

Analysis of Factors that Enhance Insurance Penetration in Rural Areas in Imo State Nigeria

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ABSTRACT

This study examined the factors that enhance the insurance Penetration Rates in rural areas of Nigeria. Enhancing insurance penetration has been the target of the insurance regulatory body and ascertaining the factors that propel insurance penetration is one way of achieving this objective. This study set out to identify the factors by sampling two rural areas from Owerri, Orlu and Okigwi. Specifically, 180 respondents spread proportionately to the rural areas in Owerri, Orlu, and Okugwe zone were sampled. Their opinions and responses were coded using the Likert scale and subjected to statistical analysis of the Pearson correlation coefficient and t-test of significance. We found that prompt claims settlement, increased level of awareness and knowledge about insurance, government regulations, and economic conditions have a high relationship and significantly enhance insurance penetration in rural areas of Nigeria. The conclusion was that the government through the National Insurance Commission should enact laws that will make every class of insurance compulsory and make claims settlement a top priority for the insurance industry in Nigeria.

Keywords: Insurance, Insurance Penetration, Rural Areas, Awareness, Claims Settlement.

1.0 INTRODUCTION

The insurance penetration rate is the amount of insurance premium in a country expressed as a percentage of the Gross Domestic Product (GDP). The higher the penetration rate, the more developed the insurance market (Alhassan, & Fiador, 2015). In

other words, the insurance penetration rate measures the growth of insurance premiums vis-à-vis the growth in the GDP.

Insurance is an arrangement made to provide a financial guarantee to persons that may suffer from the happening of specified events. In its modern scientific perspective, it is a contract between two persons namely the insured and the insurer, whereby the insured pays a relatively small amount of money known as a premium to the insurer who undertakes to pay the sum insured or its equivalent if the insured events happen within the contractual period and in accordance with the terms of the contract. Akinlo (2017) stated that insurance is critical to financial and economic development because it pools risks and reduces the impact of large losses, thereby encouraging new investment, innovation, and competition.

In Nigeria, the modern insurance business was introduced by British trading companies in 1879. These traders brought finished goods to Nigeria and in exchange took away raw materials such as cocoa, groundnuts, tins, coals, palm kernels, cashew, nuts, and so on for which they required some form of insurance against the peril of the sea, and other fortuitous events (Okonkwo, 2018). Agency arrangements were the practice until 1921 when a fully-fledged insurance company was established: The Royal Exchange Insurance Company. Many foreign and indigenous insurance companies were subsequently established. However, it was in 1958 that the first indigenous insurance company was established in Nigeria (Okonkwo, 2012).

Ever since the establishment of the insurance business in Nigeria, the industry has continued to improve on its relevance and delivery capacity of protecting the patrimony of the nation and its citizens. Capacity building has been promoted by the National Insurance Commission (NAICOM), the Chartered Insurance Institute of Nigeria, and some tertiary institutions in Nigeria. Several insurance laws and regulations have been enacted, amended, and updated; the regulatory body has consistently championed innovations to deepen the activities of the industry through yearly directives and reorganisation of its structure to ensure supervision and regulatory performance in line with the global best practice. While the insurance penetration rate seems not to be growing deeper every day, many persons are taking insurance covers to protect their insurable interests, and with the current level of public awareness about insurance, insurance will soon become a household name in Nigeria.

Notably, the development and growth of insurance services in rural areas are hampered by poverty and the high percentage of illiteracy (Ahmad, Batul & Saleem, 2019). Biener (2013) identified two main factors that influence the provision of insurance services in rural areas in emerging nations. The first factor is the difficulty in creating a product that is inexpensive and reasonable for those with lesser earnings. The second is the ability to raise enough money to pay for upcoming claims. Insurance services offered to rural dwellers should have lower premiums and coverage to create affordable insurance products for those with lower incomes. Insurance penetration in rural areas of Nigeria is very minimal and their service is restricted to a few well-off individuals and companies in urban

areas. Against this background, this study, therefore, investigates the salient factors that enhance insurance penetration in rural areas of Imo State.

