EFFECTS OF INSURANCE SERVICES ON THE NATIONAL ECONOMIC GROWTH OF TANZANIA

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

DEPARTMENT OF MARKETING AND ENTREPRENEURSHIP

THE OPEN UNIVERSITY OF TANZANIA

2021

CERTIFICATION

The undersigned certifies that he has read and recommends for acceptance by the Open University of Tanzania, a dissertation entitled: "**Effects of Insurance Services on the National Economic Growth of Tanzania"**, in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA) - Finance of the Open University of Tanzania.

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Dr. Salum Mohamed

(Signature)

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DECLARATION

I, **Nassor Salim Moh'd,** do hereby declare that this dissertation is my own original work. It has not been submitted and will not be submitted to any other Institution of higher learning for a similar or any other degree award.

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Date

DEDICATION

This work is dedicated to my beloved parents; my mother Fatma Zahor Saleh, my father Salim Moh'd Hemed who laid the foundation of my passion for knowledge. Also, this work is dedicated to my lovely wife Safaa Moh'd Issa, my child Salim Nassor Salim, my sisters; Hamida and Sabiha, and my brothers; Masoud, Moh'd, Zahor and Majid, without their patience and encouragement I would never have written anything at all.

ACKNOWLEDGEMENT

I put the name of Almighty Allah above everything that deserves a space in this acknowledgement, for his blessing and guidance that have always been the essence of my academic and non-academic success. Also, I owe a great deal to all parts that have honestly been behind the course of my studies here. There is a good number of people who have sacrificed their time and energy in support of my research activities, I am deeply concerned with their support, and in good heart. It is not possible to mention all those who have provided some form of support in this work. I would like to take this opportunity to thank them all. However, there are some people who deserve special mention and expression of thanks from me.

Firstly, I wish to extend my sincere gratitude to my Supervisor Dr. Salum Mohamed for his untiring effort to provide prompt and valuable intellectual inspiration and guidance. His constructive criticisms and positive encouragement made this study possible.

My deep thanks are also owed to my friends; Mr. Nassor Issa, Mr. Hafidh Saleh, Mr. Salim Juma, Mr. Khamis Mohammed, Mr. Ali Moh'd, Mr. Mussa Salim and Ms. Rukiya Makame, each of whom in their own way has provided much needed inspiration and support.

My most inexpressible gratitude goes to Mr. Nassor Suleiman who encouraged me and my group of MBA students to continue with our studies with maximum support and hope, but also to all staff of The Open University of Tanzania especially Pemba compass.

ABSTRACT

One of the main macroeconomic indicators of each country is economic growth that is measured by factors such as Gross Domestic Product (GDP). The study examined the effects of insurance services on the national economic growth. The secondary data from World Bank database was used for objective number one and Questionnaires were distributed to respondents for the uses of objective number two, three, four and five. The study used OLS for a time series data from 1976 to 2017 for objective number one and probability sampling design for other objectives that was involved 40 respondents as sample size. The overall result shows that the insurance and all insurance services provided by insurance companies based on objectives of study through financial intermediary, education, investment and professional liabilities & compensation services have positive relationship, improve productivity and significant on the economic growth. The study concludes that, the insurance companies as a part and parcel of financial institutions has the role of providing a better and quality services to customers for the purposes of promoting the national economic growth. The study also recommended that insurance companies in the country should formulate a strategy that will reduce the legal and regulatory framework in order to increase number of registered customers either individual or corporate as a way of expanding business of insurance companies that result the national economic growth to increase. Also, the study suggests that there is a need for insurance companies to expand its services not only in urban areas but also in rural areas.

Keywords: Insurance Services, Insurance Company and Economic Growth

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LIST OF ABBREVIATIONS

ARDL	Auto Regressive Dynamic Lag
EAC	East African Community
EVIEWS	Econometric Views
F	Frequencies
GDP	Gross Domestic Product
I	Insurance
IAIS	International Association of Insurance Supervisors
IC	Insurance Companies/Corporations
NAICOM	National Insurance Commission
NIC	National Insurance Corporation of Tanzania Limited
OLS	Ordinary Least Square
PPP	Purchasing Power Parity
SADC	Southern Africa Development Cooperation
SPSS	Statistical Package of Social Science
SSA	Sub Saharan Africa
TFP	Total Factor Productivity
VECM	Vector Error Correction Model
ZIC	Zanzibar Insurance Corporation
%	Percentage
&	And

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Insurance companies are among the non-bank financial institutions that play significant roles in financial intermediation within the financial system in an economy. Insurance industry plays the double role of risk management and capital formation. As an important part of modern finance, insurance is closely related to the development of the real economy. Insurance promotes economic development and social stability via its own, deepening and functions of transferring risks, financial intermediary, and loss compensation.

Meanwhile, its effect on economic growth is not limited to the function of social stabilizers. It can also become a booster of economic growth as well, booming the development of the real economy. From the perspective of financial insurance, with the rapid development of the insurance market, insurance funds play an important and positive role in the operations of economy and finance, due to its long-term, large-scale, and stable-source characteristics (Shamshad, 2016). However, in recent years, the scale of financial insurance has become larger and larger, and the phenomenon of profit-driven has risen one after another. The basic function of financial insurance is to improve the efficiency of resource allocation by the media role of it.

In the process of economy development, financial insurance ought to serve the development of the real economy by reducing the cost of resource circulation. The increasing stake of the insurance industry in the cumulative global financial sector in developed and developing countries have shifted concentration to the insurance-growth relationship. Among financial intermediaries, the insurance companies play a very crucial role; they are the primary risk management instrument for companies and individuals. Insurance companies, in conjunction with mutual and pension funds, constitutes the biggest institutional investors in stocks, real estate and bonds markets; their probable impact on the economic growth of a nation would relatively grow than decline due to issues such as widening income disparity and globalization.

Also, the insurance sector represents the backbone of national risk management systems; it ensures financial stability and serves as an indispensable constituent in the financial market. The role played by the financial sectors in economic growth has become a significant topic in the last decade, these financial institutions issue and sell indirect securities to the surplus units of the economy and consequently, purchase other securities, which are primarily from the ultimate borrowers of these funds. Development is said to be viable when people could make a good living, be healthy and happy without damaging the environment over time. One of the indices for measuring the development of any economy is the size and maturity of its insurance industry. Insurance industry acts as the absorber of the risk and uncertainty associated with economic activities, and its absence can significantly reduce the growth of economic activity.

The necessity of insurance in modern economy is unquestioned and has been recognized for centuries. Insurance is practically a necessity to business activity and enterprise. Insurance is considered one of the main parts of the service sector. For this reason, its role in the world economy is considered very high. The insurance plays great role both in developed and developing countries' economy. Without insurance, the private service sector would be unable to function. In the other hand the effect of insurance to macroeconomic indicators is too high. Because insurance provides employment, increases GDP, and improves wealth of people. Otherwise insurance helps improving the stability of the financial system. For these reasons the importance of insurance in the world is very high (Shamshad, 2016).

Sustaining booming economic growth is important for every country. Achieving a rapid growth means a country is producing surging revenues which will ultimately result in a well-balanced economy through lower national debt. Moreover, it also leads to population prosperity through an increase in standard of living, healthy environment and improved technology.

Thus, achieving and sustaining economic growth should be the central focus of national economic policy. It has been well documented that the banking sectors can influence the demand side of the economic growth. However, insurance sector, being part of the financial system may be vital for the economic growth of a country (Regupathi & Abu-Bakar, 2017).

Insurance performs similar functions as banking sector and the market stock. Insurance affects the economic growth in the same way as banking sector and it should be considered as a substitute for the stock market rather than a complementary service industry despite this fact, many researchers investigated the role of financial institutions in promoting economic growth, emphasized on the role of the stock market or banking only.

1.2 Statement of the Research Problem

The insurance sector plays an important role within the national economy and contributing towards mobilization of savings for sustainable economic development of the country; the accessibility of insurance services needed both in urban and rural areas. However, this services provided by insurance sectors is important in the growth of economy still in the rural areas have not been reached, Tanzania Insurance Policy, (2014). Despite the significance and critical role played by the insurance companies in the economic growth of the country and a large number of empirical test and analysis made in this area which has given logical evidence that insurance sector contributes to economic growth, very little effort has been made to study the relationship between insurance and economic growth (Pant, 2017).

The role of the insurance industry in an economy with regards to economic growth cannot be played down and at the same time underestimated. One of the primary expectations of most people that buy insurance premium is to have for themselves a secure future. As a result, a nation that seeks the welfare of its citizens must as a matter of priority emphasize the need to build and develop a stable and vibrant insurance industry to foster all-round economic growth and development (Iyodo et al., 2018).

According to the Tanzania Insurance Policy of 2014 the size of the insurance market in Tanzania, as measured by the insurance penetration ratio, is currently 0.9 percent which is lower than the average in the emerging markets, which is 3 percent. Low levels of insurance penetration are consistent with low levels of per capita income and a small life insurance sector. There is also a marked deficiency in the insurance market infrastructure which can only be addressed if there is an appropriate policy framework to guide an orderly growth of the industry Tanzania Insurance Policy, (2014). The study investigated the effect of insurance services to the national economic growth.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The general objective of the study is to investigate the effect of insurance services on the national economic growth of Tanzania.

1.3.2 Specific Objectives of the Study

(i) To examine the relationship between the insurance on the national economic growth

(ii) To examine the financial intermediary's services of insurance companies in promoting the national economic growth.

(iii) To investigate the educational services of insurance companies on boosting the national economic growth.

(iv) To examine the extent of investment services of insurance companies on increasing the national economic growth.

(v) To assess the professional liabilities and compensation services of insurance companies on encouraging the national economic growth.

1.4 Research Questions

(i) Is there any relationship between the insurance on the national economic growth?

(ii) Is there a financial intermediary's service of insurance companies in promoting the national economic growth?

(iii) What are the educational services of insurance companies on boosting the national economic growth?

(iv) What are the extents of investment services of insurance companies on increasing the national economic growth?

(v) What is the professional liabilities and compensation service of insurance companies on encouraging the national economic growth?

1.5 Significance of the Study

The national policy aims at harmonizing the insurance practices across the East African Community (EAC) and Southern Africa Development Cooperation (SADC), in compliance with core principles of the International Association of Insurance Supervisors (IAIS). The study is significant to the policy makers since it contributed the ways and providing the mechanism of promoting the national economic growth through insurance services for all national insurance companies.

1.6 Scope of the Study

The study focused on the effects of insurance services on the national economic growth, and purposely focused in Insurance companies of Tanzania. The secondary data was collected from the World Bank database from 1976 to 2017 was used for objective number one and also primary data were collected from different users of insurance services in order to accomplish the target of the study for objective number two, three, four and five.

1.7 Organization of the Study

This study on the effect of insurance services on the national economic growth have five chapters, each chapter cover different elements for the purpose of making sure that objective of the study was reached.

Chapter one: cover the brief introduction of the research problem, the aims and objectives of the research and research questions to be explored, significance of the study and scope of the study.

Chapter two: contain a review of the literature to be researched in relation to the research problem, together with a summary of the previous research in the area.

Chapter three: cover all the technical aspects of the research process, including the methodological approach, the research design, measurement tools developed or used in data collection and statistical analysis.

Chapter four: presents the empirical findings of the research based on the research questions and questionnaire that have been distributed to the respondents, the results were discussed and analyzed to give meaning to the data used.

