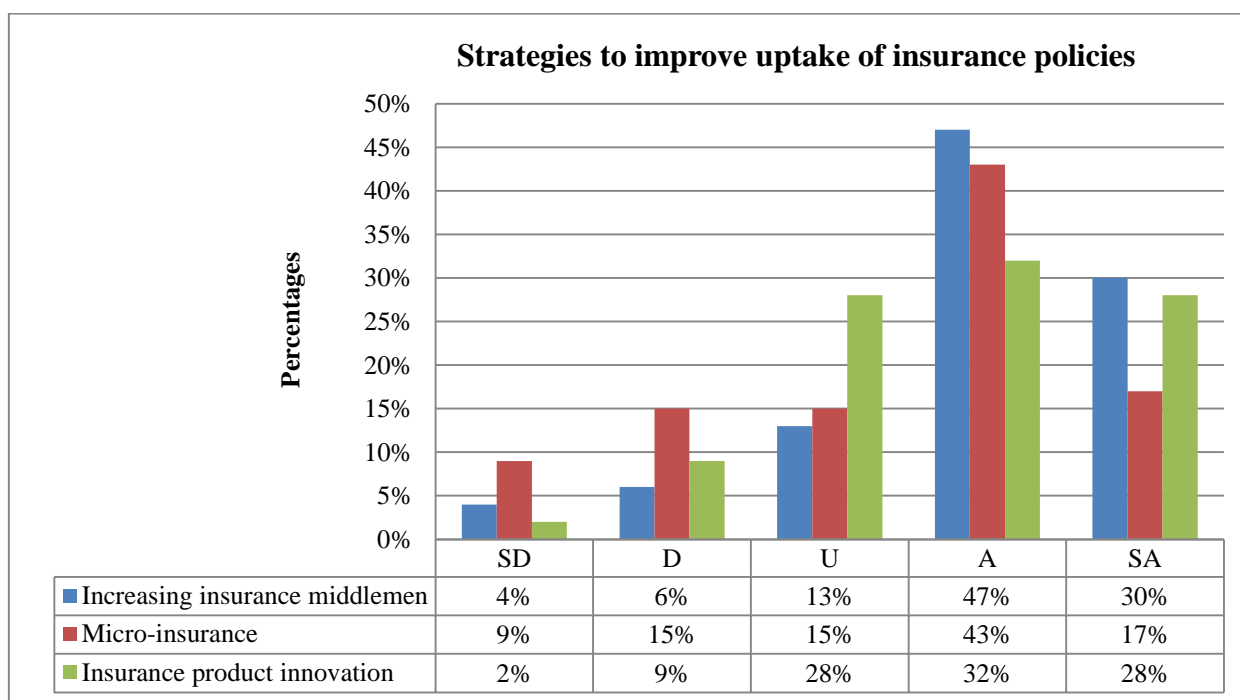
Paying more interests on savings as a strategy yielded the results that 33% of the respondents strongly agreed to the proposed strategy of payment of more interest on savings, 24% agreed, 20% were undecided, 14% disagreed and 10% strongly disagreed. Since majority agreed to the strategy, the finding is that there is need to pay more interests on savings so as to increase chances of customers taking insurance policies. Interest works as an incentive to lure people to subscribe for insurance products.

The other strategy that the study investigated was on reducing procedures when customers are claiming their amounts. The results to this were that, 61% of the respondents strongly agreed to the proposed strategy, 28% agreed, 7% were undecided, 3% disagreed and 1% strongly disagreed. The finding therefore is that banks need to reduce service procedure upon the customer making an insurance claim. This is true since a long procedure cuts interest of the claiming individual.

#### 4.14 Strategies to improve uptake of insurance policies

The employee respondents were asked to show their level of agreement or disagreement with each of the following strategies that First Capital Bank may need to put in place to improve its customers' chances of taking insurance policies. The Figure that follows presents the results.

**Figure 4. 6: Strategies to improve uptake of insurance policies**



**Source:** Primary Data (2019)

The results shown in Figure 4.13 reveal that 4% of the respondents strongly disagreed, 6% disagreed, 13% were undecided, 47% agreed and 30% strongly agreed to the strategy of increasing the insurance middlemen. The finding is that to increase customer chances of purchasing insurance there is need for more insurance brokers.

Results in Figure 4.13 show that, 9% of the respondents strongly disagreed, 15% disagreed, 15% were undecided, 43% agreed and 17% strongly agreed that micro insurance can be a strategy. The finding is that FCB Bank has to introduce micro insurance to encourage insurance uptake from its customers. This will help to widen up the range of insurance products that can suit the needs of customers that are diverse in nature.

