THE DETERMINANTS OF INSURANCE DEMAND FOR SMALL AND MEDIUM ENTERPRISES: THE CASE OF MBEYA CITY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION) OF OPEN UNIVERSITY IN TANZANIA

2020

CERTIFICATION

The undersigned, certifies that has read and recommends for acceptance by Open University of Tanzania (OUT), a dissertation entitled the *"Determinants Of Insurance Demand For Small and Medium Enterprises A Case of Mbeya City"* in fulfillment of the requirements for award of the degree of Masters of Business Administration (MBA) of Open University of Tanzania (OUT).
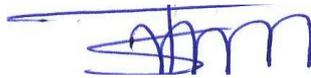
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Date

DEDICATION

This study is dedicated to LORD JESUS CHRIST for his provision of guidance throughout my life. I also would like to dedicate this research work to my husband Ezekiel, my children Allan, Alice, Albert and all my relatives for their loves, kindness and great support that have enabled me to reach this point in the academic field.

I LOVE YOU ALL." GOD BLESSES YOU". AMEN

ACKNOWLEDGEMENT

ABSTRACT

This study examined the determinants of insurance demand for SMEs in Mbeya city. The specific objectives of the study were to assess how the education of SMEs owners, the income level and insurance cost influence SME's owners to ensure their businesses. The study involved 92 randomly selected respondents and the descriptive explanatory design was applied. Moreover, the study applied quantitative methodology. Overall, results showed that only 44.6% of entrepreneurs insured their businesses. The study also revealed that 28 out of 41 (30.4%) of SMEs owners who insured their businesses terminated their insurance contract because of late compensation and high insurance charges. Moreover, the study exposed that 13% of SMEs owners were not willing to insure their businesses. The study further revealed that only 43% of respondents had knowledge on the role of insurance while 51.1% claimed that the insurance costs (charges) were too high and 61.8% agreed that the low level of income influenced the insurance demand. Based to the study findings then we conclude that, knowledge/education on insurance roles, high costs of insurance and level of income flow in business influence insurance demand for SME owners in Mbeya City. This study recommends that the insurance company and government should provide enough education to entrepreneurs on the role of insurance in reducing the business risks. Also, the insurance companies should reduce insurance costs and reduce bureaucracy on payment of insurance claims.

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ACRONYMS AND ABBRIVIATIONS

GDP   Gross Domestic Product

IFC   International Finance Company

SMEs   Small and Medium Enterprises

SPSS   Statistical Package for Social Services

TCCIA   Tanzania Chamber of Commerce Industry and Agriculture

URT   United Republic of Tanzania

WTJ   Willingness to Join

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter presents the background of the study, problem statement, research objectives, research questions, significance of the study, scope of the study, organization of the study and the limitations of the study.

1.2 Background to the Study

Small Medium Enterprises (SME) has been defined differently by each country depending on its level of development. However, a definition comprises of total number of employees, total investment, and sales turnover (Olomi, 2006). The Tanzania Government defines SMEs as a non-farm activities which include manufacturing, mining, commerce and small service enterprise with 5 to 49 employees and capital investment of 5 –200 million while a medium a firm, is one with 50 to 99 employees and capital investment of 200 – 800 million (URT, 2003).

SMEs all over the world are known to play a major role in socio-economic development. It is estimated that about 1/3 of the GDP originates from SME sector; they tend to be labor intensive, thus creating jobs (IFC 2016). The International Finance Company (IFC) of the World Bank on 2006 estimated that there were approximately 2.7 million enterprises in the Tanzania. Majority of these enterprises (98%) were micro enterprises, employing less than 5 people (Olomi, 2006). It is estimated that 80% of the total population in Mbeya city engages in agricultural activities, and other 20% engage in different business activities, such as pretty and industrial activities. Mbeya regional social iconomic profile (2018)

indicated that many enterprises especially Small Medium Enterprises (SME's) are located in town of each district center, especially in the area where markets are allocated. Insurance companies provide the unique financial services to the growth and development of the economy. Without insurance cover it is not possible for business owners to sustain because of unpredictable risks in this over changing world full of uncertainty (Ahmed and Zulfaqal, 2011).

Insurance demand is influenced by number of factors which include perception of whether insurance product is important or not, the culture of the country, awareness of the people on what business insurance is about, education on insurance role, price stability, access to credit, income, level risks exposure, premium paid by insurance company, age marital status, perception, gender, employment type and urbanization (Mhere, 2013; Ssempala, 2015); Akhter and Khan, 2017; Enjolras and Sentis, 2011). The researcher intended objectively to study the determinants of insurance demand particularly on how education on insurance, insurance charges and the level of income affect SMEs owners to join insurance companies. To the best of researcher knowledge, none of study had been done to determine the factors which influence insurance demands in Mbeya city.

1.3 Statement of the Problem

In Mbeya region, Small and Medium Enterprises experience number of risks that threat the growth and sustainability of their businesses. These risks include fire, theft, floods, and political interruption which disturb operations and profitability of their businesses, posing a challenge for the growth of these SMEs (Mbeya Regional Secretariat, 2011). The authors noted that there are some cases of fire outbreaks in the markets of Mbeya region which resulted into losses to SMEs owner. For instance, in 2001 in Kyela, the district market was completely burnt by fire and about 80% of goods of small business owners

were destroyed. Again, in 2006, Mwanjelwa market experienced a similar situation which affected about 76% of goods (Mbeya Regional Secretariat, 2011).

Furthermore, in 2011 both Tunduma and Uwindini Markets in Mbeya region were also burnt completely, leaving SME owners under heavy losses. Despite these incidences, the researcher revealed that majority of small business owners whose goods were destroyed, were not insured. Mbeya Regional Secretariat (2011) declared that the goods of about 1350 of registered SMEs were destroyed by fire and only 14 SMEs owners managed to save some of their goods; this indicate the loss of 90 % of their business' properties. Therefore, this study assessed the underlying determinants of insurance demand among SMEs owners in Mbeya city.

1.4 Research Objectives

1.4.1 General objective of the Study

The general research objective was to assess the determinants of insurance demand for SMEs owners in Mbeya city.

1.4.2 Specific Objectives of the Study

   i.   To assess the extent that education influence SME owners insure their businesses.

  ii.   To assess how the level of income influences SME owners insure their businesses.

 iii.   To assess how insurance' charges influence SME owners insure their businesses.

1. 5 Research Questions

The study was guided by the following research questions

1.5.1 General Research Question of the Study

What are determinants of insurance demand for SMEs owners in Mbeya city?

1.5.2 Specific Research Questions of the Study was:

i.   How education influence SME owners insure their businesses?

ii.   How the levels of income influence SME owners insure their businesses?

iii. How insurance' charges influence SME insurance owners insure their businesses?

1.6 Significance of the Study

The study determines why small and medium enterprises do not insure their businesses while they face risks in their businesses. Therefore, in business sector, this study helps business owners to raise their awareness on the benefits and importance of insuring their businesses against risks and uncertainty.

This study also adds to the body of knowledge on the factors which influence the SME owners to insure their businesses, linking the study with demand theory. The study has presented the recommendations to the government, insurance companies and SME owners on why they should merge efforts to sensitize the SME owners to insure their businesses

Finally, this study informs the Government of Tanzania about the weaknesses of the insurance companies and SME owners in dealing with insurance schemes. Therefore, the findings from this study are inputs for the government to amend or enforce the insurance policy and this will promote the SMEs' development in Tanzania

1.7 Scope of the Study

The study was conducted in Mbeya City. The City was estimated to have many SMEs compared to the other region. For example, Mbeya city was the third city in Tanzania

Mainland to sell large quantities (75%) of the business identity cards provided by president of Tanzania for small business owners with capital not exceeding 4 TZS million (District commissioner Mbeya, 2019). This confirms that many of SMEs are allocated at Mbeya City.

The researcher has also chosen Mbeya City because of the prevalence of business risks. For instance, risk of fire outbreak that has occurred three times in the different markets (Mwanjelwa, Uhindini and SIDO), where majority of SMEs are allocated. Lastly, the researcher is familiar with the environment; this assisted the researcher to access the area and hence minimized the time and financial resources during the data collection.

1.8 Organization of the Study

This study was organized into five chapters as follows: Chapter one discusses the background of information of the study, statement of research problem, objectives of the study and research questions, scope of the study, organization of the study and relevance of the research. Chapter two illustrates conceptual definitions of key terms, theoretical and empirical literature of relevant studies, research gap and conceptual framework. Chapter three focuses on the research methodology; how data was obtained from the study, descriptions of the population of the study, sample size determination, data gathering source, research approaches, data collection instruments, data collection process, data analysis, variables and measurement, validity and reliability and research ethical issues consideration. Chapter four covers the research findings and discussion while chapter five entails summary of findings, conclusion, recommendations, contribution of the study to theories and directions for the future studies.

1.9 Limitations of the Study

The major limitation was inadequate financial resources which limited the coverage of the study in Mbeya City.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter highlights both theoretical and empirical literatures relevant to the determinants of insurance demand for SMEs. It includes conceptual definitions of key terms, theoretical literature and empirical literature of relevant studies, research gap and conceptual framework.

