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Abstract

Purpose: The majority of people in developing countries have never been formally insured against such hazards as illness, unemployment, harvest failure and natural catastrophes. Over the years, microinsurance has been offered by different commercial insurance companies targeting low-income people. However, uptake of microinsurance generally falls short of projections, which has recently made stakeholders focus on the factors influencing the uptake of microinsurance products. The purpose of this study is to evaluate the factors influencing the uptake of micro insurance products.

Methodology: A desktop methodology was employed in the investigation. Unlike fieldwork, desk studies do not need travel to the field site(s). Desk research is less expensive than field research because the executive's time, phone charges, and directories are the key costs. These findings were drawn from previously published studies. This secondary material was easily accessible thanks to online journals and the library.

Findings: There are several factors that influence the uptake of microinsurance products. These factors include risk exposure, culture, personal characteristics (i.e. gender, age and education level), wealth and quality of the product. Cultural beliefs, attitudes and taboos negatively affect the demand of microinsurance. Moreover, uptake of micro insurance is directly influenced by income level, household size and knowledge about micro insurance and suitability of micro insurance products for the customers. The factors that affect the microinsurance uptake is the low level of income among the target market, perception that insurance process is generally complex by the target market and limited distribution channels and branch networks of the microinsurance providers.

Unique Contribution to Theory, Practice and Policy: The study recommends that, the insurance companies should embrace continuous awareness and education on microinsurance services which can assist in alleviating poverty. Insurers should offer flexible and convenience payment options of insurance premium to the low-income earners so as to attract and retain customers. Individual should be able to access credit in other forms, such as insurance premium finance tailored to the suit the low-income cadre. The government needs to come up and subsidize the insurance providers so that there is adequate extension of micro insurance services to the low-income individuals. The study also recommends collaboration by the various stakeholders in ensuring implementation of strategies that will address the various factors identified as causing low insurance penetration.

Keywords: *Microinsurance, Microinsurance Products, Uptake of Micro Insurance Products*

INTRODUCTION

Most people in developing countries have never had a formal insurance policy to protect them from things like illness, unemployment, bad harvests, and natural disasters. Microinsurance policies aimed at low-income people have been offered by an increasing number of commercial insurance companies as well as microfinance institutions and mutual insurers over the last decade. As a result, stakeholders have recently turned their attention to the factors that influence the uptake of microinsurance products (Chummun, 2017; Mutua, 2017). Because the microinsurance market is so underserved, and because of this, low uptake can be a sign of both poor product design and misunderstandings about the value of these products (Mutua, 2017).

The exposure to risk is the most important component in determining the level of demand for microinsurance products; in particular, the impacts of previous shocks have a significant bearing on the probability of demand for microinsurance. Risk exposure is particularly significant in circumstances in which its occurrence is likely to result in impoverishment or in the disruption of livelihood. People who are exposed to more danger are more likely to get insurance protection for themselves. The findings of Ndiritu (2017) indicate that there is a correlation between vulnerability and economic deprivation. The study results show that when households exhibit a reduction in the absolute risk aversion-that is, prosperity increasing as risk decreases-poor households will pay a higher premium to avoid risks than more affluent persons will do. This happens when prosperity increases in tandem with a decrease in risk.

It is considered that cultural factors can influence the desire to obtain microinsurance. The ways in which a nation's people understand and respond to danger are influenced by the cultural traditions that are distinctive to that nation. According to Rayamajhee et.al (2021), the response of consumers to microinsurance solicitations is dependent on their cultural belief, which can greatly influence the amount of people who have insurance coverage (Platteau et.al, 2017). If we're being completely honest, there are certain cultural factors that can have an effect on the extent to which insurance is used. People in India tend to be quite optimistic about their financial situations, which is consistent with the prospect theory, which states that insurance is designed to compensate for financial setbacks; as a result, the percentage of Indians who have insurance coverage is lower (Towo et.al, 2021). As a result, the findings of a study that was carried out in Kenya revealed that particular cultural ideas, attitudes, and taboos had a detrimental impact on the demand for insurance (Njogu, 2019).

A person's personal traits, such as his age, gender, or level of education, could also play a role in determining whether or not they purchase microinsurance. Education, in particular, has the potential to have a significant impact on the acceptance of insurance by reducing the difficulties associated with comprehending insurance policies. Because of their gender, women are more likely to be victims of domestic abuse and suffer unique health concerns associated with pregnancy and parenting. Additionally, women are more susceptible to infections like HIV/AIDS and have a higher risk of contracting those diseases. It has been observed that the activities of low-income women in the informal sector are frequently the only means by which they may earn a living. This circumstance also makes low-income women more likely to become victims of hazards such as the theft of assets and the harassment of authorities. Furthermore, Mbugua (2021) emphasize the fact that women in low-income countries are typically required to address urgent household health or income shocks because they are the primary caregivers and managers of resources for their families. It is reasonable to anticipate that the choice to purchase microinsurance will vary according to a person's gender in light of these particularities.

