An investigation into Accessibility of Insurance Services among Women owned enterprises in Kenya (A case of Thika District)

By

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May, 2013
Declaration

This research project is my original work and has not been presented anywhere for consideration for the award of a degree in any other University.

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This research project has been submitted for examination with my approval as the University supervisor.

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Dedication

This research project is dedicated to my parents who inspired me to attain my academic potential. My dear wife for her patience and encouragement throughout the period of my proposal writing. Last to my children for their great inspiration and patience.
Acknowledgements

First, I thank the Almighty God for His care and provision throughout the entire period of my MBA course. His grace has been sufficient to me.

I wish to acknowledge Kenyatta University for the support accorded to me through the Masters Degree course. I am indeed grateful to my supervisors for the support and guidance through the period of my project writing. Their great efforts and constructive criticism shaped this work.

Last, I wish to thank my wife for all the support both moral and emotionally accorded me during the time of this research.
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Operational Definition of Terms

 entrepreneurial: A form of risk management primarily used to hedge against the risk of a contingent, uncertain event.

Micro-enterprise: A business unit employing between one and nine employees within one or more operations including the working cover.

Premium: a periodic payment paid for an insurance policy. It is also defined as financial cost of obtaining an insurance cover, paid as a lump sum or in installments during the duration of the policy.

Small Enterprise: A business directly employing between ten to fifty employees in its operation.
Operational Definition of Terms

Insurance: A form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

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<tr>
<td>GOK</td>
<td>Government of Kenya</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<td>KIPPRA</td>
<td>Kenya Institute for Public Policy Research and Analysis</td>
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<td>MSEs</td>
<td>Micro and Small Enterprises</td>
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<td>NGO</td>
<td>Non Government Organization</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>SMES</td>
<td>Small and Medium Enterprises</td>
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<td>UNDP</td>
<td>United Nation Development Program</td>
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Abstract

The insurance sector plays a critical role in economic development in a country. By introducing risk pooling and reducing the impact of large losses on firms and households, the sector reduces the amount of capital that would be needed to cover losses individually, encouraging additional output, investment, innovation, and competition. The sector can also improve the efficiency of other segments of the financial sector, such as banking and bond markets by enhancing the value of collateral through property insurance, and reducing losses at default through credit guarantees and enhancements. The study sought to establish the accessibility of insurance services among women in small and medium enterprises in Thika district. Specifically the study aimed at determining the effects of level of knowledge and skills, sociocultural factors that affect accessibility to insurance, cost of insurance and the effects of perception and attitude toward risks and on accessibility of insurance among businesswomen in Thika. The population of the study comprised women in Small and Medium Enterprises registered and licensed by Thika municipal registry Department by December 2012 totaling to 1451 businesses. A 10% sample size toalling to 145 respondents was used as a representative sample. Descriptive statistics such as means, standard deviation and frequency distribution were used to analyze the data and the findings were presented using bar graphs, pie charts and frequency tables. The study found that cost of insurance, level of knowledge and skills and perception and attitude towards risk greatly affect the accessibility of insurance services among women in Thika district for instance majority of the respondents considered high premiums charged that does not match the perceived benefits. However, sociocultural factors such as the role of women and family size do not affect the accessibility to insurance. The study recommends that although there is more financial advice from insurance companies to SMEs, there is need to have concerted efforts to translate the increased awareness to purchase of business related insurance services. This should be done through insurance seminars, trade fairs and exhibitions and testimonials where entrepreneurs are sensitized on the importance of insurance policies in the management of business risks. There should be efforts to change the negative perception towards risks protection and attitude towards the benefits of insurance services among women in small and medium enterprises.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The process of insurance has evolved to safeguard the interests of people from uncertainty by providing certainty of payment at a given contingency. Insurance is a legal contract between a person and an insurance firm. The insurance firm agrees that if one pay a specified amount, known as a premium, the firm will compensate him/her for certain kinds of losses or events, such as death, sickness, accident, loss of ability to work, and legal expenses. The insurance principle comes to be more and more used and useful in modern affairs. Insurance serves many purposes and has many benefits for both individuals and businesses. Policies are purchased to provide protection against the potential of unexpected future losses and can help make sure assets, income, property and lifestyle are kept whole. When consumers buy an insurance policy, they can achieve peace of mind. There is a comfort in knowing there is a certain measure of protection from unforeseen tragedies and losses (Erbas et al., 2005).

The insurance sector plays a critical role in financial and economic development in a country. By introducing risk pooling and reducing the impact of large losses on firms and households, the sector reduces the amount of capital that would be needed to cover these losses individually, encouraging additional output, investment, innovation, and competition. The sector can also improve the efficiency of other segments of the financial sector, such as banking and bond markets by enhancing the value of collateral through property insurance, and reducing losses at default through credit guarantees and enhancements (Ward, 2003).

Essential Insurance is an element in the operation of sophisticated national economies throughout the world today. Without insurance coverage, the private commercial sector would be unable to function. Insurance enables businesses to operate in a cost-effective manner by providing risk transfer mechanisms whereby risks associated with business activities are assumed by third parties. It allows businesses to take on credit that otherwise would be unavailable from banks and other credit-providers fearful of losing their capital without such protection, and it provides
protection against the business risks of expanding into unfamiliar territory – new locations, products or services – which is critical for encouraging risk taking and creating and ensuring economic growth (World Bank, 1995).

Insurance makes possible ventures that would otherwise be prohibitively expensive if one party had to absorb all the risk. Advancements in medicine, product development, space exploration and technology all have become a reality because of insurance. Consumers buy automobile insurance to cover both their cars and people who may be injured in accidents. Homeowners and renters buy insurance policies to protect their property and protect themselves from liability. People buy life and health insurance to protect themselves and their families from financial disaster in case of illness or death (Kugler et al., 2005).

In some instances, governments require businesses to purchase insurance. Known as financial responsibility requirements, government-mandated purchases of insurance is intended to ensure that injured parties will be compensated. Businesses also require other businesses to buy insurance. For instance, a retailer may require its suppliers to carry product liability insurance. Similarly, hospitals may require doctors to carry medical malpractice insurance, and mortgage firms often require their clients to insurance the properties used as collateral (Vaughan, 2003).

1.1.2: Historical perspective of Insurance Sector in Kenya

The concept of insurance and particularly the “social insurance programme” dealing with socio-economic problems has been around Africa for a long time (Amyrx, 2005). Members of a community pooled together resources to create a “social insurance fund”. The “premiums” ranged from material to moral support or other payments in kind. From the fund, “drawings were made out” to support the few unfortunate members exposed to perils. However, the history of the development of commercial insurance in Kenya is closely related to the historical emancipation of Kenya as a nation (Amyrx, 2005).

With the conquest of Kenya as a British colony complete, settlers initiated various economic activities, particularly farming, and extraction of agricultural products. These substantial investments needed some form of protection against various risk exposures. British insurers saw
an opportunity in this, and established agency offices to service the colony’s insurance needs. Prosperity in the colony soon justified expansion of these agencies to branch networks with more autonomy, and expertise to service the growing insurance needs. By independence in 1963, most branches had been transformed to fully-fledged insurance companies (Amyrx, 2005).

Incorporated in 1937, Jubilee Insurance is the oldest insurance company in Kenya. In the forty years since independence, Kenya’s insurance industry has flourished, and by 2002 had 41 registered insurers, 15 transacting general insurance business, 2 transacting life business, while 24 were composite insurers—transacting both life and general insurances (National Baseline Survey, 2008). In 2007, there were 43 insurance companies and 2 locally incorporated reinsurance companies licensed to operate in Kenya. Of the licensed insurance companies, 20 were general insurers, 7 long term insurers and 15 were composite (both life and general) insurers. Kenya’s insurance industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region, (Common Market for Eastern and Southern Africa). The industry employs over 10,000 people, underwrites well over €300m premiums, and pays over €120m per annum in claims. The largest 10 insurers handle over 70% of the motor business with a similar number handling well over 90% of the property business in the market.