The study investigated if insurance product innovation can be adopted to improve uptake of insurance policies. The results showed that 2% of the respondents strongly disagreed, 9% disagreed, 28% were undecided, 32% agreed and 28% strongly agreed is insurance product innovation. The finding is that as the bank improves on innovation so are the chances of insurance uptake from customers.

#### **4.15 Recommendations to increase uptake of insurance products**

The researcher asked an open ended to both the customers and employees which asked for any more suggestions that First Capital Bank can put in place to improve the chances that customers take insurance policies. The customers were of the view that the bank has to offer policies based on the level of income an individual has. They have to take also into account the prevailing economic conditions and the extent to which they are going to wear the income an individual gets so that they can take insurance policies. Employees were of the opinion that there is need to advertise more about insurance to increase the awareness towards the targeted customers. Also, there is need for the bank to offer insurance policies at different prices that cater for customers from different levels of income but offering higher net benefits compared to any other organisation offering insurance policies.

### **5.0 Conclusions and Recommendations**

#### **5.2 Conclusions**

The first objective sought to establish the range of insurance products offered at First Capital Bank. The research concluded that customers are aware of the endowment policy, term insurance and the whole insurance product available at FCB Bank. The most common insurance that the customers are well aware of is the endowment policy which is mainly concerned about savings for education and retirement. Employees at First Capital Bank are all aware of the three insurance policies.

The second objective sought to examine the level of uptake of insurance products at First Capital Bank. The research revealed out that customers have always had limited choice in terms of the uptake of insurance policies of their choice at First Capital Bank over the period from 2013. On the employee perspective, there has not been an increase in the rate of consumption of insurance. This however confirms the findings from the customers' perspectives that they have not been able to take any insurance policy they desired over the period under study. The study concluded that level of uptake at FCB Bank was low as a result of the limited choice of insurance products that are offered by the bank.

The third objective sought to determine the factors that affect the uptake of insurance products services by people at First Capital Bank. The research revealed that economically, customers consider the price charged for the insurance services, availability of alternatives to the bank's services, their level of income and inflation levels. Politically, they consider possibility of abuse by the bank of my property rights and possible changes in government laws. Socio-cultural factors include the national culture, the level of individualism, degree to which uncertainties are avoided, the level of understanding or education about insurance and the type of occupation. From the perspective of the employees, economically, level of competition in the insurance industry and urbanisation are to be considered. Politically, stability of the regulation framework and property rights protection are factors to be reflected on. Socio-cultural factors that need to be deliberated on the size of the population. In short, all the categories of factors given by the researcher from the literature review affect insurance uptake. The study concluded economic and political factors highly influence the uptake of insurance products relative to socio-cultural factors.

The fourth objective sought to assess the strategies that First Capital Bank can adopt in order to improve the uptake of insurance products services by people. The research showed that charging of more affordable prices for insurance services, improving on awareness to customers about insurance services, improving on the type of insurance products to cater for all individuals, payment of more interest on savings and reducing procedures when customers are claiming their amounts due are strategies that need to be put in place. In the views of the employees, increasing insurance middlemen, offering micro-insurance and insurance product innovation are the best strategies that FCB Bank has to implement. The study concludes that FCB Bank has to devise and implement strategies to improve the uptake of insurance products by people.

### **5.3 Recommendations**

Basing on the conclusions, the following recommendations were made to the management at First Capital Bank & IPEC:

#### **5.3.1 Recommendations to First Capital Bank (FCB)**

The research recommends FCB to increase its insurance products range by offering other types of insurance services like pension to the discretion of their current and potential customers. This can also increase the uptake of insurance because a wide range of services will be made available to the customers and therefore they will not switch to other firms offering the same services.

In addition, the bank is recommended to offer new insurance products. They can also improve the existing insurance services by improving packages to attract new and retain current customers. To boost the uptake of insurance management at FCB can even finance advertisements to boost awareness of the insurance services they are offering and to make it clear to customers the benefits that can be derived from having an insurance policy. Employees also have to be educated on excellent customer responsiveness so as to attract as many customers as they can to increase the uptake of insurance at FCB.

The bank is recommended to implement an organisational culture for change. Given that the Zimbabwean economic and political environment is turbulent, FCB is recommended to adapt to the given changes and react accordingly so that the uptake of insurance may not be affected negatively. Also, since there is abject poverty the bank has to charge insurance premiums that match individuals from different levels of income depending on the disposable income available to the customers. To curb intense competition, FCB has to implement solutions that are not simultaneously being implemented by competitors.