Chapter five: this is the last chapter of this research that explained the summary of the research findings, recommendations, and limitations and lastly, it highlights the areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, a study explains a review of the literature researched in relation to the research problem, together with a summary of the previous research in the area.

2.2 Operational Definition

Talesh, (2015) define insurance as a legally binding contract between an insurer and an insured party, in which the insurer agrees to render to the insured party a sum of money, or an agreed equivalent, in the event of a specific unfavorable event in which the insured party has suffered a loss. The insured party must have first paid a premium which is like a contribution, or a maintenance fee. The insurer can be the state (or its agent), a bank, or any other financial institution, so empowered by the laws of the state to carry out such insurance business. According to National Insurance Policy 2014 generally accepted

2.2.1 Insurance Services

Finance-growth nexus theory shows that economic growth is the result of financial development which channelizes saving into investment, channelize marginal productivity of capital, saving rate and technological innovation (Levine, 1997). Insurance serves numerous economic functions that are distinct from other financial intermediaries. Among various financial intermediaries, insurance companies as a risk management tool play a significant role on the financial system. They accumulate capital collected from individuals through issuances of policies and transfer them to deficit economics for investment. As a risk indemnifier, they provide stabilization to finance by indemnifying those individuals and firms who suffer from the loss. This induces people to buy more goods and services, which encourage production and employment and finally economic growth. In other words, it creates an environment of greater security for investment and innovation which fosters economic growth (Pant, 2017).

Insurance service is protection against loss. Companies that offer insurance service differ from each other in the types of products offered. National Insurance Policy, (2014) Among the available insurance services are contracts to protect property such as houses, furnishings and vehicles against loss; for reimbursement of health care costs; and to provide death benefits to designated beneficiaries for life insurance policyholders. Insurance services may differ from region to region.

2.2.2 Insurance

Kalaj et al., (2017) defined Insurance as a process of financial intermediation because the production cycle for insurance is reversed in the sense that the payment is made before the service is provided. To measure the contribution of insurance companies to the financing of the national economy, it would be sufficient to compare the increase in technical reserves or provisions with the economy's financial requirements (Outreville, 1996).

Insurance is a legal agreement between two parties i.e. the insurance company (insurer) and the individual (insured). In this, the insurance company promises to make good the losses of the insured on happening of the insured contingency. The contingency is the event, which causes a loss. It can be the death of the policyholder or damage/destruction of the property. It's called a contingency because there's an uncertainty regarding happening of the event. The insured pays a premium in return for the promise made by the insurer.

2.2.3 Insurance Company

Abbas & Ning, (2016) defined Insurance Company as a business that provides coverage, in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments. The company calculates the risk of occurrence then determines the cost to replace (pay for) the loss to determine the premium amount.

2.2.4 Economic Growth

Economic growth is the increase in the goods and services produced by an economy, typically a nation, over a long period of time (Wennekers & Thurik, 1999). It is measured by GDP purchasing power parity (PPP), GDP per capita, GDP exchange rate, and GDP real growth rate. In this study GDP per capita was used to measure Economic Growth of Tanzania.

2.3 Theoretical Literature Review

The theoretical linking between insurance services and national economic growth has long been established in the classical economic theory originated from economist David Ricardo (1917), who extended the idea of Adam Smith (1776) about trade and aids to trade as tools used to run business smoothly.

2.3.1 Modern Theory of Financial Intermediation

Current financial intermediation theory builds on the notion that intermediaries serve to reduce transaction costs and informational asymmetries. As developments in information technology, deregulation and deepening of financial markets tends to reduce transaction costs and informational asymmetries; financial intermediation theory shall conclude that intermediation becomes useless. This contrasts with the practitioner's view of financial intermediation as a value creating economic process.

It also conflicts with the continuing and increasing economic importance of financial intermediaries. From this paradox, it concludes that current financial intermediation theory fails to provide a satisfactory understanding of the existence of financial intermediaries. It presents building blocks for a theory of financial intermediation that aims at understanding and explaining the existence and the behavior of real-life financial intermediaries. When information asymmetries are not the driving force behind intermediation activity and their elimination is not the commercial motive for financial intermediaries, the question arises which paradigm, as an alternative, could better express the essence of the intermediation process.

In this opinion, the concept of value creation in the context of the value chain might serve that purpose. It is risk and risk management that drives this value creation. The absorption of risk is the central function of both banking and insurance. The risk function bridges a mismatch between the supply of savings and the demand for investments as savers are on average more risk averse than real investors. Risk, which means maturity risk, counterparty risk, and market risk includes interest rate and stock prices, life expectancy and income expectancy risk is the core business of the financial industry. Financial intermediaries can absorb risk on the scale required by the market because their scale permits a sufficiently diversified portfolio of investments needed to offer the security required by savers and policyholders. Financial intermediaries are not just agents who screen and monitor on behalf of savers.

They are active counterparts themselves offering a specific product that cannot be offered by individual investors to savers, namely cover for risk. They use their reputation and their balance sheet and off-balance sheet items, rather than their very limited own funds, to act as such counterparts. As such, they have a crucial function within the modern economy. Insurance companies are among the financial intermediaries and have played the role of financial transaction and also act as third party in the financial institutions. Merton (1995) established a theory known as modern theory of financial intermediation, which covers conventional theory and the variations in the financial environment. The modern theory of financial intermediation lay more emphasis on six essential functions of insurance: establishment of revenue for settling payments to ease exchange of goods and services; resources allocation; information asymmetry; provision of mechanisms for pooling resources, risk management; provision of price information to help in coordinating decentralized decision-making in several sectors of the economy; establishment of means to tackle the problem of moral and physical hazard.

For this study, the enumerated functions by Merton (1995), could be stated as resources accumulation, management of different risks, resource allocation, and the easing of exchange. Through these functions, the non-life and life insurance companies contribute significantly to economic growth and help both families and individuals manage their income risk efficiently. It also helps to mobilize funds via medium and long-term savings products that positively increase economic growth (Beck & Webb, 2003).

2.3.2 Classical Model

The fundamental principle of the classical theory is that the economy is self-regulating. Classical economists maintain that the economy is always capable of achieving the natural level of real GDP or output, which is the level of real GDP that is obtained when the economy's resources are fully employed. While circumstances arise from time to time that cause the economy to fall below or to exceed the natural level of real GDP, self-adjustment mechanisms exist within the market system that work to bring the economy back to the natural level of real GDP. The classical doctrine that the economy is always at or near the natural level of real GDP is based on two firmly held beliefs: Say's Law and the belief that prices, wages, and interest rates are flexible. Say's Law. According to Say's Law, when an economy produces a certain level of real GDP, it also generates the income needed to purchase that level of real GDP. In other words, the economy is always capable of demanding all of the output that its workers and firms choose to produce. Hence, the economy is always capable of achieving the natural level of real GDP.

The achievement of the natural level of real GDP is not as simple as Say's Law would seem to suggest. While it is true that the income obtained from producing a certain level of real GDP must be sufficient to purchase that level of real GDP, there is no guarantee that all of this income will be spent. Some of this income will be saved. Income that is saved is not used to purchase consumption goods and services, implying that the demand for these goods and services will be less than the supply. If aggregate demand falls below aggregate supply due to aggregate saving, suppliers will cut back on their production and reduce the number of resources that they employ. When employment of the economy's resources falls below the full employment level, the equilibrium level of real GDP also falls below its natural level.

Consequently, the economy may not achieve the natural level of real GDP if there is aggregate saving. The classical theorists' response is that the funds from aggregate saving are eventually borrowed and turned into investment expenditures, which are a component of real GDP. Hence, aggregate saving need not lead to a reduction in real GDP. The theoretical link between insurance companies and economic growth of any nation comes to the necessaries of having trade and its aids to trade as a supporting tool, Insurance is one of the auxiliaries to trade whereas needs professional and skilled labor. The model developed by Adam Smith in Wealth of Nations (1776), Smith argued there are several factors, which enable increased economic growth. Among those factors is a Role of trade in enabling greater specialization.

In the eighteenth and nineteenth centuries, Ricardo and Malthus developed the classical model. This model assumed technological change was constant and increasing inputs could lead to diminishing returns. This led to the gloomy predictions of Malthus – which the population would grow faster than the world's capacity to feed itself. Malthus under-predicted the capacity of technological improvements to increase food yields. The classical theories of international trade brought into being the models of international trade, these theories were developed under the assumption of perfect competition and constant returns to scale.

2.3.3 New Economic Growth Theories (Endogenous Growth)

Endogenous growth theory explains long-run growth as emanating from economic activities that create new technological knowledge. Endogenous growth is long-run economic growth at a rate determined by forces that are internal to the economic system, particularly those forces governing the opportunities and incentives to create technological knowledge. In the long run the rate of economic growth, as measured by the growth rate of output per person, depends on the growth rate of total factor productivity (TFP), which is determined in turn by the rate of technological progress.

The neoclassical growth theory of Solow (1956) and Swan (1956) assumes the rate of technological progress to be determined by a scientific process that is separate from, and independent of, economic forces. Neoclassical theory thus implies that economists can take the long-run growth rate as given exogenously from outside the economic system. Endogenous growth theory challenges this neoclassical view by proposing channels through which the rate of technological progress, and hence the long-run rate of economic growth, can be influenced by economic factors. It starts from the observation that technological progress takes place through innovations, in the form of new products, processes and markets, many of which are the result of economic activities. For example, because firms learn from experience how to produce more efficiently, a higher pace of economic activity can raise the pace of process innovation by giving firms more production experience. Also, because many innovations result from R&D expenditures undertaken by profit-seeking firms, economic policies with respect to trade, competition, education, taxes and intellectual property can influence the rate of innovation by affecting the private costs and benefits of doing research and developments. Labor is one of the important determinants in the successful of anything in any country, running of the business such as insurance and any other trade needs professional and specialized peoples in the concerned field. Endogenous growth models, developed by Romer (1987) and Lucas (1978), they have placed greater emphasis on the concept of human capital.

How workers with greater knowledge, education and training can help to increase rates of technological advancement. Endogenous growth theories explained the rate of economic growth strongly influenced by human capital and rate of technological innovation. Through this theory, there is an argument on this theory from different researchers such as: Adhikary (2015), came with an argument from the endogenous growth theory and suggests that trade openness may affect economic growth by facilitating flows of international capital as well as by redirecting factor endowments to more productive sectors. Apart from facilitating factor movement and capital flows, trade openness can also affect economic growth through its effect on labor productivity and export capability. In this view, an economy that is more open to trade is inclined to have increased specialization and division of labor, thus improving productivity and export capability.

2.3.4 Financial Liberalization Theory

Arestis & Demetriades, (1997) explains that the connection between financial development and economic growth had received considerable attention all through the modern history of economics. Financial liberalization theory has its source in the work of Shaw (1973) and McKinnon (1973), which shows that economic liberalization can exert a positive effect on growth rate as interest rates level rise towards market equilibrium when resources are efficiently distributed. Patrick (1966) initiated this in a seminal work on the association between economic growth and financial development. He hypothesized two likely connections, the "demand following" method, which states that financial development increases as the economy improves; and a "supply-leading" phenomenon, in which the general growth of financial institutions leads to an economic increase (Liu et al., 2019). The finance- economic growth nexus theory has evolved over the years and can be traced to the works of Schumpeter (1912) and later McKinnon (1973). The main argument by Schumpeter was the important role played by financial institutions in spurring technological innovation and economic activities. The financial activities of savings mobilization, project evaluation, risk monitoring and management facilitate these two functions. On the other-hand McKinnon posits that financial development is stunted by restrictive government regulations, interest rate ceilings, loan subsidies and high reserve requirements for the banking sector.