Despite this growth in the insurance sector, the sector has largely failed to attract SMEs. The policy and regulatory framework has no provisions pertaining to micro-insurance and current initiatives are either conducted within the existing general policy and regulatory environment of mainstream insurance or informally from existing regulation. Distribution channels remains a major challenge because institutions like MFIs, SACCO’s which are currently involved in offering micro insurance are not allowed to provide insurance services or become brokers or agents in micro insurance (Wanjohi et al, 2008). Support structures needed for effective delivery of micro insurance services are lacking most critical been reinsurance services which are meant to expand capacity of the underwriters.

1.1.2: Women and entrepreneurship

Women have been recognized to play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low household
income and societal discriminations mostly in developing countries have hindered their effective performance of that role. Various researches have shown that women entrepreneurship could be an effective strategy for poverty reduction in any country since women are the worst hit by such situations. Entrepreneurial process is a vital source of developing human capital as well as play a crucial role in providing learning opportunity for individuals to improve their skills, attitudes and abilities (Brana, 2008; Shane, 2003).

With the growing recognition that women have unique talents which could be harnessed for development and for creating employment opportunities for others who are not suited to an entrepreneurial career, developing women as entrepreneurs has become an important part of national development planning and strategies. Gender equality and economic development go hand in hand. Since the early 1980s, the policymakers and planners have become acutely aware of the economic significance of women's productive activities and the nature of their contribution to income generation. It has been firmly established that women are vital and productive contributors to the national economy but their access to knowledge, skills, resources, opportunities and power still remain rather low (Shakti, 1995).

1.2 Statement of the Problem

Makokha (2006) established in her study that women entrepreneurs have financial social demands that compete with business capital, leading to a diversion of capital away from business needs. Some of these factors include housing space, health, old age and divorce. Therefore, the study concluded that there was need to develop long-term financial products such as micro-insurance. While microfinance provides working capital and disposable incomes to women in MSEs, micro-insurance products would ensure that the assets of these entrepreneurs are protected if their income is diverted from their businesses. The MFIs would also benefit as their clients' sustainability would contribute to their own. Some specific products that need to be rolled out freeing capital and benefiting women entrepreneurs include: loan insurance; life insurance; pension; house insurance; health insurance; asset insurance; and, long-term housing loans or mortgages.
Insurance affords Peace of Mind to the policy holder. The security wish is the prime motivating factor. This is the wish which tends to stimulate to more work, if this wish is unsatisfied, it will create a tension which manifests itself to the individual in the form of an unpleasant reaction causing reduction in work. The security banishes fear and uncertainty, fire, windstorm, automobile accident, damage and death are almost beyond the control human agency and in occurrence of any of these events may frustrate or weaken the human mind. By means of insurance, however, much of the uncertainty that centers about the wish for security and its attainment may be eliminated (USAID, 2003).

However, despite Kenya having 43 licensed insurance companies offering variety of insurance services, there is a limited market characterized by low penetration. Low penetration of insurance in the Kenyan market has been attributed low disposable incomes for the majority of the population, with close to 50% of Kenyans living below the poverty line and perceived credibility crisis of the industry in the eyes of the public particularly with regard to settlement of claims. According to Wanjohi et al, (2008), the insurance companies are generally ignorant of customers’ insurance needs and are thus unable to match customer’s perceptions with expectations. Also the industry has failed to address the issue of price and the mode of payment with the current regulation of cash and carry worsening the situation rendering the perception that insurance is as a service for the rich. The industry has also failed to educate the people with many consumers in the informal sector lacking an understanding on the principles of insurance.

Generally, kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly low at 3% as at 2012. Further Study shows a great disparity between gender in the uptake of insurance services with women accounting for less than 1% penetration(Ndungu, 2012). There has been constants efforts in promoting the performance of women in entrepreneurship and mitigation of risk is a core pillar to the growth. This study therefore aim at establishing the factors affecting accessibility of Insurance Services among Women owned enterprises in Kenya.
1.3 Research Objectives

1.3.1 General Objective
To evaluate the accessibility of Insurance Services among Women owned enterprises in Thika district, Kenya

1.3.2 Specific Objectives
1. To establish the effects of knowledge and skills on accessibility of insurance services among women entrepreneurs
2. To determine the effects of cost of insurance on accessibility among women entrepreneurs
3. To evaluate the effects of socio cultural factors on accessibility of insurance services among women entrepreneurs
4. To establish the effects of perception and attitude on insurance services among the women entrepreneurs

1.4 Research Question
1. What are the effects of knowledge and skills on accessibility of insurance services among women entrepreneurs
2. How does the cost of insurance affect accessibility of insurance services among women entrepreneurs
3. What socio cultural factors affect accessibility of insurance services among women entrepreneurs
4. How does perception and attitude on insurance services affect accessibility among the women entrepreneurs

1.5 Scope of the Study
The study was carried out in Thika district covering Small and Medium Enterprises owned by women. The study targeted businesses operating in permanent stalls in the district specifically on Major towns. The area is chosen because it one of the most vibrant town and second most industrialized town in the country. Women own a substantive share of the market in the town. The businesses are categorized into three section which include central business area, industrial area and residential area businesses.
1.6 Limitations of the Study
Some respondents were reluctant to fill the questionnaires citing issues of confidentiality of information and lack of time. In dealing with this challenge, the researcher assured the respondents that the information collected is for academic purposes and would be handled with a lot of confidentiality. The researcher also allowed more time to the respondents by leaving the questionnaires and picking them later.

The researcher faced the challenge of time and finances in conducting the study. In dealing with this challenge, a sample was used to represent the whole population hence taking less time and finances.

1.7 Significance of the Study
The study highlighted the constraints women’s SMEs in Thika district face in accessing insurance services. The study helped business owners to understand the benefits of insurance services to their businesses.

The study would help insurance regulator to understand the factors hindering access of insurance services by SMEs. This was important in informing policy interventions aimed at enhancing the growth of SMEs. To the insurers the study outlined the factors hindering access of insurance services and hence employment of remedies to curb them. To researchers and academicians the study provided a basis though more research studies on access to insurance services and growth of Small and Medium Enterprises can be done.

The Kenya government and its development partners, private sector, NGOs and financial institutions have invested a lot of time and resources in enhancing the growth of SMEs in Kenya. It is important to understand whether SMEs’ access to insurance services has an impact on the survival and growth of these enterprises since SMEs are a major source of employment in Kenya.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter presents relevant literature relating to the study and compare views of different authors on the same. This section discusses theoretical review related to the study and also the empirical literature review. A conceptual framework will also be provided to create a link between the independent and dependent variables of the study.

2.2 Types of Insurance Services available to small and medium entreprises

2.2.1: Property insurance

Property insurance covers a business's building, contents and money. It also covers assets when damage, theft or loss occurs. Some insurance companies offer property insurance by named peril, such as fire and theft. Others offer policies that cover multiple perils. Most basic multiple-peril policies include losses caused by fire and theft, but business owners can purchase additional types of coverage if they need it. Businesses with good loss-control measures and claims histories often pay lower insurance premiums than companies with risky procedures and poor claims histories. Taking steps to prevent loss — hiring security personnel to prevent shoplifting, installing a sprinkler system to contain fires or using an alarm system to protect against theft — can help control the cost of property insurance (Dembe and Boden, 2000).

According to Kinmartin (2011), many businesses purchase property insurance through a Business Combined Policy (BCP), which bundles property and liability insurance into one policy; however, since the amount of coverage available in a BCP is generally lower than in a standard property-insurance policy, companies that require a lot of coverage usually stick to separate policies. Some BCPs also include business-interruption insurance and workers insurance -- two types of optional coverage in a property insurance policy that protect a business after a loss occurs. Business-interruption insurance provides payments for extra cost of working, as well as any loss of profit due to the interruption of business.

