



Insurance awareness and business success

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Abstract: *This study was conducted with an aim of establishing the interaction between business insurance awareness, insurance practices in business as well as business success and continuity in Uganda. This study was carried out using the cross-sectional research design. Data collection was carried out using a questionnaire approach to capture information related to awareness of insurance policies and specifically business insurance policies. Information in relation to business success in the market area was also collected. The data was collected from a total of 197 respondents out of the sample size of 201 respondents selected for the study representing 98% response rate for this study. Analysis was carried out using SPSS package. Specifically the analysis was focused on regression analysis, correlation analysis and descriptive analysis to properly respond to objectives of the study. Findings indicated that business success and continuity in Uganda is majorly influenced by the actual insurance practices carried out. Awareness of existence of insurance services in Uganda is also considered influential towards business success though not directly. The influence of the latter is reported to be through the intermediation of the actual practice of buying and using insurance policies in the businesses operating in Uganda. Basing on these findings therefore, it is recommended that the business managers and owners in Uganda shouldn't stop at being aware of the existence of insurance companies and their services. There is need for these business people to move an extra mile and use the services of insurance companies so as to reap the benefits that come with the insurance services in business operations.*

INTRODUCTION

Insurance industry in Uganda has a very low penetration level. Basing on the latest records in relation to insurance penetration in Uganda, the industry boasts of only 0.85% penetration level in Uganda. This is based on the 2013 survey which is reported not to have changed to date (Uganda Insurers Association, 2016). This low penetration is further reported amidst growing business activities in the private sector (Adengo, 2016).

Considering the purpose of insurance in business and daily life, it is expected that the growth in business activities in Uganda could be in line with growth in insurance activities especially business insurance. According to Adengo (2016), insurance business in Uganda is expected to grow by 8.2% in this financial year. This anticipation further indicates the possibility of a linkage between growth in the private sector business and growth in insurance business in Uganda. The need to establish this linkage formed the main purpose of this study leading to presentation of this paper.

THEORETICAL REVIEW

Business insurance is a sub-component of general insurance services that mainly targets business entities. Business entities are required to be protected against a number of issues including fire, theft and even court hearings in case of any contract performance gone bad. This is mainly in relation to professional liability insurance requirement which is increasingly becoming important in Uganda. For all these cases, insurance companies are expected to come in to

leverage the situation (Australian Associated Motor Insurers [AAMI], 2012).

To better understand the situation of insurance in Uganda, a review of related countries was considered necessary. These are countries classified as developing countries based on the level of economic development in these countries. In developing countries, insurance practices are most times not well understood. Businesses struggle to survive without the slightest idea of hedging against any risks other than the ones those owners can handle on their own (Making Finance for Africa, 2011; Cummins & Mahul, 2009; Villalobos, 2013). This reflects high degree of protectionism by business owners and trust in their financial strength that is mainly found in most of the developing countries.

Most times, a business person starts a business well knowing that there are possibilities of making profits or losses. Both ends are accepted right from the beginning of a business. This is considered to be one of the main reasons that business people become reluctant to even want to know that there is indeed something called insurance that could protect their businesses in case any risk could affect their business severely (United Nations Conference on Trade and Development, 2001).

Capital requirement is also considered as a hindrance to getting an insurance policy. Most businessmen in developing countries do not have enough money they consider to be capital. Additionally, this capital is subjected in a number of demands as a business gets started and progresses. Especially in the first few months of its start as a



business person tries to recover from huge capital investments, it becomes hard to sink more money into insurance. This is further affected by the fact there is no immediate effect that these business people see by putting money into insurance (United Nations Conference on Trade and Development, 2007).

Considering the aspect of effect, most business people in developing countries are reported to have little knowledge related to running a business in modern times where some risks can be hedged. Most of these people run their businesses as SMEs making it quite hard to get all the necessary information for successful management of their businesses. This puts a challenge in the business especially if the environment is ranked as a risky one (Adibe, Udeogaranya, & C.M, 2011; Villalobos, 2013).

