

BANCASSURANCE: THE BOOSTER FOR THE INSURANCE DEVELOPMENT IN ALGERIA CASE OF ALGERIAN INSURANCE COMPANY

¹TARIK HAMOUL, ²SIHAM CHIHANI, ³SOFIANE KASSOUL

¹University of Bechar, Algeria, selice city n: 06 Bechar, Algeria

²University of Algiers, Algeria. Algiers, Algeria

³University of Bechar, Algeria. riyadi city Bechar, Algeria

E-mail: ¹univbtarek@gmail.com, ²sihemchihani@live.fr, ³sofianekassoul@hotmail.fr

Abstract- Bancassurance commonly means selling insurance products under the same roof of a bank. Little has been studied of this phenomenon in emerging markets like the Algerian one. but now she receive much attention from both Algerian Insurers and banks, as it is a major step towards the creation of universal financial markets in the 21st century. This study is the first comprehensive study to identify and measure how could the bancassurance help to develop the Algerian insurance sector and eliminate his week points. The research has found after a process of statistical analysis through data processing program computer statistical spss to the attention of the Algerian Insurance companies mentioned that the bancassurance is considered one of the most important strategy that help to boost the development of the Algerian insurance sector.

Keywords- Insurance, Bank, Strategy, Emerging Markets, Bancassurance, Algerian Insurance. **JEL Classification Codes:** G220, E500

I. INTRODUCTION

Bancassurance had enjoyed considerable success in Europe(France, Spain..), but this concept is relatively new for African countries, having emerged only in 2006 in Algeria. Furthermore, the formation of strategic alliances has been a growing trend in the financial industry. Nevertheless, Algerian Banks institutions are participating in the business activities of other financial institutions since the Algerian's government deregulated its financial restrictions and try to change its political economy. Especially, after enactment of the distribution convention in 2006, the bancassurance has escalated rapidly. Such an arrangement may benefit consumers with a "one-stop shopping" option as well as create a business synergy through cross-selling between banks and insurance companies.

1.1.Objectives of the study

The purpose of this paper is to identify and evaluate the relationships among the bancassurance factors and the development of the insurance sector in Algeria and to prepare a hierarchy of these factors to know their influences as its mentioned below. this study seek to achieve the following objectives:

- Knowledge of the relationship between each of bancassurance advantages and the development of Algerian insurance sector.
- Knowledge of the relationship between marketing and promotion of insurance services and the bancassurance model in Algeria.
- -. Determine the level of clients satisfaction and the increase of insurance marketing services by bancassurance in the Algerian insurance company SAA.
- Know the challenges and perspectives of the development of Algerian insurance sector.

II. METHODOLOGY OF THE STUDY

2.1. Research hypotheses:

The study is based on the following hypotheses:

- There is significant relationship between services marketing(Raise the distribution and spread of insurance) and the development of Algerian insurance sector.
- There is significant relationship between Reducing uncertainties (x2) and the development of Algerian insurance sector.
- There is significant relationship between creation of insurance culture (Reducing the absence of insurance culture) and the development of Algerian insurance sector.
- There is significant impact **of the Quality of** and the development of Algerian insurance sector.
- There is significant impact of the **Bancassurance Model** (the chosen bancassurance models) and the development of Algerian insurance sector.
- the bancassurance strategy is considered as a booster for the development of Algerian insurance sector. organizational citizenship behavior(**the main hypothesis**)

2.2. Theoretical background

2.2.1. Concept of bancassurance:

Bancassurance is the process of using a bank's customer relationships to sell life and nonlife insurance products and it is emerging as a natural pathway for the effective development of insurance. it can be described as a strategy adopted by banks or insurance companies aiming to operate the financial market in a more or less integrated manner.

2.2.2. Models of Bancassurance

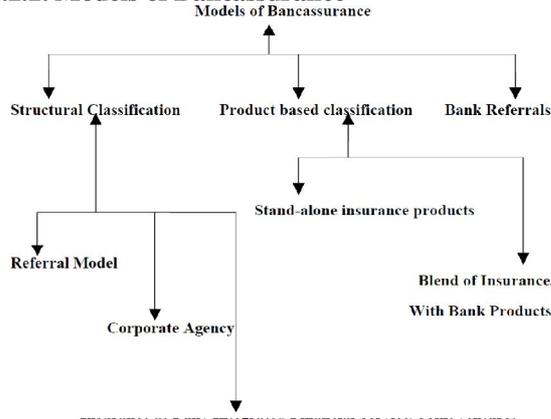


Fig.1. Models of Bancassurance

2.3. factors leading to the weak growth of the Algerian insurance sector

By observing the evolution of insurance market in Algeria and the number of subscribers, we note that the challenges are not only important but also numerous and varied. This section examines all these challenges that hamper the development of insurance sector in the country.