FCB is recommended to implement strategies to improve the uptake of insurance services by the people. The bank has to come up with a research and development team which will be responsible for studying the best strategic management that FCB Bank can adopt to improve the uptake of insurance by people. The management is recommended to engage its employees to determine areas that need improvement, such as hiring insurance middlemen, micro insurance and insurance product innovation since employees are the ones who work hand in hand with both the potential and current customers.

#### **5.3.2 Recommendations to IPEC**

IPEC is recommended to improvise the regulation framework in their respective areas of concern. The researcher recommends that IPEC consider reviewing the policies that are related to promotion of insurance products uptake and the government should create an open playing field for all players in both sectors and monitor areas of restrictive business practices and creation of monopolies while protecting the insuring public. This will curb business practices in which insuring public will be limited to use preferred insurers, thereby restricting their choice of the public. It is also necessary that IPEC set up a committee that is responsible for monitoring progress and constant check of standards so as to reduce bad business practices like unilateral raising of prices of insurance products at the detriment of the public.

### **References**

1. Abor, J. and Akotey, J. (2011) Risk management in Ghanaian Insurance Industry: Qualitative Research in Financial Markets, vol 5, no. 1.
2. African Insurance Organisation (2016), 1/May 2016, African Insurance Barometer 2016 Market Survey.
3. Anderson, D. R., and Navin, J. R. (1975). Determinants of Young Marrieds' Life-Insurance Purchasing Behaviour: An Empirical Investigation. *Journal of Risk and Insurance*, 42(3), 375-387.
4. Armstrong, K., Weber, B., FiztGerald, G., Hershey, J. C., Pauly, M. V., Lemaire, J., Subramanian, K. and Aschl, D. A. (2003), Insurance and Breast Cancer Risk Assessment Adverse Selection, Genetic Testing and discrimination, *American Journal of Medical Genetics*, Vol. 120A pg359-364.
5. Auxier, A. L. (1976). A Test of the Usefulness of Policy Information in Ranking Insurance Alternatives. *The Journal of Risk and Insurance*, 43, 87-98.

6. Beck, T. and Webb I (2003), Economic, Demographic and Institutional Determinants of Insurance Consumption across countries, World Bank Economic
7. Beenstock, M., G. Dickinson and S. Khajuria (1986), "The Determinants of Life Premiums: An International Cross-Section Analysis," *Insurance: Mathematics and Economics*, 5, 261- 270
8. Begam S. (2014), Service quality and its effect on policyholder satisfaction in insurance sector, *Indian Streams Research Journal*, Vol. 4 (4) pp.1-7.
9. Berekson L.L. (1972). "Birth Order, Anxiety, Affiliation and the Purchase of Insurance", *The Journal of Risk and Insurance*, Vol. 39, No. 1, pp. 93-108.
10. Bernheim, B. D., Forni, L., Gokhale, J. and Kotlikoff, L. J. (2003), The mismatch between insurance holdings and financial vulnerabilities: evidence from the health and retirement study, *The American Economic Review*, vol. 93(1) pp. 354-365.
11. Black K. Jr., Skipper, H. D. and Black, K. III. (2012), *Insurance*, 4<sup>th</sup> edition, USA: McGraw-Hill.
12. Bull, V. (2009), *Sales Management theory and practice of insurance*. New York, Palgrave, 4th Edition.
13. Campbell, R. A. (1980). The Demand for Insurance: An Application of the Economics of Uncertainty. *Journal of Finance*, 35, 1155-1172.
14. Carson, J. M. (1996). Determinants of Universal Insurance Cash Values. *Journal of Risk and Insurance*, 63(4), 673-681.
15. Chang, D. H. (1995). Economic Analysis of the Development of Universal Insurance in the 1980s. *Journal of American Society of CLU and ChFC*, 49(1), 82-87.
16. Chatterjee, A. (2012) Understanding the role of insurance sector and its linkages for inclusive financial sector in Asia. Enhancing transparency and monitoring of insurance markets and the way forward. Bangkok: Thailand.
17. Cooper, R. and Schindler, S. P. (2013) *Business Research Methods*, 12<sup>th</sup> ed., McGraw Hill, New York, United States.
18. Deloitte (2016), *Innovation in Insurance: The Path to Progress*, Deloitte University Press.
19. Friedman, M. (1957). A theory of the consumption function. Princeton, NJ: Princeton University Press for the National Bureau of Economic Research.
20. Goldsmith, A. (1983). Household Life Cycle Protection: Human Capital versus Insurance. *Journal of Risk and Insurance*, 50(3), 473-485.
21. Gray, D. E. (2017). *Doing Research in the Real World*. University of Surrey: SAGE Publications.
22. Greene D. and Treschman R. T., (2005), "Risk and Insurance" South Western Publishing Company, Cincinnati, Ohio
23. Hau, A. (2000). Liquidity, Estate Liquidation, Charitable Motives, and Insurance Demand by Retired Singles. *Journal of Risk and Insurance*, 67(1), 123-141. <http://dx.doi.org/10.2307/253680>
24. Hofmann, A. (2009). *Imperfect Insurance Markets - An Economic Analysis of Externalities and Consumer Diversity*. Karlsruhe.
25. Holton, J. A. (2008), *Grounded Theory as a General Research Methodology*, *The Grounded Theory Review*, Vol. 7(2) pp. 67-93.
26. Hopkins, J. (2009) *Methods in sample survey*. Simple random sampling systematic sampling lecture 2. Bloomberg School of public health.
27. Insurance and Pension Commission (IPEC), (2016), Report of Life Assurance for the 2<sup>nd</sup> quarter ended 30 June 2016, IPEC: Harare.
28. Kothari, C. (2014) *Research Methodology*. 2<sup>nd</sup> Ed. New Delhi: New Age International Ltd.
29. Kozak, S. (2011) Determinants of Profitability of Non-Life Insurance Companies in Poland during integration with the European financial system, vol 14,no. 1.
30. KPMG International. (2013), *Evolving Insurance Regulation*. KPMG International - Financial Services
31. Lin, Y., and Grace, M.F. (2007). Household life cycle protection: Insurance holding, financial vulnerability, and portfolio implications. *The Journal of Risk and Insurance*, 74(1), 141-173.
32. Loke, J., and Goh, Y. (2012). Purchase Decision of Life Insurance Policies among Malaysians. *International Journal of Social Science and Humanity*, 2 (5), 415-420.
33. Mahdzan, N. S. and Victorian, S. M. P (2013), The Determinants of Life Insurance Demand: A Focus on Saving Motives and Financial Literacy, *Asian Social Science*, Vol. 9(5) pp. 274-284.