1.1 Statement of the Problem

The problem of low insurance penetration has become endemic in the insurance industry in Nigeria that the National Insurance Commission has advanced several working mechanisms aimed at enhancing insurance penetration, especially in rural areas. One of such is the rollout of retail insurance known as Takaful insurance in the North and the Business insurance scheme launched recently in 2021. However, Oworen (2020) held that the level of knowledge, and awareness about insurance remains low in Nigeria. Thus, the problem this study tries to understudy is what other factors can enhance insurance penetration in Nigeria.

It has remained unknown as to the extent to which claims payment, the attitude of insuring the public and the policies of the government have enhanced insurance penetration in Nigeria. Previous studies looked at this problem unilaterally from the point of view of insurers only but this present study looks at the topic from a tripartite perspective i.e. insurance industry, insuring public, and the government. Thus, we ask the pertinent question: To what extent have prompt payment of claims, level of awareness and knowledge of insurance, government policies, and economic conditions affected insurance penetration in rural areas in Nigeria? This is the main problem that this present study seeks to solve.

1.2 Aim and Objectives of the Study

The main aim of this study is to analyse the factors that enhance insurance penetration in rural areas in Nigeria using selected rural areas in Imo State as a case study. Specifically, the specific objectives are to:

- i. Determine the extent to which prompt claims payment has enhanced insurance penetration in rural areas in Imo State;
- ii. Ascertain the level of knowledge and awareness of the insuring public about insurance products and services and whether this has influenced insurance penetration in rural areas in Imo State;
- iii. Analyse the extent to which government regulation has enhanced insurance penetration in rural areas in Imo State ;
- iv. Investigate whether economic conditions enhance insurance penetration in rural areas in Imo State.

The time scope is this year 2023. The variables scope includes prompt payment of claims, knowledge, and awareness of insurance, government policies, and economic conditions while insurance penetration is represented with a rating scale that measures insurance penetration as shall be seen later in this study. The geographic scope of this study is six rural areas selected randomly and purposively from the three geopolitical zones in

Imo State, i.e. two rural communities each from the three geopolitical zones form the geographic scope.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Concept of Insurance

Insurance is considered one of the most effective means of reducing the vulnerability of the poor to the impacts of disease, theft, violence, disability, and other hazards. Insurance protects against unexpected losses by pooling the resources of the many to compensate for the losses of the few, the more uncertain the event the more insurance becomes the most economical form of protection (Brown & Churchill, 2019).

The primary function of insurance is to act as a risk transfer mechanism, to provide peace of mind, and protect against losses. In the developed world, insurance is part of society, such that some forms of cover are required by law. In developing countries, the need for such a safety net is much greater, particularly at the poorest levels where vulnerability to risks is much greater and there are fewer opportunities available to recover from a large loss (Brown & McCord 2000).

Since insurance is a financial service, a reverse of this undesirable trend in developing economies must therefore involve the implementation of a strategy that will increase insurance penetration with an impact on financial inclusion and economic development.

Concept of Insurance Premium

The insurance premium is the price a person pays for the insurance protection. It is the price payable by the insured to the insurers for the financial guarantees. The amount of premium charged for insurance coverage is expected to make economic sense. In other words, it should be high enough to cover future claims on the pool of risks and expenses including commissions to the insurance intermediaries while still making a profit. It ought to be an amount the insured is willing to pay and must be substantially below the sum insured (Okonkwo, 2016; Okonkwo, 2018).

The insurance premium can be described as gross or net premium income. It is gross premium income when the entire amount collected from the insured is referred to; and net when the commission due to the intermediaries has been deducted from the gross premium income, the balance is termed net premium income. In this paper, the gross premium income is generally adopted as the total premium income of all the classes of insurance underwritten in the Nigerian insurance industry within the period under review unless otherwise stated.

Concept of Insurance Penetration

Insurance penetration is the most convenient tool used in measuring the level of development of the insurance sector of a country (Ojo, 2012). The insurance penetration

rate is the ratio of the total insurance premium of a country to the country's gross domestic product (GDP) (Feyen et.al, 2011). Thus, the insurance penetration indicates the contribution of the insurance sector to the national economy. Hence insurance penetration provides an understanding of the insurance market which is important to the development of a risk profile and tolerance and attainment of regulatory outcomes.

An elaborate conceptual description of the insurance penetration rate was provided by the International Association of Insurance Supervisors (IAIS 2017). The association asserts that the most conventional tool used to gauge the development of a country's insurance market is the insurance penetration rate.

