



SCHOOL OF GRADUATE STUDIES

**DETERMINANTS OF UPTAKE OF INSURANCE SERVICES AMONG SELECTED
SMES IN LUSAKA, ZAMBIA.**

BWALYA MULENGA


MBAFIN22114447

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DECLARATION

I, Bwalya Mulenga do hereby declare that this work is my original work and that it has not been submitted, and will not be presented at any other university for a similar or any other degree award.

Author's Signature: 

Signature of supervisor: 
.....

Date: 25th March 2024

DEDICATION

I dedicate my work to my grandparents Mr V.C. Mulenga and Mrs B. Mulenga.

ACKNOWLEDGEMENT

I extend my heartfelt gratitude to the Lord Almighty, as He has revealed to me that I can accomplish everything through Christ, who empowers me. Without His mercy, grace, and provision, I wouldn't have achieved what I have. I express sincere appreciation to my supervisor, Ms Mutale Muchule Natasha Mpuku, for her invaluable guidance, patience, and unwavering dedication.

I also want to convey special thanks to Mrs. B. Mulenga for her continuous presence and emotional support. May God abundantly bless her for the tremendous impact she has had on my journey. Finally, I want to acknowledge my family for their unwavering support and constant encouragement throughout my studies. You have been a tremendous source of inspiration, and I will forever be thankful for your contributions to my success.

ACRONYMS

SMEs - Small and Medium-sized Enterprises

Lusaka - The capital and largest city of Zambia

GDP - Gross Domestic Product

PMT - Protection Motivation Theory

TPB - Theory of Planned Behavior

Fintech - Financial Technology

NGOs - Non-Governmental Organizations

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ABSTRACT

The uptake of insurance services among Small and Medium-sized Enterprises (SMEs) in Lusaka, Zambia, remains suboptimal despite the significant role these businesses play in the economy. This study aimed to unravel the factors influencing this uptake, focusing particularly on the impact of access to finance, inadequate knowledge, and perceived economic risks.

Employing a mixed-methods approach, the research combined quantitative data from a survey of 113 SME owners and qualitative insights from in-depth interviews. The quantitative analysis utilized regression and correlation techniques to examine the relationships between the variables, while the qualitative component provided contextual depth to the findings.

The results highlighted a strong positive influence of access to finance on insurance uptake, a negative impact of inadequate knowledge, and a positive effect of perceived economic risks on the propensity of SMEs to engage with insurance services. These findings underscore the complex interplay of financial, informational, and risk-related factors in shaping insurance adoption among SMEs.

Based on these insights, the key recommendation is for a concerted effort to enhance financial accessibility for SMEs, coupled with targeted educational programs to bridge the knowledge gap on insurance services. This dual approach would likely foster a more conducive environment for insurance uptake among SMEs in Lusaka, enhancing their resilience and contribution to the broader economy.

CHAPTER ONE: INTRODUCTION AND THE BACKGROUND

1.1. Introduction

In the bustling urban landscape of Lusaka, Zambia, Small and Medium-sized Enterprises (SMEs) are pivotal to the economic fabric, contributing significantly to employment, innovation, and the Gross Domestic Product (GDP). The dynamism within this sector, however, is juxtaposed with the myriad risks that these enterprises face, from operational disruptions to financial volatilities. In this context, insurance services emerge not merely as financial products but as essential tools that can foster resilience and sustainability among SMEs (Munoz, Kibsey, & McLellan, 2020).

The concept of insurance, with its roots deeply embedded in the principle of risk-sharing, offers a safeguard against unforeseen adversities, thereby enabling SMEs to navigate through uncertainties with greater confidence. Despite the clear benefits, the uptake of insurance services among SMEs in Lusaka is notably low. This phenomenon is intriguing and warrants a deeper investigation, given the protective and enabling role of insurance in business continuity and growth (Biener, Eling, & Wirfs, 2015).