Wealth is another element that is likely to impact people's decisions to purchase microinsurance. The wealth effect in the microinsurance market appears to be distinct from the effect in traditional markets, where wealth frequently translates into higher levels of potential loss, which leads to more insurance being purchased. The microinsurance market is characterized by a lower incidence of catastrophic events than traditional markets. Greater levels of wealth (and/or access to credit markets) provide a way to pay an insurance premium in markets for microinsurance. Individuals with lower incomes may actually have a greater need for insurance than individuals with higher incomes because of the relative influence of the same kind of shock; however, those with lower incomes may suffer from resource constraints that make it impossible for them to purchase insurance. Despite this, it does not clear that a lack of resources is a sufficient explanation for the poor take-up rates in emerging markets (Altuntas, Erlbeck and Huber, 2019).

It is clear that the price of micro insurance plays a significant impact in influencing demand. Low premiums are an additional way to improve this. Because of the lower rates associated with loss in micro insurance, it is necessary to extend the gap between standard insurance and micro insurance prices (Etrata and Montemayor, 2019). If micro insurance premiums are reduced, this could spur more interest, but the uptake may remain low.

The product's quality is another clear determinant of adoption of microinsurance products, but one that is easily neglected. An insurance policy's quality depends on whether or not it covers the right risks for its customers, how simple and comprehensive it is to use, and how long the waiting period and service quality are, especially when it comes to health insurance. The more trustworthy the insurance is, the more likely individuals are to invest in it. In order to generate sufficient demand for health insurance, high-quality health services, such as a clean health center's infrastructure and dependable and quick services, are essential (Mutua, 2017).

Statement of the Problem

The provision of micro insurance products such as agricultural insurance for farmers, life assurance coverage, and funeral coverage helps alleviate extreme poverty and hunger as a result of micro insurance (Courbage, 2021). Both idiosyncratic (specific to the household) and covariate (common to all) risks exist for the poor, and the underprivileged are particularly vulnerable to both. As a means of mitigating risks, the underprivileged have traditionally relied on informal insurance or risk-sharing schemes. In the absence of a large insurance industry in the area, a large portion of the population is unable to obtain insurance. This could help the insurance industry's long-term viability by taking into account small groups. Because of the size and potential of the untapped market, as well as the general lack of knowledge, insurers must entrust the majority of the risk to reinsurance companies (Dayour et.al, 2020).

According to Médard and Rodrigue (2021), insurance penetration is mostly driven by uptake. However, despite major financial sector developments, nothing has been done to broaden the inclusion of low-income families (Mazambani and Mutambara, 2018). In most studies on micro insurance service acceptance, the focus appears to be on the customers of micro financial products, rather than the providers of micro insurance services (Médard and Rodrigue 2021, Asah and Ngolle, 2022). However, there is a significant lack of information regarding the financial factors that influence the uptake of micro insurance products; hence, the purpose of this study was to investigate these financial factors. Because of the significant role that micro insurance plays in the economies of nations, this information gap is of the utmost importance.

LITERATURE REVIEW

A study that was carried out by Assefuah et.al (2020) demonstrated a strong positive link between previous shocks and increased probability of using micro insurance. On the other hand, Dayour et.al (2020) found no evidence to support such a claim. According to research conducted in more developed nations, individuals are more inclined to make contributions to insurance covers after a loss has taken place. This finding is consistent with the accessibility preference view. Measures like as gross domestic product indicate a favorable correlation to increases in insurance acquisitions on a national scale.

According to the findings of a number of researches, the likelihood of consumers purchasing insurance increases when the cost of the product is reduced, vouchers are distributed, or subsidies are made available (Bettina, 2017; Mazambani and Mutambara, 2018; Asah and Ngolle, 2022). Courbage (2021) found that there is a correlation between the price of products and the demand for microinsurance in Kenya through his research that he conducted in that country. Pricing of products is a big component that goes into the underwriting of micro insurance products, and the demand for these products can only be determined if the target market actually purchases the micro insurance products that a certain company has to offer. Chiu (2017) discovered that when there is minimal underwriting, insurance companies suffer high expenses and a small pool of insured risk. Pascal (2019) argues that there is a negative relationship between the break-even premium and the portfolio size. He notes that this relation suggests that one can either raise the premium and/or, as a result, limit access by the poor, or one can increase access by keeping the premium low and reach the uptake level. Pascal's argument is based on the fact that there is a negative relationship between the two.