Extra-expense insurance policy pays cost of working such as the costs of temporarily relocating a business when a covered peril occurs. For example, if a fire destroys a clothing store, insurance
2.2.2: Business interruption insurance

Business interruption insurance is a vital component of any business continuity plan as it is the critical part of 'who pays.' The insurance industry recognized the basic principles and practices of business continuity long before the term was coined. ‘Loss of profits’, as an insurable risk, was first implemented in 1797. Business interruption insurance (BI) requires concentrated attention because it cannot be altered after a disaster occurs. BI insurance is inextricably linked to property damage insurance and is sometimes termed ‘consequential loss’ or ‘loss of profits’ insurance. Many aspects of BI insurance of BI insurance replicate business continuity planning. The intention of BI insurance is to restore the business to the same financial position as if the loss had not occurred. BI insurers insist that any property is insured against loss or damage so that funds are provided to pay for the repair or replacement of the ‘bricks and mortar(Gollier, 2003).’

The sources of revenue to be insured need to be identified and can be either gross income rentals or revenue or fees or rates or other sources of income, or a combination. Some incomes, such as interest on investments or profits on the sale of assets are not insurable in normal BI insurances. The business activities to be insured must be identified and need to capture all of the organization’s business, including future acquisitions, or newly created entities or new ventures (Gollier, 2003). One problem which can occur with large groups is that the inclusion of inter-group sales can artificially inflate BI insurance by double counting.

Indemnity period is one of the most crucial component of both business continuity planning and BI insurance. This focuses on the total time estimated to full recovery from an insured loss. This incorporates such practical aspects as: time to demolish and clear the site; time to organize rebuilding including competitive tendering and possibly complete redesign; time to obtain replacement plant recognizing some specialist equipment may have a very long lead time; time to re-staff and time to restore the business to its full pre-loss turnover or services. Inventories
create an additional complication as businesses may not have any stocks or material in store to immediately use to minimize reduction in turnover. One major stumbling block with indemnity periods is that they vary from site to site and from peril to peril. A single fire at one factory clearly differs from a massive earthquake or flood affecting multiple sites all at the same time. Most organizations opt for one indemnity period but can have more depending on their individual circumstances and exposures but a smorgasbord of indemnity periods may be a recipe for a disaster in itself when adjusting claims (Hill, 2004).

According to Fingal Insurance Brokers report (2011) on interruption insurance selecting the business interruption sum insured is critical as it dictates the ultimate liability of the insurer. In some cases, the amount to be insured is easily based, but there is one key aspect to consider – it has to be assumed that the major fire or other disaster occurs on the last day of the insurance year. If the indemnity period is say two years, then, the sum insured must be projected three years ahead rather than based on “today’s” amounts with a minimal allowance for inflation. This formula may appear to invite over insurance, but BI policies can be arranged on a deposit premium and include a premium adjustment clause where, at the end of the year, the premium is adjusted taking the actual gross profit or other insured revenue into account as that would represent the maximum of the insurer's liability in any event. In other words, this ensures the premium is on a pro rata basis. Another area to be reviewed with BI insurance is that, after a major incident, some overheads will be proportionately reduced and consequently do not require full insurance. Standard BI policies allow for this. An important component of BI insurance is the coverage for what is termed ‘increased costs of working’ – these being the extra costs that companies have to pay to keep in business come what may. These can be difficult to estimate and, in some cases, can be the principal exposure of an organization. Some policies apply a limit per month, but such a restriction should be avoided as it is too restrictive. Another important cost to be insured is that of claims preparation fees which, in complex cases, can be very substantial. Such clauses should include allowance for an organization’s own internal costs in preparing claims, which can be very expensive. A property policy sum insured should include full provision for demolition/removal of debris plus architects' and surveyors' fees, all of which can be very costly (Fingal Insurance Brokers report, 2011).
The correct insurance of wages/salaries/payroll is also an important area of BI insurance. This incorporates a number of practical factors which have been considered in the business continuity plan; such as which staff would be retained after a major disaster, which staff would be terminated, which key staff would have to be kept on to protect the company when it resumes, and which seasonal staff could be laid off immediately. Provision can be included for redundancy/severance pay and BI insurers have very flexible ways of insuring this important exposure.

There have been hundreds of examples where businesses have suffered contingent losses because the premises of a key supplier or customer or utility have been damaged and they suffer inevitable disruption or loss of business. It is possible for such contingencies to be included in an organization's policies, but in many instances the coverage is limited and such limitations need to be considered in advance and taken into account in the business continuity plan. The trend to outsourcing has expanded this BI exposure. The breakdown of utilities has caused massive disruption in many countries; in some instances, BI insurance has provided full protection, but in some cases, limited insurance protection applied. A recent UK study indicated that power disruption was the key risk that many organizations identified in the BI exposures and the insurance protection available is not always as wide as some businesses may think. Another factor with policy extensions for dependencies/utilities/customers suppliers is that there is often a time 'deductible', the coverage only commences after a given time period and there is invariably an upper limit to the insurer's liability (King et al, 2002).

2.2.3: Liability insurance and Claims process

Liability insurance is a part of the general insurance system of risk financing to protect the purchaser "insured" from the risks of liabilities imposed by lawsuits and similar claims. It protects the insured in the event he or she is sued for claims that come within the coverage of the insurance policy (Longenecker, 2006). Originally, individuals or companies that faced a common peril formed a group and created a self-help fund out of which to pay compensation should any member incur loss (mutual insurance arrangement). The modern system relies on dedicated commercial carriers to offer protection against specified perils in consideration of a premium. Liability insurance is designed to offer specific protection against third party insurance claims,
i.e., payment is not typically made to the insured, but rather to someone suffering loss who is not a party to the insurance contract. In general, damage caused intentionally as well as contractual liability is not covered under liability insurance policies. When a claim is made, the insurance carrier has the duty and rights to defend the insured. The legal costs of a defence normally do not affect policy limits unless the policy expressly states otherwise; this default rule is useful because defence costs tend to soar when cases go to trial.

The Liability insurer's major duties include: the duty to defend, the duty to indemnify and in some jurisdictions, the duty to settle a reasonably clear claim. The duty to defend is triggered when the insured is sued and in turn "tenders" defense of the claim to its liability insurer. Usually this is done by sending a copy of the complaint along with a cover letter referencing the relevant insurance policy or policies and demanding an immediate defense. At this point, the insurer has three options, to: seek a declaratory judgment of no coverage; defend; or refuse either to defend or to seek a declaratory judgment. If a declaratory judgment is sought, the issue of the insurer's duty to defend will be resolved (Kunreuther, 2001).

If the insurer decides to defend, it has thus either waived its defense of no coverage, or it must defend under a reservation of rights. The latter means that the insurer reserves the right to withdraw from defending in the event that it turns out the claim is not covered, and to recover from the insured any funds expended to date (Levine, 2011).

If the insurer chooses to defend, it may either defend the claim with its own in-house lawyers (where allowed), or give the claim to an outside law firm on a "panel" of preferred firms which have negotiated a standard fee schedule with the insurer in exchange for a regular flow of work. The decision to defend under a reservation of rights must be undertaken with extreme caution in jurisdictions where the insured has a right to Cumis counsel (Levine, 2011).

2.2.4: Cash in Transit Insurance

All businesses including SMEs repatriate money from business premises to the bank and vice versa. This poses a risk of losing the money in transit to robbers. SMEs also risk losing money left in business premises in safe strong room or drawers through burglary or housebreaking.
Cash insurance is a cover which indemnifies the insured against loss of money drawn for the payment of wages, salaries and other earnings or for petty cash in direct transit from the bank to the insured premises, money in personal custody of the insured or authorised employees of the insured whilst in direct transit between the premises and the bank or Post Office, or money lost in the premises through burglary or housebreaking (Rejda, 2008).

Cash outflows and inflows is critical operation to the performance of SMEs. Cash transportation from the literature to be the biggest problem for SMEs because of they are more vulnerable to theft due to their locality and less protective measures employed by the businesses. However many SMEs do not consider cash in transit policy as important to their businesses (Rejda, 2008).

