The Effect of Bancassurance on the Market Share of Banks

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Abstract
The study aimed to show the effect of bank insurance in enhancing the market share of Jordanian banks. The fixed panel was applied. Using indicators such as employee productivity and efficiency, representing bank insurance as an independent variable. The dependent variable includes market share. The results of the analysis showed that bank insurance had a statistical effect on the market share of banking facilities positively, in addition to that, insurance for bankers had a statistical impact on the market share of capital adequacy negatively.

Keywords: *Bancassurance, market share, static panel analysis, Jordan*
JEL Classification: *G21,G22*

I.   Introduction

Both banks and insurance companies face strong competition among themselves. Therefore, it is necessary to search for new ways to grow and continue in the market and do profits. In order to make effective coöperation between them, it is necessary to focus on the benefits and features of providing insurance products in banks, as a study (Chang et al., 2011) has proven that the bank insurance strategy is profitable for banks and may be different for the insurance company. Therefore, it is noted that Jordanian banks are always the initiative in the search for coöperation or the acquisition of certain insurance companies in order to give insurance products that are often linked to banking services.

As banks seek, in light of the competition that they experience within their local and foreign banking environment by always search for profit-generating incomes. Now, these channels often need training employees to use new methods in providing some modern services. Therefore, there must be training courses on the mutual selling of insurance products (Kulkarni, 2012). The banks that make better choices from insurance companies to coöperate with various financial transactions will improve the margin of their solvency (Yanick & Pierre, 2002)

The study was limited to seven Jordanian banks that give bank insurance services. Some of these banks acquired life insurance companies and general insurance companies, while others contracted with insurance companies.

In order to assess the impact of insurance on the market share of banks, employee productivity variables and the efficiency variable in the bank insurance model were used. As for the dependent variable, it represents the market share consisting of the market share of banking facilities and the market share of capital adequacy. All on the basis of the studied Jordanian banks. The following question can be posed: Does bank insurance affect the enhancement of the market share of banks? The research also assumed a statistically significant effect of bank insurance on the market share of banks that give bank insurance services.

Finally, the paper was divided as follows: After the introduction, a review of the relevant literature in this field. The third section deals with sample data from the analysis and describes the variables used in the model. The method and empirical results are presented in Section IV while the paper concludes with concluding remarks.

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II. LITRUTRE REVIEW

There are many studies that dealt with bank insurance in various aspects, whether at the level of banks or insurance companies in different countries of the world. focus study (fan & et.al, 2011), showing an attempt to discuss the research gap about the reason for cross-buying insurance in banks, and to strengthen their relationship with banks, by developing and objectively evaluating a set of factors by use method TOPSIS & Delphi. These factors include property rights, ability, product variety, pricing, image, service suitability, and personal relationships. The results indicated that service convenience, personal relationships, image, and trust were among the most important factors affecting the performance of bancassurance.

(Kulkarni, 2012), it indicates that banks can play an effective role in making bancassurance more effective to make financial inclusion for insurance companies. Specifically, life insurance companies. The study aimed to assess the resulting work together between them. The results indicated that synergies contribute to lowering service costs and facilitating access to customers. The study proposes the exploitation of human resources in banks through training in selling bancassurance products and providing new services to keep and win customers.

Some author focuses their research on estimating efficiency as study (Fiordelisi & Ricci, 2010), The method of random border analysis was used in evaluating the efficiency and profitability of the bancassurance company in comparison with the life insurance company. The results showed the continuous need to study the products presented. Also, the forms of convergence that are more flexible in strategic alliances and the cross-sales agreement must be taken into account. In second study (Fiordelisi & Ricci, 2011) , Analyze the cost efficiency and profitability of bancassurance management from the point of view of the bank and the Italian insurance company during the period 2005-2006 using a random analysis of the limits. The study concluded that there is a competitive advantage for bancassurance as a distribution channel in terms of cost efficiency on the other hand as well as the mix of bancassurance products should be developed to meet the customers' ever-changing needs in line with the evolution of the financial market. While (Chang et al., 2011), Compare the efficiency of the bancassurance sales channels, the traditional channels in Taiwan, the use of the DEA model, and the search results indicated that now the sales representatives, the traditional channels, sell various financial products, but the representatives in the banks receive intensive training on bancassurance products. What should insurance companies follow the mergers and acquisitions to carry out bancassurance activities and cut the difference between the competencies of the bancassurance channels versus the traditional sales channel?

(Ayadi, 2014), Examined the effect of selling insurance products on the technical competence of Tunisian banks for the period 2003-2011. The results indicated: There is a positive effect of insurance products on technical competence. The development of bancassurance is closely related to the regulatory and commercial environment of each country.