The financial liberalization theory that was led by the seminal papers of McKinnon (1973) and Shaw (1973), a significant number of studies have pointed out that financial liberalization can exert a positive effect on growth rates as interest rate levels rise towards their competitive market equilibrium, while resources are efficiently allocated. Accordingly, eliminating controls on interest rates and allowing them to increase could stimulate a higher level of savings.

Moreover, with the assumption of a strong response of savings to the rate of interest, higher interest rates are expected to increase financial intermediation (the level of financial asset channeled by the financial system). Strictly under these strong assumptions, it is likely that financial liberalization produces higher savings which ultimately fosters economic development through changes in quality by allowing efficient allocation of resources and quantity of investment (Reinhart & Tokatlidis, 2003).

2.4 Empirical Literature Review

The review clearly shows that, however, there are many studies on the issue of the effect of insurance services to the national economic growth; the results are mixed and questionable. Different studies found that there is a positive effect of insurance services to the economic growth. Let us now review some empirical studies done on insurance services to the national economic growth in both developed and developing countries including Tanzania.

2.4.1 Empirical Literature Review Worldwide

Zheng, (2018) wrote on the real economy sector is a significant part of national economic development. It is a main channel for creating real wealth, realizing full employment, and promoting economic growth. However, in the current reality background of economic development turning to virtual economy from the real economy, the real economy is faced with a series of financing difficulties. Such being the case, on the basis of in-depth anatomy of the real economy development dilemma, regarding insurance funds as a long-term and large-scale capital stock can be promising for the real economy especially small and medium-sized real economy manufacturing enterprises, in the field of providing risk guarantee and blood transfusion for the real economy in the capital market. Moreover, the thesis further analyzes three major paths dependence of insurance funds to promote real economic development, which provides a benchmark for the potential risk prevention in promoting the sound development of the real economy.

Din et al., (2013) wrote on the economists hold that trade deficit in the long run can drag-down economic growth of any country. As globalization provides countless opportunities for international trade meanwhile numerous commercial and political risk are there too in carrying out cross-border trade. Pakistan is facing the persistent trade deficit since independence. In addition to this war on terror and poor law or order situation, the risk of theft, damage and lost during the cross border trade has increased dramatically. To hedge these risks, companies insure themselves under different private and government insurance policies.

The objective of the study is to investigate the long-term and short-term relationship between marine, general insurance, trade openness and economic growth in Pakistan for the period 1982 to 2009. The study implies the ARDL and VECM tests to check the long-term and short-term relationship between variables under study while OLS and Granger Causality test is used to check the impact of marine insurance on trade openness and the direction of relationship respectively. The results reveal that there exists positive long-term relationship between general insurance and economic growth.

However, trade openness negatively effects economic growth in the longer run. Similarly, marine insurance has significant relationship with the trade openness but effecting trade openness negatively in the longer run and the relationship is bi-directional in nature. The study has explored another important factor that is negatively affecting the trade of Pakistan. Policymakers should devise strategies to somehow minimize the negative effect of insurance policy on international trade.

Sawadogo et al., (2018) examines the relation between the development of life insurance sector and economic growth, for a sample of 86 developing countries over the period 1996-2011. They examine the heterogeneous effect of life insurance on growth. The results show on the one hand that the development of life insurance has a positive effect on economic growth per capita and, on the other hand, that this effect varies according to the structural characteristics of countries. Thus, the marginal positive impact of the development of life insurance decreases with the levels of deposit interest rate, bank credit and stock market value traded, while the effect is greater in low and middle-income countries and in countries with high-quality institutions.

Finally, life insurance effect on growth is less for SSA countries and British legal system countries. The results provide important policy implications for developing countries. Thus, countries will benefit from strengthening their regulatory framework by creating a sound environment that facilitates insurance markets' development, which further stimulates economic growth.

Kalaj et al., (2017) examines the impact of insurance market on economic development in Albania. They used macroeconomic data for the period 2006-2015 in order to answer a research question about the nexus between the insurance market development and economic growth. The paper shows the dependent variable, GDP per capita, is analyzed in relation to the following set of control variables written gross premiums on life and non-life insurance, government consumption, export and import of goods and services, human capital, and savings. Insurance premiums are used as a standard measure of insurance market development and in our research, the disaggregate data for life and non-life insurance. The empirical results of the analysis are partially consistent with previous studies focused on developing countries. The correlation seems to be stronger between GDP per capita and non-life insurance, which is predominant in the Albanian insurance market. The research findings are important for the Albanian policy makers in order to foster economic growth, which is currently constrained by limited capital stock and excessive foreign debt burden.

2.4.2 Empirical Literature Review in Africa

Ouedraogo et al., (2016) examines the relation between the development of life insurance sector and economic growth, for a sample of 86 developing countries over the period 1996-2011. They also examine the heterogeneous effect of life insurance on growth. The econometric results show on the one hand that the development of life insurance has a positive effect on economic growth per capita and, on the other hand, that this effect varies according to the structural characteristics of countries. Thus, the marginal positive impact of the development of life insurance decreases with the levels of deposit interest rate, bank credit and stock market value traded, while the effect is greater in countries with high-quality institutions. Finally, life insurance effect on growth is less for SSA and British legal system countries, compared to non-SSA and non-British legal system countries.

Iyodo et al., (2018) explored the effect of insurance industry performance on economic growth in Nigeria. Insurance is a cover from financial loss. The study sought out to examine the impact of non-life insurance penetration on the economic growth of Nigeria. The ex-post facto study design was adopted for this study. Time series data for the period 1988-2014 were collated from the Central Bank of Nigeria (CBN) Statistical bulletin. Data were analyzed using regression. The ARDL bound test was adopted in the testing of hypotheses formulated for the study. The findings of the study revealed that non-life insurance penetration had a positive and substantial effect on the economic growth in Nigeria during the period.

The study recommends among others that life insurance companies come up with life products mainly designed for the low-paid earners as the target, which will enhance penetration and deepen the market; more awareness is created to improve the participation of product industry and firms as this will intensify the activities of the insurance industry in Nigeria. Furthermore, it is recommended that an increased diversification of insurance products mostly in non-life businesses be embarked upon. For insurance industry in Nigeria to exert a significant and positive influence on the Nigeria economy, government insurance policies covering compulsory insurance for all Nigerian, mainly nonlife and, health insurance cover should be strictly enforced and implemented.

Madukwe & Anyanwaokoro, (2014) investigated the causality of the relationship between life insurance business and economic growth of Nigeria for the period 2000-2011. Pearson's Product Movement Correlation Coefficient was used to test the hypothesis to determine the extent of the causality of the relationship between life insurance business and economic growth. The researcher graphically measured the ratio of life insurance premium to Gross Domestic Product (GDP). The study revealed that there was significant causal relationship between life insurance business and economic growth of Nigeria. It was also discovered that despite the high degree of the causality of the relationship between life insurance premium and GDP, that life insurance premium has not been able to make a meaningful contribution to economic growth of the country.

The study concluded that life insurance business has not effectively contributed to the growth of Nigeria economy due to low consumption, and that individual and corporate organizations have failed to embrace life insurance policies in Nigeria. The researcher therefore, recommended that National insurance commission (NAICOM) should enforce the compulsory group life insurance policy, and ensures that there is high level of transparency initiative and efficiency in Nigeria insurance industry. This would go a long way in mitigating the factors that hinder individuals and organizations in embracing life insurance policies in Nigeria

Din et al., (2017) examines the dynamic interactions between insurance and economic growth in eight African countries for the period of 1970–2013. Insurance demand is measured by insurance penetration, which accounts for income differences across the sample countries. A Bayesian Time Varying Parameter Vector Auto regression (TVP-VAR) model with stochastic volatility is used to analyze the short run and the long run among the variables of interest. Using insurance penetration as a measure of insurance to economic growth, the study found positive relationship for Egypt, while short-run negative and long-run positive effects are found for Kenya, Mauritius, and South Africa.

On the contrary, negative effects are found for Algeria, Nigeria, Tunisia, and Zimbabwe. Implementation of sound financial reforms and wide insurance coverage are proposed recommendations for insurance development in the selected African countries.

Sibindi & Godi, (2014) investigate the causal relationship between the insurance sector (long-term, short-term and total insurance) and economic growth in South Africa for the period 1990 to 2012. They make use of insurance density as the proxy for insurance market development and real per capita growth domestic product as the proxy for economic growth. They then test for co-integration amongst the variables by applying the Johansen procedure and then test for Granger causality based on the vector error correction model (VECM). The results confirm the existence of at least one co-integrating relationship and also indicate that the direction of causality runs from the economy to the long-term insurance, as well as from the economy to the total insurance sector. This is consistent with the demand-following insurance-growth hypothesis.

2.4.3 Empirical Literature Review in Tanzania

Abbas & Ning, (2016) wrote about the insurance business can play a significant role in the development of financial and economic growth. In Tanzania, the insurance industry continued to play its strategic role within the national economy by providing the national underwriting capacity and contributing towards mobilization of financial resources for sustainable economic development of the country. The objective of the study was to examine the factors that drive the development of insurance industry in Tanzania by examining the determinants of Gross Premium Income (GPI) with the explanatory variables of annual GDP per Capita, Inflation Rate, Real Interest Rate and annual GDP Growth for the time series data over 20 years' period between 1991-2010.

The study indicates that the insurance sector has a greater role as a determinant in the sustainable economic development in Tanzania. The inflation rate and GDP growth has positive relationship whereas the GDP per Capita and real interest rate have negative relationship. They recommended that the country needs to maintain a single inflation rate for all over the periods, since if the inflation rate increases; it will affect much both insurers and policyholders in the insurance business. Insurance funds that are amassed by insurers as insurance premiums must be invested in profitable ventures including money markets to obtain a financial return that is sufficient to support the business operations of insurance companies and provide a return to shareholders.

Ibrahim, (2013) examine factors influencing performance of the insurance industry in Tanzania. To achieve these objectives both primary and secondary data were used. Primary data collected by means of interview, observations, structured and unstructured questionnaires. Secondary data obtained from various sources including book, journal and Internet. The study revealed that performance of ZIC was affected by insured by delaying to pay premium on time, to report fake claim and lack of know how about insurance service. In addition, accessibility and awareness to the insurance services provided by ZIC was not so difficult, therefore most intermediaries and insured were able to obtain and utilize the services.
The result also found that operations of insurance company were influenced by Assessors and Investigator due to delaying in producing report on time. The company also faced with the following challenges: Construction of marketable policies, introduction the ‘cash and carry’ system in selling of insurance products in the market, lack of facilities in the country for training professionals, infrastructures system is not so well organized as a result only few places get privilege of receiving the insurance services, how. The study recommended that insurance policies should be designed to be user friendly.