Thus, the increased importance of insurance as a provider of financial services and investment funds in the capital market is especially pronounced in developed economies whereas insurance consumption in many developing countries such as Nigeria is still very low. Indeed, several studies have found sufficient evidence to suggest that the development of the insurance industry is related to economic growth (Davis & Frederick, 2019). Insurance has taken on increasing importance as a means for individuals and groups to manage their income risks (Donaldson, 2020).

Overview of Rural Areas in Nigeria

About half of the people of Nigeria live in rural areas. Densely populated settlements occur along the coast, in the Yoruba-inhabited area in the southwest, and the Hausa- and Kanuri-inhabited areas of the far north (Ojo, 2012). In parts of the Igbo and the Anang-Ibibio-inhabited areas in the southeast and the Tiv-inhabited areas in the central region, settlements consist of dispersed homesteads called compounds. Each compound houses a man, his immediate family, and some relatives. Several compounds make up the village, usually inhabited by people claiming a common ancestor—often the founder of the village.

A more significant number of people have migrated from the southeast to the more industrialized and urbanized western states of Lagos, Oyo, and Ogun or the agricultural western states of Ondo and Edo. Thus, Okonkwo and Okeke (2019) observed that rural-urban migration has affected the penetration of insurance services to the extent that insurance apathy has been built on low-income levels and low participation and interest.

Factors Influencing Insurance Penetration in Rural Areas

Accessibility and prompt payment of claims (Akpan, 2015; Ibok, 2006); level of knowledge, and awareness (Wilson, 2018; Gowon, 2018; Oworen, 2020); level of professionalism and attitudes (Gibbs, 2019); clarity of the insurance policy wordings (Gibbs, 2019); corporate image of the insurance providers (Mordi, 2020) are some factors that affect insurance penetration, especially in rural areas as identified by the various researchers.

Insurance penetration rate plays a vital role in economic growth and development (Nguyen et.al, 2010; Outreville, 2013). Subsequently in a move to increase insurance uptake, and subsequently insurance penetration rate, the Nigerian government launched the

micro insurance guidelines in 2013 (Okonkwo & Okeke, 2019). However, Nigeria, with a GDP of 448.12 billion in 2019 and a population of over 200 million people only have an insurance penetration rate of 0.16 percent in the same year (Hafiz, et.al. 2021).

2.2 Theoretical Review

Micro Insurance Theory

The American International Group (AIG) was one of the first companies to offer micro-insurance and began selling policies in Uganda in 1997. The scheme helped millions of low-income individuals in Asia and Africa to set up businesses and buy houses at the time. Micro-insurance target persons ignored by the mainstream commercial and social insurance providers and individuals who are yet to be served by insurers according to their needs and risk appetite (Akotey et.al, 2013). This means that micro-insurance is not ideal for the poorest of the poor but for the income-earning poor hovering around the poverty line with insurable risk exposures (Kishor et.al, 2013). According to NAICOM (2022), Nigeria has developed the micro-insurance theory and has advanced five micro-insurance schemes in the Nigerian insurance market namely: Life micro-insurance scheme with retirement and savings plans as the main offers; Health micro-insurance schemes provide financial protection against losses that may result from hospitalisation, maternity care, other health care utilisations; Disability micro-insurance which offers financial protection against loss of income arising from partial, total, temporary and permanent disability. ; Failure in agriculture yield and loss of livestock covered by agriculture micro-insurance and Catastrophic schemes which provide financial protection against losses that may arise from natural disasters such as flood, drought and the likes.

Bounded Rationality Theory (Simon, 1947)

The theory of bounded rationality is the idea that when an individual makes a decision, the level of information limits their rationality, the mental limitation of their minds, and the time available to make such a decision. From the perspective of the rational choice model, rationality is absolute and excludes interference caused by the personal characteristics of the decision-maker, because every decision optimises the relationship between goals and means (Anotnio, 2020). In practice, absolute rationality is a difficult idea to implement because of conflict arising from managing goals and means; and other bundles of influences. This creates a loophole for bounded rationality to overshadow absoluteness. Logically, it becomes more appropriate to rather emphasise relative rationality based on the view of Tim (2019). The central idea is that rationality is simply that people respond to incentives (Friedman, 2008).

