

Third-Party Agency, A Remedy for Promoting Insurance Products and Services among Low-Income Earners in Rural Areas in Lagos State, Nigeria

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ABSTRACT

This research work considered the possibility of using third-party agency, as a remedy for promoting insurance products and services among low-income earners in rural areas. Attention was given to the dwellers of Ikorodu area. Questionnaire was used to solicit data from the respondents, and the data was analysed with the aid of Logit Binary Regression Model. The study revealed that poverty and illiteracy are the main mitigating factors impairing the growth of insurance services among the rural area dwellers. This paper concluded that if promotion; development and growth of insurance in the rural area is desired, third-party agents through the operation of insurance POS stands; and insurance of small products and businesses should be marketed among the rural dwellers.

Keywords: Third-party Agency, Insurance Products and Services, Low-income Earners, Rural Areas

1.0 INTRODUCTION

The insurance departments of a financial institution operate to compensate an insured in the event of a loss. The insurance business must offer its services to rural areas in the context of modern culture. Furthermore, the Nigerian populace has not let the insurance sector to occupy the proper space in the nation's economy (Rather & Sharma, 2020). Insurance services are necessary for economic growth (Mukhtar, 2019). Life and non-life policies, as well as other insurance-related products and services, are offered to the general public by insurance companies. The insuring public includes all individuals, social groups, unions, associations, and organisations.

The ignorance and disregard for insurance services are significant obstacles to the growth of the insurance business in Nigeria. Due to the fact that most rural populations operate small- to medium-sized enterprises (such as subsistence farming, fishing, making

palm wine, and hunting), it is challenging for them to secure insurance to protect themselves against potential losses. Additionally, because of their physical limits and a lack of infrastructure, rural dwellers in the country's rural areas must deal with commercial challenges that are also highly particular to them (*Punch*, 2021).

Rural areas have barriers to the growth and expansion of the industry due to poverty and the high percentage of illiteracy (Ahmad, Batul, & Saleem, 2021). For instance, the sector would do well to address the inherent challenges rural inhabitants have when attempting to obtain insurance services at a reasonable price, or the premium, to improve their effectiveness, efficiency, and profitability by starting awareness campaigns and cultivating goodwill. Insurance companies must also respond rapidly to disputes (Mokomane, 2019).

In rural communities in Nigeria, this research assessed how well insurance services performed. In this study, two important research issues were covered: (1) Why do illiteracy and poverty restrict the growth of the insurance industry in rural areas? (2) To what extent are third-party organisations able to assist in the promotion of insurance services and goods to low-income people in rural areas?

2.0 LITERATURE REVIEW

The bulk of insurance companies have overlooked the poorest neighbourhoods ever since insurance programmes were formed. According to Kiviat (2021), as the poor are compelled to acquire insurance on their own owing to survival concerns, the demand for insurance has an effect on the lack of access to credit facilities in the context of an uneven mix of future and present income levels. Deplorable social and cultural circumstances have also had an impact on the need for microinsurance. As a result, insurance companies should develop micro-insurance products to enhance insurance penetration in rural areas (Atiase, 2020).

For individuals who reside in rural regions, insurance companies should develop affordable goods and services (Mazambani & Mutambara, 2021). Fair prices that are based on the customer's income should be charged for low-cost insurance products (Mladovsky, 2020). On rare occasions, the premium may be subsidized and set at a price that is not higher than what buyers are willing to pay (Biener, 2019). However, this plan needs support from the general public in order to become a distance-based insurance policy (Kurylowicz, 2020). Low-income workers at the base of the economic pyramid make up the bulk of microinsurance clients as a result of their frequent income fluctuations and the detrimental effects of disasters on their cash flows (Platteau, De Bock & Gelade, 2020).