TIRA, (2018) examined the Tanzania’s economy during the year that was contributed by insurance services, under review was characterized by a number of factors, including changes in GDP growth, per capita income, money supply, interest rates trends, financial markets performance, commercial banks’ lending, and government finance. These factors affected all sectors of the economy, insurance inclusive. The national GDP in real terms grew at a rate of 7.0 percent to TZS 47,175 billion in 2016 from TZS 44,101 billion in 2015. Similar growth was realized in 2015. The GDP at current prices (nominal GDP) grew by 14.2 percent to TZS 103,745 billion in 2016 compared to TZS 90,864 billion in 2015. The country's insurance penetration (premiums as a percentage of GDP) for the year 2016 for private insurance companies was 0.7 percent and for the National Insurance Fund - NHIF was 0.3 percent, which makes a total of insurance penetration to be 1.0 percent. This excludes the contributions from Community Health Development Fund (CHF) that are monitored at the district level. A premium from companies regulated by the Authority constitutes 65% while a contribution from NHIF constitutes 35% of the total premiums and contributions respectively.

Nthenge, (2012) looks at the challenges facing the insurance services provision in Tanzania. The study was conducted on the insurance companies registered and licensed by the Tanzania Insurances Regulatory Authority as at 31st July 2012.Data was collected using questionnaires which were hand delivered to insurance companies targeting business development executives in self-addressed envelopes. Some questionnaires were emailed to the officers in the different companies to the convenient of the respondents. The results were analyzed using descriptive cross sectional design as well as co-relational research due to the qualitative nature of the data. The key finding from the study shows that insurance services provision in Tanzania face myriad of challenges that are inhibiting advancement.

Due to these challenges the industry continues to register low penetration at as many people remain uninsured. Many challenges have been outlined in the study need to be addressed by the stakeholders if the industry is to achieve a penetration increase from its current 0.84%. The challenges include awareness, immature legal framework, and lack of strong market led initiative, claims fraud and corruption, under capitalization. Legal constraint to new channels of distribution such as bank assurance, weak supervision and lack of vocational training facilities leading to shortage skills needed in the industry.

The findings of this study are important because they will assist in developing policies that will ensure that insurance is embraced in Tanzania. It includes introducing favorable strategies that will result in increased adoption of insurance. In addition, it will help the government and other stakeholders will recognize their role so that it can support the industry.
Kamwambia, (2013) focused on role Tanzania insurance regulatory authority and on ten insurance companies in Dares salaam. TIRA had the population of 50 employees and seven were selected as representative sample. From the 27 insurance companies ten of them were selected with work force of five hundred employees, and one hundred were selected as representative sample.

The study sought to find out the role of TIRA on insurance industry development and assess whether it carried out its mandate per the requirement of the law. Descriptive research survey was used. The research design employed was purposive random sampling to select members of TIRA and the insurance companies. The sample involved 107 members of both TIRA and the insurance companies. A large data for statistical analysis was collected using structured questionnaire. Descriptive Statistics, Frequency Tables, and percentages were used to determine the relationship between the TIRA effective role and its impacts on insurance development.

The findings revealed that the role of TIRA on insurance developments mainly involved regulatory role, supervisory role, monitoring role and other roles played by TIRA to ensure a stable industry thrives. The study revealed also that some of the insurance companies did not meet the thresh hold minimum imposed by TIRA on some occasions. The study revealed also that TIRA needed to employ more qualified staff to enable it effective carry out its role and enforce the rules more strictly and increase it financial resource to enable it deliver. The study further revealed there was great potential for the insurance growth, and development and more of TIRA effective was required to promote it.

2.5 Research Gap

An empirical literature reviews such as Shamshad, (2016) and Ugwunta & Ugwuanyi, (2019) indicated that there are different researches based on the effect of insurance services to the national economic growth. Some of them are from developed countries, African countries and Tanzania itself. From those studies the researchers used more secondary data than primary data and also, they have conducted their studies on the life assurance aspect for the period not more than 2015. Therefore, this study used both secondary and primary data by collecting secondary data from the World Bank database from 1976 to 2017 and filled the gap currently by examine the effect of insurance services on the national economic growth of Tanzania.

2.6 Conceptual Framework

A conceptual framework represents the study synthesis of the literature on the certain concerned topic. The purpose of this conceptual framework is to map out the actions required in the course of the study given the previous knowledge of other researcher's point of view and observations on the subject of the research.

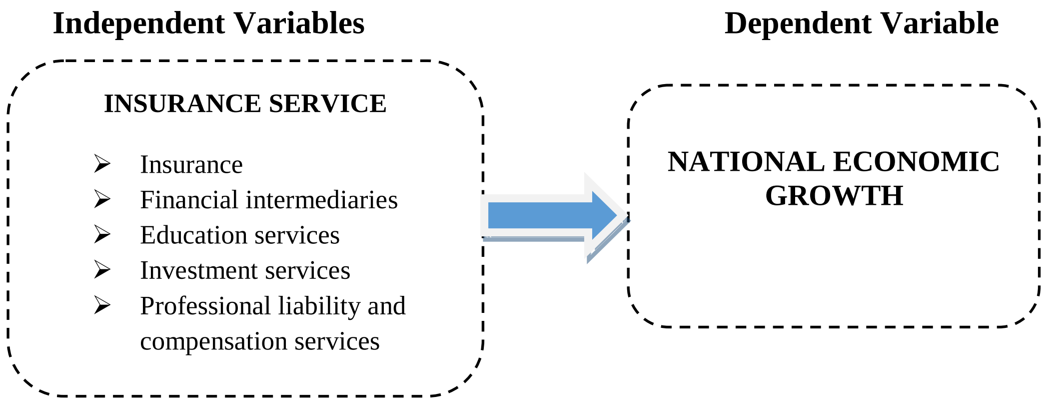

Figure 2.1: Conceptual Framework

Source: Constructed by Author, 2020

2.7 Theoretical Framework

The relationship between insurance and economic growth has become a hot issue for the debate both theoretically and empirically. The financial system has been recognized as an important sector in economic growth of the country. Different growth theories have shown that exist a relationship between the financial system and economic growth.

This part focuses on economic growth theories, which consist of the theoretical background of the literature underlying the economic growth. A number of theories were used in this study that has direct connection with literature and that was used by other previous researcher in the aspects of insurance and economic growth. In this study the insurance services is an independent variable that has been measured by financial intermediaries, education services, investment services and professional liability services. In other side the study used national economic growth as dependent variable.

2.7.1 Financial Intermediary Services

In the Modern theory of financial intermediation McCallie, (1995) explains about Insurance Company provides services of financial intermediaries; as financial intermediary insurance performs the function of channelizing saving into domestic investment. They facilitate efficient allocation of capital resources, which in turn improve productivity and economic efficiency which result in reduced capital output ratio. The insurance companies perform extremely useful function in economy as financial intermediaries such as reduction in transaction cost, creating liability and facilitate economies of scale in investment.

2.7.2 Education Services

Educational services provided by insurance companies to consumers on safety concerns, insurers collect and analyze information and disseminate financial and non-financial knowledge. They employ a wide variety of loss prevention personnel such as safety engineers, fire prevention specialists and medical professionals to study ways to protect lives and property. Life/health insurers continue to warn the public about the negative effects of smoking. On the property side, insurers evaluated the effectiveness of municipalities' fire suppression systems and provided incentives to upgrade them as a result the individual income tends to grow. Romer (1999) and Lucas, (1978).

2.7.3 Professional Liability and Compensation Services

A professional liability is among the insurance company's services, this type of services covers physicians, surgeons, dentists, hospitals, engineers, architects, accountants, attorneys, directors, and other professionals from liability arising from error or misconduct in providing or failing to provide professional service. The insurance services cover the benefit payments to employees for work-related injuries, deaths and diseases, regardless of burden.

2.7.4 Investment Services

Hasan et al., (2018) Insurance companies help to stabilize the economy; especially during times of a financial crisis. Annuities with specified periods of payment or period certain annuities are an example of investment services offered by insurance companies. Insurance serves socioeconomic purposes and, at times, takes on the role of a social institution that promotes the common good and helps to preserve social order. For example, every state has enacted a law that requires motorists to purchase auto liability insurance or show proof of financial responsibility to compensate accident victims.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that used in the study in order to meet the objectives of this study; it consists of research design, model specification, and empirical methodology.

3.2 Research Design

The main purpose of the research design is to provide the logical framework upon which the research is conducted and enable the researcher to gather evidence that enable the research questions to be addressed. The cross sectional design was used in this study with quantitative approaches. The cross sectional design is the most recognizable research design in social research. It advantages is concerned with collecting data on more than one case at a single point in time (David & Sutton, 2004). The quantitative approach helps to describe data from the study. The two approaches complement each other in gathering data and create valuable information on implementation of Insurance services.

3.3 Area of the Study

This study was conducted in Insurance Corporations (IC) in Tanzania as the purpose of investigating the effects of insurance services on the national economic growth. The reason of choosing Tanzania is a place whereby Insurance Companies are available and it has operated, it is also the place where businesses of insurance services now start to grow, and the commercial activities also take place.

3.4 Population of the Study

The population of the study is target where the researcher intends to study or treat Majid, (2017). It is a protocol of any study and it is important to describe the demographic characteristics of the population of interest including age, ethnicity, socioeconomic status, education level, marital status, and work status Van, (2013). In this study the populations are the users of Insurance who registered in Insurance companies in Tanzania including customers of insurance company, staffs and professionals.

3.5 Sampling Design and Sample Size

3.5.1 Sampling Design

Probability sampling design has been used in this study; probability sampling design is a sampling technique in which sample from a larger population are chosen using a method based on the theory of probability. A random selection for a participant was considered as a probability sample. In this study Simple random sampling as the name suggests is a completely random method of selecting the sample. This sampling method is as easy as assigning numbers to the individuals (sample) and then randomly choosing from those numbers through an automated process (David & Sutton, 2004).

3.5.2 Sample Size

The sample size has been calculated using Yamane's formula. The sample size of this study were 40 respondents that are combination of various Insurance company staffs, professionals and customers those who registered for insurance services. 19 respondents are the Insurance Company staff, 15 are the customers and 6 are the professionals. An availability of sampling size is through the following Yamane's 1967 formula is as follow:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{45}{1 + 45(0.05)^2}$$

$$n = \frac{45}{1 + 0.1125}$$

$$n = \frac{45}{1.1125}$$

$$n = 40$$

Where: n = Sample size

N = the number of population size

e = is the level of precision.

Based on the above Yamane calculator, N= 45, e = 5% and 1 is constant. Therefore, by plugging to the above formula, Sample size (n) is 40 respondents.

3.6 Methods of Data Collection

Data collection method is about providing reliable and valid answers to investigative research questions. Investigative questions in social science research focus on describing, explaining, and or correcting phenomenal social aspect such as conditions, behaviors, events, processes, attitudes, motivations, intentions, or expectations (Ndunguru, 2007). The study employed both secondary and primary data in order to gather adequate, appropriate and reliable information.

3.6.1 Secondary Data

Secondary data are those which have already been collected by someone else or other sources and which have already been passed through statistical processes (Kothari, 2004). The researcher collected secondary data for this study from World Bank data base so as to answer objective number one.

3.6.2 Primary Data

This is the first information obtained directly from the field; researcher obtained these data using questionnaires. The data have been collected afresh from the original source and for the first time therefore happen to be original in character. This primary data was used for the objective number two, three, four and five.

3.7 Data Collection Tools

The data collection tool that has been used in this study for the purpose of capturing and fulfilling the specific objectives is documentary review and questionnaire.