2.2.5: Insurance Cover for employees

An aspect of insurance for managing risks among low-income households is micro insurance. Micro insurance is the defense of workers of the informal economy against specific risks in exchange for regular premium payments in proportion to the probability and cost of the risk involved (Churchill, 2007). It is considered by many stakeholders as an invaluable instrument to improve upon the social security of low-income households. Micro insurance schemes are operated in different parts of the world especially in developing countries. They protect low-income earners against various risks such as health risks, life-cycle risks, property damage, third-party liability and harvest failure (Loewe, 2006).

Consequently, employers are responsible for the health and safety of such low income employees while they are at work. Employees may be injured at work or they, or the former employees, may become ill as a result of their work while in the employment. They might try to claim compensation if they believe their employer is responsible. The Work Injury Benefit Act (2007) stipulates a compulsory insurance that ensures the employers have at least a minimum level of insurance cover against any such claims. This insurance will enable the employer to meet the cost of compensation for the employees’ injuries or illness. However, any injuries and illness relating to motor accidents that occur while the employees are working may be covered separately by motor insurance (Churchill, 2007).
2.3: Rationale for Promoting the Growth of SMEs

Globally, due to lack or slow growth of SMEs, a gap has been created between SMEs and the large enterprises (Oketch, 2000). This gap is commonly referred to as the 'missing middle'. Medium-sized firms are better placed in the quest for rapid industrial and economic development. If firms grow because those directing them value expansion, can seize opportunities and overcome obstacles to creating a large enterprise, then there is unquestionable justification for the need to study more about the factors that affect the growth of the sector so as to promote growth of these enterprises. (Ronge et al., 2004)

Daniels (1999) observes that the SME sector is very important to the economy of Kenya as it contributes not only to employment but also to the country’s GDP substantially. Even if the individual contribution of many SMEs is small, the sheer size of the sector and its overall contribution cannot be ignored. With fiscal pressures constraining the growth of public sector employment and with large enterprises in turmoil, often in response to the process of market liberalization, many observers see SMEs as a source of economic salvation (Mead, 2008).

According to Tomecko (2004), though SMEs are seen as a source of economic salvation, they can only provide short-term solutions to problems of unemployment nationally. This is because of their inefficiencies and lack of proper management of their existing capacity. But without more Small and Medium-sized firms, Kenya will have difficulty meeting its long term goals of employment creation, efficient production and technological development. There is therefore an urgent need to look into and understand the performance aspects of these SMEs that could hinder their growth. It therefore follows that this study is important not only to policy makers but also to the economy as a whole. According to KIPPRA (2007), SMEs are enterprises with limited capital and skilled labor. In addition, the term SME covers a range of establishments, including informal economic activities, which lack legal status. This often compromises their access to financial services and support.
2.4 Empirical Review

2.4.1 Effects of knowledge and skills on accessibility of Insurance

There is paucity of literature on the determinants of insurance in general in Sub-Saharan African; literature on micro-insurance specifically seems more prevalent. In a setting like Kenya, and other Sub-Saharan African countries, the concept of insurance comes within a difficult context. First, there are several informal and social connections, particularly founded upon the extended family systems that sometimes extend help to defray some pressing needs. These have the potential to overshadow the individual's sense of vulnerability to financial shocks. However, with time, the extended family social support system iswaning, for several reasons (Owusu, 2007). Another critical factor affecting the demand of insurance in such low income countries has to do with their non-availability, for most of the time (Leppert et al., 2012), and generally low information about these schemes, to begin with (Giesbert et al., 2011).

Within these contexts, while it is becoming more increasingly necessary for persons in such low income countries to find some financial buffer for times of unexpected need (Adamba and Owusu, 2011), the reality is that the vast majority of the populations in Sub-Saharan Africa are without such financial cushioning. Matul et al. (2010) documented that as low as only about 2.6% of the African population who are very poor (those who spend less than $2 per day) have some form of (micro) insurance.

Previous studies explain some of the reasons for this abysmally low uptake of insurance in Africa and other countries in the developing world. These include lack of awareness of the existence of insurance products, and a poor understanding of the concept of insurance (Gine et al., 2008). According to Giesbert et al. (2011) several recent studies cite the following factors amongst those that determine households' participation in micro life insurance as: basis risk, household wealth, credit constraints, risk aversion, trust, endorsement from social networks, hyperbolic preferences, and particular marketing methods (Thornton et al., 2010).

In a study on the demand for micro health insurance using Botswana's Itekanele scheme collected in 2009, Swami et al. (2012) found that living in a female headed household, living in an urban area, not being self-employed, having a secondary school education or higher, and an
age for which one is within the economically active bracket correlated positively with the demand for the insurance. With specific reference to participation in a micro life insurance scheme in Ghana, Giesbert and her colleagues (2011) concluded that insurance is considered a risky venture by their respondents, based on their finding that risk-averse households and households which considered themselves to have increased/higher risk were less likely to participate in the life insurance scheme. Giesbert et al. (2011) also found that adverse selection, and a life-cycle effect affected uptake of the insurance services.

Giesbert et al. (2011) studied the correlates of households' participation in insurance. The study found that households who used other formal financial services were more likely to demand the insurance scheme. Additionally, Giesbert et al. also found that trust in the insurance provider and social networks play significant roles in the demand for insurance. Public education on the importance of insurance on daily operations is critical. This can be achieved through massive marketing by insurers or through the efforts of distribution agents.

Generally education is one of the characteristics of women entrepreneurs that can affect their business performance, and literature supports that education and managerial experience may contribute to women's business growth but certainly has positive impact on entrepreneurial performance (Gatewood et al, 2004). They also stated that human capital is not only the result of formal education and training but also include experience and practical learning derived from previous paid employment or managerial position, and it is a vital condition for technological innovation (Gatewood et al., 2004). Individuals with a high level of education are more likely to engage in entrepreneurship and to take precautionous measures against risks. An individual with more work experience, a higher level of education, more knowledge of the market and business practice is more likely to be able to identify an opportunity for starting a new business with manageable risks (Bhola et al., 2006).

2.4.2 Effects of cost on Accessibility of insurance
Small to medium businesses are exposed to risks all the time. Such risks can directly affect day-to-day operations, decrease revenue or increase expenses. Their impact may be serious enough for the business to fail. Most business managers know instinctively that they should have
insurance policies to cover risks to life and property. However, there are many other risks that all businesses face, some of which are overlooked or ignored. Every business is subject to possible losses from unmanaged risks. Sound risk management should reduce the chance that a particular event will take place and, if it does take place, sound risk management should reduce its impact. Sound risk management also protects business wealth (Rees & Wambach, 2008).

Cost effectiveness is an important consideration in deciding how we face up to risks. Risks with relatively minor consequences and a relatively low likelihood of occurring aren't worth spending a lot of time worrying about. An example of a low-likelihood, minor-consequence risk might be the possibility of getting a flat tire on your way to a routine meeting. Assuming you service your car regularly and you drive on maintained roads, a flat tire might cause you to be late to a meeting once every ten years. It's not a big deal. Risks that could have major consequences but are relatively unlikely to happen are often insurable. Insurance is the practice of spreading the cost of an improbable loss across a group, so that no single individual bears the entire cost of a disaster. Everybody pays a premium to the insurance company, and the insurance company pays claim benefits when one of its customers experiences an insured loss (USAID, Financial Sector Strategy, 2003).

Here are a few common forms of insurance and the risks they cover: Property & Casualty Insurance can mitigate losses from fire, theft, and natural disasters; Key Executive Insurance can mitigate losses from the death or incapacitation of a management team member; Liability Insurance can mitigate lawsuits resulting from product defects or on-site injuries to visitors; Errors & Omissions Insurance can mitigate lawsuits from disgruntled customers; and Directors & Officers Insurance can mitigate lawsuits in cases of negligence, harassment, or discrimination (Cohen & Einav, 2007).