Two factors have the greatest impact on the accessibility of insurance services in rural areas of emerging nations. The first is the difficulty of creating a product that is practical and inexpensive for people with lower incomes. The second is the ability to raise enough money to pay current claims in the future (Biener, 2019). Insurance services offered to rural populations should have reduced rates and coverage to make insurance products affordable for people with lower incomes (Partridge & Wagner, 2020). Without help from donors, insurance firms struggle to market affordable health plans. By 2022, the 3% market

in emerging nations for expandable insurance for independently held homes and enterprises would grow to 30% (Hujaimi, Khalaf, & Muslim, 2022).

Insurance promotes economic growth by providing resources for investment and societal advancement through gathered insurance premiums (Miranda & Farrin (2019). Rural micro-finance groups, the majority of which work with low-income individuals, have discovered that rural inhabitants demand access to more than simply loan facilities; they also want other amenities like insurance (Benti, 2021). Microfinance institutions can give micro-insurers the resources they need to create goods that increase access for the poor (Farooqui, 2019). Rural Nigerian communities like Ikorodu in the Lagos State are served by micro insurance. The micro-insurance service unit has been near to rural communities since it first began to function, since residents in rural areas detest commuting from their villages to insurance service centres.

Insurance companies regularly examine and update their pricing for micro insurance in order to decrease the possibility that the cost of the policy would be higher than the amount charged or that the low-end market would be unaffordable. Berdine and Gilbert (2021) emphasised the necessity of insurance firms routinely reviewing policy rates, establishing a wide margin for error, and then making changes, either higher or downward, once the claims experience starts to roll in order to reduce the likelihood that premiums received would be less than claims paid. Cummins, David, and Weiss (2020) found anything similar. Management information systems are needed to track how well policy premiums are used to pay claims (Li, Gan, & Hu, 2019).

3.0 METHODOLOGY

This study was conducted within Ikorodu Lagos; this area was considered for the study as rural area (under-developed) in Lagos state. This study adopted a descriptive research design, which is appropriate since it makes distinguishing a significant population from a group of people more straightforward. The data used for the study was collected through questionnaire. The research participants were selected using a purposive sampling technique to ensure that the interviewees were suitable and could provide the data required for the study.

The entire residents of Ikorodu local government were considered as the population, which is infinite. The rural areas where the study was conducted were Mowo Kekere; Mowo Nla; Agbowo; Agura; Elepe; Abule Eko; Igbe; Imota; Ofin; Igbogbo; Bayeku; and Ibese. However, for the purpose of this study, the population of the study consisted all residents who are adults in those areas. To ensure that the research instrument is well understood and interesting to the respondents, the questions were made simple and answers expressed in binary form.

On the day the research instrument was administered, 102 respondents were given the research instrument and answered the questions on the questionnaire on the spot. The data collected from participants through questionnaire was analysed using Logit Binary Regression Model. One of the main advantages of content analysis is that it facilitates the reduction and simplification of the information acquired while simultaneously producing

results that can be quantified. To ensure validity, this survey was monitored. The core data comes from information gathered from residents of rural areas. Out of the 102 respondents, 90 of the respondents are SME operators while others are employees of different organisations. 67% of the participants were male and 33% were female. The participants were assured of privacy and confidentiality in reporting the data collected. This is necessary to ensure good research ethics and encourage the participants to data for the study.

3.1 DATA ANALYSIS

Table 1: Showing administered, returned and non-returned questionnaires

	Freq.	%
Administered	102	100%
Return	98	96.43
Discarded questionnaire with unanswered questions	4	3.57

Source: Researcher's Computation

The data used for this study is presented in tables, graphs, frequency and percentage.

Table 2: Gender of Respondents

Sex	Freq.	%
Male	66	67
Female	32	33
	98	100.00

Source: SPSS Output

Table 3: Employment Status

	Freq.	%
Operate Small Business	86	88
Employee	8	8
Unemployed	4	4

Source: SPSS Output

Table 4: Poverty, illiteracy and the growth of insurance industry in rural areas.