Questionnaire is a formalized set of questions for obtaining information from respondents. It must translate the information needed into a set of specific questions that the respondents have answered where by questionnaire motivate. Under this method, the researcher used both open ended and closed ended questions, which have been clear and unambiguous. Closed ended questions gave respondents a room to tick once the most appropriate answer for each question. Questionnaires were given to the respondents. The researcher aimed to handover the questionnaires to selected respondents, which include staffs, insurance company's customers and Professionals in this field of insurance due to the samples being easily reachable by researcher and thus collected in the same way.

3.8 Reliability and Validity of the Data

For the purpose of reducing the possibility of getting wrong answers, attention needs to be kept to the particulars on the research design, reliability and validity (Saunders et al., 2003).

3.8.1 Reliability of the Data

The reliability of research instrument concerns the extent to which the instrument yields the same results on repeated trials. Although unreliable is always present to extent, there has been generally a good deal of consistence in the results of a quality instruments gathered at different times. The tendency found in the repeated measurements in referred to as reliability (Carmines & Zeller, 1979).

3.8.2 Validity of Data

Validity can be defined as the degree to which a test measure what is supposed to measure (Mason & Bramble, 1989). Validity requires that instruments are reliable, but an instrument can be reliable without being valid. Cooper et al., (2003) believe that validity refer to the extending to which a test measures what we actually want to measure.

3.9 Data Analysis

Data analysis can be defined as a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. The study was employed E-view software and SPSS software. The secondary data was analyzed through E-view software and primary data was analyzed through SPSS software. A statistical package for windows mainly used for time series oriented econometric analysis (E- View 10) which is the worldwide leader in windows based econometric software is for the very best and quality output. The time series data based on quantitative research approach was annual bases spanning from 1976 to 2017 due to the availability of data. The OLS regression method was applied because the goal of OLS is to closely fit a function with the data. It does so by minimizing the sum of squared errors from the data. The OLS regression was used so as to reach the objective number one. Most descriptive statistical analysis was also used to analyze data abstained from respondents through questionnaire. Therefore, the study used tables of percentages and frequencies as major types of the descriptive statistical analysis of the study so as to reach the objective two, three, four and five.

3.9.1 Ordinary Least Square Method

To examine the relationship between Insurance and national economic growth of Tanzania, Ordinary Least Square (OLS) technique was used to estimate the variables used in the equation. This is because under the Gauss-Markov theorem, OLS is the Best Linear Unbiased Estimator (BLUE). Moreover, OLS is mathematically simple. To avoid spurious results, normality tests were conducted like Unit Root test, this test was used by Augmented Dickey-Fuller for the purpose of checking stationarity since the data are time series. Applying Unit Root test, the null hypothesis was rejected when p-value was less than a significance level of 5% at first difference.

3.9.2 Unit Root Test (Stationary Test)

Unit roots tests are aimed at establishing the order of integration of each variable. In order to avoid bias result, testing stationarity of those variables are very important. The stronger the stationarity, the best result because it would not lead to spurious regressions. There are several ways to test the presence of unit root. To check the stationarity of each variable, the study used unit root test by Augmented Dickey-Fuller (ADF) test and Phillips-Perron (PP) test.

3.9.3 Model for Objective One

The following model shows effect of Insurance on national economic growth of Tanzania. The study employs OLS regression, Ordinary least-squares (OLS) models assume that the analyst is fitting a model of a relationship between one or more explanatory variables and a continuous or at least interval outcome variable that minimizes the sum of square errors, where an error is the difference between the actual and the predicted value of the outcome variable. The most common analytical method that utilizes OLS models is linear regression Hung, (2012). Ordinary Least Squares regression (OLS) is more commonly named linear regression (simple or multiple depending on the number of explanatory variables).

Basic equation for objective one is as follow;

$$GDP = f(I) \qquad (1)$$

Where GDP is Gross Domestic Product and is the measure of economic growth, I representing Insurance

3.10 Ethical Consideration

Research ethics are the principles that we use to make decisions about what acceptable practice in any research project. Rodriguez & Clair, (1999) Anonymity; the data collected for the study from individual regarded anonymous, and their names and other identities will be excluded. This will make easer to the respondents to provide accurate response.

Confidentiality; this research ensured that the subjects (respondents) of research are entitled to confidential treatment of all information he or she gave in personnel matters. It was the responsibility of the researcher to prevent the user and transmission of information that may harm the individual on whom the research carried out.

Integrity; the researcher conducted the study with honest, fair, and respect to others, especially respondents.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF THE FINDINGS

4.1 Overview

This chapter presents the findings of the study, which intend to examine the effects of insurance services on the national economic growth of Tanzania. The findings have been derived from combined responses of questionnaires of the various respondents.

4.2 Descriptive Statistics

Table 4.1 present the descriptive summary of the key variables used in the study for the objective number one. The total number of observations in the analysis was 41. The data showed that, the averages mean scores of Gross Domestic Product and Insurance reveals approximate normality in the data distribution of each variable. The value for kurtosis in each variable is below the benchmark for normal distribution which is 3 and that confirms normality. Also the skewness of all variables were close to Zero range, the value ranges from 0 to 1 this indicate the normality of the variables.

The standard deviations as presented in the Table 4.1 were found to be low when compared to its mean for each variable, which indicates a small coefficient of variation of the series. Furthermore, the range of deviation between the maximum and minimum of each individual series is found to be reasonable in comparison to the mean. The mean over median ratio for each series is seen to be approximately one, which represents normality of distribution.

The Jarque-Bera statistics also indicate that the distributions of all the variables were normal distribution because all variables have probability greater than 0.05, which enabled to accept the null hypothesis of normal distribution for each variable, which confirms that the series are normally distributed. For that reasons, the study has been confirmed the normality of distribution as appeared in the table 1. Moreover, the result shows the mean value of GDP was 2.89 with a standard deviation of 2.42. Its median value is 3.305 with maximum and minimum values of 4.318 and 3.219, respectively. While the mean of Insurance is 3.95, its standard deviation is 0.443, and its median is 4.288 while the maximum and minimum values were 4.31 and 4.07 respectively. Based on the results from Table 4.1, it is therefore, confirmed that there is existence of normality of distribution.

Table 4.1: Summary of Descriptive Statistics

	GDP	I
Mean	2.886700	3.950327
Median	3.305356	4.288125
Maximum	4.317640	4.312010
Minimum	3.219080	4.069978
Std. Dev.	2.424256	0.443030
Skewness	0.998702	0.489531
Kurtosis	2.246130	1.688564

Jarque-Bera	45.40817	4.863655
Probability	0.060011	0.074721
Sum	124.4353	1024.000
Sum Sq. Dev.	176.2980	8.321460
Observations	41	41

Source: Author computation from collected Data (2020)

4.3 Tests for Stationary

It is necessary to test the nature of stationary of the variables before running regression analysis. This helps to avoid the possibility of running spurious regression, which makes the result to be unreliable and inconsistent. The test was conducted using the Augmented Dickey-Fuller (ADF) unit root tests at a Level and first difference. The results of ADF test for unit root of variables used it presented in the following Table 4.2.

Table 4.2: Unit root test by Augmented Dickey Fuller (ADF)

At level				**First difference**			**Remarks**
Variables	t-stat	Prob.	Results	t-stat	Prob.	Results	Included
GDP	-2.58411	0.1041	Non stationary	-6.53634	0.0001	Stationary	Intercept
I	-1.46298	0.5425	Non stationary	-6.77553	0.0010	Stationary	Intercept

Source: Author computation from collected Data (2020)

Table 4.2 shows unit root results of the series at level and first differences. The values of the calculated test statistics for all variables are less than its critical values at 5% level of significance. The result indicates that all variables non-stationary at level since the probability value or p-value is greater than 10% and the variables were found to be stationary at their first difference since the probability value or p-value is less than 10%. The results imply that all the variables included in the models are integrated of order one, I (1) meaning that at the first difference.

4.4. OLS Estimate

The study used a regression to establish the relationship between variables. Coefficient of determination found in the Table 4.3 explains the extent to which changes in the dependent variable was explained by the change in the independent variables or the percentage of variation in the dependent variable (GDP) that is explained by independent variable known as Insurance (I). Table 4.3 shows the results after generating variables using OLS method. The findings revealed that Insurance has positive and significant relationship with GDP.

Table 4.3: OLS Estimate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
I	**4.350951**	**0.860427**	**5.06952**	**0.0000**
R-squared	0.835664	Mean dependent var	2.825799	
Adjusted R-squared	0.807809	S.D. dependent var	2.024266	
S.E. of regression	0.861661	Sum squared resid	28.95590	
Durbin-Watson stat	0.414380			

Source: Author computation (2020) Using Eviews 10

The adjusted R^2 (Adj. R^2) is adjusted for the degrees of freedom. It is 0.807809, meaning that 80.7809 percent differences seen in GDP are explained by the variables included in the model. This is a good fit since it explains a large variation in the dependent variable, while 19.2191 percent of the differences seen in GDP described by other variables not included in the model. The result found in the Table 4.3 shows that, Insurance (I) has the positive relationship with GDP with the coefficient of

4.350951 and statistically significant because its p-value is 0.0000, which is less than 0.05(level of significance). The Insurance has an effect on GDP approximately 43.5 percent (43.5%). The result implies that an increase in one percent of Insurance leads to the increase in GDP by 43.5 percent. This suggests that Insurance is sufficient to stimulate GDP of Tanzania. Hence, the Insurance is statistically significant factor to enhance GDP. The positive relationship with GDP means that positive value indicates an increase in GDP.

4.5 Profile of the Respondents

This study involved 40 respondents of Insurance Companies. All these respondents were given questionnaires. The profile of the respondents covers the demographic aspects such as age, gender, marital status and education level and it was explained by using frequency distribution table. The details about respondents and outcomes are as follows:

Table 4.4: Demographic Description of Respondents

Description	Frequency	Percent
Age of respondents		
20-30	3	7.5
31-40	15	37.5
41-50	12	30.0
51-60	10	25.0
Above 60 years	0	0.0

Total	40	100.0
Gender of respondents		
Male	30	75.0
Female	10	25.0
Total	40	100.0
Education level of respondents		
Certificate	1	2.5
Diploma	4	10.0
Bachelor	22	55.0
Master	12	30.0
PhD	1	2.5
Total	40	100.0
Marital status of respondents		
Married	35	87.5
Single	5	12.5
Total	40	100.0

Source: Field Data, 2020

The age variable it was analyzed through frequency distribution table. The frequency distribution table shows frequency of the respondents and percentage of the respondents. Data from Table 4.4 revealed that out of 40 respondents the age between 20-30 were 3 respondents that is equal to (7.5%), while 31 - 40 were 15 respondents that is equal to (37.5%) respondents, 41 - 50 were 12 respondents that is equal to (30.0%) respondents, 51 - 60 were 10 respondents that is equal to (25.0%) respondents, 60 and above were 0 respondent that is equal to (0%) respondents. The majority group of the respondents was from 31 and 40 (37.5%) while the second large group falls into the 41 - 50 years' age group, which was (30%). This implies that, these were the most and active age group. The result based on percentage as was shown in Table 4.4 the most numbers of age participants were in the range of 31-40 followed by 41-50.

The study findings on gender of the respondents show that about 30 respondents that is equal to (75%) of the respondents were males and 10 respondents that is equal to (25%) of respondents were females. This indicates that male category involved in the responding questionnaire is highly involved than the female. Further, the study indicates that both Male and Female had the opportunity to participate fully in the study. Therefore, both had the opportunity to unleash their view on the satisfactions from the insurance services.