(Arefjevs, 2017) , The stochastic analysis model and data cover analysis, were used to assess the efficiency of bancassurance and pension funds in the Baltic countries. The results revealed that the bancassurance model in managing the pension fund generates a strong return on the right of ownership, as well as its ability to do competitive efficiency compared to other companies.

(Tuny, 2014) the study revealed that bank insurance increases the value of both the insurance company and the banks in Turkey. By analyzing the financial performance using the static data panel. Analyzing ROA, ROI, and productivity indicators. While Hwang evaluated the efficiency of bank insurance in Irish life insurance companies. The study showed that bank insurance companies are more cost-effective than life insurance companies.

(Fan & Lu, 2015), Factors causing conflicts of multiple distribution channels have been identified. The Delphi & GAR & C. A method was used. The results showed that the reasons for this discrepancy are the difference between "vision in joint decision-making", "the use of coercive force", and "the lack of similarity of goals between banks and insurance companies that are considering cooperating with each other. Therefore, insurance companies and bank officials should check management policies so." Which can improve multi-channel strategy performance

(Sezal, 2018), A comparison between the development of bancassurance in Turkey and the world. The results of the research showed the reason for the difference, which is due to the social, cultural, and legal differences that are followed and the insurance awareness of customers, and on this basis, the spread of bancassurance differs from one country to another.

(Salih & Bedoui, 2021) The study aimed to show the development of bank insurance in Jordan during 2008-2019. The study concluded that there are prospects for providing insurance products by banks. The penetration of bank insurance is much lower in public insurance .The main driver behind the market volatility of growth due to the fact that insurance products do not have a significant competitive advantage in the financial sector.

(Chen, 2019), indicated that bancassurance has an increasing impact on the quality of service, the reputation of the life insurance company, and its profitability in the mature market. the results of the research showed that marketing through bancassurance has a negative impact on the reputation and existence of the service of insurance companies in Taiwan. The reason for this is that the Taiwan market is immature.

2.1 Determinants of bancassurance

There are some obstacles that hinder the work of both the bank and the insurance company and prevent the customer from benefiting from bank insurance products. Among the most important of these determinants are:

1. If the insurance product is poorly implemented, this will pose a risk to the bank, and vice versa, if it is implemented well, the bank will enhance its competitive advantage compared to others (Rani, 2014).

2. The possibility of conflicting interests of other products of the bank and insurance documents, such as the refund policy, and this may confuse the customer (Rani, 2014).

3. The lack of a regulatory environment hinders the emergence and spread of bank insurance. The existence of regulations that coördinate the work between the banks and the insured, as well as the bank's ownership of the insurance company and the sale of insurance documents by the bank, is a prerequisite for the success of bank insurance (Fiordelisi & Ricci, 2011).

4. The lack of adaptation of bank insurance products to the needs of customers. Therefore, product mix reviews (Fiordelisi & Ricci, 2011) must be constantly reviewed.

5. The difference in sales culture between banks and the insurance company and the mismanagement of the workforce (Kumari & Dorthy, 2014).

6. Lack of interest in product updates and sales channel links are weak.

7. levels of penetration, application models, and development of Bancassurance are slow in the Jordan.

III. Data Sample and Description of Variables

The analysis indicators were produced using data from the analyzed banks' public annual reports. Productivity indicators, calculated divide net profit before tax /number of employees, and administrative efficiency calculated divide total expenses/ total income   were used to illustrate the range of banking and insurance services.

The market share is computed by multiplying the total credit facilities by the total credit facilities of the banking industry, multiplied by 100. And the bank's capital adequacy divided by the banking sector's total capital adequacy multiplied by 100. This strategy has also been employed by (Ekimov, 2018)

3.1 Methodology and Empirical Analysis

For the purpose of econometric data analysis, the authors have employed static balanced panel data analysis. Model

$x_{it} = \beta_0 + \beta_1 x_1 + \beta_2 x_2$

$y_{it} = \beta_0 + \beta_1 y1 + \beta_2 y_2$

where:

x_{it} is the bancassurance x it is the bancassurance of bank i at time t, with i = 1..., N; t = 1…, T. presented with two different measures of bancassurance, i.e. productivity measures, administrative efficiency. By iterating these bancassurance measures, we account for two different models depending on the dependent variable used.

y_{it} is the Market Share y it is the Market Share of bank i at time t, with i = 1..., N; t = 1…, T. presented with two different measures of Market Share, i.e. Market Share Total Banking Facilities, and capital adequacy market Share total.

To do the aims of the study, the descriptive data of the independent study variables and the dependent variables were analyzed by extracting the real data in the published annual financial reports of the research sample banks, the following is a presentation of the results of the descriptive analysis table (1).