Considering Uganda as a case study representing developing countries, there are so many cases reported in relation to low insurance penetration. According to the Insurance Regulatory Authority (IRA), as of 2013 it licensed 22 insurance companies and 29 brokerage firms to provide both life and non-life insurance services to the public and compete for a limited market of 0.65% of GDP, (IRA Annual Report, 2013). Reports from IRA indicate that most of the insurance companies in Uganda concentrate on motor vehicle insurance, health insurance and life insurance. Insuring business activities has been a hard thing to do for most of these insurance companies existing in Uganda. This therefore means that most of the private businesses existing in Uganda don't take out a business insurance policy against any possible loss in relation to its operations, as revealed by the low penetration rate of less than 1% compared to the other East African countries, (Research and Markets, 2013).

Awareness of insurance activities is also another hurdle that is cited in Uganda. Most of the people operating in Uganda as business men, do not know whether there could be insurance for their businesses. This lack of awareness of existence of insurance services that can be specific for businesses has made the business people consider it unnecessary to have insurance policy for their businesses (Research and Markets, 2013). This trend is reported to be even more serious for businesses operating outside the capital city, Kampala.

Following the market forces of demand and supply, most of the insurance companies in Uganda have resorted to offering insurance policies that are mostly demanded by the consumers in the market. Most of these are reported not to be business insurance policies, (Ssempijja, 2012). In the course of their operations, the insurance companies have been reported to have a problem paying clients when they [clients] make claims against the insurance policies they bought. Though these kinds of claims are against policies other than business insurance policies, the tendencies of insurance companies failing to honor their promises and

make payments against a claim has made many business people consider insurance as some form of theft. This has made many people buy only the mandatory insurance policies ignoring the optional policies. This could also be as a result of the types of businesses that are operated in Uganda, (Waiswa, 2013).

Considering the businesses operating in Uganda, most of them are in the category of Small and Medium Enterprises (SMEs) that depict similar characteristics of the SMEs as they are known to be globally. With this kind of background, the owners do not find it of paramount importance to spend money into insurance, partly due to not being in position to understand the whole concept of insurance as a risk mitigation strategy. This puts these businesses in a risk though not known to the owners and hence making it hard for them to act accordingly (United Nations Conference on Trade and Development, 2001).

The lack of knowledge of the embedded risks in the business puts Ugandan Business Community at a high risk of a loss. This is based on the fact that Uganda is ranked among the top ten countries in relation to entrepreneurial activities hence it is a country that is very entrepreneurial. There are so many businesses that start up every financial year. Previous research further indicates that most of these businesses that get started do not survive long enough to witness their fifth birthday. So many challenges are reported to form a set of hindrances to these businesses (Bugari, 2008).

Some of the key featured challenges are a set of unplanned destructions that befall many businesses in Uganda. Though the management concept has always been cited as the major cause of business failure, lifting the veil of these managers and looking at their functions, there are things that they cannot be able to guard against in their capacity as managers. This makes it necessary to hedge against probable business risks like accidents which many businesses in Uganda do not consider important. In 2011 for instance, many businesses recorded great losses when most of their operations were shattered through a fire breakout. Millions were lost in the process including important documents that were kept in the business premises (Mukisa & Namono, 2013). The same kind of accident was reported to have taken place in 2013 to a set of other businesses. In all these scenarios, business people are reported not to have found it important to have insurance policies (New Vision, 2013).

To date, many other businesses are reported to be operating still without any insurance policy to guard against any unforeseen accidental circumstance. This situation still poses a risk to these businesses (Mukisa & Namono, 2013; Nduna, 2013). This became the main catalyst for the carrying out of this research study.



METHODOLOGY

The research was carried out using a cross-sectional design. A descriptive approach was considered appropriate to augment the cross-sectional design. Data collection was carried out using a questionnaire approach. Questionnaire forms were sent out to people working in the insurance industry as well as the people in private businesses with an aim of getting a well-balanced outcome of the research process. A total of two weeks was given to the respondents to fill in the questionnaires to allow ample time for them to think through the questions and give credible results.