Items	Mean
• Awareness of Insurance policies for Household items	0.47
• Awareness of importance of insurance	0.57
• Do you know where insurance products are sold within Ikorodu area?	0.11
• Do you ever see the need to buy insurance products	0.11
• Have you ever read and understand the content of an insurance policy before?	0.47

Source: Field Survey (2023).

Result from Table 4 shows the mean (average) value of response from the respondents. The result shows that the mean value of awareness of insurance policies for household items is 0.47. This implies that less than half of the respondents are aware of insurance policies for their household products. Similarly, the table shows that only about half (mean = 0.57) are aware of the importance of insurance policies. The table revealed that most of the residents of Ikorodu area do not know where to buy insurance policy in their locality (mean = 0.11). In the same light, most of the residents of Ikorodu do not have personal conviction that they needed insurance policy (mean = 0.11). Less than half of the respondents (mean = 0.47) have seen insurance policy before, read but do not comprehensively understand the content of the policy. This category of respondents perhaps might be the car owners/drivers that government compelled to own an insurance policy for their vehicles. Aside that, none of the respondents has any other insurance policy.

Table 5: Third-party agency and the promotion of insurance products and services among low-income earners in rural areas

Items	Yes		No	
	Freq.	%	Freq.	%
Insurance policies should be sold very close to residents	69	70	29	30
The same way banks operate POS agents, insurance company should try to apply same modality	74	76	24	24
Insurance company should employ agents to sell their products	80	82	18	18
Educating the public about the importance of insurance policies	89	91	9	9

Source: Field Survey (2023).

Table 5 shows that 70% of the respondents agreed that insurance policies should be sold very close to residents. 76% of the respondents agreed that the same way banks operate POS agents, insurance company should try to apply same modality. The opinion of 82% of the respondents agreed that insurance company should employ agents to sell their products, and 91% of the respondents agreed that educating the public about the importance of insurance policies is essential to promoting insurance patronage.

Table 6: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	-44.124 ^a	.797	.774

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

b. Dependent Variable: Promotion; development and growth of insurance

Source: SPSS 25 Output

Table 7: Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Poverty	-3.141	3.212	2.211	4	.001	34.111
Illiteracy	-4.141	3.221	3.321	4	.001	15.214
Insurance POS stands	2.251	2.011	6.341	4	.009	5.214
Insurance of small products and businesses	1.142	5.141	2.554	4	.001	6.641
Third-party agent	7.910	2.221	1.241	4	.007	3.240
Constant	6.141	22.117	5.141	4	.001	7.321

a. Variable(s) entered on step 1

Source: SPSS 25 Output

The study revealed that poverty; illiteracy; insurance POS stands; insurance of small products and third-party agent can explain promotion; development and growth of insurance up to 79%, while The *Nagelkerke* indicated that poverty; illiteracy; insurance of POS stands; insurance of small products/ businesses and third-party agent account for about 77% of promotion; development and growth of insurance. Table 7 revealed that there is negative relationship ($B = -3.141$) between poverty and promotion; development and growth of insurance. This is significant at 5% level of significance ($\text{Sig.} = 0.001 < 0.05$), similarly, illiteracy as a negative impact ($B = -4.141$) on promotion; development and growth of insurance. However, the table shows that if insurance companies can operate insurance POS stands ($B = 2.251$, $\text{Sig.} = 0.009$); insurance of small products and businesses ($B = 1.142$, $\text{Sig.} = 0.001$) and third-party agent ($B = 7.910$, $\text{Sig.} = 0.007$), there will be significant improvement in promotion; development and growth of insurance in the rural area.

4.0 CONCLUSION AND RECOMMENDATIONS

This research work considered the possibility of using third-party agency, as a remedy for promoting insurance products and services among low-income earners in rural areas. Attention was given to the dwellers of Ikorodu area. This paper concluded that if promotion, development and growth of insurance in the rural area is desired, third-party agent through the operation of insurance POS stands; and insurance of small products and businesses should be marketed among the rural dwellers.

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