2.2 Concepts and Definitions

2.2.1 Insurance

Insurance is an agreement where, one party (the insurer) agrees to pay to the other (the policyholder or his designated beneficiary), a defined amount (the claim payment or benefit) upon the occurrence of a specific loss (Anderson, Fanell and Lehmann, 1994). The defined claim payment can be a fixed amount or can reimburse all or a part of the loss that occurred. The insurer considers the losses expected for the insurance pool and the potential for variation in order to change premiums that, in total, will be sufficient to cover all of the projected claim payments for the insurance pool.

The premium charged to each of the pool participants is that participant's share of the total premium for the pool. Each premium may be adjusted to reflect any special characteristics of the particular policy. Normally, only a small percentage of policyholders suffer losses. Their losses are paid out of the premiums collected from the pool of policyholders. Thus, the entire pool compensates the unfortunate few. Each policyholder exchanges an

unknown loss for the payment of a known premium (Anderson, Fanell and Lehmann, 1994).

2.2.2 Small and Medium Enterprises (SME)

Small and Medium Enterprises (SMEs) is defined as a non-farm activity which include manufacturing, mining, commence and service. Small enterprises include all firms with 5 to 49 employees and capital investment of 5 –200 million, a medium is a firm with 50 to 99 employees and capital investment of 200 – 800 million. SMEs all over the world are known to play a major role in socio-economic development. URT, (2003) estimates that about 1/3 of the GDP originates from SME sector; they tend to be labor intensive thus creating jobs.

The International Finance Company (IFC) of the World Bank in 2006 estimated that there are approximately 2.7 million enterprises in the country. Majority of these enterprises (98%) were micro enterprises, employing less than 5 people. According to Tanzania Chamber of Commerce Industry and Agricultural in 2016, about 95% of the business in Tanzania are SMEs, equivalent to 35% of GDP. This shows how SMEs are very important in the contribution of economic growth in the Country.

2.3 Critical Review of Rupporting Theories or Models

2.3.1 The Demand Theory

The demand theory started to be developed in the nineteenth century. The theory is based on the assumption that the rate of consumption is inversely associated with the price levels, in a condition known as substitution effect. Demand is described and sketched as negatively sloping curve to the x-axis, and this is the characteristics of the product needed. Relaying on the demand law, the demand curve is down sloping curve, indicating that the

price decreases, consumer will buy more of the goods/services. Demand curve is subjected to the effect of marginal utility. Implying that, the consumer will continue buying the particular goods at a given price in the line with marginal utility of their choices (Blokhin, 2015). There were different scholars who have been adding their contributions to the demand theory variables from time to time as follows: In the 1600's the law of demand was demonstrated by Gregory King. He demonstrated the theory of demand by showing relationship between the price of wheat and harvest, the results suggested that if the price of wheat fall by 50% the harvest would rise by 500%.

Cantillon (1680) in the book of General Nature of Commerce, he added some variables on the demand theory that the price of the product is divided into a normal price measuring the quantity and quality of the land and labor that were used in production and the market price. Then he urged that the normal price can be the market price which reflects the changes in the market. Smith (1982) in the "Wealth of the Nations" argued that there are separate actors who determine the prices; one which determines price in short run and the other in the long run. The value of goods according to Smith was the sum of amounts payables to the factors used in marking goods. In the other word, that is the cost of bringing the product in the market. The price of the product will just cover the cost that brings it to the market. Marshall (1890) added his contribution on the theory of demand by introducing the concept of demand curve which demonstrated the point at which the market is at equilibrium. Also, another contribution of Marshall in the theory was the concept of price elasticity of demand which explains how the how price changes affect the demand of the products or services. In addition to the theory, he explained that people buy less of the product, if price increases and he noted also that, this is not always the case as sometimes the price can increase without reducing demand which means that the consumer price is inelastic. Inelastic goods tend to include gods like medication and food.

So, Marshall argued that the supply and demand of cost of production and price elasticity all work together.

Stuart (1969) brings the theory of equilibrium price by putting together the demand and supply. He added and presented the schedule which showing the relationship between price and quantity demanded. So, Mill avoided inability to see the value determined at the same time by two separate sides; thus, utility which leads to demand and the cost, which leads to supply.

The demand theory has been used by the different scholars in their studies. Just to mention the few studies; Hunt (2000) used the demand theory analyzing the resource competence, productivity and economic development. Galama and Kippersluis (2010) used demand theory in the study of the theory of social economic disparities in health. Cycle, Braekhan (2014) used the demand theory to determine why price changes by analyzing the supply and demand prices and how it impacts the formed Solomon market. Safiullinl, Oduntsovaj and Safiullinn (2015) used the demand theory in the determination of the condition of heterogeneity of goods and consumers. Malyshkin, (2017) also used the demand theory to study the market dynamics. Ndurukia, Njeru and Waiganjo, (2017) used the demand theory to study the determinants of micro insurance services in Kenya and Haanwinckel (2018) used the demand theory to study the labor market sorting and wages distribution. Based on the outlined literatures the demand theory, the researcher found it is ideal to adopt the demand theory as it provides a comprehensive way on how, education level, insurance costs and level of income of SMEs can influence the SMEs owners to insure their business in Mbeya City.

2.4 Empirical Analysis of Relevant Studies

Mapharing, Otutenye, and Radikoko (2015) in their study on determinants of demand for life insurance conducted in Canada and Republic of Botswana analyzed data by using regression method and the dual theory of choice under risk. The study strongly revealed that education, income inflation, social security, interest rates, dependency ratio, financial development and life expectancy influenced the insurance demand. However, the study did not examine how insurance cost influenced insurance demand.

Celik and Kayali (2009) assessed the determinants for demand of the life insurance by using Regression method in Turkey. The study found that the level of income affected the insurance demand. However, the study did not access how insurance cost influences the insurance demand.

Makoko, Kulwa and Kambewa (2017) on their study conducted in Malawi, they investigated the determinants of demand for private health insurance among formal sector employees. The data were analyzed using regression method. The study revealed strongly that income and age influenced the insurance demand. However, the study did not explore how education and insurance cost affect the demand for insurance demand.

In Korea by Lee, Kwong and Young (2010) studied the determinants of households demand for insurance. The data were analyzed by using regression method. The study revealed strongly that type of employment, location of residence and age influenced the insurance demand. However, the study did not investigate how education on insurance operations and insurance cost influence insurance demand.

Chitiyo (2017) in his study which was conducted in African countries, on examination of demand for non-life insurance, revealed strongly that the growth rate of population, urbanization rates and level of merchandize trades influenced the insurance demand. The

researcher analyzed the data collected using regression method. However, the study did not assess how education on insurance operations, insurance cost and income level influence insurance demand.

Dash (2018) in the research conducted on in India on the determinants 'of life insurance demand. Data were analyzed through regression method and the study revealed that age, gender, occupation, education, family size and annual income influenced the insurance demand. However, the study did not examine how insurance cost influence insurance demand.

The study was conducted through survey by Enjolras and Sentis (2011) in France on the determinants of insurance purchased on crop insurance in France. The data were collected from survey and descriptive and regression methods of data analysis were applied. The study revealed that insurance demand depended on the level of risks and income level. However, the study did not address how education on insurance, the insurance cost influenced the insurance demand. In Asian and Middle- East the study was conducted by Akhter and Khan (2017) on the determinants of takafal and conventional insurance demand. The study objectively found that income, financial sector, education and urbanization affected the insurance demand. The resechers used regression method to analyse the data. However, the study did not assess how insurance cost influence insturance demand.

In Kenya Ndurukia, Njeru and Waiganjo (2017) conducted the study on the determinants of micro insurance services. The data were analyzed through regression method in order to test the relationship between the study variables, the demand theory and the risk theory and expected utility theory were used. The study found that exposure to risk, pricing, credit access, level of income, education level, age and gender, influenced the insurance

demand. However, the study did not reveal how insurance influence insurance demand cost. The evidence from India on determinants of demand for life insurance was done by Kakar and Shukla (2010) through the survey in India. The data were analyzed using regression method. The study revealed that education level and occupation determined the insurance demand. However, the study did not pin how cost influence the demand for insurance.

Beck and Webb (2000) analyzed the determinants of Life consumption across 63 countries. The data collected from all countries were analyzed using regression method. The study disclosed that ownership of assets, income and savings affected the demand for insurance. Though, the study did not disclose how the level of income and insurance cost influence insurance demand.

Mhere (2013) found that level of education of household, income, age, number of dependents and continuing illnesses determined the health insurance demand in Zimbabwe. The researcher analyzed the data using regression method and the theory of conversional and the Nyman's access theory of demand for private health insurance.