According to Dayour et.al (2020), one's level of income has a direct bearing on whether or not they will find it feasible to pay for an insurance premium. Nevertheless, the ability of households with low incomes to meet the expense of insurance services is not only related to one's level of income, but also the appropriate control of their financial wealth has a significant impact on the extent to which they are able to obtain micro insurance. This is because insurance companies charge higher premiums for households with lower incomes (Mutua, 2017). According to Asmare and Worku (2018), a higher level of income does not automatically result in a lower rate of poverty. Instead, the attention should be placed on ensuring long-term sustainability through delivering goods that boost people's overall wealth and ensure a stable income. It is also likely that this is a reflection of the fact that household earnings allow them to handle risk exposures using other means. According to Bettina (2017), the impact of micro insurance can be attributed to the provision of modest loans to boost income and a sustainable income level in order to assist the poor in making plans and saving money for unanticipated crises and shocks. Without microinsurance, people will only be able to focus on endeavors that involve a low degree of risk and do not produce higher returns, but do produce an income level that is sufficient for them to support their families (Uddin, 2017).

Namugenyi (2019) conducted a research study to investigate the factors that influence the number of people in Uganda who have microinsurance policies. These factors included socioeconomic and demographic factors such as gender, education level, size of household, level of income, awareness on insurance, trust in the insurer, and age of the respondents. Other factors included the size of the household, level of trust in the insurer, and trust in the insurer. In the Wandegeya market located in the Kampala area of Uganda, primary data was collected from a total of 120 people who were at least 18 years old. STATA was used to do the analysis, which consisted of frequency distribution and logistic regression. According to the findings of the research, the uptake of micro insurance was directly influenced by factors such as income level, household size, awareness about micro insurance, and the appropriateness of micro insurance products for the clients. The outcomes of this research indicate that there is a requirement to raise public knowledge of microinsurance in order to facilitate an increase in the number of people who purchase microinsurance policies. Microinsurance solutions have to be tailored to the requirements of those with low incomes if they are to be successful. It is necessary for the government to step in and provide financial assistance to insurance companies in order to ensure that low-income people have access to sufficient microinsurance coverage.

Odenyo (2018) carried out a study project with the objective of identifying the factors that influence the level of adoption of microinsurance in Kenya. In this study, a descriptive research approach was utilized, and a self-administered questionnaire was used to gather data from a total of 24 senior and intermediate level managers working for the targeted insurance companies. According to the findings of the study, factors that affect the penetration of microinsurance include a low level of income among the target market, a perception by the target market that the insurance process is generally complex, and limited distribution channels and branch networks among microinsurance providers in Kenya. Based on the findings of the study, it was advised that due to the low information on insurance products, there is a need for a comprehensive and well-coordinated education on insurance to be delivered to the target market. Doing so will solicit the support of donors and the central government.

In Cameroon, Médard and Rodrigue (2021) conducted a research study with the purpose of determining the factors that contribute to the demand for microinsurance in the country. The data used in the study came from the Fourth Cameroon Household Survey (ECAM4), which was carried out by the Countrywide Institute of Statistics (NIS) in 2014. The survey had a national coverage and was completed in 2014. The findings make it feasible to discover major elements that have a favorable correlation with membership in an association and subscription to a microinsurance policy. [Citation needed] These are things like a person's level of education, their age squared, and the size of their home. On the other hand, the findings indicate that factors such as male gender and the age of the household head have a significant and unfavorable influence on membership and subscription. In addition, the number of microinsurance policies purchased by household heads is positively connected to male gender, age squared, household size, and insurance premiums. In conclusion, the number of microinsurance policies acquired has an inverse relationship with both one's age and the degree of education attained. These findings, which were obtained in the context of poverty, call for a variety of activities to be taken by public authorities in order to promote microinsurance as a means of obtaining universal social security protection.

In Kisii County, Kenya, Muthoga et.al (2018) conducted a study with the objective of determining the factors that influence the level of micro insurance penetration among those with middle-income and low-income jobs. The research design that was decided upon was a descriptive survey. The target audience was comprised of the 17 insurance companies that had branches in Kisii County. It is anticipated that each of these companies had 10 sales executives and 1 manager. The strategy of purposeful sampling was utilized. According to the results of the study, there is a statistically significant connection between the independent variables—distribution channels, professional sales training, and government regulations—and the dependent variable—penetration. According to the findings of the study, many stakeholders should work together to ensure the successful implementation of initiatives that will address the multiple issues that were identified as the root causes of low insurance penetration.