The desirability of information in decision-making cannot be over-emphasised. In this period of economic uncertainty in Nigeria, consumers practice perceptual vigilance in response to the realities of factors that converge to optimise choice by creating a strong bond between means and goals (action and outcome). In this instance, the incentive becomes a gateway to create a dignifying response from the consumer for an offer.

This improves awareness of insurance benefits making it an incentive for positive rationality which influences the positive perception of insurance. The magnitude of risks in rural areas and the impact on the national economy are large. It requires effective incentives from both government and the industry to address participation, partnership, and cooperation in the provision of protection for the growing number of people in the rural area.

2.3 Empirical Review

Ahmed (2016) summarised the rural insurance marketing practices by life insurance players in India. The research conducted a field survey of the Aligarh and Agra Region of the rural customers to examine their perception and attitude toward buying life insurance products. Using the content analysis technique, the study concluded that Insurers should introduce new products with unique features having some multipurpose benefits at the same time which could satisfy the customers, for example, an Insurance policy in which products can give benefits to insured person and beneficiaries also and at the same with safety and security and as per their religion as in the case of Muslim's customer where they look for "halal investment".

Ndurukia, Njeru, and Waiganjo (2017) assessed the factors influencing demand for micro-insurance services in the insurance industry in Kenya. They adopted a cross-sectional survey design. The target population was insurance service providers in Kenya licensed by the Insurance Regulatory Authority (IRA). The sampling technique was stratified random sampling. The research instrument was a questionnaire. The study concluded that micro-insurance demand is affected by economic and structural factors and that the potential is yet to be exploited. The study recommended that awareness and education be conducted to the intended mass; flexible and convenient payment options be availed; easy access to credit; the regulator put in place a framework for micro-insurance and the government offers subsidies and incentives towards micro-insurance services.

Oteh, Nduka and Oteh (2019) researched deepening insurance penetration and marketing: demographic factors and healthcare insurance acceptability among rural people in Abia state, Nigeria. They analysed the awareness level and cost perception, identified factors that influence or hinder acceptance and tested the relationships between socioeconomic factors and healthcare insurance acceptability. The data source was primary. Data were analysed with descriptive statistics and probit regression. Findings showed that many people lack awareness of healthcare insurance benefits due to a lack of reliable contact/information. Equally, one of the factors that inhibited participation in healthcare insurance was cost and high premium charges. The result of the socioeconomic profile of consumers on healthcare insurance acceptability showed that acceptance was dependent on nearness to healthcare facilities, income, occupation, and medical participation. The study, therefore, recommended the creation of product offerings that address the peculiar needs of rural people and enhances marketing communication that focuses more on assurance and tangible elements as a means of deepening insurance participation.

Garba, Abdulsalam, and Watifa (2020) investigated the factors affecting the patronage of insurance services in Borno state, Nigeria. A sample of four hundred was drawn from the population using quota sampling techniques. Tables, simple percentages and mean were used for data analysis. The result of the study indicated that lack of trust and confidence in insurance institutions, low educational background, low level of income, and ignorance of different types of insurance services among others are the factors affecting patronage of insurance services in Borno state. They recommended that a strong and dynamic marketing strategy will help to reposition insurance industry and enhance the patronage of the general public.

Idowu and Fadun (2022) analysed the effectiveness of insurance products and services in rural Lagos State, Nigeria. They assessed the ability of the Nigerian insurance sector in providing insurance services to rural areas and identified how geographic conditions and lack of infrastructure amenities affect the location of insurance companies. The data used for the study were collected through interviews. The findings showed that rural dwellers' lack of knowledge about the insurance and insurance industry prevents them from engaging in the industry. The findings also showed that non-settlement of insurance claims discouraged rural dwellers from purchasing insurance products and services. The results suggested that the government and the insurance sector should develop insurance products and services to meet the needs of rural dwellers to ensure insurance growth and deepened insurance penetration in Nigeria.

2.4 Gap in Literature

As can be seen from the review of the literature, there are not many studies that have looked at the factors affecting insurance penetration in rural areas. However, there were no such studies that focused on the factors that enhance insurance penetration as it relates to rural areas in Nigeria. Most of the extant literature in this area of study has been done in Kenya and other countries. This present study, therefore, fills this gap by conducting an updated study on the factors that enhance insurance penetration to add to the academic literature in this field of study.