Huber (2012) found that level of education and wealth of households determined the life insurance in Indonesia. The regression method was used to analyses the data and the theory of asset endowment was used. However, the study did not address how insurance cost influence insurance demand. In Ghana Owusu-sekyere and Chiaraah (2014) revealed that income, higher education level and health status influenced Ghanaians to join the health insurance scheme. The Data were analyzed though regression methods. However, the study did not expose how level of income and insurance cost influence insurance demand. Ssempala (2015) revealed that health status, education level, information access and residential area influenced joining health insurance scheme in Uganda. The researcher

used regression method to analyses the data and the convectional theory of demand for health insurance and Nyman's access theory of demand. However, the study did not analyze how education and the level of income influence insurance demand. Kjosevski (2012) assessed the determinants of insurance demand in central and Southern Eastern Europe in 14 countries in central and southern-Eastern Europe (CSEE). The regression method of analysis was used to analyze data; the theory of life utility cycle was used. The study strongly revealed that per capita GDP, inflation, health charges, education level and rule of law influenced the life insurance in Europe. However, the study did not disclose the how level of income and insurance cost influence insurance demand

Ibiwoye, Ideji, and Oke (2010) also conducted the study on the determinants of life insurance consumption demand. The researcher used regression method to analyze the data on which the relationship between independent and dependent variables where captured. The study revealed that GDP, inflation, ROI and political status influenced the insurance demand. The Yaari Theory of Demand for insurance used in the study. However, the study did not assess how education on insurance, insurance cost and level of income influence insurance demand. Also the study conducted in Sub-Sahara Africa by Iyawe and Osamwonyi (2017) found that the financial development influence life insurance demand. The convention theory of expected utility and cumulative prospective theory were used in the study the researcher used regression method to analyze the data. However, the study did not examine how education on insurance and insurance cost influence insurance demand.

Table 2.1 The Empirical Literature Review Summary

S/N	Author Year and Yountry	Objective of the Study/title	Method of Data Dnalysis and Theory Used	Study Findings	Study gap (Variables not Covered by the Study)
1.	Makoka,,Kulwa and Kambewa (2007) in Malawi	Determinants of Private health insurance	Descriptive and Regression Method	Income and age	The study did not assess how education and insurance cost influence insurance demand
2.	Ibiwoyo, Ideji and Oke (2010) in Nigeria	The determinants of Life Consumption	Regression Yaari Theory of Demand for Insurance	Gross domestic product, Inflation, Return on Investment and, Political stability	The study did not assess education on insurance, insurance cost and income level
3.	Sekyere and Chiaraah (2014) in Ghana	Demand for Health insurance in Ghana. What factors influence Enrollment?	Regression method.	Sex, marital status, cost of curative care, high education and level of income.	The study did not examine how level income level and cost influence insurance demand
4.	Mapharing, tuteye and Radikoko (2015) in Botswana and Canada	Determinants of Demand for life insurance the case of Canada.	Regression method The dual Theory of choice under risk	Education, income inflation, social security, interest rates, dependency ratio,	The study did not assess how insurance cost and level of income influence insurance

				financial development and life expectancy	demand
5.	Chitiyo (2017) in African countries	Examination of the demand for non-life insurance evidence from selected insurance markets in Africa.	Regression method	The growth rate of population, urbanization rates and level of merchandize trades.	The study did not analyze how Education, insurance cost and level of income influence insurance demand.
6.	Dash (2018) in India	Determinants of life insurance demand evidence from India.	Regression method used to analyze data.	age, gender, occupation, education, family size and annual income.	The study did not examine how insurance cost influence insurance demand.
7.	Kurdays and Sompolsk (2018) in Poland	Determinants of Farmers demand for subsidized agricultural insurance in Poland.	Regression method	People permanently employed on farm and occurrence of damage.	The study did not assess how Education, insurance cost and level of income influence insurance demand
8.	Akhter &and Khan (2018) in Asian and Middle East	Determinants of Takafal and conventional insurance demand.	Regression method and descriptive method	Income, financial sector, education and urbanization.	The study did not assess how insurance cost influences the demand for insurance.

Source: Researcher (2019)

2.5 Research Gap

This study attempts to address gaps in the literature. The researchers in all cited literatures (like Enjolras and Sentis (2018), Chitiyo (2017) and Lee, Kwong and Gung (2010) did not show how insurance demand is affected by education on insurance, level of income and insurance costs on SMEs. Moreover, the entire studies were not conducted in Tanzania. Nevertheless, some studies (Iyawe and Osamwonyi, 2017; Feyen, Lester and Rocha, 2011; Beck and Webb, 2000; Makoko, 2017; Mapharing, 2015) only linked the insurance demand on either of the three research variables. These studies were conducted in Uganda, Malawi, Ghana and Botswana.

Also some studies conducted in India, Asia, Zimbabwe, Ghana and Turkey by (Huber, 2012; Mhere, 2013; Kakar and Shukla, 2010; Ndurukia , 2017; Dash, 2018; Akhter and Khan, 2017; Celik and Kayali, 2009). These studies only addressed two variables in their studies. Furthermore, all of the studies above none of them have been conducted in Tanzania, to address the three variables (education on insurance, the level of income and Insurance Costs). Therefore, this was conducted in Mbeya City to assess how the level of education, insurance charges and level of income influence insurance demand for SMEs owners in Mbeya city in Tanzania.

2.6 Conceptual Frameworks

The figure 2.1 shows the conceptual framework of the study. The representation assumes that education/knowledge on the role of insurance, level of income and cost consciousness is positively related to an entrepreneur's willingness to join and pay insurance premium. Therefore, willingness to join insurance scheme is dependent variable while education, income level insurance cost assumed to be independent

variables under this framework representation. The education of consumers on the insurance positively affect the demand for any type insurance product; the level of education of person's have on the insurance importance and benefits may if the SME owner join the type of insurance which reduces the business risk. Insurance is also affected by the level of income of the owners the business has. Usually, the higher the income of the business owner may tempt him to join the insurance scheme (Beck and Webb, 2000). Also, the willingness to join insurance scheme may be affected by insurance costs, implying that if the charges are too higher or unaffordable, there is the possibility of SMEs owner to resist joining the insurance scheme. The variable contained in the representation are indicated in Figure 2.1.

Independent Variables   **Dependent Variable**

- Education on Insurance
- Insurance Costs
- Level of Income

Willingness to Join Insurance Scheme
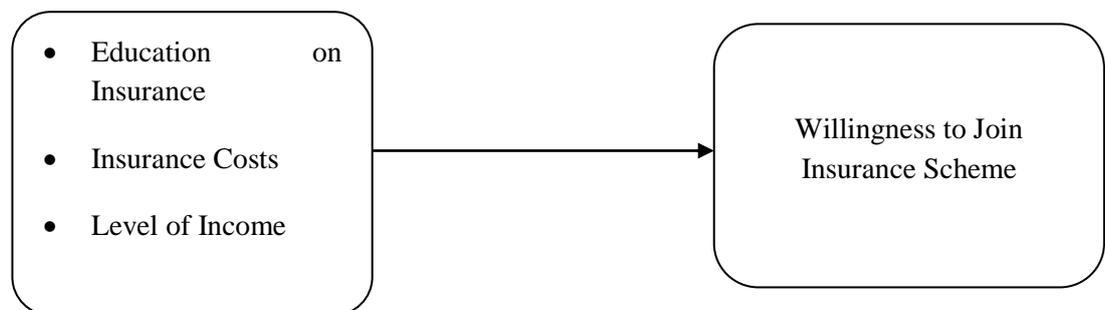
Figure 2.1: The Conceptual Framework

Source: Literature (2020)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter gives overview of how data was obtained from the study. It contains the description of the population of the study, sample size determination, data gathering sources, research design, data collection instruments, data collection process, reliability, validity, data analysis techniques and ethical considerations.

3.2 Research Paradigm

The research Paradigm refers to the collection of beliefs shared by scientists a set of agreements about how problems are to be understood, how we view the world and about conducting research (Rahi, 2017). These paradigms contain the crucial set of assumptions or ideas that guide the enquiries for a particular research (Mark, 2009). In defining a valid research should be aligned with the research paradigm; this is very important because research paradigm guides the data collection, analysis and interpretation of the research findings.

There are mainly three major paradigms that have been broadly used by researchers. These include positivism, interpretivisms, and pragmatism. Pragmatism is the mixture of the two paradigms interpretivism and Positivism. The positivist paradigm believes that true knowledge can be obtained through observation and experiment; it is also called scientific method, post positivism and quantitative research. The interpretive paradigm is concerned with the understanding of the idea and explore the understanding the world in which we live. They deeply investigate subjective meaning of our experiences when we interact with objectives or things. This study used the positivism paradigm because the nature of the data was quantitative. Positivism paradigm, strongly tall with this study

because the whole study process involved with objective observation and field study through administered Questionnaire to 92 respondents/ study units.

3.3 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purposes with economy in procedure (Kothari, 1990). It constitutes the design for the collection of data, measurement and analysis of data. Descriptive research design can be defined as the research design that is used to articulate data and characteristics of variables of interest under the population of study. There are several types of descriptive research design namely descriptive survey, descriptive longitudinal study, descriptive explanatory or correlation study and case study (Dulock,1993). The researcher used descriptive explanatory design so as to describe how the education, level of income and the insurance cost influence the insurance demand among SMEs owner at Mbeya city. Descriptive statistics method was used to analyze the collected quantitative data.

3.4 Area of the Research

The location of the study was Mbeya city, where most SME's are located compared to other areas within the region. The researcher chosen the area because, there was big number of SMEs in Mbeya City. Also, the researcher is the resident of the area and therefore, it was easier to collect the data and minimize some of the expenses and time spent to accomplish this study. Mbeya region is one of the Tanzania 31 administrative regions. It is located in the country Southwest. The regional capital is the city of Mbeya. According to the 2012 national census; the region had a population of 2,707,410, which was lower than the pre-census projections of 2,822,396. For 2002-2012, the region was

having 2.77 percent average annual population growth rate which marked the tenth highest in the country. It was also tied for the eighteenth most densely populated region with 45 people per square kilometer (Mbeya region, 2018). In 2016, the Tunduma and the district of Ileje, Mbozi, Momba and Songwe (created from the west part of Chunya District) were split from Mbeya Region to create Songwe region. Mbeya Region is boarded to the northwest by Tabora Region in the north east by Singida region, to the east by Iringa Region, to the south by Songwe Region. Mbeya regional covered an area of 62,420 square kilometers (24,100 sq mi) prior to the creation of Songwe Region; it now covers 35,954 square kilometers (13,882 sq mi).

