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Abstract

Purpose: This paper makes a contribution to the existing body of research by investigating the elements that make capacity building in the insurance industry possible, focusing specifically on life and non-life premiums. The industry of insurance has the potential to be an important driver of both financial and economic growth. The industry has the ability to foster new investments, innovation, and competitiveness if it can lessen the impact of huge losses and the associated level of uncertainty. Insurance companies, in their capacity as financial intermediaries with extended time horizons for investment, can make a contribution to the development of long-term financial instruments that can be used to fund business investment and housing.

Methodology: This study focuses mostly on conducting a literature review, specifically one that examines previous research on capacity building in the insurance sector and a search of the relevant literature was incorporated into the work technique. Relevant seminal references and journal articles for the study were identified using Google Scholar beginning in 2017 and ending in 2022.

Findings: The findings indicate that the premiums for the insurance sector are influenced by factors such as the income per capita, the size and density of the population, demographic structures, income distribution, the size of the public pension system, the ownership of insurance companies by states, the availability of private credit, and religion. These elements, along with a number of others, have an impact on the non-life industry. The results reveal that the capacity expansion of the insurance sector can be enabled by a variety of different factors, despite the fact that some of these drivers are structural in nature.

Unique Contribution to Theory, Policy and Practice: The studies also suggest that insurance companies should conduct regular monitoring and evaluation in order to determine how successfully they have implemented their various capacity building strategies.

Keywords: *Capacity Building, Insurance Sector, Enabling Factors.*

INTRODUCTION

As organizations do not function in a vacuum, they are environmental serving, which means that they function in an environment in which they are inextricably interlinked. The environment serves organizations because organizations function in an environment in which they are inextricably interlinked (Fisher and Surminski, 2022). Organizations are environmentally dependent for resources and also depend on the environment to discharge their outputs. It is this environment in which they operate that molds them, which in turn influences the choices they make with regard to strategy, and which ultimately determines how well they function. The external environment is highly dynamic, and it is presumed to possess some fundamental requirements and constraints, threats and opportunities. In order for businesses to be successful, they need to match their strategy, skills, and resources with these aspects of the environment. Lopez-Gunn et.al (2021) attracted attention to the necessity for an organization to assess the level of turbulence in its environment and to adapt its tactics to that level of turbulence.

Analysis of the industry enables companies to determine the elements that contribute to their capacity building and to align their actions with those aspects in order to achieve a sustainable advantage in the marketplace. It is necessary for success in the market place to have an in-depth knowledge of the qualities that are unique to the sector as well as a comprehension of what makes the industry function. Understanding that each sector requires a unique approach to environmental analysis is essential to producing accurate results. According to Mazviona et.al (2017), the identification of the factors that enable capacity building that are specific to an industry can be especially useful because it allows an organization to achieve "strategic fit," which is the optimal match between the conditions of its industry and the activities of that organization.

According to Eling and Luhnen (2020), no company can afford to establish a strategy that does not provide sufficient attention to the primary aspects that contribute to success in the sector. They concluded that this would be a recipe for failure. Having capabilities and initiatives that, from the perspective of the client, do not add "value" is a waste of time and resources. In order to fulfill the requirements of the consumers, the strategic capabilities should be centered on the capacity building aspects. In light of this, it is essential to stress that in order for businesses to develop a competitive edge, they need to possess competencies that are valuable to their target markets (Gituma and Beyene, 2018). The ability to maintain a competitive edge over time is the primary factor that contributes to above-average performance over the long term (Heenkenda, 2018). Therefore, we can say that a company has a competitive edge in the market if it produces offerings that have a better perceived value and/or a lower relative cost than businesses that are in direct competition with it.