34. Mantis, G., and Farmer, R. N. (1968). Demand for Life Insurance. *Journal of Risk and Insurance*, 35(2), 247-256. <http://dx.doi.org/10.2307/250834>
35. Manvendra, P. S. and Arpita, C. (2011), Contemporary Issues in Marketing of Life Insurance Services in India, *International Journal of Multidisciplinary Research*, Vol. 1(7) pp. 13.
36. Mark, D. (2003), *Insurance Principles for sales force*. Prentice Hall. India, 8th Ed.
37. Marwa, S (2007), *Essential of Risk and Insurance*, 9<sup>th</sup> edition, London: Pearson Prentice Hall.
38. Masiyiwa, S. (2014), Bancassurance in Zimbabwe – The Scramble for Strategic Alliances, Threats and Opportunities for insurance Brokers, *International Journal of Management, IT and Engineering*, Vol. 4(1).
39. Meyer, K. E and Tran, T. T. Y. (2006), Market penetration and acquisition strategies for emerging economies. *Long range planning*.
40. Nesterova, D. (2008), Determinants of Demand for Life Insurance: Evidence from selected CIS
41. Neumann, S. (1969). Inflation and Saving Through Life Insurance. *Journal of Risk and Insurance*, 36(5), 567-582. <http://dx.doi.org/10.2307/251163>
42. Nyakazeya, P. (2016) “Insurers have to adapt” *Financial Gazette* 5 April.
43. Outreville, F. J. (1996). Life Insurance Markets in Developing Countries. *Journal of Risk and Insurance*, 63(2), 263-278.
44. Saunders, M., Lewis, P. and Thornhill, A. (2012) *Research Methods for Business Students*. 6<sup>th</sup> Ed. New York: Pearson Education.
45. Savvides, S. (2006). Inquiry into the Macroeconomic and Household Motives to Demand Life Insurance: Review and Empirical Evidence from Cyprus. *Journal of Business and Society*, 19, 37-79.
46. Sen, S. (2008). An Analysis of Life Insurance Demand Determinants for Selected Asian Economies and India. Working Paper, 36, 1-44.
47. Swiss Reinsurance Company (2005), *World Insurance In 2004: growing premiums and stronger balance sheets*, sigma No.2/2005.
48. Tan, H. B., Wong, M. F., and Law, S. H. (2009).The Effect of Consumer Factors and Firm Efficiency on Malaysian Life Insurance Expenditure. *International Journal Business and Society*, 10(1), 59-73.
49. Tapera, J. and Gororo, R. (2013), An Investigation into the Effectiveness of marketing strategies employed by Zimbabwean Insurance companies for creating competitive advantage, *Research Journal of Social Science and Management*, Vol. 3(8).
50. Trubey, T. (1999). *Life Insurance Suitability*. Chicago: Dearborn.