3.5 Survey Population

The study was conducted in Mbeya city. The retail shop owners, small scale industries, and other small business owners within Mbeya city were the part of the study, in order to obtain the information relevant to the research problem. It was approximated that 376 SMEs were registered for their business in Mbeya city. But the used only a sample of 120 SMEs were selected to participate in this study as they had all essential criteria for inclusion (e.g. Number of employees, capital invested and business location).

3.6 Sampling Design, Techniques and Procedures

Sampling design is a definite plan for obtaining a sample from a given population. It refers to the technique or procedure the researcher would adopt in selecting items for the sample. Also the sample size refers to the number of observations taken from a population through which statistical inferences for the whole population are made (Kothari, 1990). There are two contrasting approach that direct on the selection of sampling techniques in both qualitative and quantitative researches. According to

Kumar, Seringhaus and Bicry (2004), in quantitative research, we attempt to select sample which is from bias and which is a representative of the population while in qualitative research, numbers of factors are taken into account such as knowledge of a person, ease of access of potential respondents, and event or situation of interest.

The stratified probability sampling was employed in the study, for quantitative data. Showkat and Parveen (2017) asserted that probability sampling is the one in which each element in the study population has a known non-zero probability of being selected. The methods of sampling give the probability that is representative of the total population. Stratified sampling technique was used to obtain respondents. This is a type of probability sampling technique which is used when there are different categories of population (Kothari, 2004). The population was grouped into a stratum of SMEs with different income (Capital below 5 million and above 5 million), and with these categories stratified random were performed because it provided the equal chance of selecting each business owner from within a particular group of strata in a population in question. Yamane (1967) provides a formula for sample size determination which was used. A degree of confidence level of 0.005 was assumed.

Formula:

$n = N/ [1+N (e)^2]$

Where,

n=sample size

N = is population

e = the degree of confidence level

Therefore, sample size was calculated as follows:

$n=120/ (120 (0.05)^2)$

$n=92$

3.7 Research Approach

There were two opposing philosophies that guided the use of both qualitative and quantitative research. According to Kumar (2014), in qualitative research is used to explain the situation and provide the adequate information than in the quantitative studies where only numbers are presented. The researcher used the quantitative approach since the study used the descriptive design and positivism philosophy which both favor the quantitative data.

3.8 Unit of Analysis

The unit of analysis refers significant entity that researcher is aiming to study. In a scientific research, typical units of analysis comprise individuals, groups, social organizations and social artifacts (Benson, 2014). It may involve geographical, construction or social unit (Kothari, 2004). In this study, the unit of analysis involved was 92 SME owners who were respondents located in Mbeya city.

3.9 Methods of Data Collection

Both Primary and Secondary data were collected in this study. Primary data were collected main using self-administered questionnaires while for secondary data was collected through journal, Mbeya regional documents at Mbeya regional trade office, City Director and from online.

3.9.1 Questionnaires

Under this method a questionnaire was sent to the respondents concerned with a request to answer the questions and return the questionnaire. A questionnaire consists of a number of questions printed in a definite order on a form or set of forms. Before using this method, a pilot survey for testing the questionnaires was done.

3.9.2 Interviews

The interview method of collecting data involved the presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. Such interviews involve the use of a set of predetermined questions and of highly standardized techniques of recording (Kothari, 2004). This study used personal interviews method in collecting some of the data. The researcher used this method of collecting data through personal interview which carried in planned way by interviewing the SMEs respondents basing on the questionnaire and the results were filled in the questioners.

3.10 Variables and Measurements

3.10.1 Independent Variable

Independent variable can be referred as a presumed cause in an experimental study (Campbell, 2014). Education on role of insurance, insurance cost and the level of income was adopted as independent variables in this study. Age and income were measured as interval, gender, marital status, nature of business, work experience were treated as nominal measurements and Likert scale was used for ordinal measurement prepared in Likert scale (1= Agree, 2=strong Agree, 3=Neither Agree or disagree, 4=Disagree, 5=Strong Disagree), (1-Very high, 2-High 3-Moderate, 4-Low, 5-None),

were involved. Measurement of validity was done by SPSS using Cronbach's alpha coefficient.

3.10.2   Dependent Variable

A dependent variable can be defined as a presumed effect in an experimental study (Campbell, 2014). It is an outcome that is brought forth by the prediction of independent variable. In this study, willingness to join insurance scheme was employed as a dependent variable. Ordinal scale comprised a measurement instruments unit with 5 items prepared in Likert scale (i.e 1= Agree, 2=Strongly Agree, 3=Neither Agree or disagree, 4=Disagree, 5=Strong Disagree) were involved in data collection instruments.

3.11 Validity

Validity can be referred as the technique for testing how truthfully the research instrument can measure the intended data and how openly research results are (Golafshan, 2003). In other words, validity can be defined as the extent to which the research tool is reliable. It is suggested by Hill (1998) that 10-30 participants should be used for pilot study. Under this study, validity was ensured through pilot study by test and re-test method in which 12 questionnaires was distributed to SME's owners. The same procedure was repeated to the same respondents after a week. Pre-testing of the instrument was done before the main survey which was very important to ensure validity of the tool.

3.12   Reliability of the Instruments

Reliability refers to the measure of stability or consistence of the test results (Stephanie, 2016). The method is reliable if it produces the same results whenever it is repeated.

Also, reliability looks at the levels at which there are correlation between information given by the same people but with differences in time. In this study reliability of the data was tested using Cronbach's Alpha. The approach employed the internal consistence of the questionnaire where responses of each question in the questionnaire was associated the responses with those to other questions in the questionnaire.

In general reliabilities less than 0.6 are considered to be poor, those in the 0.7 range acceptable, and those over 0.8 good (DeVellis, 2003). The results from this test are presented in Table 3.1. The reliability of data was also achieved through preparation of questionnaire question in a simplified way that enable respondent to understand and answer them properly.

Table 3.1: The Cronbach's Alpha after Elimination of the value Greater than the Total value Scale

Cronbach's Alpha Reliability Scale Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on standardized item	No of Items
.727	.746	14

Source: Literature (2020)

Therefore, from the Cronbach's Alpha scale reliability test revealed a Cronbach's alpha of 0.727 for the 14 research variables. The results suggested that the questionnaire was reliable basing on score 0.7 as suggested by DeVellis (2003).

3.13 Data Processing and Analysis

Collected data were carefully coded by using computer sheets and analyzed by using the statistical package for social science (SPSS) version 21. The descriptive statics such

across tabulation frequencies and percentages. Descriptive analysis means the data analysis which provides a simple summary of sample and observation made during data collection. The summaries are either presented quantitatively i.e. summary statistics, or visual i.e. simple graphs. The summaries may ether form the basis of initial description of the data as a part of a more extensive statistical analysis, or they may be sufficient and in and of themselves for a particular investigation. Statistics is concerned with the scientific method by which information is collected, organized, analyzed and interpreted for the purposes of description and decision making

3.14   Ethical Issues Consideration

Ethics is the branch of philosophy that deals with the conduct of the people and guides the norms or standards of behavior of people and their relationship with each other (Kovas, 1985). Research ethics is important in daily research activities as it requires a researcher to follow appropriate guidelines and rules for protecting participants, dignity as well as publishing relevant and ethical oriented information (Fouka and Mantzorou, 2011). In this study the research ethical issues were adhered by avoiding research misconduct which includes fabrication, falsification and plagiarism. The data collected was analyzed appropriately; no intentional omission of the study results from the study.

Fabrication and falsification of data which constitute misconduct were avoided; any trial during research was reported. To ensure appropriate of the data analysis, all data sources and method of data which was used to analyze the data were fully disclosed moreover, any bias during research was reported. Redundant publication and plagiarism were avoided by disclosing all sources of information and if large amount of other people's illustrative materials used the permission was sought before using it. Also, clearance letter from Open University of Tanzania was sought and the researcher sought consent

from respondents before administrating the questionnaires to them and confidentiality and anonymity were adhered.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Overview

This chapter presents the study finding and discussion from the study. The chapter firstly, it provides characteristics to respondents of the study. Secondly, it presents all data on research questions and objectives. Also, it provides interpretation of the research findings from the objectives of the study.

4.2 The Respondent Rate of the Questionnaire

The response rate was 100% because all total of 92 questionnaires which were distributed to respondents were fully filled and returned. The high response rate shows the redness of the respondent to participate in the study. Of course, a researcher made close follow-up with mobile phone which to make sure that all questionnaires are filled and returned on time. The data were analyzed using descriptive statistics and SPSS version 21 program.

4.3 Background and Socio- Economic Variables of Respondents

The background information of the SME owners in Mbeya City are presented on the following sub-sections.