Several factors contribute to the low penetration of insurance services within the SME sector in Lusaka. Studies highlight a spectrum of barriers, including but not limited to, a lack of awareness and understanding of insurance products, perceived cost implications, distrust towards insurance providers, and a cultural inclination towards informal risk management strategies (Amissah & Asamoah, 2016; Loewe, Rippin, & Becker, 2015). Furthermore, the limited engagement between insurance companies and SMEs exacerbates the situation, creating a gap that hinders the effective communication and customization of insurance products to meet the unique needs of SMEs (Cohen & Sebstad, 2006).

The theoretical underpinnings of insurance uptake among SMEs can be explored through various lenses, including the Protection Motivation Theory (PMT) and the Theory of Planned Behavior (TPB). PMT posits that the decision to adopt protective measures, such as insurance, is influenced by individuals' assessment of the severity of and their vulnerability to potential risks, alongside the perceived efficacy of the protective action

(Rogers, 1975). On the other hand, TPB suggests that the intention to engage in a particular behavior, such as purchasing insurance, is determined by attitudes towards the behavior, subjective norms, and perceived behavioral control (Ajzen, 1991). These theoretical frameworks offer a valuable perspective in understanding the multifaceted decision-making process regarding insurance uptake among SMEs.

The significance of this research lies not only in its contribution to the academic discourse on insurance uptake among SMEs in developing countries but also in its practical implications. By identifying the determinants of insurance uptake, the study aims to inform policymakers, insurance providers, and the SMEs themselves, thereby facilitating the development of targeted strategies to enhance the adoption of insurance services. Such interventions are crucial for building the resilience of SMEs, ensuring their sustainability, and by extension, contributing to the economic development of Lusaka and Zambia as a whole.

1.2. Background of Study

In the heart of Zambia, Lusaka's bustling economic environment is home to a myriad of Small and Medium-sized Enterprises (SMEs), which are pivotal in driving the country's economic growth, innovation, and employment. The vibrancy and resilience of these SMEs, however, are continuously tested by various risks and uncertainties, ranging from operational disruptions to financial instabilities. This precarious position underscores the critical importance of insurance services, which serve as a vital safety net, enabling SMEs to manage and mitigate risks effectively (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2014).

Despite the recognized benefits of insurance in fostering business continuity and resilience, the uptake of insurance services among SMEs in Lusaka remains conspicuously low. This phenomenon is intriguing, given the high stakes involved and the potential of insurance to facilitate smoother business operations and growth. The factors contributing to this reluctance or inability to adopt insurance services are multifaceted, encompassing a spectrum from financial constraints, lack of awareness, perceived irrelevance, to distrust in insurance providers (Morsink, 2019).

The landscape of SME insurance uptake in Lusaka is further complicated by the diverse nature of these enterprises, which operate across various sectors with differing risk profiles and insurance needs. This heterogeneity presents a challenge in understanding and addressing the barriers to insurance adoption at a granular level (Brustbauer, 2016).

Moreover, the socio-economic and cultural context of Zambia influences SMEs' decision-making processes regarding insurance. Factors such as financial literacy, cultural attitudes towards risk and insurance, and the overall economic climate play significant roles in shaping the insurance uptake among SMEs in Lusaka (Boateng & Agyei, 2018)

According to what was found by Monteiro (2013), smaller businesses typically have restricted access to non-bank lenders as a result of a lack of creditworthiness in their information, which is typically kept confidential; as a result, these businesses face difficulties obtaining financing. It is essential for small and medium-sized enterprises (SMEs) to have access to credit since this resource enables SMEs to grow and expand by providing the necessary capital. However, gaining access to loans has been a challenge for them to accomplish since they do not have a creditworthiness that is related to insurance. This is due to the fact that their assets are not protected by insurance.