3.0 METHODOLOGY

The study adopted the survey research design, using a questionnaire instrument to generate primary data from selected rural areas. This design is suitable for the work given that it sets out to ascertain the factors that enhance insurance penetration from rural areas. The opinion of rural dwellers is sought to provide an outcome and draw reasonable conclusions (Udeze, 2015; Saunders, Lewis & Thorn, 2019). The population of this study comprises the entire population of rural dwellers in Imo State. The National Population Commission (NPC, 2020) estimated the total rural population of Imo State at 1,606,061. The population spread is as follows: Owerri Zone: 983,000 rural dwellers, Orlu Zone: 420,600 rural dwellers, and Okigwe Zone: 202,461.

A linear regression technique was adopted using the ordinary least square method. The data were coded in SPSS software version 23 based on their Likert scale and sorted

according to the respondents. The data were subsequently analysed using a regression model. The model parameters were evaluated for the goodness of fit using F- statistic, R^2 , Adjusted R^2 , and Durbin -Watson statistic. The hypothesis was tested at a 5% level of significance using p-value and t-statistic. The hypotheses tests were carried out using the coefficients of the independent variables and followed the rule.

3.1 Model Specification

The mode adopted for this study is a linear regression model which sees factors that enhance insurance penetration as the key drivers of insurance penetration. Based on the empirical literature reviewed, we identified four key factors that can enhance insurance penetration and subject them to statistical modeling and analysis. The model is a functional relationship between Y and X:

$$Y = f(X) \dots\dots\dots(i)$$

Where Y is the dependent variable and X is the independent variable.

By replacing X with the factors that enhance insurance penetration and Y with the insurance penetration rating scale, we obtain as follows:

$$INSP = f(PRCS, LOKA, GOVR, ECON) \dots\dots\dots(ii)$$

Where:

INSP = Insurance penetration

PRCS = Prompt claims payment

LOKA = Level of knowledge and awareness

GOVR = Government regulations

ECON = Economic conditions

Putting the functional model in econometric form, we have:

$$INSP_t = \beta_0 + \beta_1 PRCS_t + \beta_2 LOKA_t + \beta_3 GOVR_t + \beta_4 ECON_t + \mu_t \dots\dots\dots(iii)$$

Where:

$\beta_1 - \beta_4$ = Unknown coefficients of the model to be estimated

β_0 = Intercept of the model

t = Period or trend

U_t = Stochastic error.

4.0 RESULT AND DISCUSSION OF FINDINGS

4.1 Data Presentation

Research Question One: To what extent have prompt claims payments enhanced insurance penetration in rural areas in Nigeria?

Table 1: Mean Responses on prompt claims payment and insurance penetration in rural areas of Imo State

S/N	Prompt claims payment	SA	A	D	SD	Mean	Decision
1.	Insurance companies do not pay claims when due	76	54	25	25	3.01	Positive
2.	I have experienced delayed claims payments on my insurance claims	51	96	15	18	3.00	Positive
3.	Many rural areas have no interest in an insurance policy	45	66	34	35	2.67	Positive
4.	Insurance claims will make people buy insurance policies	44	80	31	25	2.79	Positive
5.	If claims are paid on time, many people are not interested in insurance	43	46	44	47	2.47	<i>Negative</i>
	Average Mean					2.79	

**Decision arrived at using 2.50 criteria mean

Table 1 above gives a summary of the responses from the respondents on the influence of prompt claims payment and insurance penetration in rural areas of Imo State. The responses show that insurance companies do not pay claims when due. Many rural areas have no interest in insurance policies. Insurance claims will make people buy insurance policies. Some of the participants have experienced one form of delay or the other in their insurance claims. They also opined that if claims are paid on time, many people will be interested in insurance.

Research Question Two: What is the level of knowledge and awareness of the insuring public about insurance products and services and how it enhances insurance penetration in rural areas in Nigeria?

Table 2: Mean Responses on the level of knowledge and awareness of the insuring public about insurance products and services and how it enhances insurance penetration.

