An evaluation of life assurance funds as a source of investment financing in Kenya

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Abstract:
A thriving insurance sector is of vital importance to every modern economy. First because it encourages savings, secondly it provides a safety net to business enterprises and productive individuals. Finally and perhaps most importantly it generates long-term investment funds for economic development. Life assurance funds represent a form of investment financing whose full potential is yet to be realized in Kenya. Contributing to this lack of full potential are factors encompassing a high inequality and unbalanced distribution of national resources which constrain accumulation of wealth. In addition are cultural factors which embrace collective social responsibility and therefore inhibits individual initiative towards acquisition of life assurance cover against risks adversely affecting health and financial security. The Kenyan economy, faced with declining foreign capital inflows, poor performing stock exchange and turbulent banking sector, it becomes necessary to explore alternative domestic financial mobilization mechanisms and establish appropriate policy frame work geared towards transformation of savings into quality investments. Clayton (1970) assets that the huge resources and conservative practices of life assurance companies reasonably guarantee their ability to mobilize savings for long term investment. This project seeks to determine the contribution of life assurance premium as a source of investment financing in Kenya.