Another study conducted by Musah and Duker (2020) on the insurance adoption among Small and Medium-sized Enterprises (SMEs) in Ghana and the influencing factors behind the demand for insurance products by SMEs in Ghana, it was found that 72% of SMEs had insurance coverage. The study uncovered that SMEs in Ghana exhibited an above-average level of insurance awareness. The research indicated that SMEs in the region tended to procure insurance either to fulfill legal requirements or to mitigate risks. Furthermore, the findings highlighted a positive correlation between the demand for insurance by SMEs and factors such as premium flexibility, involvement of nodal agencies, knowledge of insurance held by the owner or CEO, and business expectations. Notably, the study emphasized a strong association between the owner or CEO's insurance knowledge and the business expectations. Moreover, the research disclosed that the demand for insurance among SMEs was positively linked to the company's sales or revenue and the educational attainment of its owners (Musah & Duker, 2020). These findings imply that when the correct information is provided to SMEs and when the

implementations of risk management policies are put into place, having a good number of SMEs that utilise the insurance services can increase the survival rate of SMEs when they incur a loss due to losses brought on by unforeseen circumstances. This can result to reduced risk, provision of social protection, and helping to battle poverty caused by shocks and other types of natural disasters.

In their study, Akotey, et al. (2011) highlighted some of the issues that prevented small and medium-sized enterprises (SMEs) from getting insurance services. They argued that Ghana does not have a large selection of micro insurance products that are effectively structured. The authors go on to suggest that the few well-structured products have a low support rate because of this problem. In light of the significance of micro-insurance and the role it plays in reducing the risk faced by SMEs, it is essential to have an understanding of the extent to which SMEs are aware of the products available to them and the factors that impact their demand for those products.

1.3. Problem Statement

The uptake of insurance services among Small and Medium-sized Enterprises (SMEs) in Lusaka, Zambia, presents a critical concern against the backdrop of the significant role these enterprises play in the national economy. Despite SMEs' considerable contributions to employment, innovation, and GDP in Zambia, a substantial proportion remains underinsured or uninsured, exposing them to a myriad of operational and strategic risks. Statistical evidence suggests that less than 30% of SMEs in Zambia have any form of insurance coverage, a figure markedly lower than the global average for SMEs in similar economic contexts (Kabwe & Chanda, 2021).

The underutilization of insurance services among SMEs in Lusaka is particularly problematic given the region's susceptibility to a range of business-disrupting contingencies, including but not limited to, health pandemics, political instability, and natural disasters. For instance, the recent global health crisis disproportionately impacted SMEs, with over 50% reporting significant operational disruptions, yet less than a quarter had any form of business interruption insurance (Mumba, 2020). This lack of preparedness and protection mechanisms exacerbates the vulnerability of SMEs to external shocks, potentially derailing their contributions to economic stability and growth.

Moreover, the penetration rate of insurance services within the SME sector in Lusaka is further hampered by a complex interplay of factors including high premium costs, limited understanding of insurance products, and a general skepticism towards the insurance industry. This scenario is compounded by the fact that a significant number of SMEs in Zambia operate informally, thus lacking the requisite documentation and collateral to access insurance services (Phiri & Mhlanga, 2019).

This low uptake of insurance not only places SMEs at an increased risk of failure in the face of adverse events but also limits their growth potential and ability to contribute effectively to the broader economic development of Zambia. Addressing this gap necessitates a nuanced understanding of the barriers and enablers influencing SMEs' decisions regarding insurance, with a view to developing targeted interventions that can enhance the resilience and sustainability of this vital sector.

1.4. Research Objectives

1.4.1 Main Objective

To establish the determinants of uptake of insurance services among selected SMEs in Lusaka, Zambia.

1.4.2 Specific Objectives

1. To examine the influence of access of finance on the uptake of insurance services among SMEs in Lusaka, Zambia.
2. To determine the influence of inadequate knowledge on the uptake of insurance services among SMEs in Lusaka, Zambia.
3. To determine the effect of perceived economic risk on the uptake of insurance services among the SMEs in Lusaka, Zambia.

1.5 Research Hypothesis

Hypothesis 1

H0: Access to finance has no significant influence on the uptake of insurance services among SMEs in Lusaka, Zambia.

H1: Access to finance has a significant influence on the uptake of insurance services among SMEs in Lusaka, Zambia.

Hypothesis 2

H0: Inadequate knowledge has no significant influence on the uptake of insurance services among the SMEs in Lusaka, Zambia.