The targeted insurance companies from which respondents were sought included APA, Excel, FICO, ICEA, NIC, PAX, SWICO, Sanlam and RIO. These have been in existence in Uganda for atleast 2 years by the time the research was conducted. This specification in relation to the age of the insurance companies to be involved in the study was important since they were expected to provide useful information in relation to business insurance practices in Uganda.

Small and mid-sized businesses were also visited to cover the section of the private businesses involved in the study. Majority of the private businesses considered in this study were those classified as Small and Medium Enterprises (SMEs). Some of these are owned by groups of people while others are family based businesses.

Respondents from both SMEs and insurance companies were carefully selected to ensure that they effectively represent the said entities. This was mainly by considering respondents at managerial position who have been working in the entity for atleast three (3) years as managers at the time the research was carried out.

Reliability and validity of the data collection instruments were checked as part of ensuring that the data obtained was good for the study. Results from the reliability and validity tests are presented in Table 1.

Table 1: Results of reliability and validity tests

Variables	CAC	CVI
Business insurance awareness	0.870	0.785
Insurance for business	0.791	0.778
Business success and continuity	0.754	0.727

Source: Primary data

Key: CAC – Cronbach’s Alpha Coefficient

CVI – Content Validity Index

After the data collection exercise, the filled questionnaires were subjected to a screening phase. This helped to reduce wrongly filled questionnaires to pave way for the analysis process to take place.

Three analysis approaches were considered in this study; correlation, regression and descriptive analyses. Descriptive analysis was useful in providing more detailed information in relation to the variables of the study whereas correlation and regression analysis were useful in investigating the possible relationships and influences.

DATA ANALYSIS AND RESULTS

Analysis was carried out using SPSS package for data analysis. The analysis was carried out to respond to the main research questions (and objectives). Results are also presented following the same order. This is highlighted in the subheadings that follow.

Business insurance awareness

Establishing the level of insurance awareness was one of the main issues to be established in the carrying out of this research. The respondents identified in the private sector were considered in this exercise. These respondents were requested to provide their level of agreement to the pre-identified sentences in relation to awareness of business insurance services in Uganda. The insurance companies operating in Uganda and involved in this study were considered useful as check point for respondents from the private sector to refer when responding to questions in relation to awareness of insurance companies in Uganda.

Descriptive analysis was considered to analyze respondents from the respondents from the business community in Uganda. Findings from the analysis exercise are presented in Table 2.

Table 2: Awareness of Insurance Business Activities

	Min	Max	Mean	S. D
These insurance companies work hard to make the public know the existence of its insurance services	3	5	4.63	.525
These insurance companies make aware its insurance products (policies) to its potential and actual clients	3	5	4.24	.846
These insurance companies have sales people who make known its existence and its operations to individuals and companies operating in Uganda	3	5	4.52	.705



These insurance companies have insurance policies that are specific to small and medium term business (SMEs) operating in Uganda	2	5	4.06	.792
These insurance companies make known to the owners of SMEs of its capacity to offer insurance cover to SMEs' assets and operations	2	5	4.15	.815
These insurance companies give guidance to potential insurance customers on how to benefit from the available insurance policies	2	5	4.02	.922
The target of these insurance companies is to have mainly individual insurance customers	2	5	3.03	.730
The target of these insurance companies is to have mainly business insurance customers	2	5	3.05	.760
The target of these insurance companies is to have both business and individual insurance customers	2	5	4.52	.698
These insurance companies get involved in radio talk shows to provide tips on how to buy insurance policies	2	5	3.66	.883
These insurance companies get involved in TV talk shows to provide tips on how to buy insurance policies	2	5	3.56	.866
These insurance companies get involved in both TV and radio talk shows to provide tips on how to buy insurance policies	2	5	3.47	.903
These insurance companies hold seminars and workshops for actual and potential customers to provide insurance awareness to them	2	5	3.29	.913
These insurance companies play a big role in educating customers on insurance plans they should buy	2	5	3.54	.930

Source: Primary data

Basing on the findings in Table 2, insurance companies in Uganda work hard to make the public know the existence of its insurance services especially the business insurance

services (mean = 4.63). This is kind of awareness campaign is reported to cover both potential and actual clients of insurance companies operating in Uganda (mean = 4.24). Additionally, the insurance companies in Uganda have sales people who make known the existence of their companies and their operations to individuals and companies operating in Uganda (mean = 4.52).