4.3.1 Sex

The researcher was interested to know the information in relation to demand for business insurance among small and medium entrepreneurs from both sexes such that female and males. The researcher intended to determine the rate of men and men involved in business in the area of study. Therefore, though questionnaire the respondents were asked

their genders. The data collected revealed that 60.95% were males while 39.1% were females. The data indicates that majority of the SMEs owners were males. Hence, there should be strategies to increase the number of female SMEs in Mbeya city so that both genders participate actively in income generating activities.

Table 4.1: Gender of Respondents

Variables	Frequency	Percentage
Male	56	60.9
Female	36	39.1
Total	*92*	*100*

Source: (Field data, 2020)

The data may also imply that probably in involvement in formal business operations in Mbeya City might be influenced by the attitude, or the reason that men can get the capital and employ themselves than women, who may wait their spouses to give them capital. Also, the second reason could be that women mostly like to be employed than self-employment leaving their spouses doing businesses.

4.3.2 Age

Age of individual SME is among key determinants of joining insurance scheme for business. According to the researcher the respondent were requested to respond on the state of their age so as to examine the age relationship in relation to the study determinants of demand for business insurance among SMEs. In the study area, age range of respondent varied from 18 years to 60 and above years old. The results revealed that a largest group of respondents were in range of 36-45 years with 38% respondents while

smallest one was the group range above 60 years with 5.4%. Makoko, Kulwa and Kambewa (2017) and Lee, Kwong and Young (2010) revealed that age influenced insurance demand in Malawi and Korea respectively

Table 4.2: Age of Respondent

Variables	Frequency	Percentage
18-35 years	17	18.5
36-45 years	38	41.3
46-60 years	32	34.8
Above 60 years	5	5.4

Source: (Field data, 2020)

The data indicates that majority of respondent to this study were younger generation who were self-employed in businesses. This imply that because the young generation engage in business activities to get their earnings, they are likely to insure their businesses against loss. Campbell (1980) and Lewis (1989) found that age influenced insurance demand. The researcher also argued that people with higher age are likely to have accumulated wealth which can serve as substitute for life insurance.

4.3.3 Education

Education whether formal or informal is among the pre-requisite which determines the individual demand for insurance demand. The researcher examined the education level of the SME in the relation in order to assess if it could one of determinants one to join insurance. Under this study, majority of respondent were seen to have primary education signifying that they possessed the minimum education required for being trained on the importance of insurance. The study results are as follows: 34(37%) had primary

education, while 30(32.2%) have no education, 22(23.9%) were having the university education and 6(6.5%) possessed the secondary education From the research conducted form other studies the level of education was found to be significant factor in determining demand for health insurance .The level of education increases the individual awareness about the risks of having no insurance and the benefits of having insurance. Kakar and Shukla (2010), Dash (2018), Ndurukia, Njeru and Waiganjo (2017) revealed that education influence isuarance demand.

Table 4.3: Education of Respondents

Variables	Frequency	Percentage
Primary school	34	37.0
Secondary school	6	6.5
None	30	32.6
College/ university	22	23.9
Total	**92**	**100**

Source: (Field data, 2020)

4.3.4 Marital Status

One of the important demographic variables is marital status. The demand for insurance also differs according to the social status in the community. The study analysed whether marital status influenced the insurance demand. The findings from Table 4.4 shows that most of the respondents 49(53.3%) were married, single were 38(41.3%), divorced 1(1.1%) and widow 4(4.3%). The findings indicate that the majority of small business

owners were married. The married business owners can share ideas form their partners on how to manage business risks including securing insurance for their business. The study conducted by Mantis and Former (1998) found that marital status had negative effect on demand for insurance.

Table 4.4: Marital Status of Respondents

Variables	Frequency	Percentage
Married	49	53.3
Single	38	41.3
Divorced	1	1.1
Widow	4	4.3
Total	**92**	**100**

Source**:** (Field data, 2020)

4.3.5   Type of the Business

The researcher wanted to know the forms of business of the SMEs owners because it may influence the SMEs owners to insure their business or not. The findings show that sole proprietorships were 88(95.7%) and partnership businesses were 4(4.3%). The results indicate that the majority of SMEs owners were sole proprietors, implying that these business owners missed business ideas from the second or third person on business risks and how to handle them. This may influence the business owners not to insure their businesses.

Table 4.5:   Business Type of Respondents

Variables	Frequency	Percentage
Sole proprietorship	88	95.7
Partnership	4	4.3
Total	**92**	**100**

Source: (Field data, 2020)

4.3.6 Capital of the Business

The capital of SMEs owners invested in the business could be the determinant factor which influence them to insure their businesses. The capital can be explained in terms of employees employed in business, sales turnover, value of assets and net profit. From the researcher point of view, the higher the capital invested in the business, the more the SMEs owners become conscious in insuring their businesses so as to protect businesses against any loss which could occur in the absence of insurance cover. The results from the study shows that the capital of the business for the most of the respondents were above 5 million 78(84.8%) and below below 5 million were 14(15.2%). This indicates that the majority business owners were having capital above 5 million. Therefore, the researcher anticipated that majority of the SME owners could be curious to insure their businesses in order to protect their businesses against any occurrence of risks.

Table 4.6:   Capital of the Business for SMEs Owners

Variable	Frequency	Percentage
Below 5 million	14	15.2
Above 5 million	78	84.8
Total	**92**	**100.0**

Source: (Field data, 2020).

4.3.7: Nature of the Business

The researcher further wanted to know if the type of the business of the SMEs owner were of goods or service in nature. The results from Table 4.7 reveal that most of the respondents dealt with goods 80 (87.0%) and services were 12 (13 %). The researcher is in view that, SMEs owners running the service businesses could be sensitive to insure their businesses because goods are in more risks than the services.

Table 4.7:   Business Nature of Respondents

Variable	Frequency	Percentage
Goods	80	87.0
Services	12	13.0
Total	**92**	**100**

Source: (Field data, 2020)

4.3.8 Manager of the Business

The researcher wanted to know who manage the day to day routine activities in the businesses. The results from the study are presented in Table 4.8. The findings show that most of the SME owners (88(95.7%) manage their businesses and few of the respondents

4(4.3%) used employee of family members to manage their businesses. The findings indicate that majority of business owners could decide to insure their businesses without any obstacles, since they were main decision makers.

Table 4.8:   Manager of the Business

Variable	Frequency	Percentage
Owners	88	95.7
Others	4	4.3
Total	**92**	**100**

Source: (Field data, 2020)

4.3.9 Experience in the Business

The researcher asked the SME owners their experiences in the businesses. Experience in business is related with acquiring of skills and experiences which are necessary for running the business successfully. The results show that most of the business owner had experience of 6-10 years who were 50 (54.3%), the respondents above 10 year were 10(10.9%), between 1-5 years were 27 (29.3 %.) and below 1 year were 5(5.4%). The results suggest that majority of SME owners were more experienced, hence the researcher anticipates that they could not hesitate to insure their business so as to protect them against different risks which could arise.

Table 4.9: Respondent Experience of the Business

Variable	Frequency	Percentage
Above10yrs	10	10.9
Between 6-10 years	50	54.3
Between 1-5 years	27	29.3
Below1 years	5	5.4
Total	**92**	**100.0**

Source: (Field data, 2020)

4.3.10 Number of Employees who Assist the Owner in the Business

The researcher also wanted to know the size of the business by asking the SMEs owners on the number of employees employed in the business which could be a determinant factor of the business size. The result from the respondent of the study area revealed that revealed that 2(2.2%) of the respondents had employees above 50 employees and 90 (97.8%) of the respondent had employees between 1-49 employees. This indicates that majority of business owners had employees below 50. The results align with results from previous sections; that because most of them run private business, it is possible that, also employ small number of employees.

Table 4.10:   Respondent Number of Employees who Assist the Owner

Variable	Frequency	Percentage
Above 50 employees	2	2.2
1-49 Employees	90	97.8
Total	*92*	*100.0*

Source: (Field data, 2020)

4.4 Approximation of Sales Per Month

The researcher examined the sales per month of the SMEs owner under the study area by asking the question which needed the respondents to mention the approximate sales per month. The aim of this information was to know the income from the business if it can enable the SME owners to afford paying the business's operation costs by paying employees and other business costs including charges of insurance premium, if the business is insured. The sales income was categorized into groups and the responses from SMEs owners are presented in Table 4.12. The findings revealed that 44(47.8%) of the respondents had sales per month of 2.5 million and above, while 31(33.7%) sales per month was TZS 1.5-2.5 million, 16(17.4%) sales per month was TZS 500,000 to 1.5 million and 1(1.1 %) sales per month was below TZS 500,000. The findings indicate that at least all SME owners were able to pay the insurance premium because they asserted that they earned revenue from their businesses. The insurance charges vary based on the sales amount of the business. Therefore, there was no objection for those with low sales to insure their businesses against any unforeseen risks.

Table 4.11: Respondents' Sales per Month

Variable	Frequency	Percentage
2.5million and above	44	47.8
1.5-2 5million	31	33.7
500,000 to1 5million	16	17.4
Below 500,000	1	1.1
Total	*92*	*100.0*

Source: (Field data, 2020)

4.5 Rank of the Demand or Insurance of the Business Owners

The rank of demand for insurance was important information for the researcher to know. Thus, the researcher wanted to know how the respondents perceived the demand for insurance of their business. The results from the findings show that the ranks of the respondent with high rank was 44 (47.8%), moderate 33(35.5%), very high 10 (10.9%) and the respondent with low rank were 5(5.5%). The results imply that most respondents demanded insurance for their business.