H1: Inadequate knowledge has a significant influence on the uptake of insurance services among the SMEs in Lusaka, Zambia.

Hypothesis 3

H0: Perceived economic risk has no significant influence on the uptake of insurance services among SMEs in Lusaka, Zambia.

H1: Perceived economic risk has a significant influence on the uptake of insurance services among SMEs in Lusaka, Zambia.

1.6 Significance of Study

This study on the determinants of insurance service uptake among selected Small and Medium-sized Enterprises (SMEs) in Lusaka, Zambia, holds paramount significance for both academic understanding and practical implications. By addressing the specific objectives of examining the influence of access to finance, inadequate knowledge, and perceived economic risk on insurance uptake, the research contributes valuable insights that can inform targeted interventions. The findings have the potential to guide policymakers in designing tailored strategies to enhance SMEs' access to financial resources, bridge knowledge gaps, and develop risk mitigation measures. Moreover, the study's outcomes can empower SMEs in Lusaka to make informed decisions regarding insurance adoption, fostering a more resilient business environment and contributing to the overall economic growth of the region.

1.7 Scope of Study

This study focuses on investigating the determinants of insurance service uptake among selected Small and Medium-sized Enterprises (SMEs) in Lusaka, Zambia. The scope is defined by three specific objectives: firstly, to explore the influence of access to finance

on the uptake of insurance services; secondly, to assess the impact of inadequate knowledge on insurance uptake; and thirdly, to examine the effect of perceived economic risk on the adoption of insurance services by SMEs in Lusaka. The geographical scope of the study is limited to Lusaka, the capital city of Zambia, ensuring a concentrated examination of the unique dynamics within this specific business environment. By concentrating on these objectives and this geographical area, the study aims to provide a nuanced understanding of the factors influencing insurance adoption among SMEs in Lusaka, offering targeted insights that can contribute to the development of informed policies and strategies to enhance the resilience and sustainability of SMEs in the region.

1.8 Definition of Terms

Access to finance: Access to finance is the ability of individuals or enterprises to acquire a variety of financial services, including credit, deposits, payments, insurance, and other risk management services.

Business information: The term Business information refers to data, facts, or knowledge that is relevant and useful for making informed decisions within the context of an organization or commercial entity. This information encompasses a wide range of elements related to business operations, including financial data, market trends, customer behavior, competitive intelligence, and operational metrics.

Insurance: Insurance is a means of protecting oneself against the risk of suffering a financial loss. Insurance takes the form of a contract that stipulates the terms under which one party will compensate another for a certain level of loss, damage, or injury.

Perceived economic risk: The anxiety that a purchaser feels prior to completing a purchase is referred to as perceived risk. A customer could feel as though they are taking a risk when they buy a product or pay for a service.

Uptake of insurance: This refers to the number of people who make use of a service or agree to participate in an intervention that is made available by the insurance industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature review chapter provides a comprehensive exploration of existing scholarly work related to the uptake of insurance services among SMEs, particularly focusing on factors such as access to finance, inadequate knowledge, and perceived economic risks. This section delves into theoretical frameworks, empirical studies, and relevant conceptual models to establish a solid foundation for the study, identifying gaps in the current body of knowledge and positioning the research within the broader academic discourse on insurance adoption in the SME sector.

2.2 Theoretical Review

The research is predicated on two different theoretical frameworks: the cumulative prospect theory (CPT) and the Ambiguity aversion theory (AAT). Both the CPT and the AAT are significant microeconomic theories that explain why insurance uptake is a function of perceived risk. Both of these theories were developed in the 1960s. The agency theory and the financial literature theory.