Based on the respondents level of education, findings shows that there is 1 respondent that is equal to (2.5%) respondents with their education is at Certificate level of education, 4respondents that is equal to (10%) respondents were Diploma level of education, 22 respondents that is equal to (55.0%) respondents were at Degree level, 12 respondents that is equal to (30.0%) respondents were at Master Degree level and 1 respondent that is equal to (2.5%) respondents were at PhD level of education. These results from the findings imply that people with Bachelor degree level of education are the most group of people that mostly replied on insurance services compared with other groups. Respondents marital status in Table 4.4, the study findings show that 35 respondents that is equal to (87.5%) of the respondents were married and only 5 respondents that is equal to (12.5%) respondents were single. Therefore, these data indicate that most of the respondents were married and give more information about insurance services.

4.6 Respondents Awareness on Insurance Companies and Services

The study used questionnaire with questions based on the respondent's awareness on insurance companies and services. The study used a total of 40 respondents which include 35 respondents that is equal to (87.5%) that's strongly agreed that are aware on insurance companies and insurance services provided by insurance companies and 5 respondents that is equal to (12.5%) were not aware on insurance services provided by insurance companies. This shows that most of the respondents are aware on the insurance companies and their services offered. The Table 4.5 represents the views about awareness of customers on insurance services.

Table 4.5: Awareness of Customers about Insurance Companies and Services

Description	Frequency	Percent
Yes	35	87.5
No	5	12.5
Total	40	100.0

Source: Field data, 2020

4.7 Some of the Insurance Company that are used by Customers

Insurance companies that are available in Tanzania and it provide services to customers have various insurance categories such as motor insurance, life insurance, fire insurance and accident insurance. Table 4.6 represents the various insurance companies that offer various insurance services and it is available in Tanzania.

Table 4.6: Some of the Insurance Company that are used by Customers

Description	Frequency	Percent
AAR Tanzania	1	2.5
Alliance Insurance Corporation Ltd	1	2.5
Alliance Life Assurance Limited	0	0.0

Britam Insurance Tanzania Ltd	0	0.0
Bumaco Insurance Company Ltd	0	0.0
First Assurance	2	5.0
GA Insurance Tanzania Ltd	0	0.0
The Heritage Insurance Company Tanzania Ltd	0	0.0
ICEA Lion General Insurance (T) Ltd	2	5.0
Insurance Group of Tanzania Limited	5	12.5
The Jubilee Insurance Company of Tanzania Ltd	3	7.5
Zanzibar Insurance Corporation	14	35.0
Others	12	30.0
Total	**40**	**100.0**

Source: Field data, 2020

Table 4.6 shows that Tanzania it has different insurance companies and customers registered for the purposes of protection of their life and properties.

4.8 The Level of the Quality of Insurance Services

The satisfaction of customers from the services rendered by corporation is very important since it increases volume of sales. In other side, the dissatisfaction of customers decreases the volume of sales. The study used questionnaire to check level of the quality of insurance services from the customer satisfaction for the services received from the insurance companies. The study used a total of 40 respondents which include 10 respondents that is equivalents to 25% were in high satisfaction level on the services of insurance companies, 5 respondents that is equivalent to 12.5% are in the level of not satisfied and the rest, that is 25 respondents that is equal to 62.5% are in the satisfaction level. This indicates that the high numbers of respondents are satisfied on services offered by insurance companies although small number of respondents claims about those services for the reason such as delaying of compensations from insurance companies at the time of loss. The Table 4.7 shows the distribution of respondent's views on the quality of insurance services at a different level.

Table 4.7: The Level of Quality of Insurance Services

Description	Frequency	Percent
High satisfied	10	25.0
Not Satisfied	5	12.5
Satisfied	25	62.5
Total	**40**	**100.0**

Source: Field data, 2020

The findings show that about 25 respondents that are equal to (62.5%) were satisfied with services provided by Insurance Companies; 10 respondents that are equal to (25%) were highly satisfied and happy with service of insurance company. Only 5 respondents that are equal to 12.5% were not satisfied with services offered by insurance companies. This result shows that the users of insurance companies has more satisfied with services and hence enable the user to continue with uses of insurance companies and to be safe for their properties. The extent to which individuals or groups satisfied with services enable them to join with insurance companies and buy insurance services. This enables the insurance company to receive more premiums and to reinvest in the different economic activities also to launch more services to individual and corporate and hence contributes to the economy of the nation.

4.9 Financial Intermediary's Services of Insurance Companies in Promoting the National Economic Growth

Insurance companies provide the services of financial intermediaries so as to improve economic growth of the nation. Insurance companies through financial intermediaries help in reducing transaction cost in economy by collecting funds from policyholders and premium from customers and investing in different projects scattered over different regions.

The financial intermediaries as a services provided by insurance companies involves numbers of attribute, the attribute that was used in the financial intermediaries are insurance companies that offer financial protection for consumers, provide safety and security, insurance companies help businesses mitigate risk and protect their employees, risk management instrument, encourage saving, increased employment, promotes trade and commerce, encouraging financial stability and reducing worry, generates financial resources and insurance companies help finance economic development projects.

The study used a total of 40 respondents which include 1 (2.5%) were strongly disagreed that financial intermediaries' services from an insurance companies has an impact to the economic growth, 3 respondents that is equal to 7.5% disagreed that financial intermediaries' services from an insurance companies has an impact to the economic growth. 1 respondent that is equal to 2.5% were neutral that financial intermediaries services from an insurance companies has an impact to the economic growth, 25 respondents that is equal to 62.5% were agreed that financial intermediaries services from an insurance companies has an impact to the economic growth since insurance companies through financial intermediaries help businesses to mitigate risk and protect their employees and 10 respondents that is equal to 25% were strongly agreed that financial intermediaries services from an insurance companies has an impact to the economic growth since insurance companies through financial intermediaries increases employment. The Table 4.8 shows the summary of frequencies and percentage**.**

Table 4.8: Financial Intermediary's Services of Insurance Companies in Promoting the National Economic Growth

Description	Frequency	Percent
Strongly Disagree	1	2.5
Disagree	3	7.5
Neutral	1	2.5
Agree	25	62.5
Strongly Agree	10	25.0
Total	**40**	**100.0**

Source: Field data, 2020

The result shows that the highest numbers of respondents agreed that insurance company through financial intermediaries has much impact to the national economic growth. Financial intermediaries perform the function of channelizing saving that creates economic growth to increase. Since insurance companies through financial intermediary services facilitate efficient allocation of capital resources, which in turn improve productivity and economic efficiency which result in reduced capital output ratio. The insurance companies perform extremely useful function in economy as financial intermediaries.

4.10 Educational Services of Insurance Companies on Boosting the National Economic Growth

Insurance companies have changed daily life of people by providing education on the various matters of economic as well as social. Insurance companies providing education in the society based on the importance of having insurance services in the country. Education to for insurance services to customers is social advice of reducing or eliminating risk of loss. The study used questionnaire with question based on the Educational services of insurance companies on boosting the national economic growth.

The education services provided by insurance companies involves the numbers of attribute. The attributes are such as insurance companies offer the education services yearly of the maximum high quality to customers, insurance companies offer the education services monthly to their customers, insurance companies offer the education services semiannually to their customers, insurance companies offer the education services quarterly to their customers. TV, Radio, seminars and magazines are the tools used by insurance companies to provide education to the customers.

The study used a total of 40 respondents which include 1 respondent that is equal to 2.5% were disagreed that education services of insurance companies boost economic growth, 1 respondent that is equal to 2.5% were neutral that education services of insurance companies boost economic growth, 25 respondent that is equal to 62.5% were agree that education services of insurance companies boost economic growth and 13 respondents that is equal to 32.5% were strongly agreed that education services of insurance companies boost economic growth. The Table 4.9 shows the summary of frequencies and percentage**.**

Table 4.9: Educational Services of Insurance Companies on Boosting the National Economic Growth

Description	Frequency	Percent
Strongly Disagree	0	0.0
Disagree	1	2.5
Neutral	1	2.5
Agree	25	62.5
Strongly Agree	13	32.5
Total	**40**	**100.0**

Source: Field data, 2020

Education is a key determinant of economic well-being and increases the human capital inherent in the labor force of a country (Hanushek and Wößmann, 2010). Formal insurance is unfamiliar to most low-income people. Insurance education can be thought of as a field of approaches. On one end, purely educational programs teach risk management and insurance concepts to encourage communities to adopt proactive risk management strategies. On the other hand, commercial marketing schemes designed to sell insurance policies focus mainly on specific product details.

The goal of consumer education is to provide households with knowledge and skills to improve their ability to manage risk. This is important both to encourage greater demand for insurance, and to enable clients to get more from products. Insurance associations can play a crucial role in delivering consumer education to low-income households.

The result shows that the education services provided by insurance companies to the customers it has an impact to national economic growth. The insurance companies have continuously carried out consumer education and sensitization to the public.

However, the education provided by insurance companies is not in regular basis, time to provide education services changes periodical. Tanzania it has National Insurance Education Strategy (NIES) that was undertaken to transfer knowledge, skills and change of behavior of Tanzanians towards insurance services. Special programs known as insurance consumer education campaign were conducted by the insurance companies through TV stations and radios. Another effort taken by insurance companies to educate public are seminars and workshop conducted.

4.11 Investment Services of Insurance Companies on Increasing the National Economic Growth

Insurance companies are in the position of financing and investing large projects and railways power projects, these large projects create economies of scale, facilitate technological innovation and specialization and thus promote economic productivity and growth. The study used questionnaire with questions based on the investment services of insurance companies on increasing national economic growth.

The investment services of insurance companies in increasing economic growth involves numbers of attributes, The attributes are such as insurance companies invest more in the economic aspects, insurance companies invest more in the social aspects, insurance company’s investment affected by geographical factors, insurance company’s investment has much effect to individual income, insurance company’s investment affected by cultural factors and Insurance company's investment is more important to the small business.

The study used a total of 40 respondents which include 1 (2.5%) were strongly disagreed that the investment services of insurance companies increases economic growth, 2 (5%) were disagreed that The investment services of insurance companies in increasing economic growth, 0 (0%) were neutral that the investment services of insurance companies in increasing economic growth, 27 (67.5%) were agreed that the investment services of insurance companies in increasing economic growth and 10 (25%) were strongly agreed that the investment services of insurance companies increasing economic growth. Table 4.10 shows the distribution of respondent's views about investment services of insurance companies on increasing the national economic growth.

Table 4.10: Investment Services of Insurance Companies on Increasing the National Economic Growth

Description	Frequency	Percent
Strongly Disagree	1	2.5
Disagree	2	5.0
Neutral	0	0.0
Agree	27	67.5
Strongly Agree	10	25.0
Total	**40**	**100.0**

Source: Field data, 2020

The result show that the investment services of insurance companies has an impact to the national economic growth. The national economic growth has been increasing through the act of investment; the contribution of insurance companies in the process of investment appears at different stages. Insurance services act as a tool to mobilize saving. Insurance companies lead to economic development by mobilizing savings and investing them into productive activities. Tanzania insurance companies are able to mobilize long-term savings to support economic growth and also facilitate economic development by providing insurance cover to a large segment of people as well as to business enterprise throughout Tanzania. Insurance companies help finance economic development projects. It invested in the economy by putting or investing it premiums that are not used to pay claims and other operating expenses. These investments are in different categories both social and economic such as building construction, roads as well as airports and provide other crucial support to economic development projects around the nation.