Focusing on SMEs, the findings indicate that the insurance companies also make known to the owners of SMEs of their capacity to offer insurance cover to SMEs' assets and operations (mean = 4.15). The insurance schemes are also reported to be specific to small and medium term business (SMEs) operating in Uganda (mean = 4.06). This is in addition to the guidance that insurance company official give to potential insurance customers on how to benefit from the available insurance policies related to business (mean = 4.02).

However, the findings further indicate that the insurance companies in Uganda do not target business customers only. The target of these companies is to have both business and individual insurance customers (mean = 4.52). To indicate their seriousness to achieve this objective, the findings indicate that the insurance companies in Uganda gets involved in radio talk shows to provide tips on how to buy insurance policies of both individual nature and business nature. This move is however averagely supported by the respondents (mean = 3.66). To substantiate the radio talk shows, the TV talk shows are also engaged in (mean = 3.56). These talk shows are in addition to the various seminars and trainings that the Insurance Regulatory Authority conducts on behalf of its members in Uganda.

These findings indicate that the insurance companies in Uganda have been in position to conduct a wide area campaign to make the insurance practices known to people in Uganda. This has been able to improve the growth of services of insurance nature in Uganda. Though the people who use insurance services did not give their comments, the work already done by the insurance companies is a clear manifestation that the awareness campaign in relation to insurance practices related to the best practice has been immensely carried out. This further confirms that in Uganda today, there is awareness of insurance activities as well as the benefits that accrue with having an insurance policy. This is however limited to the business people that interact with the insurance companies since there is limited publicity through radio and TV (mean = 3.56).

Business insurance awareness, insurance for business as well as business success and continuity

This was the second issues considered for investigation in this research. There was a need to establish whether there is a relationship between business insurance, insurance practices for businesses and business success in Uganda. To



be able to establish this, there was a need to carry out correlation and regression analyses. These are further explained in the subsections that follow.

CORRELATION RESULTS

Correlation analysis was carried out to establish existence of and extent to which there is association between insurance awareness, insurance practices in businesses and business success in Uganda. The results from this analysis are presented in Table 3.

Table 3: Correlation Analysis results

	1	2	3
Business Insurance Awareness (1)	1		
Insurance practices in business (2)	.493**	1	
Business Success Continuity (3)	.341**	.535**	1

** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data

Basing on the results in Table 3, there is a very strong association between business insurance awareness and business success continuity in Uganda ($r = 0.341$; $p \leq 0.01$). The strongest of the association as displayed in Table 3 is that between 'insurance practices for business' as a variable and business success continuity ($r = 0.535$; $p \leq 0.01$).

These levels of association are further reported to be positive and significant. This is an indication that improvement in any of the two mentioned variables (*insurance awareness and insurance practices in business*) is associated with improvement in business success continuity in Uganda. This is an important finding for business people in Uganda who care about the success of their businesses. An important role played by insurance practices in business in these associations should however not be ignored even when it is a mediating variable. Insurance practices in business as a variable is reported to have the strongest association with business success continuity.

The results in Table 3 also indicate that there is association between insurance practices in business with insurance awareness. According to the findings, there is a strong association reported between insurance awareness and insurance practices in business ($r = 0.493$; $p \leq 0.01$). The findings further reveal the existence of mediation effect as revealed by the strong association between insurance

awareness and insurance practices in business ($r = 0.493$) as well as between insurance practices in business and business success continuity ($r = 0.535$). These two associations are quite higher than the direct association between insurance awareness and business success continuity ($r = 0.341$).