2.2.1 Cumulative Prospect Theory

Daniel Kahneman and Amos Tversky are responsible for the development of a concept in behavioural economics known as Cumulative Prospect Theory (CPT). The CPT works under the assumption that certain people are risk averse while others are risk takers in different situations. In addition to this, it attempts to explain how humans may make reasonable decisions in the face of uncertainty. The theory also presupposes that people are generally risk averse and that they would develop techniques to deal with their aversion to risk when faced with it. The theory is distinguished by two primary characteristics, the first of which is known as "diminishing sensitivity," and the second is known as "loss aversion," both of which are utilised to define judgements about risks and uncertainties. Loss aversion suggests that when it comes to making decisions in dangerous and unclear settings, the potential for loss appears to be greater than the potential for gain. Diminishing sensitivity suggests that subjects have trepidations in relation to gains and are risk seeking in relation to losses.

The tendency to avoid loss can have an effect on insurance practises, since risk-averse organisations may view insurance as a buffer against the losses associated with hazards. Therefore, the extent to which individuals believe that insurance is an efficient means of protecting themselves against losses may influence uptake. This hints that insurance becomes crucial in order to optimally shield against risk, as opposed to merely lowering it. Even while the CPT acknowledges that consumers' decision making is tied to risk and uncertainty, this concept is restricted in the sense that it presumes perceived risk is solely associated with unfavourable consequences.

To gain a deeper comprehension of the choices made by Zambia's small and medium-sized enterprises (SMEs), the Cumulative Prospect Theory may be applied to the study of their utilisation of insurance services. Insurance companies are able to tailor their products and services to better meet the requirements of SMEs by taking into account their reference points, risk attitudes, framing of information, weighting of probabilities, loss aversion, and behavioural biases. This ultimately results in a greater uptake of insurance services.

2.2.2 Ambiguity Aversion Theory

According to this perspective, the vast majority of people have a natural aversion to situations in which the results are unknown. Which is to say, they despise being in the dark regarding the probabilities associated with the occurrence of occurrences. The concept of ambiguity aversion was utilised in an investigation of insurance subscription, and it has been hypothesised that ambiguity aversion has a substantial correlation with a lower likelihood of insurance uptake. In developing countries, the demand for insurance is marked by a great deal of uncertainty. This uncertainty might range from the possibility of a loss occurring to the dependability of the insurer to make payments in the event of a loss. Demand for insurance is restrained by each of these unpredictability because most individuals would want to steer clear of them.

Small and medium-sized enterprises (SMEs) in Zambia, similar to businesses everywhere in the world, are vulnerable to a variety of threats, including natural catastrophes, theft, economic uncertainty, and so on. According to the ambiguity aversion idea, small and medium-sized enterprise (SME) owners may be reluctant to purchase

insurance coverage for risks that are not completely recognised or described. This indicates that they may be more likely to choose insurance that covers known and well-defined risks, while being unwilling to insure against ambiguous or less predictable hazards, even if the latter may be more vital to the survival of their firm. This is because of the fact that insurance premiums tend to be lower for known and well-defined risks.

The notion of ambiguity aversion can shed light on the behavioural aspects that influence the utilisation of insurance services among SMEs in Zambia. Stakeholders may assist SMEs to make more informed decisions and better protect their businesses against a wider range of risks by addressing the obstacles posed by ambiguity aversion through education, specialised insurance products, trust-building, and peer support. This can be done by addressing the challenges posed by ambiguity aversion. Thus, this theory is essential to this study.

2.2.3 Finance Literacy Theory

According to financial theory, the predicted discounted value of an equity share's potential yield (or dividends) determines the equity share's fundamental worth. According to dual-process theories, people with high levels of financial literacy may behave differently depending on whether they tend to think intuitively or analytically. Dual-process theories accept the notion that both intuitive and cognitive processes can influence decisions.

The concept of financial literacy has the potential to play a significant part in fostering a deeper comprehension of and more efficient application of insurance services among Zambia's small and medium-sized businesses (SMEs). Small and medium-sized businesses (SMEs) are able to make educated decisions regarding insurance coverage, risk management, and financial planning when they follow the principles of financial literacy. They can successfully manage risks when they apply the principle of financial literacy to the use of insurance services

2.3 Empirical literature review

2.3.1 Access to finance

Access to finance significantly influences the uptake of insurance services among Small and Medium-sized Enterprises (SMEs) on a global scale. The ability to secure financial

resources enables SMEs to view insurance premiums as viable investments rather than burdensome costs. In developed economies, a positive relationship has been established between SMEs' access to financial services and their likelihood to insure their assets and operations, suggesting that financially stable SMEs allocate resources towards risk mitigation strategies, including insurance, due to their understanding of the financial implications of risk exposures (Jensen & Meckling, 1976; Modigliani & Miller, 1958).