The purpose of Ntukamazina et.al (2017) study was to investigate the obstacles that stand in the way of the widespread adoption of the yuCover micro-insurance program in Kenya. A descriptive survey is the type of research design that was utilized for this particular investigation. The population of the study consisted of yuMobile subscribers, while the accessible population was comprised of 2,000 yuMobile members who were randomly selected from the whole population of yuMobile subscribers and then stratified according to the location of the relationship centers. In order to collect quantitative data, a semi-structured questionnaire was utilized, while interviews were used to collect qualitative data. According to the findings of the study, there are a number of main factors that can explain the current low levels of micro-insurance acceptance and penetration in Kenya. These factors include trust, product design, literacy and knowledge, and demographics. The study also discovered that the current regulatory framework could not be related to the current low rates of micro-insurance because it was positively contributing to the uptake of insurance services. This was one of the findings that was uncovered by the research.

Njogu (2019) conducted a study with the purpose of determining the impact that cultural influences have on the percentage of people in Kenya who have insurance. A descriptive research methodology was utilized for the study, and a questionnaire was used to collect primary data for the investigation. The data used in the study was utilized in the study. The current and prospective customers of insurance companies located inside the Central Business District of Nairobi were the focus of the research, and a total of one hundred people participated in the study. The secondary data came from a variety of sources, including the internet, books, and journals. The conclusion of the study, which was based on the findings, was that religion had a detrimental effect on the number of people in Kenya who have insurance. The data also suggested that cultural norms and attitudes in Kenya had a detrimental effect on the number of people who purchase insurance policies. Further, it was possible to draw the conclusion that cultural attitudes and values in Kenya have a detrimental impact on the number of people who purchase insurance policies as a result of those findings. The study also came to the conclusion that the language that is used by insurance sales representatives in Kenya has a detrimental effect on the amount of people who purchase insurance there. The final finding of the research was that a lack of knowledge has a detrimental effect on the number of people in Kenya who have health insurance. According to the findings of the study, the Insurance Regulatory Authority ought to encourage insurance companies to educate the general public on a consistent basis with the advantages provided by the many different types of insurance products now on the market.

From a study by Ngera, (2018) the amount of people who purchase microinsurance products is affected by a number of different factors. In this context, "factors" refers to "risk exposure," "culture," "personal traits," such as "gender, age," and "education level," as well as "wealth," and "product quality." The demand for microinsurance is severely impacted by cultural factors such as ideas, attitudes, and taboos. In addition, the amount of income, the size of the household, the customer's degree of knowledge of micro insurance, and the suitability of micro insurance products for the customer all have a direct influence on the uptake of micro insurance. A low level of income among the target market is one of the factors that affects the uptake of microinsurance. Another factor is the target market's perception that the insurance process is generally complex. Finally, limited distribution channels and branch networks of the microinsurance providers are also factors that affect the uptake of microinsurance.

METHODOLOGY

A desktop methodology was employed in the investigation. Unlike fieldwork, desk studies do not need travel to the field site(s). Desk research is less expensive than field research because the executive's time, phone charges, and directories are the key costs. These findings were drawn from previously published studies. This secondary material was easily accessible thanks to online journals and the library.

RESULTS

The findings were organized into a variety of research gap categories, including methodological gaps and knowledge gaps.

Knowledge Gaps

Studies by Namugenyi (2019), Odenyo (2018), Médard and Rodrigue (2021), Muthoga et.al (2018), Ntukamazina et.al (2017) and Njogu (2019) had a knowledge gap. In addition, they did not establish factors influencing the uptake of micro insurance products. Therefore, the current study seeks to address these knowledge gaps.

Methodology gaps

Studies by Assefuah et.al (2020), Dayour et.al (2020), Courbage (2021), Asmare and Worku (2018), Namugenyi (2019), Odenyo (2018), Médard and Rodrigue (2021), Muthoga et.al (2018), Ntukamazina et.al (2017) and Njogu (2019) had methodological gap. In addition, all the mentioned studies did not employ desktop review methodology. Therefore, the current study seeks to address these methodology gaps.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Microinsurance products uptake is influenced by a variety of factors. Such factors include cultural, personal attributes (such as age and education), wealth and product quality and risk exposure. The demand for microinsurance is hampered by social norms and attitudes. Micro insurance uptake is also influenced by factors such as income, household size, and knowledge and suitability of micro insurance products. The low-income level of the target market, the target market's general perception of the complexity of the insurance process, and the limited distribution channels and branch networks of the microinsurance providers all affect the uptake of microinsurance.

Recommendations

According to the findings, insurance companies should increase their efforts to educate customers about the benefits of microinsurance services. The low-income earners should be able to pay their insurance premiums in a way that is convenient for them. It is important that low-income individuals have access to credit in other forms such as insurance premium financing. Government subsidies are needed to ensure that low-income individuals have access to adequate micro insurance coverage. The study also suggests that various stakeholders work together to ensure the implementation of strategies that address the various causes of low insurance penetration that have been identified.

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