Table 4.12:   Respondents Rank of Demand for Insurance

Variable	Frequency	Percentage
Low	5	5.5
Moderate	33	35.5
High	44	47.8
Very high	10	10.9
Total	**92**	**100.0**

Source: (Field data, 2020)

4.6 Loss Occurred in the Business Before

The respondent loss history in the business were also important information to know by the researcher. Since, this information could lead to the researcher to understand how important the respondent perceived the importance of insuring their businesses. The researcher incorporated the questions which needed the respondent to mention any loss which have occurred in the business of the respondent. The research findings in Table 4.13 revealed that majority of owners of the business who had loss from their businesses

due to fire was 61 (66%), loss due to theft 29(31.5%) and loss caused by flood 2 (2.2%).

This indicates that the majority of SME owners had incurred loss and they could avoid

loss if they could know the importance of insuring their businesses

Table 4.13: Loss Occurred in the Business

Variable	Frequency	Percentage
Fire	61	66.3
Theft	29	31.5
Flood	2	2.2
Total	**92**	**100.0**

Source: (Field data, 2020)

4.8   Whether the Owner of the Business have Insured the Business Before

The researcher wanted to know whether the respondent under the research area have

insured their businesses before this study. The aim of this question was to realise if the

respondents continued to ensure their businesses or not, and if not, to know the reason for

terminating the insurance. The findings from the study area revealed that 41(44.6%) the

business owners insured their businesses before and 51(55.4%) did not insured their

businesses before. This indicates that the majority of the business owner responded to this

study did not insured their businesses before**.**

On whether the respondent had continued to insure their businesses, the finding from the

study area revealed that 28(30.4%) of business owners who had insured their business

before do not continue to insure their businesses while 10.9% continued to insure their

businesses. The results indicate that the majority of the business owners did not continue

to insure their business after they have joined insurance companies, and 55(55.4%) have

not joined insurance at any time.

On the other hand, the reason of termination of with the insurance, results show that

1(1.1%) of the business owners asserted that they terminated their insurances because of

low payment of premium, 6(6.5%) late payment of the claim, 11(12 %) negligence of

paying the loss by insurance company and 11(12%) stated that it was because of high

insurance costs. Thus, from these results, the researcher concludes that majority of SME

owners terminated their insurance contract because of negligence of paying loss by

insurance companies and high insurance costs

Table 4.13:   Respondents Insured the Business Before, Termination and   Reason for Termination with Insurance

Characteristics	Variable	Frequency	Percentage (%)
Whether entrepreneur have insured the business before	Yes	41	44.6
	No	51	55.4
	Total	**92**	**100.0**
Whether continue to insure business	Yes	10	**10.9**
	No	31	**33.7**
	None	51	**55.4**
	Total	**92**	**100**
Whether the entrepreneur have terminated the contract with insurance company	Yes	28	30.5
	No	13	14.1
	None	51	55.4
	Total	**92**	**100**
Reason of terminating the insurance contract	Low compensation	1	1.1
	Late compensating loss	6	6.5
	Negligence of payment	12	12
	High cost charged	12	12
	Unfilled	63	68.5
		92	**100**

Source: (Field data, 2020)

4.9 The Willingness to Insure the Business if the Owner have no Insurance

The researcher examined the willingness of SME owners to join insurance scheme. The aim of the researcher was to determine whether SME owners who have no insurance are ready to have insurance and for those who terminated the insurance contract, if they can agree to join again if their complains are taken care off. Thus, the researcher incorporated the two questions in the study questionnaire. The result from the findings show that; on the willingness to insure the business if the SME owner have no insurance; among 92 questionnaire administered the field data showed that 80 (87.0%) of business owners who have not insured their business indicated the willingness to insure their businesses and 12 (13%) did not indicated the willingness to insure their businesses (Table 4.14). This indicates that the majority of the business owners were willing to insure their businesses.

Table 4.14: Respondents Willingness to Insure the Business and Extent of Willingness

Variable	Variable	Frequency	Percentage
Willingness to insure the business	Yes	80	87.0
	No	12	13.0
	Total	*92*	*100*
The extent of willingness	Low	12	13
	Moderate	36	39
	High	44	47.8
	Total	*92*	*100*

Source: (Field data, 2020)

The field data in Table 4.14 expresses the extent of willingness in joining the insurance scheme. The findings show that (12) 13% of the business owners showed low extent of their willingness, 36(39.1%) indicated moderate extent and 44(47.8%) showed high extent to join insurance schemes. The data signifies that majority of the SME owners were willing to join the insurance schemes.

4.10   The Influence of Education on Joining the Insurance Scheme

The researcher asked the SMEs owners on how the level of education influences the insurance scheme. The responses of the SME owners are presented in the following sections.

4.10.1   Whether the Business Owner has Knowledge on Insurance

The researcher asked the SME owners whether they have knowledge on the existence and importance of insurance schemes. The findings showed that 37(40.2%) of the business owners disagreed to have a knowledge on insurance, 10(10.9%) strongly disagreed, 5(5.4%) were neutral, 31(33.7%) agreed to have knowledge on insurance and 9(9.8%) strongly agreed that have knowledge on the insurance role. This indicates that more than 50% (51.1%) disagree to have knowledge on insurance. This was probably the reasons on why many SME owners did not join the insurance schemes.

Table 4.15:   Respondents Knowledge of Insurance's Role

Variable	Frequency	Percentage
Disagree	37	40.2
Strongly disagree	10	10.9
Neutral	5	5.4
Agree	**31**	**33.7**
Strongly agree	9	9.8
Total	**92**	**100.0**

Source: **(**Field data, 2020)

4.10.2: Whether the Business Owner Knows the Benefits of Insurance

Also, the researcher asked the SME owners on whether they know the benefits of insuring their businesses. The findings presented in Table 4.16 revealed that (10)10.9% of the respondents disagreed that knew the benefits of insurance, 10(10.9%) of respondents strongly disagreed, 8(8.7%) were neutral, 48(52.2%) agreed and16 (17.4%) strongly agreed. The findings indicate that more than 50% (69.6%) agreed that knew the benefits of insurance.

Table 4.16: Respondent Knowledge of Insurance Benefits

Variable	Frequency	Percentage
Disagree	10	10.9
Strongly disagree	10	10.9
Neutral	8	8.7
Agree	48	52.2
Strongly agree	16	17.4
Total	*92*	*100.0*

Source**:** (Field data, 2020**)**

4.10.3 Whether the Business Owner knows the Procedures of Joining Insurance

The researcher also wanted to know whether the respondents knew the procedures of joining the insurance scheme. The finding from 4.18 revealed that 18(19.6%) of the business owners disagreed about knowing the procedures of joining insurance, 4(4.3%) strongly disagreed, 29(31.5%) were neutral, 37(40.2%) agreed and 4(4.3%) strongly agreed that they knew how to join insurance scheme. This indicates that less than 50% (44.6%) agreed about knowing the procedures of joining insurance schemes.

Table 4.18:   Respondents Knowledge on Procedures of Joining Insurance

Variable	Frequency	Percentage
Disagree	18	19.6
Strongly disagree	4	4.3
Neutral	29	31.5
Agree	37	40.2
Strongly agree	4	4.3
Total	**92**	**100.0**

Source: (Field data, 2020)

4.10.4   Whether the Business Owner Knows that his/her Business Operates Under Risks

Next to deteremine level of knowledge on risk of the business, the reseacher asked the respondents if they know that their businesses operate under the risks. The finding from Table 4.19 revealed that 5(5.4%) of the business owners disagreed that their businesses operate under risks, 2(2.2%) strongly disagreed, 4(4.3%) were neutral, 62(67.4%) agreed and 20.7% strongly agreed that they operate business in the risk environments. The

results indicate that more than 50 (88.1%) respondents agreed that knew that they operated their businesses under risks.

Table 4.19:   Whether the Owner Knows that they Operate Under Risks

Variable	Frequency	Percentage
Disagree	5	5.4
Strongly disagree	2	2.2
Neutral	4	4.3
Agree	62	67.4
Strongly agree	19	20.7
Total	*92*	*100.0*

Source: (Field data, 2020)

4.10.5   Whether the Business Owner is Willing to Join the Insurance Scheme if they Get Education

The findings from Table 4.20 revealed that 3(3.3%) of the business owners disagreed that they are willing to join the insurance schemes, even if they will be trained, 6(6.5%) were neutral, 40(43.5%) agreed while 43(46.7%) strongly agreed to join insurance schemes. This indicates that more than 50% (90.2%) agreed that are willing to join the insurance schemes if they will be educated on the role of insurance.

Table 4.20:   Whether the Business Owner is Willing to join Insurance Schemes

Variable	Frequency	Percentage
Disagree	3	3.3
Neutral	6	6.5
Agree	40	43.5
Strongly agree	43	46.7
Total	92	100.0

Source **:**(Field data, 2020)

Mapharing and Otuteye (2015) revealed that education and awareness on insurance issues were the most significant factors which influenced the individual to enrol in the insurance schemes. Moreover, in Uganda Ssempala (2015) showed the important of education in explaining the health insurance demand. The study showed that SME owners with education were likely to demand for insurance in comparison with those who had no education.