Economic theories of insurance purchase indicate that well-informed, rational, risk-averse individuals will purchase full insurance (so that insurance cover equals expected loss) if such insurance is fairly priced (such that the unit price is equal to probability of loss). Loading factors in insurance premiums (to cover administrative and capital costs) reduce the demand for
2.4.3 Sociocultural factors affecting women entrepreneurs

Women entrepreneurs face peculiar challenges in an attempt to achieve success and women in less developed countries face much more barriers to formal economic participation than those in developed countries (Allen et al; 2008). Women face unique obstacles in starting and growing their firms such as lack of skill or training, limited access to capital or credit, lack of savings and social networks, and limited choice of industry (Ibru, 2009; Lakwo, 2007). Gender-related discriminations, especially in developing countries, occasioned by socio-cultural factors also pose hindrance to women entrepreneurial activity. Such discriminations are in the area of distribution of social wealth such as education and health (May, 2007).

The identification and exploitation of entrepreneurial opportunity for business start-up or diversification, and subsequent performance depends on the individual attributes of the entrepreneurs and the business environment. Examples of such business environment are competition and lack of micro-finance factors like credit. Individual attributes play a vital role in enterprise activity because entrepreneurship involves risk, and attitude towards risk differ between individuals (Shane, 2003).

Despite the role of individual attributes in exploiting entrepreneurial opportunity for new business or business diversification by women entrepreneurs; however, recent studies have shown that business environment factors such as economic, financial and socio-cultural, plays a greater role in the exploitation of entrepreneurial opportunities by women entrepreneurs(Shastri & Sinha, 2010). For example, Shastri & Sinha, (2010) argued that though all conditions for exploiting entrepreneurial opportunity such as education, experience, and energy may exist, but the environmental constraints such as lack of credit, and societal discriminations especially in developing countries, may hinder the entrepreneur. The study is hinged on the fact that there is scarcity of research that reviews literatures on individual attributes and business environment factors on the entrepreneurial activity of women entrepreneurs (Shastri & Sinha, 2010).
The characteristics or attributes of women entrepreneurs are regarded as the pull factors in entrepreneurial activity. These include demography such as age and education, type of employment, type of industry, type of company, financial background and work experience. They are regarded as the human capital or internal factors to be contributed by the entrepreneur in exploiting entrepreneurial opportunity for business performance (Okpukpara, 2009).

The need for achievement and autonomy, risk-taking, control of business and self-efficacy are other vital characteristics of women entrepreneurs (Shane, 2003). Demography, skills and reputation are also essential attributes of women entrepreneurs as single women had less income and less guarantees for loan. Family size also affects women entrepreneurial activity. Despite the fact that women with one or two children were likely to participate in entrepreneurial activity, in Pakistan for example, in order to generate income to support their families (Salman, 2009), it was however discovered that most women with family sizes of more than five people were likely to become entrepreneurs or engage in risky venture (Omonona, et al, 2009).

2.4.4 Effects of attitude and perception to risk on accessibility to insurance

What people think about insurance may be the result of different factors, such as price, risk aversion, information, trust, or familiarity, and may in turn influence people’s decisions for or against insurance. A critical assumption of the standard model is that individuals harbor subjective risk probabilities that are equivalent to those derived from objective calculations of risk (likely to be used by insurance companies and government actuaries). Expected benefits of insurance cover depend upon the perceived likelihood of loss and the size of the conditional loss. Individuals often do not protect themselves prior to a disaster because they underestimate the likelihood of a future disaster, often believing that it will not happen to them (Kunreuther, 2006). Insurance demand is decreasing in perceived loss probability, all else being equal. If individuals underestimate the probability or potential size of loss, insurance may appear unattractive (even at subsidized rates). Expert opinion on risk may diverge, causing individuals to have to choose from a wide range of probabilities, and some may tend to focus on the lowest probability; if so, they may choose to forego insurance (Rees and Wambach, 2008).
Other explanations of low insurance demand include competing goals. Krantz and Kunreuther (2007) focus on multifaceted goals that can play a role in decisions regarding protection from natural disasters, illustrating that context and the saliency of various goals may influence behavior in ways that can appear irrational from a utility-maximizing perspective. In this context, a desire to avoid the burden of paying insurance premiums, wanting to legitimize a decision in the eyes of one’s peers, and propensity to behave according to social norms can all reduce individual interest in purchasing insurance against some hazard (Krantz and Kunreuther, 2007).

Information on individual choice can reveal information about risk preferences (e.g. using insurance deductible choice (Cohen and Einav, 2007), but typically survey data is required to examine individual-level risk perceptions. There are some studies that use survey data to analyze flood insurance purchase decisions. For instance, Bauman and Sims (1978) collected information on previous flood experience and perceptions of severity of flood hazard in the floodplain of New Braunfels and Sequin, Texas. They found higher insurance uptake among homeowners who had suffered previous damage from a flood, had perceptions of increased severity of flood damage, and had higher education and income (Cohen and Einav, 2007).
2.1 Conceptual framework

Knowledge of insurance

Cost of insurance

Sociocultural constraints of women

Perception and attitude towards risk

Independent Variables

Accessibility of insurance services among women owned enterprises

- Number of policyholders
- Amount of premium paid
- Nearness of the insurance company

Source: Author (2013)

Intervening variable

Political Instability
Legal framework
Favorable Economic climate

Dependent variables

Source: Author (2013)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1: Introduction
This chapter outlines the research methodology that was followed in completing the study. Specifically the following subsections were included; research design, target population, sampling design, data collection instruments, and data collection procedures and data analysis.

3.2: Research Design

This study was carried out through descriptive design. Descriptive research is the investigation in which quantitative data is collected and analyzed in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time. Descriptive research design was chosen because it enabled the researcher to generalize the findings to a larger population. According to Kothari (2003), purposive sampling involves selecting subjects that meets a defined criterion as set out by the researcher. In this study, purposive sampling was used to select the women entrepreneurs from the district.

3.3: Target Population

Target population is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined set of people, services, elements, and events, group of things or households that are being investigated. This definition ensures that population of interest is homogenous.

The population of this study comprised of women owned small and medium enterprises registered and licensed by Municipal Council of Thika district totaling 1451 businesses. The study targeted businesses within the district having permanent premises.

Table 3.1 Target population

<table>
<thead>
<tr>
<th>Market Area</th>
<th>Number of Businesses registered under women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Business Area</td>
<td>356</td>
</tr>
<tr>
<td>Industrial Area</td>
<td>57</td>
</tr>
<tr>
<td>Residential and Rural Area</td>
<td>1038</td>
</tr>
</tbody>
</table>
3.4: Sampling design
To ensure equitable chances of sampling, stratified random sampling technique were used to categorize the town into three areas. Then 10% respondents was drawn from each category through a simple random method. According to Mugenda & Mugenda (2003), where the population of interest is relatively large (more than 300), a 10% sample size optimizes on cost implication and the sampling mean converges to that of the population. The sample size of the study therefore amounted to 145 respondents.

<table>
<thead>
<tr>
<th>Market Area</th>
<th>Number of Businesses</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Business Area</td>
<td>356</td>
<td>35</td>
</tr>
<tr>
<td>Industrial Area</td>
<td>57</td>
<td>6</td>
</tr>
<tr>
<td>Residential and Rural Area</td>
<td>1038</td>
<td>104</td>
</tr>
<tr>
<td>Total</td>
<td>1451</td>
<td>145</td>
</tr>
</tbody>
</table>

Source (Researcher, 2013)

3.5: Data collection instrument
This study used both secondary and primary data. Primary data was gathered directly from respondents through use of questionnaires. Questionnaires was designed to capture the definition of the problem and the specific study objectives. The questionnaire comprised both open ended as well as closed ended questions. The closed ended questions allowed for specific type of responses while in the open ended type the respondents would state their opinions. Use of questionnaires is observed to be economical in terms of time, energy and finances and it similarly yielded quantitative data which was easy to collect and analyze. Secondary data was collected from the available books and journals.