- The monopoly of public firms. The market is highly concentrated, with the top five public companies handling more than 50% of the direct premiums written. The Algerian financial services industry is characterized by the dominance of public firms, which hold more than 65% of the total financial services;

- Market narrow: The insurance market in Algeria concerns only a small part of the population often the .obligatory insurance. Insurance firms alone are not able to mobilize significant resources, so the market should extend across all the cities and territories of the country. that is why the classical insurance network or agency will be called upon to fully play its role as a consulting insurer and above all to be attentive to its customers, offering a specific product with complex technical and legal characteristics in a particular socio-cultural environment.

- Limits of distribution networks: Several factors explain the limitations of distribution networks in Algeria in the sale of life insurance products. and The most important factors are:

- Deficit in terms of advice and information;
- Low commission rate;
- Low technology integration in distribution;
- Weakness and limitations of information systems.

that's why insurance company must found some other solution to cover more part of the market (bank agency or bank-insurance).

- The low purchasing power: The Algerian economy is one of the least competitive economies in the world. Its economic structure is comparable to that of other countries, but its economy is handicapped by Several crises (economic crisis ,securty crisis

1990...). Algeria, one of the largest and most populous countries on the African continent, does not have the standard of living that should correspond to its immense natural resources (minerals, precious woods, agricultural.). The algerian population, has a very low purchasing power. The primary concern is to obtain the basic necessities for survival. At the moment, consuming life insurance without being able to satisfy basic needs becomes an irrational choice. that's why we need to increase the purchasing power.

- Lack of insurance culture and confidence: The culture of insurance is not yet anchored in the Algerian mentality. People do not yet know the real insurance issues (the well-founded assets they can provide). they lives in a grave ignorance that must absolutely be fought. The challenges of insurance, taking into account the previous ones are evident in Algeria in the same way as what happens throughout the world. It must also be well structured to ensure that the techniques and strategies produce the beneficial effects for the country. In addition, it is clear that the Algerian population, at least the majority, does not trust insurance firms (mistrust). This is due to the non-payment for those who are already insured after the claim has been declared by the insured, the insurer imposed in most cases a hostile and even tiring exercise, thus discouraging the insured to insure.

- The situation in Algeria (economic and security crisis): The economic and security situation in Algeria, which prevailed at the end of the 1980s, has bring the economy into a very deep degradation (No sector of the economy has escaped. A negative rate of growth and investment).

- Absence of information: The insurance company through its life direction does not provide enough technical, strategic efforts to make the product consume. insurance is not the subject of permanent popularization among the population. It is then ignored. so it is difficult in these conditions to consume a product not known to consumers themselves because they ignore its economic and social importance.

- In addition insurances category (life insurance) is considered illegal from the point of view of religion. Because, the operations of conventional life insurance, for exemple, do not conform to the rules of Shari'ah as they may embody the elements of Gharar in the contract of insurance, Maysir as the consequences of the presence of uncertainty and Riba in the investment activities of the insurance companies.

- The absence of studies, information and statistics for insurance (the absence of information related to the insurance sector in Algeria).

- In view of the above, we can add the absence of financial markets in Algeria is one of the most importante obstacles preventing the life insurance sector from playing the role of collector of popular savings and institutional investor.

After all that, the advantage of the Algerian banking and insurance sector is that it has not reached its saturation point yet. In addition of that the Algerian system is relatively small, compared to some EU countries, it has undergone a number of major changes during the last 20 years (Boualam Tafiani 1987).

III. RESEARCH DESIGN AND METHOD (the study case of Algerian insurance Company Saa, Caat, Caar, Salama Insurance, Gam Insurance)

3.1.Data collection method

The study tool is a two-part questionnaire designed by the researcher, the first part consists of three questions containing demographic information of personnel, the second part consist of 50 questions which used for analysis of hypotheses. in this study,

the questionnaire is based on the closed-category questions because it is simpler and quicker for respondents to answer. Besides, the answer for question is also easier to code and to analyze. Next, to be more standardized, the questionnaire has used the five-point Likert scale , one point for "Strongly disagree", two points for "Disagree", three points for "Undecided", four points for "Agree", and five points for "Strongly agree".