It is believed that changes in economic, social, political, technological, cultural, religious, and demographic dynamics have mutual links with the growth of the insurance industry. According to Tangcharoensathien et.al (2017), each and every one of these factors has been labeled as a driver of globalization. On the other hand, insurance companies and other financial institutions, through the actions of their salesforces, have a big opportunity to play a role in regaining the lost trust of potential clients in the services they provide. It has come to everyone's attention that trust and confidence play a significant role in the customer base of insurance companies. In previous investigations, evidence had been provided that was relevant to this allusion. For instance, while the research of Garrison et.al (2017) found that the low culture of insurance is caused by a lack of confidence in the insurance industry, the research of Murigu (2018) found that 70 percent of people don't trust insurance companies. Both of these findings point to a lack of confidence in the insurance industry.

The purpose of selling insurance is aided via effective insurance activities; as a result, bonding relationships form between clients and insurance firms. Therefore, the activities of the salesforce are a perfect representation of an insurance company's expertise, capabilities, and personality because an insurance company is a service organization. A poorly motivated salesforce, on the other hand, will be costly to the organization in terms of lower performance, excessive staff turnover, increased expenses, higher use of the sales manager's time, and a negative effect on the morale of colleagues. This was stated explicitly in an earlier study conducted by Surminski and Oramas-Dorta (2018), which found that a well-motivated salesforce will expand more effort in the achievement of organizational goals, whereas a poorly motivated salesforce will be costly to the organization.

Within the context of the economy's Financial Services Sector, the insurance industry is a significant component. In contrast to the other players, the insurance industry is facing a number of challenges, including diverging growth patterns in various regions of the world, a low penetration rate, a high insolvency rate, a poor public image, customers' demands for more transparent and accessible products, the revolutionization of risk analysis brought about by technology, customers' profiling and existing business models being put at risk, and new entrants looking to pick off the most profitable business. The question that needs to be answered is whether or not the insurance sector has truly understood the factors that enable capacity growth, or whether or not it needs a paradigm shift (Zelizer, 2017). The purpose of this study was to identify the factors that enable capacity building in the insurance sector.

LITERATURE REVIEW

The insurance industry has proven that it can thrive in spite of the many obstacles it must overcome, which is a feat that defies all chances. According to the findings of an empirical study that was carried out by Eling and Luhnen (2020), the establishment of a long-lasting relationship with one's clientele is crucial to the continued operation of the insurance sector. This provides an explanation for the trust that, in the minds of the customers, must be built up gradually over time. Creating a culture of trust, capitalizing on the power of peer recognition, and placing primary emphasis on the enablers and tools that assist salespeople in reaching their potential are all essential components of the bigger picture when it comes to more effectively motivating a salesforce. This is especially true in an increasingly complex business environment.

Capacity building was defined by Aparcana (2017) as the development of knowledge, skills, and attitudes in individuals and groups of people that are relevant in the design, development, management, and maintenance of locally meaningful institutional and operational infrastructures and processes. Although the primary emphasis is still placed on education, training, and the cultivation of human resources, this strategy takes a broader view. According to this definition, capacity development for employees may, in a broad sense, refer to increases in the ability of all employees to do acceptable duties within the context of the organization's more comprehensive set of performance requirements.

According to the United Nations Committee of Experts on Public Administration, capacity building can occur on three different levels: the individual level, the institutional level, and the societal level. These levels are listed in this order: individual, institutional, and societal. On an individual level, "capacity building" refers to the creation of conditions that make it possible for people to develop and improve upon the knowledge and abilities they already possess. In addition to this, it is necessary to provide the conditions under which individuals can participate in the process of learning and adjusting to new circumstances (Adkins, 2017).