3.6: Pre-testing of instruments
The accuracy of data collected largely depends on the data collection instruments in terms of validity and reliability. Validity as noted by Robinson (2002) is the degree to which results
obtained from the analysis of the data actually represent the phenomenon under study. Cooper et al., (2003) stated that pre-testing the data collection instruments through a pilot study helps in detecting ambiguous, awkward, or offensive questions and use of appropriate technique. Reliability on the other hand refers to a measure of the degree to which research instruments yield consistent results (Mugenda et al., 2003).

3.6.1: Validity
The questionnaire was pretested to ensure that it is valid, that is it measures what it is supposed to measure. Further, to check on validity, the researcher requested the competent supervisors to assess the relevance of the content used in the questionnaire.

3.6.2: Reliability
Reliability of the instrument was ensured by the pretest from which any amendments to the questionnaire made (Mugenda et al, 2003). To help prevent contamination of the population, the pretest was conducted at Kiambu district before the collection of data because it shares similar conditions with the target population.

3.7: Data Collection procedure
The questionnaires was administered through drop and pick later method. A research assistance was engaged to distribute the questionnaires to the respondents in their business premises. A period of two days was allowed for the respondents to fill in the questionnaire without causing inconvenience to both the respondents and the scheduled time for study.

3.8: Data Analysis
After field work, all the filled up questionnaires were brought to a central place. Quantitative data was analysed through the use of a combination of descriptive statistics and particularly frequency distributions, measures of central tendency and also measures of dispersion i.e. mean, and was used to analyse and present the specific issues through coding and summarizing the responses of all the respondents. The descriptive analysis and inferential statistics were executed. The findings were presented using bar graphs, pie charts and frequency tables. Qualitative data was analysed through content analysis method.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS OF THE FINDINGS

4.1: Introduction

This chapter presents the data analysis and interpretation and discussion of the study findings in line with the specific objectives of the study. The study therefore aimed at establishing accessibility of insurance services among women’s Small and Medium Entrepreneurs Thika District.

4.1.1: Overview of analyzed data

The data was collected using a questionnaire method comprising of closed ended and open ended questions. The questionnaires were self-administered to the sampled respondent in their business premises during working days. Drop and pick letter method was preferred for the exercise. Out of the 145 questionnaires given out 100 were returned back while 45 non-respondents cited personal reasons like being too busy to fill the questionnaire.

This represents a response rate of 69% which is significant to give reliable findings for this study. According to Mugenda and Mugenda (1999) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. She further noted that low response rate could have a potentially biasing effect on the study results. The table 4.1 shows the response rate:

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Respondents</td>
<td>55</td>
<td>31%</td>
</tr>
<tr>
<td>Actual Respondents</td>
<td>100</td>
<td>69%</td>
</tr>
<tr>
<td>Total</td>
<td>145</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (Field data, 2013)
4.2: Demographic Information

In order to capture the general information of the women's small businesses in Thika, issues such as age of the business, number of employees and level of education of the respondents were discussed.

4.2.1: Age of the business

The study sought to establish the duration that the businesses have been in existence. Age is considered an important factor in profiling and explaining performance. The finding shows that majority (65%) of the businesses were above 4 years old, 16% were between 2 to 3 years, 10% were between 3 to 4 years while 6% were below 1 year. The findings are shown on the figure 4.1 below.

![Figure 4.1: Age of the Enterprises](image)

**Figure 4.1: Age of the Enterprises**

*Source: (Field data, 2013)*

4.2.2: Number of employees in a business

The study observed that the majority (70%) of Small and Medium Enterprises in Thika district had directly employed between 1 to 2 employees, 16% had between 3 to 5 employees, 9% had
between 6 to 10 employees and 5% had above 10 employees. The findings have been illustrated in the table 4.2 below,

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>3-5</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>6-10</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Above 10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Field data, 2013)

4.2.3: Level of Education of the Respondent

Mc Cormick and Pederson (1996) observed that, education plays critical role in the process of making business decisions as well as implementing them. They asserted that entrepreneurs with college based education tend to establish larger firms and perform fairly well in operations of enterprises. The finding shows majority(50%) of the respondents had secondary level education, 31% possess diploma level of education, 8% possess primary education, 10% possess degree level of education and only 1% of respondents had post graduate qualifications.
4.2.4 Nature of businesses

The findings illustrates that majority (32%) of the respondents were in retailing businesses, 30% were involved in food and hospitality, 23% were involved in service industry such as hairdressing, IT services etc, 15% engage in clothing and textile industry. The results are indicated in the table 4.3

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and hospitality</td>
<td>30</td>
<td>30%</td>
</tr>
<tr>
<td>clothing and textile</td>
<td>15</td>
<td>15%</td>
</tr>
<tr>
<td>Retailing</td>
<td>32</td>
<td>32%</td>
</tr>
<tr>
<td>Service sector</td>
<td>23</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: (Field data, 2013)
FINDING RELEVANT TO THE STUDY OBJECTIVES

The study focused on evaluating the accessibility of insurance services among the women's Small and Medium Enterprises in Thika district. It therefore focused on three specific objectives namely; effects of knowledge and skills, effects of cost of insurance, effects of socio-cultural factors and the effects of perception and attitude on accessibility of insurance services among the women entrepreneurs in Thika district.

4.3 Effects of knowledge and skills on accessibility of insurance

The researcher aimed at establishing the women's level of knowledge and skills and find out how they affect the accessibility to insurance services.

4.3.1 Insurance company awareness

The findings indicate that majority (99%) of the respondents were aware of at least one insurance company operating in Kenya. Majority (45%) of company deals with motor vehicle covers, 42% deal with life assurance and 13% cover general risks cover as illustrated in the figure 4.3
4.3.2 Communication channel of insurance information

The findings indicate that majority (56%) of the respondents learnt about insurance through a salesperson, 41% learnt through the media such television, radio and newspapers while 2% learnt through friends. This is indicated in table 4.4

Table 4.4 Communication channel

<table>
<thead>
<tr>
<th>Insurance information</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through Salesperson</td>
<td>56</td>
<td>56%</td>
</tr>
<tr>
<td>Through Media</td>
<td>56</td>
<td>41%</td>
</tr>
<tr>
<td>Through friends</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Field data, 2013)

4.3.3 Insurance cover purchased

The findings illustrates that majority (54%) of the respondent purchased a life insurance within the last five years, 35% purchased a motor accident cover, 5% purchased business accident covers while 4% have none of the insurance covers as shown in the figure 4.3
4.3.4 Insurance benefits

The finding shows majority (88%) of the respondent have never benefited from any insurance policy, 11% have benefited from medical expenses payment while 1% have had their business goods replaced. The findings are illustrated in figure 4.4.
4.4 Effects of cost of insurance on accessibility of insurance

The study aimed at determining the effect of cost on accessibility of insurance. A scale of 1-5 was used in rating responses towards the cost of insurance. The scores “strongly disagree” and “disagree” were represented by mean score, equivalent to 1 to 2 on a continuous likert scale. The scores of “not sure” was equivalent to 3 on the likert scale. The score of agree and strong agree represented high degree of agreement and was equivalent to 4 to 5 on the likert scale. The result as were as presented in table 4.5

Table 4.5: cost of insurance services

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance companies demand that premium must be updated upfront</td>
<td>4.14</td>
<td>1.31</td>
</tr>
<tr>
<td>The insurance companies fix premiums which are very high for the SMEs to afford</td>
<td>3.63</td>
<td>0.81</td>
</tr>
<tr>
<td>Entrepreneur’s lack proper information on payment of insurance services</td>
<td>4.71</td>
<td>1.85</td>
</tr>
<tr>
<td>Entrepreneurs lack information about the insurance services</td>
<td>2.44</td>
<td>0.93</td>
</tr>
<tr>
<td>Little or no knowledge of the insurance companies</td>
<td>2.70</td>
<td>1.03</td>
</tr>
<tr>
<td>Insurance firms do not market their services to SMEs</td>
<td>3.03</td>
<td>0.79</td>
</tr>
<tr>
<td>Insurance companies lack products that are suitable to Small and Medium Enterprises</td>
<td>4.76</td>
<td>1.97</td>
</tr>
<tr>
<td>Aggregate mean and standard deviation</td>
<td>3.32</td>
<td>1.04</td>
</tr>
</tbody>
</table>

Source: Field data, 2013.