S/N	Level of knowledge and awareness	SA	A	D	SD	Mean	Decision
1.	I see adverts about insurance products and it makes me want patronize insurance services.	58	85	21	16	3.03	Positive
2.	I know how insurance works.	41	106	15	18	2.94	Positive

S/N	Level of knowledge and awareness	SA	A	D	SD	Mean	Decision
3.	I am aware of insurance but I don't know how it works	56	65	24	35	2.79	Positive
4.	Many people in my rural communities do not know about insurance	34	77	46	23	2.68	Positive
5.	Insurance education is high now compared to the past decade	53	58	31	38	2.70	Positive
	Average Mean					2.83	

**Decision arrived at using 2.50 criteria mean

The level of knowledge and awareness of the insuring public about insurance products is the main focus of the responses from Table 2 above. The mean responses show that all the question items 1, 2, 3, 4, and 5 have positive mean values. This indicates that the respondents have a high level of awareness and knowledge about insurance products and services. They also opined that many people in rural communities do not know about insurance.

Research Question Three: To what extent have government regulations enhanced insurance penetration in rural areas in Nigeria?

Table 3: Mean Responses on the extent government regulations enhances insurance penetration in rural areas in Nigeria.

S/N	Government regulations	SA	A	D	SD	Mean	Decision
1.	Making building under-construction insurance a compulsory insurance policy has helped to deepen insurance services in rural areas	73	81	11	15	3.18	Positive
2.	Government regulations on insurance are what make many people purchase insurance	55	68	28	29	2.83	Positive
3.	The government needs to make insurance compulsory for every class of citizen	86	35	24	35	2.96	Positive
4.	Laws should be enacted to make all insurance policies compulsory	64	31	55	30	2.72	Positive
5.	Government regulations on insurance in Nigeria are weak and not strict	47	88	21	24	2.88	Positive
	Average Mean					2.91	

SA = Strongly Agree, A = Agree, DA = Disagree, SD = Strongly Disagree

****Decision arrived at using 2.50 criteria mean**

Table 3 above gives a summary of the responses on the extent to which government regulations enhance insurance penetration in rural areas in Nigeria. The mean scores for all the question items are positive i.e. they are all greater than the 2.5 criterion mean hence we conclude that government regulations have helped to deepen insurance services to the state it is now based on the opinion of the respondents.

Research Question Four: How have economic conditions affected insurance penetration in rural areas in Nigeria?

Table 4: Mean Responses on how economic conditions enhance insurance penetration in rural areas in Nigeria.

S/N	Economic conditions	SA	A	D	SD	Mean	Decision
1.	The low-income level of households prevents them from purchasing insurance policies	83	81	11	5	3.34	Positive
2.	The level of unemployment makes an individual not think about insurance policy	65	78	18	19	3.05	Positive
3.	Insurance company's premiums are high due to the rising inflation rate	89	55	21	15	3.21	Positive
4.	Low literacy level affects insurance penetration in Nigeria	77	53	20	30	2.98	Positive
5.	The economy of Nigeria is not rife with rapid insurance spread	73	84	9	14	3.20	Positive
	Average Mean					3.16	

****Decision arrived at using 2.50 criteria mean**

Table 4 above shows the mean responses on the influence of economic conditions on insurance penetration in rural areas in Nigeria. The mean values for all the questions are positive which indicates that economic conditions such as unemployment, inflation, low-income level, low literacy level, and the general economy affect the purchase of insurance services in rural areas in Nigeria.

Table 5: Rating Scale on Insurance Penetration in Rural Areas of Imo State.

S/N	Insurance Penetration	VHE	HE	LE	VLE	Mean	Decision
1.	Everybody in the community knows about insurance	76	65	24	15	3.12	Positive
2.	I have an insurance policy myself	15	38	68	59	2.05	Negative

S/N	Insurance Penetration	VHE	HE	LE	VLE	Mean	Decision
3.	Insurance spread will lower the risk of business losses	51	67	34	28	2.78	Positive
4.	There is a need for insurance to reach every rural dweller in Nigeria	47	45	40	48	2.51	Positive
5.	I am impressed with the insurance services	23	44	49	64	2.14	Negative
6.	Awareness of insurance is very high in the rural areas	23	20	86	51	2.08	Negative
7.	Most market women have one form of insurance or the other	45	18	61	56	2.29	Negative
8.	Buying an insurance policy will help to develop rural communities	76	51	29	24	2.99	Positive
9.	I will purchase an insurance policy if I have the resources	65	48	31	36	2.79	Positive
10.	With good economic conditions, insurance services will reach every rural dweller in Nigeria	54	51	32	43	2.64	Positive
	Average Mean					2.54	