3.2.Research model

the independent variable in this study is the bancassurance strategy (services marketing, reducing uncertainty, creation of insurance culture, quality of services, bancassurance model) either the dependent variable is the development of the Algerian insurance sector.

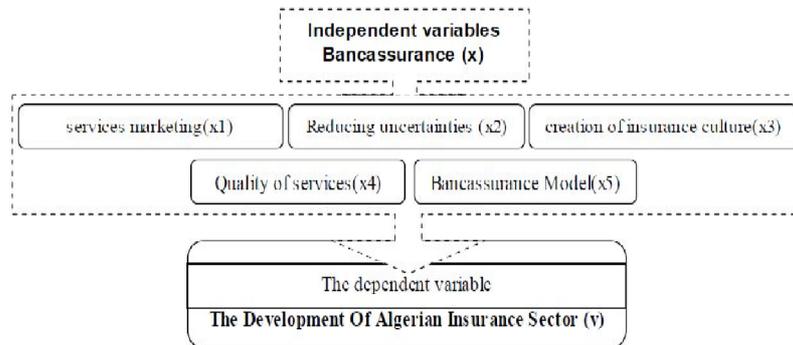


Fig. 2. The Conceptual Framework of the Research

Figure.2. shows the search form for this study. Framework is supposed to five factors of bancassurance succeed and advantages (services marketing, reducing uncertainty, creation of insurance culture, quality of services, bancassurance model). and those factors can determine the bancassurance strategy which is supposed to be the booster for the Insurance Development In Algeria.

3.3. The study population and methodology

The study population consisted of workers and clients of the Algerian insurance company (SAA) in the state of Bechar. The study is an explorative analytical one which used the systematic data collection and analysis to conclude findings. 140 questionnaires have been distributed to the research sample represented director general and the heads of departments, branches agency and some customers insured, at the researched company, that it has been retrieved 126, which are valid for analysis.

3.4. Data analysis methods

- Descriptive statistical techniques to describe the characteristics of the study sample using percentages and frequencies.
- "Five - Point-Likert Scale".
- To speed up the data analysis, fast calculation of statistical significance, and assist in establishing relationship among variables, SPSS (Statistical Package for Social Science) software is used in this research.
- Simple linear regression, and multiple regression, and correlation coefficient and interpretation.

IV. RESULTS OF THE STUDY DATA ANALYSIS AND HYPOTHESIS TESTING

4.1. Data analysis

Table 1. data of Selected sample

Variables	Levels	The number	Percentage %
Gender	F	83	65.8
	M	43	34.1
Age	less than 30 years	42	33.3
	30 to less than 50 years	69	54.7
	50 years and over	15	11.9
	Secondary	15	11.9

Qualifications	Obtained a certificate or diploma	42	33.3
	Have a bachelor degree	64	50.7
	Graduate Studies	05	3.9
Professional Experience	Less than 10 years	93	73.8
	From 10 to 20 years	22	17.4
	More than 20 years	11	08.7

4.2. Reliability test

Table 2: Reliability Statistics for Dependent and Independent Variables

Independent variables	Cronbach's alpha
(x1) services marketing	80.3 %
(x2) Reducing uncertainties	66.7 %
(x3) creation of insurance culture	70.8 %
(x4) Quality of services	73.1 %
(x5) Bancassurance Model	73.8 %
The dependent variable	
The Development Of Algerian Insurance Sector (v)	55.2 %
rate of all variables	91.2 %

Source: Preparation of the researcher based on the results of the statistical program spss the alpha coefficient greater than the minimum acceptable and is 60% to overall reliability coefficient 91.2%, indicating a high reliability.

4.3. Test hypotheses

Test secondary hypotheses

Table (3): test result and the first hypothesis is: There is no significant impact of services marketing in Insurance Development In Algeria.

F table	F calculated	sig	R ²	R	Result
3.906	17.382	0.000	0.303	0.550	Rejected

The first hypothesis: there is a relationship of significance between services marketing and Insurance Development In Algeria, based on the base test the hypothesis, which states refused H₀ where sig = 0.000 and is less than the significance level (0.05).

Table (4): a test result and the second hypothesis, which states: There is no significant impact of reducing uncertainty in the development of the Algerian insurance sector.