The findings shows that Insurance companies lack products that are suitable to Small and Medium Enterprises (4.76 mean score), Entrepreneur’s lack proper information on payment of insurance services (4.71 mean score), Insurance companies demand that premium must be updated upfront (4.14 mean score), The insurance companies fix premiums which are very high for the SMEs to afford (3.63 mean score), Insurance firms do not market their services to SMEs (3.03 mean score).
4.4.1 Use of local agents in distribution of insurance

The researcher aimed at establishing whether local agents were necessary in distributions of insurance services. Majority (41%) cited that local agents can provide convenience in money remittance, 29% cited wide coverage hence increasing the pool, 24% cited reduction in cost of insurance policies and 6% said agents would increase availability of valuable information about insurance. The finding are shown in table 4.6

Table 4.6: Benefits of using local agents

<table>
<thead>
<tr>
<th>Agents benefits</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience in payment</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Wide coverage</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Availability of information</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field data, 2013.

4.4.2 Insurance compensation

Majority (78%) of the respondents agreed that insurance compensation do not match the cost of insurance while 22% said insurance compensation commensurate the costs. The findings are illustrated in the figure 4.5.
Figure 4.5: Compensation against cost of insurance

Source: (Field data, 2013)

4.5 Effects of socio cultural factors on accessibility of insurance

4.5.1 Types of business ownership

Majority (92%) of the respondents solely owned their businesses, 7% jointly owned their businesses with a partner while 1% communally owned their businesses. This shows most of the businesses were family owned and managed by family members. The findings are shown in table 4.7.

Table 4.7 Business Ownership

<table>
<thead>
<tr>
<th>Business Ownership</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single owner</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Jointly owned</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Communally owned</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: (Field data, 2013)

4.5.2 Family size and accessibility of insurance
Majority (94%) of the respondents reported that family size does not affect, while 6% reported that family size do affect the accessibility to insurance services. The findings are illustrated in figure 4.6

![Figure 4.6: Effects of family size](image)

**Source:** (Field data, 2013)

### 4.4 Women perception and attitude towards risks

The researcher aimed at finding the perception about business risks and to establish whether this affects accessibility to insurance.

#### 4.5.1 Rate of business risks

Majority (60%) indicated that they often face loss due to unseen risks, 25% most often face losses and 15% less often face risks. The finding are indicated in the figure 4.7
4.4.2 Method of mitigating business risks

The researcher aimed at establishing the methods used in managing risks by women entrepreneurs in Thika district. Majority (63%) of the respondents manage business by trusting the divine power of God, 30% included more partners to business to share risks, 5% insure their businesses with an insurance company, 2% uses other methods to manage business risks. The findings are indicated in the table 4.8

Table 4.8: Business risk management

<table>
<thead>
<tr>
<th>Business risk management</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance company</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Partnership</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Trusting God</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other methods</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: (Field data, 2013)
4.5.1: Insurance business packages

The researcher aimed at finding the most applicable insurance service to women's owned business in Thika district. Findings show that majority (59%) of the cited mandatory motor insurance, 14% cited property insurance with majority citing theft and fire covers, 10% reported employee’s insurance cover 8% cited cash in transit, while 4% cited Business interruption cover. The findings are shown in figure 4.8

![Figure 4.8: Business insurance packages](image)

**Source:** (Field data, 2013)

4.6: Methods of enhancing accessing of insurance services

The study aimed at evaluating the methods that can be used to improve the penetration of insurance services among the women's SMEs in Thika District. Multiple responses were allowed. Majority of the respondents 75% felt that the low and flexible premiums should be charged, 58% reported public sensitization campaign on the benefits accrued from purchasing an insurance policy/cover, 29% of the respondents felt business risk insurance should be made mandatory to all small and medium businesses.
The findings are shown in the figure 4.9 below.

Figure 4.9: Methods of enhancing accessibility of insurance

Source: (Field data, 2013)

4.7: Inferential statistics on accessibility of insurance services

The study used inferential statistics in trying to reach conclusions that extend beyond the immediate data alone. Inferential statistics were used to infer from the sample data what the population might think or to make judgments of the probability that an observed difference between groups is a dependable one or one that might have happened by chance in this study. The study used factor analysis and correlation of variables using the Pearson correlation analysis to determine the relationship between the variables.
### Table 4.9: Correlation of variables

<table>
<thead>
<tr>
<th></th>
<th>Accessibility of insurance services</th>
<th>Knowledge and skills</th>
<th>Cost of insurance</th>
<th>Sociocultural factors</th>
<th>Perception and attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accessibility of insurance services</strong></td>
<td>Pearson correlation 1.00</td>
<td>.618 *</td>
<td>.870 *</td>
<td>.714</td>
<td>.763</td>
</tr>
<tr>
<td></td>
<td>Sig.(2 tailed)</td>
<td>.000</td>
<td>.020</td>
<td>.016</td>
<td>.002</td>
</tr>
<tr>
<td><strong>Knowledge and skills</strong></td>
<td>Pearson correlation .611</td>
<td>1.00</td>
<td>.467</td>
<td>.651*</td>
<td>.673</td>
</tr>
<tr>
<td></td>
<td>Sig.(2 tailed)</td>
<td>.004</td>
<td>.058</td>
<td>.062</td>
<td>.132</td>
</tr>
<tr>
<td><strong>Cost of insurance</strong></td>
<td>.625 *</td>
<td>.425</td>
<td>1.00</td>
<td>.581 *</td>
<td>.451</td>
</tr>
<tr>
<td></td>
<td>Sig.(2 tailed)</td>
<td>.002</td>
<td>.003</td>
<td>.001</td>
<td>0.14</td>
</tr>
<tr>
<td><strong>Sociocultural factors</strong></td>
<td>.012</td>
<td>0.32</td>
<td>.113</td>
<td>1.00</td>
<td>.67</td>
</tr>
<tr>
<td></td>
<td>Sig.(2 tailed)</td>
<td>.000</td>
<td>.006</td>
<td>.005</td>
<td>.016</td>
</tr>
<tr>
<td><strong>Perception and attitude</strong></td>
<td>.835</td>
<td>.723</td>
<td>.521</td>
<td>.67</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td>0.34</td>
<td>.005</td>
<td>.007</td>
<td>.009</td>
<td>.006</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed)

**Source (Field data, 2012)**

From the above correlation table 4.9 all the variables have a relationship with each other at 0.05 significance level. Knowledge and skills have a positive relationship with the accessibility of the insurance services. Cost of insurance services, has a positive relationship with accessibility of insurance services. Perception and attitude toward risks have a strong relationship with accessing of insurance services. However, sociocultural factors have weak relationship with accessibility to insurance among womens’ businesses.
5.1: Introduction

The general objective of this study was to establish the accessibility of insurance services to Small and Medium Enterprises in Thika District in Kenya. The data was collected from 100 respondents operating enterprises in Thika district out of the sample size of 145.

5.2: Summary of the Findings

5.2.1: Knowledge and skills of insurance services

The study aimed at evaluating whether knowledge and skills affected the accessibility of the services among women’ Small and Medium Enterprises. The study findings revealed majority of the respondents were aware of existence of insurance companies in Kenya, Majority (45%) were aware of company dealing with motor vehicle covers, 42% dealing with life assurance and 13% covering general risks.

5.2.2: Cost of accessing insurance services

Majority (85%) of the respondents viewed cost of insurance as the major hinderance to the assess of insurance. The respondents considered high premiums charged that does not match the perceived benefits as the major challenges faced by women’ Small and Medium Enterprises in Thika district.