VHE = Very High Extent, HE = High Extent, LE = Low Extent, VLE = Very Low Extent

**Decision arrived at using 2.50 criterion mean

According to the mean responses from Table 5 above, there is average insurance penetration in rural areas since the average mean value is 2.54. Interestingly, the respondents all agreed that there is a need for insurance to reach every rural dweller in Nigeria but when asked if they have an insurance policy, they answered negatively. This goes to buttress the fact that the respondents are willing to purchase insurance policies but economic conditions and other factors hinder their decision to purchase.

4.2 Data Analysis

The data are analysed using the Pearson correlation coefficient, and the t-test of significance of the Pearson r. This shows the degree of relationship between the factors that enhance insurance penetration and insurance penetration in rural areas of Nigeria. The t-test shows whether the correlation is significant or not.

Hypothesis One

H₀₁: Prompt claims payment does not significantly enhance insurance penetration in rural areas in Nigeria.

Variable	N	X	S	<i>t_{Cal}</i>	<i>p-value</i>	<i>t_{Crit}</i>	<i>Pearson r</i>	Decision
INSP	180	18.96	0.821	6.118	0.030	1.960	0.616	Reject H ₀₁
PRCS	180	20.93	3.594					

Source: Extracted from SPSS Output (See Appendix)

Decision Rule: Since the t-calculated value of 6.118 is greater than the t-tabulated value (1.960) at a 5% level of significance, and the p-value of the t-cal is less than the 0.05 critical value (0.030), we reject the null hypothesis and conclude that prompt claims payment significantly enhances insurance penetration in rural areas in Nigeria.

Hypothesis Two

H₀₂: The level of knowledge and awareness of the insuring pub HiLOKA

180	20.88	3.708						
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Source: Extracted from SPSS Output (See Appendix)

Decision Rule: The t-calculated value of 3.200 is greater than the t-tabulated 1.960 value at a 5% level of significance; therefore, we reject the null hypothesis and conclude that the level of knowledge and awareness of the insuring public about insurance products and services has significantly enhanced insurance penetration in rural areas in Nigeria.

Hypothesis Three

H₀₃: There is no significant effect of government regulations on insurance penetration in rural areas in Nigeria.

Variable	N	X	S	<i>t_{Cal}</i>	<i>p-value</i>	<i>t_{Crit}</i>	<i>Pearson r</i>	Decision
INSP	180	18.96	0.821	4.328	0.005	1.960	0.810	Reject H ₀₃
GOVR	180	21.09	3.855					

Source: Extracted from SPSS Output (See Appendix)

Decision Rule: Since the t-calculated value of 4.328 is greater than the t-tabulated value of 1.960 at a 5% level of significance, we reject the null hypothesis and conclude that government regulations have significantly affected insurance penetration in rural areas in Nigeria.

Hypothesis Four

H₀₄: There is no significant effect of economic conditions on insurance penetration in rural areas in Nigeria.

Variable	N	X	S	<i>t_{Cal}</i>	<i>p-value</i>	<i>t_{Crit}</i>	<i>Pearson r</i>	Decision
INSP	180	18.96	0.821	-4.405	0.002	1.960	0.852	Reject H ₀₄
ECON	180	21.25	3.728					

Source: Extracted from SPSS Output (See Appendix)

Decision Rule: Since the t-calculated value of 4.405 is greater than the t-tabulated value of 1.960 at a 5% level of significance, and the p-value is less than the 0.05 critical value, we reject the null hypothesis and conclude that there is a significant effect of economic conditions on insurance penetration in rural areas in Nigeria.