4.12   The Level of Income

The researcher asked various questions in order to reveal how the level of income influence insurance demand among SME owners

4.12.1   Income from Business Meets the Premium Required

The researcher wanted to know if the level of income from the business met the premium required. The findings from the respondents are presented in Table 4.21. The findings show that 18(19.6%) of the business owners disagreed that the income from business meets the premium required, 8(8.7%) disagreed, 30(32.6%) were neutral, 25(27.2%) agreed and 11(12.0%) respondents strongly agreed. This indicates that more than 50% (60.8%) of SME owners agreed that income from business do not meets the premium required by insurance company.

Table 4.21:   Income from Business Meets the Premium Required

Response (s)	Frequency	Percentage
Disagree	18	19.6
Strongly disagree	8	8.7
Neutral	30	32.6
Agree	25	27.2
Strongly agree	11	12.0
Total	**92**	**100.0**

Source: (Field data, 2020)

4.12.2 Insurance Premium Charged

The researcher wanted to know whether the insurance premium charged affected them to join insurance scheme. The findings of respondents are presented in Table 4.22. The findings indicate that 19(20.7%) of the business owners disagreed that insurance premium charged was fair, 17(18.5%) strongly disagreed, 39(42.4%) were neutral, 11(12.0%) agreed and 6(6.5%) strongly agreed that the premium charged was fair. The findings indicate that less than 50% (18.5%) agreed that insurance premium charged was fair and majority were neutral. The responses on negative perception on the fairness of the insurance probably posed the low motive for SME owners to join the insurance scheme.

Table 4.22: Insurance Premium Charged whether High or Not

Variable	Frequency	Percentage
Disagree	19	20.7
Strongly disagree	17	18.5
Neutral	39	42.4
Agree	11	12.0
Strongly agree	6	6.5
Total	**92**	**100.0**

Source: (Field data, 2020)

4.12.3 Flow of Income Affect Insurance Premium Charged

The study also wanted to assess if the flow of income in the business affects the willingness to join insurance for their business. The findings from the field data revealed that 9 (9.8%) of the business owners disagreed that flow of income affect insurance

premium charged, 4(4.3%) strongly disagreed, 36(39.1%) were neutral, 12(13%) agreed and 31(33.7%) strongly agreed. The findings indicate that (46.7%) of respondents agreed that flow of income affected insurance premium charged (see Table 4.23)

Table 4.23: Respondents Flow of Income Effect the Premium Charged

Variable	Frequency	Percentage
Disagree	9	9.8
Strongly disagree	4	4.3
Neutral	36	39.1
Agree	12	13
Strongly agree	31	33.7
Total	*92*	*100.0*

Source: (Field data, 2020)

Yaari (1965) found that the income to be a significant factor which influenced clients to join insurance scheme. The study further found that the income not only determined the level of total consumption and but also the insurance' charges.

4.12. Insurance Cost

The study examined how the insurance costs (charges) influenced the SME owners to join the insurance schemes. The responses from SME owners are presented in the following sections.

4.12.1 How do Business Owner Judge the Costs Charged by Insurance Company?

The researcher findings revealed that 9(9.8%) of the business owners responded that the costs charged by insurance company were low, 9(9.8%) were moderate, 27(29.3%) were neutral, 15(16.3%) were high and 32(34.8%) responded that the costs charged were very high. The results indicate that more than 50% (51.1%) perceived that the costs charged by insurance company were high for them.

Table 4.24: How do Business Owner Judge the Cost Charged and Rank for Insurance Cost?

Characteristics	Variable	Frequency	Percentage
How respondent Judge the insurance cost	Low	9	9.8
	Moderate	9	9.8
	Neutral	27	29.3
	High	15	16.3
	Very high	32	34.8
	Total	*92*	*100.0*

Source**:** (Field data, 2020)

The study conducted by Brown and Kim (1993) found also that the insurance cost be significantly and negatively affected the insurance demand. The results indicated a decrease in volume for the number of people joining life insurance scheme. Also, Diamond (1992) found that the insurance costs discouraged the potential clients to join the life insurance.

4.13 Recommendations Given by Respondents on Insurance Companies

The researcher gathered the suggestions from SME owners on what should be done so as promote the insurance coverage for the SME owners in Mbeya city. The findings on recommendations from SME owners are presented in Table 4.24. The findings revealed that 50(54.3%) of the business owners recommended on payment of insurance claim on time, 88(95.7%) recommended the insurance companies to educate SME owners on the role of insurance, 38(41.3%) recommended that the insurance company should avoid bureaucracy when processing the payments, 56.6%) recommended for reduction of insurance charges while 35(38) recommended for service improvements.

Table 4.25: Respondents Recommendations to Insurance Companies

Recommendation variable(s) N=92	Frequency	Percentage
To pay on time	50	54.3
To give education	88	95.7
Cost reduction	52	56.6
Avoid bureaucracy	38	41.3
To improve services	35	38

Source**:** (Field data, 2020

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Overview

The study assessed the determinants of insurance demand for SME owners, the case of SMEs in Mbeya city. This chapter presents the summary of research findings, conclusion, recommendations, contributions of the study to theories and direction for further studies.

5.2 Summary Of Finding

The study examined the demand for insurance for small and medium enterprises in Mbeya city. The summary of findings is summarized based on specific objectives as outlined here under.

5.5.1 The Role of Education on Joining Insurance Schemes

Role of education was one of the specific objectives on whether it determines the insurance demand for SME owners in Mbeya city. The findings revealed that most of the respondent agreed that they have no insurance knowledge and this was the factor which hindered them to insure their businesses. The findings indicate that 52(52.5%) of SME owners were not having insurance knowledge versus 40(43.5%) of them who had knowledge on insurance. This implies that about half percentage of the respondents had no knowledge on insurance.

5.2.2 Influence of Insurance Charges on Joining Insurance

Further the researcher examined the income flow in the business whether it enabled SME owners to afford paying the insurance charges. The results from this study found that 39.2%) responded that the income from their businesses was not sufficient to enable them

to pay the insurance costs and above 50.1% of respondents ranked the insurance cost as high. The results indicate that the high insurance charges discouraged SME owners to join the insurance scheme.

5.2.3 The Level of Income

The study found that about 45% of the respondents under the study agreed that the income has a significant effect on insurance demand for their businesses. Also, 39% of respondents claimed that the income earned from their business did not enable them to pay the premium charged by insurance company. The findings show that the low level of income limited them to insure their businesses.

5.3 Conclusion

The study revealed that low level of education on the importance of insurance, costs of insurance cover and level of income influenced the SMEs owners in Mbeya city to join the insurance scheme.

5.4 Recommendations

Based on the study findings, the following are the recommendations:

5.4.1 Educating SME Owners on the Role of Insurance

It was found from this study that few SMES have insured their businesses to take precaution measures in case if the loss occurs. The study suggests that since the level of knowledge on the insurance role is low, then insurance companies should introduce the culture of providing education to all entrepreneurs on the role of insurance.

5.4.2 Provision of Good Customer care Services by Insurance Companies

The data from the study indicate that small entrepreneurs involved in the study complained on the poor customer services from the insurance companies. Also, SME owners asserted that there were late payments and bureaucracy during payment processes. So, the study suggests that there should be improvement of customer care services by insurance companies to encourage many SMEs to join insurance schemes.

5.4.3 Insurance Companies to Reduce the Insurance Charges

The respondents under this study indicated that the insurance premium charged was high compared to the income flow in business. Therefore, the study recommends that the insurance companies should reduce the insurance charges to encourage more SME owners to join the insurance schemes.

4.2.4 The Government to Strengthen the Insurance Companies

The results from this study showed that many SMEs are willing to join insurance for their businesses, because that they are worried about risks emanated from their businesses. Therefore, the study recommends that the Government of Tanzania should set or review the insurance policies which will enable companies to provide the better insurance services such as good customer care services and affordable insurance charges.

5.5 Contributions to the Theory of Demand

The demand law of demand theory states that "conditional on all else being equal, as the price of goods increases, quantity demanded decreases; conversely, as the price of good decreases, quantity demanded increases". The study results align with demand theory in the sense that because the price of insurance was high, the demand for insurance was low.

However, surprisingly, the study found that many SME owners demanded the insurance but because of poor services by insurance companies and bureaucratic procedures showed by insurance companies during the payment process, discouraged even those who had insurance cover to terminate insurance. It implies that demand for insurances is not influenced by price alone but other factors such as good customer care services and avoidance of bureaucracy also influence the demand for insurance coverage for SME owners to join the insurance companies.

5.6 Direction of Further Studies

Based on research findings, the study proposed the various areas of further studies as follows: challenges that face insurance industries in Tanzania and influence of customer care services on insurance demand. Moreover, the study may compare insurance demand between different types of goods and services, for example those with high risks versus those with low risks. Furthermore, studies may be conducted to assess the determinants of insurance demand between small, medium and large size businesses.

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APPENDICES

APPENDIX 1: ENGLISH   QUESTIONNAIRE

Dear respondent,

My name is **Willieth Wilson Tilwetwa**; I am conducting a study on the determinants of insurance demand for small and medium enterprises. A case of Mbeya City, All the data collected will be used for resrach purposes only and kept confidential, and your co-operation will be highly valued .The aim of this research study project is to determine how education on insurance, insurance cost and the level of income affect SME, s to join insurance system.

 Kindly, respond to the following questions to the best of your knowledge.