F table	F calculated	sig	R ²	R	Result
3.906	16.768	0.000	0.295	0.543	Rejected

the second hypothesis: there is an impact of reducing uncertainty in the development of the Algerian insurance sector (Based on the hypothesis testing and which provides for the rejection H₀ where sig = 0.000, and is less than the significance level alpha '0.05').

Table (5): a test result and the third hypothesis, which states: There is no significant relationship between creation of insurance culture and the development of the Algerian insurance sector.

F table	F calculated	sig	R ²	R	Result
3.906	0.446	0.508	0.011	0.105	accepted

Based on the Table (5) that there is a relationship between creation of insurance culture and the development of the Algerian insurance and based on the hypothesis testing and which provides for the accept H₀ where sig value is 0.508, and it is more than the significance level alpha (0.05).

Table (6): a test result and the Fourth hypothesis, which states: There is no significant relationship between quality of services and the development of the Algerian insurance sector.

F table	F calculated	sig	R ²	R	Result
3.906	8.012	0.007	0.167	0.167	Rejected

Notes from Table (6) that there is an impact statically significant of quality of the services quality and the development of insurance sector in Algeria and based on the hypothesis testing and which provides for the rejection H₀ where sig = 0.007, where it is less than the significance level alpha (0.05).

Table (7): a test result for the Fifth hypothesis can conclude that: There is no significant relationship between bancassurance model and the development of the Algerian insurance sector.

F table	F calculated	sig	R ²	R	Result
3.906	0.300	0.587	0.007	0.086	accepted

from Table (7) we can Notes that there is a relationship between Promotion at work and organizational citizenship behavior and based on the hypothesis testing and which provides for the accept H0 where sig = 0.587, and is more than the significance level alpha (0.05).

Table (8): test result and the first hypothesis (Test the main hypothesis) is: There is no significant relationship between bancassurance strategy and the development of the Algerian insurance sector.

F table	F calculated	sig	R ²	R	Result
3.906	9.083	0.004	0.185	0.430	Rejected

Notes from Table (8) that there is a relationship of significance between bancassurance **as a new financial strategy and the development of the Algerian insurance sector, which suffer from** several factors that influence its growth and amelioration. (H0 Rejected where sig = 0.004 and is less than the significance level 0.05).

V. RESULTS DISCUSSION AND RECOMMENDATIONS

From the findings, relative advantage found to have a positive effect of bancassurance on the development of insurance sector in Algeria.

1. The services marketing have a very high impact on the Insurance Development In Algeria. if we compare insurance company with banks in Algeria, we find that Banks are using different value added services like-E- Banking tele-banking, direct mail and so on they can also use all the above-mentioned facility for bancassurance purpose with customers and non-customers. so the bancassurance is considered as a Source of new marketing of insurances services in the Algerian insurance sector. The bancassurance include the consolidation of the two different experiences of banks and insurance companies in marketing because of the product line which is fundamentally driven by the overall strategy(jointly agreed by the bank and insurer).

2. There is significant relationship between reducing uncertainty and the development of the Algerian insurance sector. as its showed in figure 3, bancassurance can reduce the frequency and the gravity of risks by the analysis of available information on the customer financial and social situation. and it can be of great help in discovering customer needs and promoting or manufacturing new products or services with a minimum of risks. in addition of that, in insurance activities, the quality of the client information gives the insurance company an advantage in distributing products profitably and product risk.

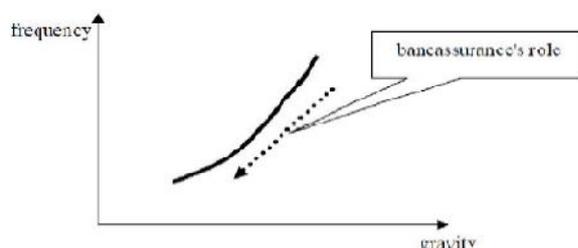


Fig.3: The Impact of The Bancassurance Strategy On Uncertainty

Source: Tarik. H and Sofiane .K, analyze the global context of bancassurance in Algeria, economic

studies revue n 04/2017, mostaganem university, Algeria.p:14.

- This component of reducing the risk factor contributes significantly to the performance of insurance companies and to create a total quality of their insurance services.

3. There is significant relationship between creation of insurance culture and the development of the Algerian insurance sector.

4. There is no significant relationship between bancassurance model and the development of the Algerian insurance sector. in addition of that many international experience shows that there are many ways to build successful bancassurance businesses. There is not a one-size fits all approach. However, the ability to blend local knowledge with international expertise is an essential advantage.