Table (1) Descriptive statistics of variables used in the empirical analysis

Case Summaries					
Variables	N	Mean	Std. Deviation	Minimum	Maximum
Employee productivity	84	41816.3900	30600.36201	-1677.08	157680.97
efficiency	84	.6183	.14551	.34	1.03
Market share of banking facilities	84	143415.9962	191569.83669	18459.63	830989.17
capital adequacy market share	84	.8577	.15753	.56	1.26

Source: authors' calculation

Table (1) also indicates the growth in worker productivity, with an arithmetic mean of (41816.3900) and a standard deviation of (30600.36201). This means that the banks undergoing examination focus to create

proper conditions for improvement, such as educating employees to improve the methods in which they give bank insurance to their customers, and this is what drives them to look for outlets. New banking advancements include the provision of a bank insurance service to its consumers.

In terms of administrative efficiency, the standard deviation value was (.14551). The decline in the administrative efficiency ratio suggests that total revenues increased faster than total costs increased. This is justified by the fact that banks own varying numbers of branches and subsidiaries, as well as different sizes of those branches and subsidiaries. This is due to the fact that each bank has a way of maximizing its resources and achieving its goals, and the arithmetic mean (.6183) verifies that there is a difference between the lowest and highest values, as indicated in the table above. The standard deviation of loan facilities and capital adequacy were (191569.83669) and (.15753), respectively, with an arithmetic average of (143415.9962). (.8577). This reveals that there are disparities in market shares among the banks analyzed, as it indicates that the high share The increase in the return on assets and the return on equity is due to the market for banking facilities.

- **Estimation Results Panel Models**: After conducting all the tests on the variables of the studies, the next step comes to estimate the relationship of the effect of the explanatory variables on the dependent variable, using the (Panel) model, the fixed effects regression model (FEM), the estimation results for method FEM were obtained based on the EViews program, which can be clarified in the following tab: Table (2) Results of the (Fixed effect) model.

Table 2 Parameter Estimates of Static Panel Model with Fixed Effects

Depended variable	Employee productivity	Administrative efficiency	Adjusted R-squared
Banking Facilities market Share	1.959933	111266.0	0.65
capital adequacy market Share	-5.16E-07	-0.715120	0.35
Prob. (F-statistic)	0.000000		

Source: authors' calculation

It is also clear from Table (2) that the indicators of Bancassurance and market share between financial institutions represented by banks and insurance companies have a positive, significant, and statistically significant effect on the of the market share of credit facilities was (65%) explained the changes in the market share of total banking facilities, while the remaining percentage (6%) was caused by other variables that were not included in the studied model. This result is similar to a study (Berger et al., 2001). While (35%) of the changes in the market share of the capital adequacy of the studied banks are caused by the explanatory variables, while the remaining (41%) are caused by other variables that were not included in the studied model. This weak impact of bank insurance on the market share is explained by the weak interest in acquiring bank insurance services from customers. as well as that the designed products may not attract the customer. Also, the methods of advertising by banks about insurance services are not clear to the audience. The resulting conflict with the study (Grullon et al., 1997).

IV. Conclusion

The issue of bank insurance is a relatively recent concept in Jordan in particular and the Arab world in general. As Jordanian banks began providing insurance services in 2005. During the following years, the number of banks providing insurance services increased to reach 14 banks in 2019, despite the weak public turnout for insurance products provided by insurance companies, but confidence in banks and the mechanisms they have to motivate the public These banks intended to link banking products with the insurance services they give. In the long term, the importance of banks will increase as a distribution channel with advantages and benefits for related parties at competitive prices.

The purpose of the research is to show the impact of bank insurance on the market share of Jordanian banks for the period 2008-2019. using the fixed board. The use of bank insurance consists of measures of employee productivity and administrative efficiency, while the dependent variables include the market share of banking facilities and capital adequacy, which represent measures of market share. The results of the analysis revealed that bank insurance has a statistically positive impact on credit facilities and a negative, moral and statistical impact on capital adequacy. Therefore, there is no evidence of a significant impact on the market share of banks in Jordan. Therefore, it is necessary to prepare other researches to investigate this problem, in addition to the possibility of using other variables that were not covered by this research, by making a comparison between the Jordanian market and other markets to find out the determinants and advantages of each of them.

In addition to the foregoing, there are other measures not included in the research in the analysis of bank insurance, whether with regard to banks or by insurance companies at the sample level. Where macroeconomic variables can be added, analysis of the efficiency and estimation of the determinants of bank insurance at the level of the Jordanian sample other future research.

This study is one of the rare studies that investigated this topic at the level of the sample that was analyzed and discussed.

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