According to Lopez-Gunn et.al (2021), determining the factors that need to be considered in order to succeed in a particular market involves developing a profile of the kind of company that is likely to build capacity in the future industry environment. This is done in order to pinpoint the steps that need to be taken. Performing this step requires locating the specific recipes for success. Lopez-Gunn et.al (2021) identified a variety of generic enabling factors, such as the ability to control prices and quality, deal with militant unions, maintain brand image, expand the lower end of the product line, and deal with the pressure of competition from other businesses. A company has a better chance of being successful or gaining a competitive advantage if it is aware of the steps that must be taken to construct the capacity in the industry that is being considered. This helps to determine whether a company already possesses or is capable of acquiring the necessary components to give it a competitive advantage over its rivals in a particular industry. Heenkenda (2018) cited product attitudes, competitive capabilities, and even market achievements as examples of enabling factors. According to Fisher and Surminski (2022), enabling factors in an industry are those things that determine the ability of members of an industry to prosper within that industry. Some examples of enabling factors include low costs, the best quality, good product features, resources that are available, and competitive capabilities.

Enabling factors, as observed by Mazviona et.al (2017), are by their very nature extremely important to future success. Because of this, it is imperative that all organizations operating within the industry pay close attention to these factors; otherwise, they run the risk of falling to the back of the pack. How effectively the product offering, resources, and competencies of an organization stack up against the enabling elements of an industry will determine how financially and competitively successful that business will be. If a company is aware of the resources and competencies it must possess in order to be competitive and what it must do in order to achieve a sustainable competitive advantage, then it will be able to determine its enabling factors. In the context of the current state of the insurance sector as well as the conditions that are expected to exist in the future, one of the most important factors to consider when conducting an analysis or developing a plan is how to identify enabling factors.

There have been previous studies that have been published in the academic literature that focus on the determinants that permit the performance of insurance companies. Ibarra and Securities (2020) conducted research to determine the elements that influence the financial success of insurance and reinsurance companies that are based in Bermuda. In their analysis, they examined panel data spanning the years 1993 to 1997. According to their findings, the amount of leverage, the type of organization, and the level of underwriting risk all have a positive and significant impact on financial success. On the other hand, liquidity has a detrimental influence on financial performance that is both considerable and noticeable, although the size of the company and the breadth of its operations have no bearing on financial performance. Murigu (2018) performed an analysis of the factors that determined the levels of profitability of 25 general insurance businesses operating in Poland between the years 2002 and 2009. The author used a regression model to determine the factors that have a positive impact on the performance of insurance companies. These factors include the reduction of motor insurance, the increase of other classes of insurance, the growth of gross written premiums, the reduction of operating costs, the growth of gross domestic product (GDP), and the growth of the market share of companies with foreign ownership. On the other hand, offering a wide variety of insurance classes has a negative impact on a company's profitability.

Heenkenda (2018) conducted a study to investigate and identify the factors that affected the financial performance of Jordanian insurance businesses from 2002 to 2007. This research was carried out over the course of the period of time covered by the study. The ratio of operating income to total assets (ROA) served as the dependent variable, while leverage, liquidity, age, size, and management competence index served as the independent factors. According to the findings of the regression study, the financial performance of Jordanian insurance businesses is significantly impacted in a positive way by liquidity, leverage, the size of the company, and the managerial competency index. According to the findings, there does not appear to be any substantial correlation between the age of the company and performance.

Tangcharoensathien et.al (2017) conducted an investigation between the years 2012 -2017 into the elements that influence the financial performance of 21 insurance businesses that were active in the Romanian insurance market. In order to accomplish this goal, the variables that were utilized as explanatory factors included financial leverage in insurance, company size, number of years spent operating in the Romanian market, growth of gross written premiums, equity, total market share, diversification, underwriting risk, investment ratio, reinsurance dependence, retained risk ratio, solvency margin, and growth of GDP per capita. The return on assets (ROA) was used as a metric to evaluate the performance of the company (Tax, 2020). The authors demonstrated, with the help of panel data techniques, that the primary factors that determine financial performance in the Romanian insurance market are financial leverage in insurance, company size, growth of gross written premiums, underwriting risk, risk retention ratio, and solvency margin. This was found to be the case in the Romanian insurance market.