REGRESSION RESULTS

Regression analysis was carried out with main interest of determining the level of influence insurance awareness onto business success continuity. The mediation effect was also expected to be established further through the regression analysis results. The results from this analysis are presented in Table 4.

Table 4: Results from regression analysis

	Beta	t	Sig.
(Constant)		14.571	0.000
Insurance awareness	0.087	1.184	0.238
Insurance practices in business	0.473	6.585	0.000
Dependent Variable:	Business Success Continuity		
R:	0.544		
R-Square:	0.296		
Adjusted R-Square:	0.285		
F-Statistics	26.891		
Model Sig:	0.000		

Source: Primary data

Findings in Table 4 indicate that only insurance practices in business as a variable is the significant predictor (influencer) (Sig = 0.000) of the business success continuity. This is with a Beta Value of 0.473. The other variable is reported to be an insignificant predictor of business success continuity. Awareness of business insurance is reported as an insignificant predictor of business success continuity with significance level of 0.238. The Beta Value for awareness of business insurance is also reported to be low at 0.087.

Regardless of the un-favorable outcome of the results on the side of the expected influence of the business insurance awareness, a combination of the independent variable (*business insurance awareness*) and the mediating variable (*insurance practices in business*) are reported to influence



up to 28.5% of the changes in business success continuity in Uganda. Their influence is further portrayed to be very significant basing on the Model Significance of 0.000.

Considering the nature of relationship hypothesized earlier, it is obvious that insurance practice in business is the only variable with the significant influence onto business success continuity. However, basing on the same hypothesis, this variable is reported to be a mediating variable. Basing on this, there could be a possibility that business insurance awareness could still be able to influence business success continuity through the insurance practices in business. This possibility led to another regression analysis to be conducted to test whether business insurance awareness could have influence onto insurance practices in business. Results from this analysis are displayed in Table 5.

Table 5: Regression analysis results – mediation effect

	Beta	t	Sig.
(Constant)		7.476	0.000
Business Insurance Awareness	0.377	5.489	0.000
Mediating Variable:	Insurance practices in business		
R:	0.538		
R-Square:	0.290		
Adjusted R-Square:	0.282		
F-Statistics:	39.346		
Model Sig:	0.000		

Source: Primary data

Findings in Table 5 indicate that indeed the independent variable (*business insurance awareness*) influences business success continuity through insurance practices in business as a mediating variable. This is an indication that awareness of the existence of business insurance by the business community cannot directly influence or predict the business success continuity. The prediction (and or influence) becomes a reality only if there is some level of business insurance practices that the business community gets engaged in after becoming aware of the existence of the same. Insurance practices in business thereafter influences business success and continuity.

The results in Table 4 are therefore dependent upon the results in Table 5 which indicate that business insurance awareness influences insurance practices in business

significantly at significance level of 0.000. These results complement the results that were earlier obtained from the results of correlation analysis.

Results from the regression analysis therefore indicate that business insurance awareness influences insurance practices in business (Table 5). In turn insurance practices in business influences business success continuity as displayed in Table 4. This further indicates that the independent variable cannot have a direct influence onto the dependent variable. Its influence can only be felt through the mediating variable.

CONCLUSION AND RECOMMENDATION

Results from analysis indicate that business success in Uganda can be enhanced by the presence and awareness of existence of business insurance services. This is however only possible if such services are sought by the business people. The influence is however reported to be low meaning that insurance practices in Uganda influence less than 50% of business success and continuity in Uganda. This is further attributed to the low penetration of the insurance services in Uganda. Though low, the reported influence has been able to respond to the main research question in relation to the influence of awareness of existence of insurance services and actual insurance practices onto business success and continuity in Uganda. Additionally, the findings give hope that the business community is willing to embrace the insurance services for their businesses as long as there is assurance that the business community will not get a feeling of being cheated especially when they need fulfilment of the filed claims. Fraud in the claiming process also needs to be curbed in the process so that the business community can be convinced of the rebranded insurance service provision in Uganda.

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