5.0 DISCUSSION OF FINDINGS

The findings made in this study have revealed the factors that enhance insurance penetration in rural areas of Nigeria. Using selected rural areas in Imo State, Nigeria, we found that prompt claims payment enhanced insurance penetration in rural areas of Nigeria. This is buttressed in previous literature such as Irukwu (2010), Ojo (2012), etc. where they held strongly that prompt claims settlement is the number one driver of insurance penetration in Nigeria. Further analysis of the opinion of the respondents showed that they all agreed that insurance companies do not pay claims as at when due. Many rural areas have no interest in insurance policies, Insurance claims will make people buy insurance policies; and some participants have experienced one form of delay or the other in their insurance claims. They also opined that if claims are paid on time, many people will be interested in insurance.

Also, we found that the level of knowledge and awareness of the insuring public about insurance products and services has influenced insurance penetration in rural areas in Nigeria. The opinion of the respondents was that they are aware of how insurance works, many people in rural communities do not know about insurance, and insurance education is high now compared to the past decade. However, despite the high insurance education, there remains low insurance penetration. Thus, the direction of insurance awareness controls insurance penetration as seen in the findings of the previous researchers.

The findings also indicated that government regulations have to a very high extent enhanced insurance penetration in rural areas in Nigeria. The findings from the field survey revealed that making building under-construction insurance a compulsory insurance policy has helped to deepen insurance services in rural areas, Government regulations on insurance are what make many people purchase insurance. Laws should be enacted to make all insurance policies compulsory. Additionally, government regulations on insurance in Nigeria are weak and not strict. Economic conditions such as inflation, unemployment, low level of income of households, and low level of literacy affected insurance penetration in rural areas in Nigeria. Agbonifoh, et al (2007) and Inyang and Okonkwo (2022) also found that the state of the economy affects insurance patronage, especially in developing countries.

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The conclusion emanating from this study is that prompt claims settlement, increased level of awareness, government regulations, and favourable economic conditions are all significant factors that enhance insurance penetration in rural areas in Nigeria. To

this effect, efforts of the government should be channelled towards these factors to enhance insurance penetration.

6.2 Recommendations

Based on the findings made, we recommend that:

- i. Government through the insurance regulatory body – the National Insurance Commission (NAICOM) - should make claims settlement a top priority for every insurance company. The opinion of every rural dweller is that insurance companies do not pay claims after collecting premiums and it should serve as a major boost towards enhancing insurance penetration through making claims settlement seamless and fast.
- ii. The insurance industry should increase its awareness campaigns and sensitization of the public about the benefits of insurance.
- iii. Government should make necessary legislations that will make all classes of insurance compulsory in Nigeria.

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APPENDIX A

Rating Scale on Factors that Enhance Insurance Penetration in Rural Areas in Nigeria

Instruction: Please kindly respond to the following items by ticking (x) against the option of your choice in the appropriate box.

Where: VHE = Very High Extent (4), HE = High Extent (3), LE = Low Extent (2), VLE = Very Low Extent (1)

SA = Strongly Agree (4), A = Agree (3), D = Disagree (2), SD = Strongly Disagree (1)

CLUSTER A: Prmpmt Claims Settlement

S/N	Item statements	SA	A	D	SD
1.	Insurance companies do not pay claims when due				
2.	analyse dance				
3.	Many rural areas have no interest in an insurance policy				
4.	Insurance claims will make people buy insurance policies				
5.	If claims are paid on time, many people are not interested in insurance				

CLUSTER B: Level of Knowledge and Awareness

S/N	Item statement	SA	A	D	SD
1.	I see adverts about insurance products and it makes me want to patronize insurance services.				
2.	I know how insurance works.				
3.	I am aware of insurance but I don't know how it works				
4.	Many people in my rural communities do not know about insurance				
5.	Insurance education is high now compared to the past decade				

CLUSTER C: Insurance Penetration Rating Scale

S/N	Item statements	VHE	HE	LE	VLE
1.	Everybody in the community knows about insurance				
2.	I have an insurance policy myself				
3.	Insurance spread will lower the risk of business losses				
4.	There is a need for insurance to reach every rural dweller in Nigeria				
5.	I am impressed with the insurance services				
6.	Awareness of insurance is very high in the rural areas				

S/N	Item statements	VHE	HE	LE	VLE
7.	Most market women have one form of insurance or the other				
8.	Buying an insurance policy will help to develop rural communities				
9.	I will purchase an insurance policy if I have the resources				
10.	With good economic conditions, insurance services will reach every rural dweller in Nigeria				