Zelizer (2017) looked into the cost-effectiveness and profitability of the life insurance industry in Thailand for his research. This study made use of data from 1997 all the way through 2002. In this particular investigation, the stochastic cost frontier methodology was utilized. Both the return on assets and the return on equity were used as dependent variables in this study. The inefficiency of the life insurance industry has a negative correlation with both of these measures. Gituma and Beyene (2018) carried out research to investigate the cohabitation of Malaysian Life insurance and Family takaful companies in order to examine the efficiency and organizational form of both of these types of businesses. A non-parametric method known as "Data Envelopment Analysis" was used to evaluate the technical expertise of the life insurance and family takaful industry. In order to differentiate between technical efficiency and extent efficiency, both the constant return scale and the variable return scale were utilized. The effectiveness of the United States life insurance sector is measured by Garrison et.al (2017) in terms of its profitability. The United States economy is significantly bolstered by the contributions made by various insurance businesses. The economy of the United States of America is currently one of the most robust on the international stage. According to what was found, the profitability of an organization has a negligible effect on the return on equity, which is not driven by cost efficiency.

METHODOLOGY

Incorporating a literature search into the work process was an important part of the project. Consideration for prior theoretical literature was given in the research process, both published and not. A literature review is the primary focus of this study, with a particular focus on the insurance sector's capacity-building efforts. The literature search began in 2017 and was scheduled to conclude in 2022. Using a variety of search terms and multiple databases, we came to this conclusion. Google and other search engines were used for both basic and advanced searches by the authors. When searching through the data, "capacity building in the insurance sector" was used as a search term. The phrase "enabling factors for capacity building in the insurance sector" was the focus of the initial Google search and the subsequent Google search. If the article or report was to be included, it had to be peer-reviewed, be written in English, describe the method used, and report the study's findings; and, finally, draw a conclusion. The following are the criteria for inclusion: The articles were read several times to get a sense of their content in order to identify the enabling factors for insurance capacity building.

CONCLUSION AND RECOMMENDATIONS

According to the findings, the capacity building of insurance will be significantly impacted by a higher employment rate, growth in personal incomes, and an overall improvement in the quality of life in the country. The younger and more educated generation, in particular those with adequate employment, will be able to afford to devote a portion of their incomes to the purchase of insurance products as a result of higher incomes. This will be especially true for those with adequate employment (Lopez-Gunn et.al, 2021).

Education level is one of the demographic factors that is anticipated to have a beneficial impact on the demand for various types of insurance. It is a question whether or to what extent the insurance industry is being researched from all of its three aspects (economic, legal, and mathematical), so that citizens can understand the product that is life insurance itself. Educational systems vary from country to country and region to region, so this question cannot be answered definitively. A greater education level was associated with a higher rate of insurance penetration as well as a higher life insurance density. This study implies that there is a need for elevating the education level of the people, because it would be advantageous to boost the knowledge of financial goods that are presented on the market and the prospective benefits that could be gained from using them by potential consumers. According to Mazviona et.al (2017), people with greater levels of education have a better understanding of the risks involved and the significance of effective risk management. Because of this, knowledge does indeed make people less willing to take risks and boosts the demand for insurance protection. People with greater levels of education also have better earnings, and they anticipate an increase in those incomes over the long term, in comparison to citizens with lower levels of education, which is another factor that drives them to get insurance coverage. Even if the findings of many studies on the effect of education on the demand for life insurance are contradictory, the majority of people who carry life insurance policies are managers, other professionals, and self-employed individuals. In addition, one may draw the conclusion from this that the level of economic education is a component that makes it possible to grow capacity in the insurance sector.

From the findings we conclude that the premiums for the insurance sector are influenced by factors such as the income per capita, the size and density of the population, demographic structures, income distribution, the size of the public pension system, the ownership of insurance companies by states, the availability of private credit, and religion. These elements, along with a number of others. The studies also suggest that insurance companies should conduct regular monitoring and evaluation in order to determine how successfully they have implemented their various capacity building strategies. This is essential due to the fact that the business environment in which insurance companies operate is quite fluid and is heavily influenced by a diverse set of circumstances.

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