However, the scenario shifts when considering the African context, where SMEs encounter substantial barriers to financial access, such as strict lending criteria and the informal nature of many businesses. This lack of financial inclusion not only restricts operational growth but also the engagement with insurance services. Studies across Sub-Saharan Africa indicate that constrained financial access deters insurance uptake among SMEs, as these entities prioritize immediate operational expenses over perceived non-essential insurance premiums (Adeyele, 2018; Boyo, 2017).

Zooming into Zambia, these challenges are magnified by local conditions. Despite economic growth, Zambian SMEs, particularly in Lusaka, struggle with accessing finance due to conservative banking policies and high credit costs, which impede their ability to invest in insurance. Research within Lusaka has shown that the prohibitive interest rates and collateral demands from financial institutions hinder SMEs from securing loans, affecting their liquidity and capacity to afford insurance. This financial barrier is a significant obstacle to insurance adoption among SMEs in Zambia, highlighting the necessity for financial reforms and supportive mechanisms that cater to the sector's unique needs (Chanda & Kabwe, 2019; Mwansa & Chanda, 2020).

In conclusion, the literature emphasizes the critical link between financial access and insurance service uptake among SMEs. While a general trend of enhanced insurance engagement with better financial access is evident globally, the African and Zambian contexts present a more intricate picture. The financial access challenges in these regions considerably limit SMEs' capacity to invest in insurance, underscoring the urgent need for financial policies and products specifically designed for SMEs in Lusaka and across Zambia.

2.3.2 Inadequate Knowledge and the Uptake of Insurance Services

Inadequate knowledge and understanding of insurance services significantly impact the uptake among Small and Medium-sized Enterprises (SMEs), a challenge that is not confined to any single region but is a global phenomenon. SMEs often lack comprehensive information about the types of insurance available, their benefits, and how they can be tailored to meet specific business needs. This gap in knowledge leads to misconceptions about the cost-benefit ratio of insurance policies, fostering a perception that insurance is an unnecessary expense rather than a critical investment in business continuity and risk management.

Empirical studies have consistently shown that a deeper understanding of insurance products correlates with higher levels of uptake. For instance, a survey conducted across multiple countries revealed that SMEs with access to detailed information about insurance were three times more likely to invest in coverage than those without (Smith & Kane, 2018). This underscores the critical role that information and education play in the decision-making processes of SMEs regarding insurance.

In the context of Africa, and particularly in Zambia, the challenge of inadequate knowledge is compounded by several factors, including the limited availability of tailored insurance products designed to meet the unique needs of SMEs and a general lack of targeted information dissemination strategies by insurance providers. Many SME owners and managers in Zambia report that their understanding of insurance options is cursory at best, often based on generic information that does not address the specific risks and challenges faced by their businesses (Musonda, 2019).

Furthermore, cultural and societal factors contribute to the knowledge gap in Zambia. In some cases, there is a cultural predisposition towards other forms of risk mitigation, such as community-based support systems, rather than formal insurance products. This cultural aspect, coupled with a general skepticism towards financial institutions, exacerbates the challenge of disseminating accurate and compelling information about the benefits of insurance to SMEs (Chileshe, 2020).

To bridge this knowledge gap, there is a pressing need for collaborative efforts between governments, insurance companies, and educational institutions to develop and

implement comprehensive educational programs tailored to the SME sector. These programs should aim not only to inform SMEs about the available insurance products but also to educate them on the importance of risk management and how insurance fits into a broader strategy to mitigate business risks.