4.12 The Professional Liabilities and Compensation Services of Insurance Companies on Encouraging the National Economic Growth

Insurance companies provide financial support and reduce uncertainties in business and human life. It provides safety and security against particular event. There is always a fear of sudden loss. Insurance provides a cover against any sudden loss. It gives financial assistance to the family against the loss due to fire, marine and accidents. The study used questionnaire with questions based on the professional liabilities and compensation services of insurance companies on encouraging the national economic growth.

The professional liabilities and compensation services provided by insurance companies involves numbers of attributes, the attributes are such as the compensation from an insurance companies to customers has increase GDP per capital, shortage of insurance professionals in the industry hinder the economic development of the country, lack of local training institutions that offer qualifications which meet international standards it can reduce the national economic growth, there is scarcity of financial resources to enable Tanzanians pursue such qualifications in other countries, the availability of enough expert in the specialization of insurance services will promote the economic growth of the country and increasing of insurance companies services will promote national economic growth.

The study used a total of 40 respondents which include 1 (2.5%) were disagreed that professional liabilities and compensation services of insurance companies encourage the national economic growth, 28 (70%) were agreed that professional liabilities and compensation services of insurance companies encourage the national economic growth and11 (27.5%) were strongly agreed that professional liabilities and compensation services of insurance companies encouraging national economic growth. The Table 4.11 shows the distribution of respondent's views about the professional liabilities and compensation services of insurance companies on encouraging national economic growth.

Table 4.11: The Professional Liabilities and Compensation Services of Insurance Companies on Encouraging the National Economic Growth

Description	Frequency	Percent
Strongly Disagree	0	0.0
Disagree	1	2.5
Neutral	0	0.0
Agree	28	70.0
Strongly Agree	11	27.5
Total	40	100.0

Source: Field data, 2020

The result shows that the professional liabilities and compensation services of insurance companies have an impact and encourage economic growth. One of the main problems in economy is unemployment. Many countries suffer from this problem nowadays. Insurance companies help to solve this problem in economy. So, insurance companies provide increasing employment with hiring new workers and compensate those who suffer with loss within the employment and out of employment. In today's influential insurance companies such as ZIC have opened new branches in every corner of the country. Many people from different regions works in these insurance companies. This process of compensating employer and professional liability encourage economic growth.

4.13 The Matters that Makes Customers be Dissatisfied with Insurance Companies Services

The matter that makes customers be dissatisfied with insurance companies 'services including poor services delivered by Insurance Corporation, delaying of the time of compensation and more legal requirements. The matters that makes customers dissatisfied with insurance companies involves the numbers of attributes which includes poor quality of insurance company's services, delaying of the time of compensations and more legal requirements needed.

The total number of 40 respondents replied on the various matters concerned with customers dissatisfied with Insurance Corporation. This include 28 respondents that is equal to (70%) were responding yes 12 respondents that is equal to (30%) were responding no. Table 4.12 explains more about different matters that makes customers to be dissatisfied with Insurance Corporation services.

Table 4.12: The Matters that makes Customers be dissatisfied with Insurance Companies Services

Description	Frequency	Percent
Yes	28	70.0
No	12	30.0
Total	**40**	**100.0**

Source: Field data, 2020

The results depict that, based on various matters of customers dissatisfied with services provided by insurance companies it is caused by increasing of legal requirements and delaying of the time of insurance companies making compensation to their customers.

4.14 The Matters that makes Customers de Satisfied with Insurance Companies Services

The matters that makes customers satisfied with insurance companies involves the numbers of questions as an attribute so as to help to get clear and clean result based on yes or no form of questions. The attribute is such as Good quality of ZIC services, various categories of insurance services and less legal requirements needed. The total number of 40 respondents replied on the various matters concerned with customers satisfied with Insurance Corporation services.

This include 23 respondents that is equal to (57.5%) were agreed by responding yes on the good quality services delivered by Insurance Corporation and 17respondents that is equal to (42.5%) were not agreed by responding no of the good services delivered by Insurance Corporation. Table 4.13 explains more about different matters that makes customers to be satisfied with Insurance Corporation services.

Table 4. 13: The Matters that Makes Customers be Satisfied with IC Services

Description	Frequency	Percent
Yes	23	57.5
No	17	42.5
Total	**40**	**100.0**

Source: Field data, 2020

4.15 The Expected Time to Take for Insurance Compensation Services

The expected time taken for insurance compensation services to the customers at the time of loss. The numbers of 40 respondents participate to answer the time of customer's expectation of receiving compensation from insurance companies. This include 1 respondent that is equal to (2.5%) expect to receive compensation for the first three months from insurance companies, 10 respondents that is equal to (25%) expect to receive compensation for the second three months that is 3-6 months from insurance companies.15respondents that is equal to (37.5%) expect to receive compensation for the third three months that is 6-9 months from insurance companies.14respondents that is equal to (35%) expect to receive compensation for the last fourth three months that is 9-12 months from insurance companies. Table 4.14 explains more about the expected time to take for insurance compensation services

Table 4.14: The expected Time to Take for Insurance Compensation Services

Description	Frequency	Percent
1-3 months	1	2.5
3-6 months	10	25.0
6-9 months	15	37.5
9-12 months	14	35.0
12 months and above	0	0.0
Total	**40**	**100.0**

Source: Field data, 2020

The results depict that, the time of insurance companies to make compensation to their customers differ on time to time. However, the large number of customers prefer short time period of receiving their compensation for the time not exceeding half of year.

4.16 Opinions on Improving the Quality of Insurance Services so as to Meet Every Body's Demand

The opinions of customers on improving the quality of insurance services so as to meet every body's demand. The study of 40 respondents gives their opinions on improving the quality of insurance services so as to meet every body's demand which include 13 respondents that is equal to (32.5%) who gives the opinion on education through frequently seminar makes insurance companies to be better.

11 respondents that is equal to (27.5%) who gives the opinion on having less legal documentation to insurance companies particularly when customers need to register for the services. 3 respondents that is equal to (7.5%) who gives the opinion to insurance companies should have regular communication to customers. 9 respondents that is equal to (22.5%) who gives the opinion to insurance companies should have less time for compensation to their customers during the time of unforeseen events. 4 respondents that is equal to (10%) who gives the opinion to insurance companies should have Insurance companies reopened in rural areas because many services are available in town areas.

Table 4.15 shows the distribution of respondent's opinions on improving the quality of insurance services so as to meet every body's demand.

Table 4.15: Improving the Quality of Insurance Services so as to Meet Every Body's Demand

Description	Frequency	Percent
Education through frequently seminar	13	32.5
Less legal documentation	11	27.5
Less time for compensation	9	22.5
Regular communication between insurance companies and customers	3	7.5
Insurance companies reopened in the rural areas	4	10.0
Total	**40**	**100.0**

Source: Field data, 2020

The Table 4.15 explained different opinions from respondents for the purposes of improving quality of services offered by insurance companies.

4.17 Users of Insurance Companies

The study used a total of 40 respondents which include 33 respondents that is equal to (82.5%) represents registered users of insurance companies that is strongly agreed as registered member in the insurance companies and 7 respondents that is equal to (17.5%) who are not a registered member of any insurance companies. This shows that most of respondents are registered and are members of insurance companies. Since business corporation in order to operate, needs more customers to pay premium that is used for investment and hence to contribute to the economy. The Table 4.16 represents the views about users of insurance companies.

Table 4.16: Registered users of Insurance Companies

Description	Frequency	Percent
Yes	33	82.5
No	7	17.5
Total	**40**	**100.0**

Source: Field data, 2020

4.18 Discussion of the Findings

The finding of the study concerning with relationship of Insurance and national economic growth shows that there is a positive relation between insurance and national economic growth. This result also supported by Madukwe & Anyanwaokoro, (2014) investigated the causality of the relationship between life insurance business and economic growth of Nigeria for the period 2000-2011. The study revealed that there was significant causal relationship between life insurance business and economic growth of Nigeria.

The finding of the study on the financial intermediary in relation with national economic growth shows that Insurance companies through financial intermediary services facilitate efficient allocation of resources, improve productivity and economic efficiency which result economic growth to increases. The same result was available and explained by Regupathi & Abu-Bakar, (2017), Ouedraogo et al., (2016) shows that development of insurance sector as the financial intermediaries has an effects on economic growth. Insurance companies generate funds by collecting premium. These funds are invested in government securities and stock. These funds are gainfully employed in industrial development of a country for generating more funds and utilized for the economic development of the country. Employment opportunities are increased by big investments leading to capital formation.

The result from the study findings on the education services provided by insurance companies is very important to national economic growth. The insurance companies' uses different ways to educate their customers and public in general to make sure that public is aware on the importance of insurance companies to the economy. Singh &

Chaudhary, (2014) shows there is correlation between education service and economic growth therefore concluded that Availability insurance in the world is the best advantage. Nowadays people from different countries uses different types of insurance. For example, in modern period people use such as motor insurance, property insurance, life insurance, medical insurance, travel insurance. All these insurance types provide people's safety and security. Availability insurance in the world also provides people's guarantee. It affects their life style positively. When people use insurance their property, also their life is under guarantee. These advantages provide prosperity of people and economy.

The finding show that the investment services of insurance companies has an impact to the national economic growth. Through investment Insurance companies lead to increase economic growth and development of individual and nation by building construction, roads and provide other crucial support to the society. The study of Abbas & Ning, (2016), Zheng, (2018) explain the same result on the investment services from an insurance companies has very important and significant in promoting of economy. The contribution of investment services to the economic growth exist when government has made regulations under which every insurer carrying on business of insurance to invest some amount in the Government securities for infrastructure and social sector.

The finding of the study shows that the professional liabilities and compensation services has an effect to the national economic growth. A medical insurance considered essential in managing risk in health. Since everyone has contribution in economy and anyone can be a victim of critical illness unexpectedly. And rising medical expense is of great concern. Medical Insurance is one of the insurance policies that cater for different type of health risks. The insured gets a medical support in case of medical insurance policy. The result based on impact of professional liabilities to the economic growth has been also explained by Doron, (2010). Doron shows that Workers' compensation coverage for benefit payments to employees for work related injuries, deaths and diseases, physicians, surgeons, dentists, hospitals, engineers, architects, accountants, attorneys, directors, and other professionals from liability arising from error or misconduct in providing or failing to provide professional service is significant to the economic growth of any nation.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Overview

This chapter presents the summary of the study findings, conclusion and recommendations for the effect of insurance services on the national economic growth.

5.2 Summary of Main Findings

Insurance has an effect to economic growth positively; the study used OLS to examine the relationship of Insurance and national economic growth of Tanzania from 1976 to 2017 for objective number one, Also the study used insurance services such as financial intermediaries, education services, investment services and professional liability and compensation services as independents variables for the objective number two, three, four and five. The finding of the study reveals the positive relation between insurance and national economic growth of Tanzania.

The finding of the study also shows that financial intermediaries, education services, investment services and professional liability and compensation services have impact to the national economic growth of Tanzania. The insurance sector plays an important role in the financial services industry, contributing to economic growth, efficient resource allocation, reduction of transaction costs, creation of liquidity, facilitation of economics of scale in investment, and spread of financial. Insurance also helps to develop service, agriculture and industry sector of economy. It is known that, insurance provides employment in economy and it provides increasing GDP. With these outcomes insurance companies through their services provided to customers either individual or corporate has effects to national economic growth.