5.2.3: Sociocultural factors and accessibility of insurance services

The findings shows that (92%) of the SMEs are solely owned their businesses, 7% jointly owned their businesses with a partner while 1% communally owned their businesses. However, the type
5.2.4 Perception and attitude towards risks among women entrepreneurs

The research aimed at establishing how whether perception and attitude towards risks affects the accessibility of insurance. Findings reviewed that Majority (63%) of the respondents manage business by trusting the divine power of God, 30% included more partners to business to share risks, 5% insure their businesses with an insurance company, 2% uses other methods to manage business risks.

5.3: Conclusions

5.3.1: Knowledge and skills on insurance services

Conclusion on the level of awareness of insurance services

Though the majority of the respondents were aware that insurance companies do exist and have to a big extent the SMEs enjoyed liability cover, there was very little awareness as far as the other insurance services that related directly to their businesses were concerned for instance Cash in Transit and Business Interruption packages. The regular media advertisement as well as other public awareness campaigns such as personal selling can greatly improve the level of awareness of insurance services to Small and Medium Enterprises in Kenya.

5.3.2: Cost of accessing insurance services

Low payments premium should be formulated to accommodate many women SMEs that have merge earnings. Affordability of insurance services should be considered while designing the policy. The respondents prefer policy with low premium but with high perceived benefits.
Insurance distribution through local agents can enhance payment and reduce the cost of insurance.

5.3.3: Sociocultural factors that affect women
The study concludes that family and social responsibility does not affect the accessibility of insurance services.

5.3.4 Perception and attitude towards risks
The study concludes that women's perception and attitude toward risk affects accessibility to insurance. Reliance on divine protection from God greatly explain the low penetration of insurance services among women entrepreneurs.

5.4: Recommendations of the study
Based on the findings, interpretations and conclusions of the research, the following recommendations were made.

Although there is more financial advice from insurance companies to SMEs there is need to have concerted efforts to translate the increased awareness to purchase of business related insurance services. This should be done through insurance seminars, trade fairs and exhibitions and testimonials where entrepreneurs are sensitized on the importance of insurance policies in the management of business risks.

Insurance companies should work towards improving the negative perception by making claims payments public through electronic and print media.
The Insurance Regulatory Authority should also talk more about the Consumer Protection role in order to enhance the confidence of the SMEs as they buy insurance knowing that they have a fallback position in the event their claims are not honored.

The SMEs records varying returns with some periods recording impressive returns while other periods record poor returns. The insurances companies can therefore cash in more on the periods when there is impressive performance.

5.5: Recommendations for further research

The following areas are recommended for further research:

1. A research should be conducted to establish the cause of low adoption of Business Interruption Policy among the SMEs.

2. A research to be conducted to examine the contribution of insurance services to the growth of SMEs.

3. A research to be conducted to establish the effects of policy pricing strategy to the penetration of insurance services in Kenya.
References


Owusu, G. A. 2007. —Graying of the developing world: Emerging policy issues. —Problems and prospects of micro health insurance: Case study of Itetkanele Medic Aid Scheme 23 in Botswana


Appendix I: Introduction Letter

To whom it may concern

Dear Sir/Madam,

Request for participation in a research study

I am a final MBA student at Kenyatta University. My area of specialization is Finance. I am currently undertaking a research on “accessibility of insurance services by women owned small and medium enterprises in Kenya”.

I would be grateful if you could spare some time from your busy schedule and complete the enclosed questionnaire. All the information provided will be used purely for academic purposes only and will be treated with utmost confidentiality.

Kindly contact me in case of any queries or clarification on any of the questions.

Thank you for your cooperation.

Yours faithfully,

Gerald Kuria Mbugua,

MBA Student, Kenyatta University,
Appendix 2: Questionnaire

Section A: General information

1. Name of the business (optional) .................................................................

2. What is your position in this business. Owner ( ) Employee ( ) Co-owner ( )

3. How long has the business existed?
   - Below 1 year [ ]
   - 2 - 3 years [ ]
   - Above 4 years [ ]
   - 1 - 2 years [ ]
   - 3 - 4 years [ ]

4. How many employees does your business have? Between 1-2 [ ] Between 3 to 5 [ ] 6 to 10 [ ] Above 10 [ ]

5. What is the level of your education?
   - Primary [ ]
   - Diploma [ ]
   - Secondary [ ]
   - Degree [ ]
   - Post degree [ ]
   - Others (please specify) ............... [ ]

Accessibility of Insurance Services

6. What is the industrial sector of your business?
   - Textile [ ]
   - Food and hospitality [ ]
   - Clothing [ ]
   - Retailing [ ]
   - Others (please specify) ............... [ ]

7. How would you describe performance trend of your business?
   - Declining [ ]
   - Stagnant [ ]
   - Rising [ ]

8. What is the major risk that commonly face your business .........................

9. How frequently do you face losses due to unseen risks?
   - Less Often ( )
   - Often ( )
   - Most Often ( )

10. How do you mitigate risks in your business?
    i. Sharing risk through insurance company ( )
    ii. Including more partners ( )
    iii. Trusting in God ( )
Section B: Level of knowledge and skills of insurance services among small and medium enterprises

11. (a) Are you aware of any insurance Company in Kenya?
   Yes [ ] No [ ]
   (b) If yes what services do they offer?

12. (a) Have you bought any insurance product/service in the last five year?
   Yes [ ] No [ ]
   (b) If yes which one(s)?

13. (a) Have you ever benefited from any insurance policy?
   Yes [ ] No [ ]
   (b) If yes explain how?

14. How did you learn about insurance services
   Through media( ) Through friend ( ) Through salesperson ( )
   b) Have you ever recommended any insurance service to your friend. Yes ( ) No ( )

Section C: Cost of Insurance

15. To what extent do the following challenges hinder you from accessing insurance services?
   Rate your response on a five point likert scale where 1= No extent, 2= Low extent, 3= Moderate extent, 4= Great extent and 5= Very great extent.

<table>
<thead>
<tr>
<th>Insurance companies fix the premium</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>No extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance companies demand that premium must be paid upfront and no room for installments.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The insurance companies fix premiums which are very</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

51
Entrepreneurs lack of information about the insurance services

Insurance firms do not market their services to SMEs

Insurance companies do not have products that are suitable for women entrepreneurs

16 (a) Would you prefer that all the insurance services be distributed by local agents to reduce costs

Yes [ ] No [ ]

(b) If no explain why....................................................................................................................

17 Compensation amounts do not always commensurate the cost of insurance

Yes ( ) No ( )

If yes explain.................................................................................................................................

Section D: Sociocultural constraint facing women

18. What is the type of ownership of your properties

Single owner ( ) Jointly owned ( ) Community owned ( )

19. Does ownership affects access to insurance services

Yes ( ) No ( )

If yes Explain how.................................

20. Does the size of your family affect the accessibility to insurance

Yes ( ) No ( )

If yes how Explain how.................................

Section E: perception and attitude toward risk

21. Do you think your businesses would benefit from the following insurance services?

Property insurance Yes [ ] No [ ]

Explain your answer....................................................................................................................
Business interruption Insurance  Yes [ ]  No [ ]

Explain your answer.................................................................

Liability insurance  Yes [ ]  No [ ]

Explain your answer.................................................................

Cash in transit insurance  Yes [ ]  No [ ]

Explain your answer.................................................................

Insurance for workers  Yes [ ]  No [ ]

Explain your answer.................................................................

22.  (a) Have you ever suffered any catastrophic loss?
    Yes [ ]  No [ ]

(b) Was the loss insured?
    Yes [ ]  No [ ]

(c) If yes were you compensated
    Yes [ ]  No [ ]

(d) If Yes in c above was the compensation fair?

(e) If not in b above, how did you manage the loss?

23 (a) Would you recommend Insurance services to SMEs as a solution to dealing with catastrophic loses?
    Yes [ ]  No [ ]

(b) If No why not?.................................................................

24. What according to your opinion can be done to enhance accessibility of insurance services by SME's