5. There is significant relationship between quality of services and the development of the Algerian insurance sector. The bancassurance increase the quality of services by create the one-stop shopping and assess the quality insurance service in particular and determine their impact on customer satisfaction and meet their needs through the a survey of competent persons in banks. thus the bancassurance can eliminate the weakness of the selling force of the insurance companies.

So, perceived importance of bancassurance to insurance and financing needs might affect consumer to adopt it, create an insurance culture, ameliorate the quality of services and reduce uncertainty which is considered as the major problem in insurance activities. so we can illustrate that the importance of bancassurance influence bancassurance adoption. On the other hand, our result reveals that there is a significant relationship between bancassurance strategy and the development of the insurance sector in Algeria.

6. There is no significant relationship between the bancassurance model and organizational citizenship behavior.

we can justify that with the financial political and strategy of the Algerian firms or company. as we know the increase of the level of services complexity of the bancassurance model or activity include an additional sources of risk, that is why in some countries like Algeria, the authorities are reluctant to

allow a complex model and prefer to begin with the distribution protocols (The distribution agreement).

or reduce the factors leading to the weak growth of the Algerian insurance sector.

RECOMMENDATIONS OF THE STUDY

The margin between the bank and insurance, who live together long, gradually disappeared with the emergence of bancassurance model. which is considered as a first analysis mode original distribution of insurance products by banks. This marketing channel for insurance contracts to financial domination through banks is relatively recent. The insurance industry and financial firms in Algeria. Algerian insurance and like other sectors and institutions have seen and still see reforms, which providing consolidation strategies insight to improve bancassurance performance for banks sectors and insurance sector which is wickered by a several elements and factors that can be eliminated by bancassurance strategy. therefore There is an awareness and the urge to use and try to develop a new products to harness the real bancassurance potential in Algeria and benefit from its advantages to develop the insurance sector. Algerian companies must give importance to the services marketing, reducing uncertainty, creation of insurance culture and the quality of services which can be created by the adoption of the bancassurance strategy and care and about its Process (how the bancassurance vision and strategies turn into reality). in addition of that the combining of bank and insurance services in one financial institution, brings multiple benefits to all involved sides and create a win-win strategy. finally, It is concluded that, Algerian economy where the insurance sector is wickered by a several factors can be boosted by the bancassurance strategy as a new emerging challenge that need to be developed to beat

REFERENCES

- [1] Alain B and Michel L.(2004), Bancassurance: strategies and prospects in France and in Europe - Edition Banks, Paris, France.
- [2] Boualam Tafiani, insurance in Algeria, upo Alger, 1987.
- [3] George Rejda - (2006), Translation and Review of Mohamed Tawfiq Al-Balkini and Ibrahim Mohammed Al-Mahdi, Principles of Risk Management and Insurance. Dar Al-Mars Publishing - Riyadh - Saudi Arabia, p:66.
- [4] Gonulal s., goulder n and lester. r (2012), bancassurance, a valuable tool for developing insurance in emerging markets, policy research working paper 6196, the world bank, financial and private sector development, non-bank financial institutions, september, <http://elibrary.worldbank.org/docserver/download/6196.pdf?expires=1361777483&id=id&accname=guest&checksum=7ab7cb97a3e1dd09087f2c154985b218>.
- [5] <http://www.emeraldinsight.com> <http://www.saa.dz>
<http://www.cna.dz>
- [6] Jean Le Ray (2006) Managing Risks -Why? How? , Edition AFNOR, France.
- [7] Larry Norman,(2007), Making bancassurance work: matching global power to local knowledge, International Journal of Bank Marketing, Vol.25, Iss:2, <http://dx.doi.org/10.1108/02652320710728447>, Downloaded on: 01-10-2012.
- [8] Swiss Re, (1992), Bancassurance: A Survey of competition between banking and insurance, Sigma No. 2, Switzerland, pp. 4.
- [9] Swiss Re, information related to the insurance sector in the world ,Economic research and consulting.
- [10] Tarik. H and Sofiane .K.(2017) analyze the global context of bancassurance in Algeria, economic studies revue n 04/2017, mostaganem university, Algeria. p:14.
- [11] Yazid Kahoul and Boualem-Ammar Chebira. (October-December 2013) The contribution of the marketing mix in the development of life insurance in Algeria , Insurance and Risk Management, vol. 81(3-4), p:278. www.cna.dz.

★★★