The study revealed that an education service provided by insurance companies to their customers for the purposes of making them aware about the insurance services is not enough. The time taken to provide training to customers is a short time period. However, Insurance Corporation success by opening new branches every area in the country; it needs to add more effort for growth of business.

5.3 Implications of the Findings

This result implies that the insurance services which can improve the insurance company's penetration in different countries particularly in developing countries should be promoted. The relationship between insurance services and economic growth indicates that more investments should be made on the policies of infrastructure like health facilities and road. This study work could be useful for the state Government institutions and private institutions to improve the insurance services that could increases economic growth.

The results clearly reveal the need of implementation of strategically and operational of financial sectors with regard to different macro-economic variables those are the significant indicator of economic growth of the nation, which ultimately leads to promote national economic growth. The results are also very useful for the development of the insurance sector in Tanzania.

The study also works to the managements of insurance companies in considering the competitive age. Nowadays the emerging and demanding of Islamic insurance that is TAKAFUL it is greater concern. So the insurance sectors required to provide their services based on the current and competitive environments.

The delaying of meeting with insurance companies' customers can affect the corporate performance. So the study works to the insurance companies to meets with customers regularly so as to educate them and receiving their contributions and challenges.

5.4 Conclusion

The role of the insurance industry in an economy with regards to economic growth cannot be played down and at the same time underestimated. One of the primary expectations of most people that buy insurance premium is to have for themselves a secure future. As a result, a nation that seeks the welfare of its citizens must as a matter of priority emphasise the need to build and develop a stable and vibrant insurance industry to foster all-round economic growth and development.

The insurance industry has evolved from its conventional role of controlling risk and insurance market activity, mutually as a mediator and as a trader of risk transfer and underwriter. The expected branch of the insurance industry is to encourage growth by managing different risks efficiently through promoting long-term savings, supporting the collection of capital and the investment of the same.

Hence, this study examines the effect of insurance services on the national economic growth, which is aimed at securing economic growth for the Nation. This is because;

given the nation's huge potential regarding resource endowment and its market size, it becomes evident that given the right environment and initiative there is no height the nation's economy cannot attain. In the meantime, the results obtained from the specific objectives indicate that the insurance services have a positive impact on the national economic growth. However, the insurance companies have shortage of professional.

5.5 Recommendations

Recommendations are based on the finding in relation to the study. The following are the recommendations based on the effect of insurance services to the national economic growth.

Insurance Companies should improve customer's communication services by conducting training program to employees or other services providers, particularly on the benefit obtained from insurance services to various customer from time to time and not only at the time when the employees registered in the companies.

It is also recommended that, Insurance Companies should formulate a strategy that will reduce the legal and regulatory framework in order to increase number of customers to the insurance companies.

It is recommended for Insurance Companies in the country to employ more professional staff that will serve the customer so as to maintain them and will help to promote the economic growth.

5.6 Limitations of the Study

The study on the effect of insurance services to the national economic growth was hampered with some problems since it has been used the primary data for objective number two, three, four and five. Delaying of availability of distributed questionnaires from other respondents.

The second problem confronted by the researcher during the research period was the lack of fund for carrying out the research work. Any research work requires the researcher to have funds for proper implementation of the research work.

Therefore, the researcher has used extra effort such as spending more time and borrowing some money from external sources so as to make sure that the goal has been reached. The amount that was used to accomplish the research work was borrowed from banks.

5.7 Areas for Further Study

Since Insurance services is one of the area that has an impact to national economic growth of Tanzania, there are other many areas that has contribute to the national economic growth either direct or indirect. The study on the effect of insurance services on the national economic growth it is very useful since it shows the contribution of that services providers like insurance companies to the economy, there is a need for further researchers to conduct research in other individual areas such as telecommunication companies, financial institutions such as both Islamic and conventional banks.

Due to increases of communication services and financial services in Tanzania the results of the study point out numerous opportunities for future research into the area based on contribution of Telecommunication Companies on communication services to the economic growth of Tanzania and also the area of contribution of banking sectors to the national economic growth of both Zanzibar and Tanzania in general.

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APPENDICES

Appendix I: Questionnaires

Dear respondent, my name is Nassor Salim, student of Open University of Tanzania pursuing Master of Business Administration. I am conducting research on the Effect of Insurance and insurance services determinants on the national economic growth of Tanzania in the case of Zanzibar Insurance Corporation". The purpose of this Questionnaire is to collect information that will lead to a mechanism for achieving my goal. All information provided will be treated with high confidentiality and will solely be used for the intended purpose.

Please tick in appropriate space.

1. Age Group (please tick one)

20- 30 years	
31-40 years	
41-50 years	
51-60 year	
Above 60 years	

2. Gender (please tick one)

Male	
Female	

3. Level of educational (please tick one)

Certificate level	
Diploma level	
Bachelor Degree Level	
Master Degree Level	
PhD	

4. Marital status

Married	
Single	

5. Are you aware about insurance companies and its services? (**please Tick √ if appropriate**)

Yes ☐ No ☐

6. Do you have a registered user of any insurance company?

Yes ☐ No ☐

7. Which insurance company you have registered?

I/No	Name of Insurance company	Tick √ if appropriate
1	Insurance Company: AAR Tanzania	
2	Insurance Company: Alliance Insurance Corporation Ltd.	
3	Insurance Company: Alliance Life Assurance Limited	
4	Insurance Company: Britam Insurance Tanzania Ltd.	
5	Insurance Company: Bumaco Insurance Company Ltd	
6	Insurance Company: First Assurance	
7	Insurance Company: GA Insurance Tanzania Limited	
8	Insurance Company: The Heritage Insurance Company Tanzania Limited	
9	Insurance Company: ICEA Lion General Insurance Company (T) Limited	
10	Insurance Company: Insurance Group of Tanzania Limited	
11	Insurance Company: The Jubilee Insurance Company of Tanzania Limited	
12	Insurance Company: Zanzibar Insurance Corporation (ZIC)	
13	Others	

8. To what extent are you satisfying with the quality of the services provided by your Insurance Company? (**please Tick √ if appropriate**)

High satisfied	
Not satisfied	
Satisfied	

9. (**Please Tick √ if appropriate**) the degree to which you agree /disagree with each of the following statements based on objective number one the financial intermediary's services of insurance companies in promoting the national economic growth.

Checklist Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
Insurance companies offer financial protection for consumers.					
Provide safety and security					
Insurance companies help businesses mitigate risk and protect their employees					
Risk management instrument					
Encourage saving					
Increased Employment					
Promotes Trade and Commerce					
Encouraging Financial Stability and Reducing Worry					
Generates financial resources					
Insurance companies help finance economic development projects					

10. (Please Tick √ if appropriate) the degree to which you agree /disagree with each of the following statements of the objective number two about an education services provided by insurance company on boosting the national economic growth.

Checklist Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
Insurance companies offer the education services yearly of the maximum high quality to customers					
Insurance companies offer the education services semiannually to their customers					
Insurance companies offer the education services monthly to their customers					
Insurance companies offer the education services quarterly to their customers					
No education services available from Insurance companies offered to their customers					
TV, Radio, seminars, magazines etc. are the tools used by insurance companies to provide education to the customers					

11. (**Please Tick √ if appropriate**) the degree to which you agree /disagree with each of the following statements based on objective number three about the investment services of the insurance companies in increasing the national economic growth

Checklist Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
Insurance companies invest more in the Economic aspects					
Insurance companies invest more in the social aspects					
Insurance company's investment affected by Geographical factors					
Insurance company's investment has much effect to individual income					
Insurance company's investment affected by Cultural factors					
Insurance company's investment is more important to the small business					

12. (**Please Tick √ if appropriate**) the degree to which you agree /disagree with each of the following statements based on objective number four on the professional liability services

Checklist Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
The compensation from an insurance companies to customers has increase GDP per capital					
Shortage of insurance professionals in the industry hinder the economic development of the country					
Lack of local training institutions that offer qualifications which meet					

international standards it can reduce the national economic growth					
There is scarcity of financial resources to enable Tanzanians pursue such qualifications in other countries					
The availability of enough expert in the specialization of insurance services will promote the economic growth of the country					
Increasing of insurance companies services will promote national economic growth					

13. (**Please Tick √ if appropriate**) the degree to which you agree /disagree with each of the following statements. Miscellaneous question

Checklist Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
Public awareness on insurance products and services may increase individual and corporate to register to the insurance company					
If an individual and corporate registered to the insurance company national economic growth will increase					
Insurance services provided by insurance company does not match with customers' expectations					
ZIC need to take effort about giving education to public on the importance of insurance					
No need to have an insurance company because it has no benefit					

14. (Please Tick √ if appropriate) the degree to which you agree /disagree with each of the following statement. Miscellaneous question

Checklist Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
A legal and regulatory framework for emerging insurance products is strongly needed					
The necessary legal and regulatory framework to ensure safe delivery of the products has yet to be established					
The legal and regulatory framework will affects opportunities for growth of the industry.					
The government should reduce the requirements in order for individual and corporation to registered to the various insurance company					
Most of people are disappointed due to the legal requirements on insurance services					

15. What makes you be satisfied with IC services?

Good quality of IC services	
Various categories of insurance services	
Less legal requirements needed	

16. What makes you be dissatisfied with IC services?

Poor quality of IC services	
Delaying of the time of compensations	
More legal requirements needed	

17. What time can you expect to take for insurance compensation services?

1-3 months	
3-6 months	
6-9 months	
9-12 months	
12 months and above	

18. In your view, what should be done to ensure the quality of insurance services meet every body's demand?

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Thank you for the Cooperation

Appendix III: Research Clearance Letter

THE OPEN UNIVERSITY OF TANZANIA

DIRECTORATE OF RESEARCH, PUBLICATIONS, AND POSTGRADUATE STUDIES

P.O. Box 23409 Fax: 255-22-2668759
Dar es Salaam, Tanzania,
http://www.out.ac.tz

Tel: 255-22-2666752/2668445 ext.2101
Fax: 255-22-2668759,
E-mail: drpc@out.ac.tz

Ref: PG201702700 **20/4/2018**

TO WHOM IT MAY CONCERN

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament no. 17 of 1992. The act became operational on the 1st March 1993 by public notes No. 55 in the official Gazette. Act number 7 of 1992 has now been replaced by the Open University of Tanzania charter, which is in line the university act of 2005. The charter became operational on 1st January 2007. One of the mission objectives of the university is to generate and apply knowledge through research. For this reason staff and students undertake research activities from time to time.

To facilitate the research function, the vice chancellor of the Open University of Tanzania was empowered to issue a research clearance to both staff and students of the university on behalf of the government of Tanzania and the Tanzania Commission of Science and Technology. The purpose of this letter is to introduce to you **Mr. Nassor Salim Moh'd, Reg. No. PG201702700** who is a Pursuing **Master Degree of Business Administration**. We hereby grant this clearance to conduct a research titled: **"Effects of Insurance Services on the National Economic Growth of Tanzania"**, **He** will collect his data in Zanzibar between 24th April 2019. The research will be conducted in Zanzibar.

In case you need any further information, please contact:
The Deputy Vice Chancellor (Academic); The Open University of Tanzania; P.O. Box 23409; Dar Es Salaam. Tel: 022-2-2668820

We thank you in advance for your cooperation and facilitation of this research activity.
Yours sincerely,

Prof Hossea Rwegoshora
For: VICE CHANCELLOR
THE OPEN UNIVERSITY OF TANZANIA