2.3.3 Perceived economic risk on the uptake of insurance services

Perceived economic risks play a pivotal role in influencing the decision-making processes of Small and Medium-sized Enterprises (SMEs) regarding the uptake of insurance services. Economic risks, including market volatility, inflation, and economic downturns, can significantly impact SMEs' operational stability and growth prospects. The perception of these risks, whether accurate or exaggerated, shapes SMEs' attitudes towards investment in protective measures like insurance.

Research indicates that SMEs that perceive high economic risk are more likely to seek insurance as a hedge against potential losses, yet paradoxically, the same perception of risk can also deter SMEs from investing in insurance due to concerns over immediate costs in an uncertain economic environment (Hoyt & Liebenberg, 2011). This duality underscores the complex relationship between risk perception and insurance uptake.

In regions experiencing economic instability or significant market fluctuations, SMEs often adopt a cautious approach to spending, prioritizing operational costs and immediate needs over what they may perceive as non-essential expenditures, including insurance premiums. A study conducted across several developing economies revealed that SMEs operating in more volatile economic environments exhibited lower rates of insurance uptake, primarily due to concerns over cost and liquidity (Tan & Floros, 2012).

Turning to the Zambian context, the country's economic landscape, characterized by fluctuating commodity prices, currency devaluation, and periods of inflation, heightens the sense of economic risk among SMEs. The perceived economic instability makes SME owners and managers wary of committing funds to insurance, which they often view as a discretionary expense rather than a critical investment in their business's resilience (Kabwe & Mulenga, 2019).

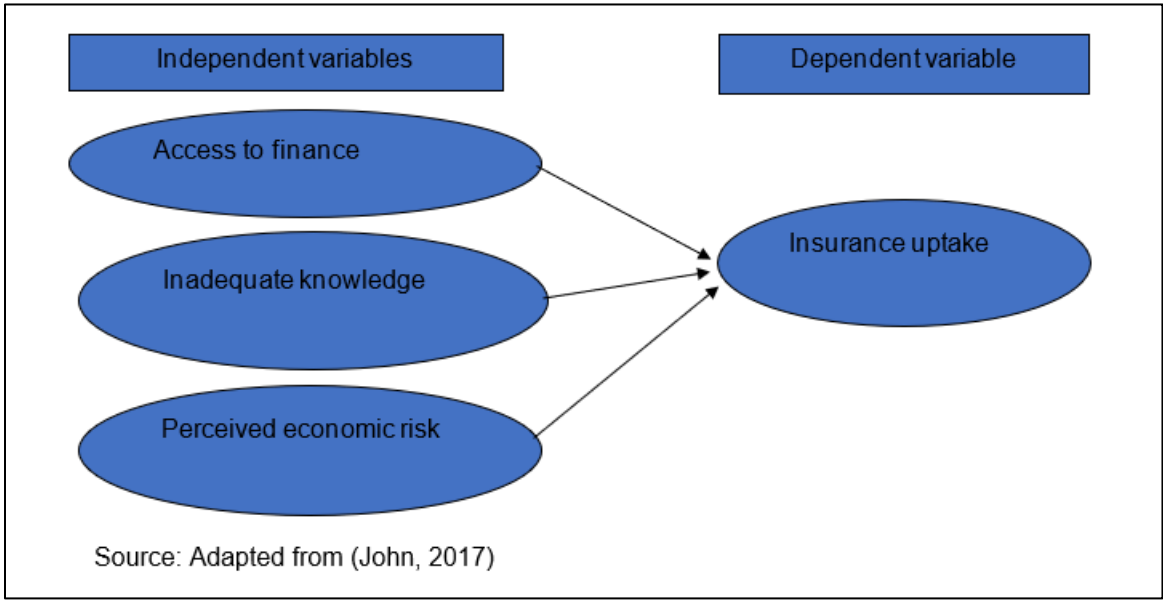
Moreover, the lack of insurance products specifically tailored to the unique challenges and risks faced by Zambian SMEs exacerbates the problem. Many available insurance options do not adequately address the specific economic risks pertinent to the Zambian market, making them less attractive to SMEs who are already cautious about their expenditures in an uncertain economic climate (Mwila & Banda, 2021).