 PART A: **Background and Socio- Economic Variable**

Please tick or fill the appropriate answer

1. Gender

   (a) Male

   (b) Female   (   )

2. Marital status

   (a) Single

   (b) Married   (   )

   (c) Divorced

    (d) Wido

3. Type of the business

   (a) Sole proprietorship

   (b) Partnership   ( )

   (c) Company

4. Education level

   (a) Primary

   (b) Secondary   ( )

   (c) College

   (d) University

   (e) None

5. Age (years)

   (a) Between 18-35

   (b) Between 36-45   ( )

   (c) Between 46-6

   (e) Above 60

6. Business capital

   (a) Above 5million

   (b) Below 5million   ( )

7. Nature of the business

   (a) Services   ( )

   (b) Goods

8. Who manage the business?

     (a) Owners   (   )

     (b) Others

9. Work experience in business

     (a) Less than one year

     (b) 1-5 years   (   )

     (c) 6-10years

     (d) 10 years and above

10. Number of Employees (mention)……………..

11. Approximate sales per month for business per month (Tshs)…………….

PART B:

The general question:

I. How can you rank your demand of insurance?

     (a) Very high

     (b) High

     (c) Moderate   (   )

     (d) Low

     (e) None

II. In your business process   have you ever encounter any loss due to:

     (a)Fire

     (b)Theft   (   )

     (c) Flood

     (d) Any other disaster (which have caused your business to suffer a big loss)

II. Willingness to join Insurance Scheme

1. Have you ever insured your business? YES/NO

2. If yes, did you continue insuring your business? YES/NO

3. Is there any time you broke from insurance? YES/NO

4. If yes, Why did you break……………..

5. If you are not joined any insurance scheme is you willing to join? Yes /No

6. To what extent are you willing to join business insurance scheme?

    a) High extent

    b) Moderate

    c) Low extent

IV. The table indicate below seeks to establish whether education on insurance have an influence on SME's to join insurance scheme or not. The ratings are as follows**:(5- Strong Agree,4- Agree,3- Neutral,2- Disagree strongly,1-Disagree)**

S/N	Education on insurance	1	2	3	4	5
1.	Do you have the knowledge on insurance?					
2.	Do you agree that it is beneficial to insure your business?					
3.	Do you know the procedures of insuring your business?					
4.	Do you agree that your business operates under risk environments?					
5.	If the insurance come are you willing to insure your business					
6.	Do you agree that it is risk to operate the business without insurance cover?					

IV .The table indicate below seeks to establish whether level of SMES income have an influence on SME's to join insurance scheme or not. The ratings are as follows**:(5- Strong Agree,4- Agree,3- Neutral,2- Disagree strongly,1-Disagree)**

S/N	Level of income	1	2	3	4	5
1.	Is your business have the income to meet the insurance requirements cash?					
2.	Does the insurance premium fair for the income of your business					
3.	Does your seasonal flow of income in your business effect the premium payment?					

V. The table indicate below seeks to establish whether the insurance cost have an influence on SME's to join insurance scheme or not. The ratings are as follows **:(5- Very high, 4-High 3-None 2-moderate, 1-Low)**

S/N	Insurance cost	1	2	3	4
1.	How do you find the premium/cost charged by insurance to your business?				
2.	How can you rank the insurance cost for your business				

Do you have any suggestions to insurance companies on how to improve the insurance cost/premium and other improvements which you see it is necessary to make you join insurance scheme for your business?

……………………………………………………………………………………………

……………………………………………………………………………………………

………………………………………………………………………………………

THANK YOU VERY MUCH

APPENDIX II: DODOS

Utafiti kuhusu sababu zinazopelekea wafanya biashara wadogo kuamua kujiunga na mifuko ya bima au kutojiunga na mifuko ya bima kwa ajili ya biashara zao katika mji wa mbeya

Habari,

Naitwa Willieth Wilson Tilwetwa ni mwanafunzi wa Shahada ya pili Chuo Kikuu Huria Tanzania Tawi la Mbeya. Tafiti hii ni kwa ajili ya masomo ambapo ili kukamilisha Shahada ya pili utafiti huu ni muhimu sana. Hivyo basi naleta ombi la ushiriki wako katika mahojiono haya ili kukamilisha lengo. Aidha maelezo/majibu utakayotoa hapa ni siri na yatatumika kwa masomo haya tu na sivinginevyo.

SEHEMU YA KWANZA.

Maelezo ya kijamii na kiuchumi

Tafadhali weka tiki kwenye jibu sahihi

1. Jinsia yako

    (a) Me

    (b) Ke   (   )

2. Hali ya ndoa

    (a) Umeoa/Umeolewa

    (b)Hujaoa/hujaolewa   (   )

    (c)Mmehachana/taraka

    (d)Mjane/Mgane3

3. Aina ya biashara

    (a) Pekee

    (b) Muungano   (   )

    (c) Kampuni

4. Elimu yako

    (a) Elimu ya msingi

    (b) Elimu ya Sekondari   ( )

    (c) Chuo

    (d) Hakuna mojawapo

5. Umri

    a) Miaka 18-35

    (b) Miaka 36-45   ( )

    (c) Miaka 46-60

    (d) Zaidi ya miaka 60

6. Ukubwa wa biashara yako

    (a) Mtaji Zaidi ya million 5   ( )

    (b) Mtaji chini ya Million 5

7. Asili ya biashara yako

    (a) Bidhaa

    b) Huduma   ( )

8. Nani anasimamia Biashara

    (a) Mmiliki

    (b)Wengine   ( )

9. Uzoefu wa biashara

    (a) Chini ya mwaka mmoja

    (b) Miaka 1-5

    (c) Miaka 6-10   ( )

(d) Zaidi ya miaka 10

10. Taja idadi ya wafanyakazi uliowaajili………..

11. Kiwango chako cha mapato ya biashara yako kwa mwezi…………

SEHEMU YA PILI

Swali la jumla

I. Unawezaje kuweka mahitaji yako ya Bima

   (a) Mkubwa sana

   (b) Makubwa

   (c)Wastani

   (e) Madogo   (   )

   (d) Sijui

II.Je katika biashara yako umewahi kupata hasara yoyote iliyotokana na:

   (a) Majanga moto

   (b) Mafuriko   (   )

   (c) Wizi

   (d) Mengine (yaliyosababisha biashara yako kupata hasara na kuyumba)

III. Utayari wa kujiunga na Bima

1. Umewahi kujiunga na bima?

   (a)Ndiyo   (b) Hapana   (   )

2. Kama ndiyo,uliiendelea kuweka Bima?

   (a) Ndiyo   (b) Hapana   (   )

3. Kuna kipindi hukuweka Bima?

  (a)Ndiyo   (b) Hapana   (   )

4. Kama ndiyo,Kwa nini ulijitoa kwenye Bima?..

5. Kama hujajiunga na Bima una mpango wa kujiunga?

  (a)Ndiyo   (b)Hapana   (   )

6. Kwa kiasi gani upo tayari kujiunga na mpango wa Bima?

   (a) Kiasi kikubwa

   (b) Wastani   (   )

   (c) Kidogo sana

IV. Jedwali hapa chini linataka kufahamu jinsi kiwango cha elimu yako juu ya Bima kinavyoweza kupelekea wewe kujiunga na mfuko wa Bima,**(vigezo 5-Nakubali kwa kiasi kikubwa,4-Nakubali,3-Sielewi,2-Sikubali kwa kiasi kikubwa,1-Sikubaliani)**

No	Elimu juu ya Bima	1	2	3	4	5
1.	Umewahi kupata elimu kuhusu Bima					
2.	Unafahamu kuwa ni muhimu kuweka Bima ya Biashara					
3	Je unazifahamu njia za kujiunga Bima					
4.	Unakubaliana kuwa Biashara yako ipo katika mazingira hatarishi					
5.	Unakubaliana kuwa ni hatari kuendesha Biashara bila Bima					

V. Jedwali hapa chini linataka kufahamu jinsi kiwango cha mapato yako kinavyoweza kupelekea wewe kujiunga na mfuko wa Bima, (**vigezo 5-Nakubali kwa kiasi kikubwa, 4-Nakubali, 3-Sielewi, 2-Sikubali kwa kiasi kikubwa, 1-Sikubaliani**)

No	Kiwango cha mapato	1	2	3	4	5
1.	Mapato yako katika biashara yanaweza kukidhi mahitaji ya Bima?					
2.	Je kiwango cha Bima kinachohitajika katika Biashara yako ni rafiki kutegemea na mapato yako?					
3.	Mauzo yako yanaathiri kiwango cha kuweza kulipia Biama					

VI. Jedwali hapa chini linataka kufahamu jinsi Garama za Bima zinavyoweza kupelekea kujiunga na mfuko wa Bima,(vigezo 5-Garama kubwa sana,4-Garama kubwa,3-Sifahamu,2-Garama ya kawaida,1-Garama ndogo)

No	Garama za Bima	1	2	3	4	5
1.	Unazionaje garama za Bima?					
2.	Unaweza kuziweka daraja gani?					

Una mawazo yoyote kwa mashirika ya Bima jinsi ya kuboresho garama za Bima na maraekebisho mengine unayoona sawa ili uweze kujiunga na Bima kwa ajili ya Biashara yako? Eleza.

……………………………………………………………………………………………

……………………………………………………………………………………………

ASANTE SANA KWA USHIRIKI WAKO