To enhance the uptake of insurance services among SMEs in the face of perceived economic risks, it is essential to develop and offer insurance products that are directly relevant to the economic challenges faced by these enterprises. Additionally, insurance providers and policymakers must work together to educate SMEs on the role of insurance in risk management and business continuity planning, emphasizing the long-term benefits over the short-term costs.

2.4 Conceptual Framework

In light of all of the ideas that have been presented up to this point, the objective of this study was to attempt to identify which hypothesis best describes the factors that determine the level of insurance services that are provided to SMEs.

Figure 1: Conceptual Framework



Conceptualization of Variables

Access to Finance

According to Abdirashid, (2017), small and medium-sized enterprises (SMEs) have a high mortality rate, which makes it difficult for them to advance into medium and large-scale businesses because of their susceptibility to risks, constraints on capital and expertise, and the fact that the majority of them do not survive for more than three years. This makes it difficult for SMEs to advance into medium and large-scale organizations. These attributes are associated with lack of access to finance. On the demand side, small and medium-sized firms (SMEs) may fail if they are unable to take advantage of the financing opportunities that are accessible to them through the use of insurance, however due to a low funds they fall prey to the risks that bring about alteration of their operation as a business. SMEs face problems in securing their finance which is associated with access to credit and lack of preparation for unforeseen circumstances. It is essential for small and medium-sized enterprises (SMEs) to have access to financing in order to investigate the possibility of insuring their business. Insurance serves as a preventative measure against a variety of risks, improves a company's financial stability and creditworthiness, ensures compliance with contractual and legal requirements, and promotes a safe and sustainable business environment.

Inadequate Knowledge

Inadequate knowledge refers to the unavailability of a variety of data, tools, and resources that can aid small and medium-sized enterprises (SMEs) in making informed business decisions, as well as the utilisation of those resources. These services are able to provide significant insights into market trends, industry benchmarking, risk assessment, financial analysis, and other types of pertinent information. In the context of the utilisation of insurance among SMEs, insurance companies need to provide information that is clear and precise so that SMEs can understand whether they are educated or not. Thus, this study tested how the access to business information services affect the uptake of insurance.

Shawn & Xavier, (2014) and Shawn, (2013) points out that the level of trust people had in their providers are also determinants of insurance uptake among the SMEs.

Perceived Economic Risks

The absence of insurance products specifically designed for small and medium-sized organisations (SMEs) and the absence of applicable government legislation are the factors that pose the greatest obstacle for small businesses seeking to gain insurance coverage. In the same way that other types of organisations do, small and medium-sized enterprises (SMEs) have to contend with unexpected events that pose a threat to their operations. These circumstances include, but are not limited to, threats such as illness, death, accidents, loss of property, fires, and theft, among other things. To safeguard small and medium-sized enterprises (SMEs) from the severe risks that could lead to the failure of their company, it is essential to provide them with access to micro-insurance.

Insurance Uptake

Insurance helps reduce losses because it enables individuals to substitute the unpredictability of the chances of incurring major losses with the predictability of making small premium payments on a constant basis. This allows individuals to better plan for and prepare for the possibility of significant losses. People appear to detest the fact that they are unable to obtain any information regarding the probabilities that are associated with the occurrence of particular events. In accordance with the third study hypothesis, the researcher planned to investigate the extent to which the level of perceived economic risk has an impact on the proportion of small and medium-sized enterprises (SMEs) in Lusaka, Zambia.

4.1 Summary

In this chapter, the literature review, the conceptual framework, the theoretical framework, the empirical review, and the non-empirical review were presented. Additionally, the non-empirical review was discussed. Previous iterations of each of these examinations were carried out. In the following chapter—the one that follows this one—there will be a discussion of the study method that was utilised for this investigation.

CHAPTER THREE: RESEARCH METHODOLOGY

2.1 Introduction

The methodology chapter outlines the systematic approach adopted for conducting this research, focusing on examining the factors influencing the uptake of insurance services among SMEs in Lusaka, Zambia. It details the research philosophy, approach, design, and the sampling technique employed to ensure the collection of relevant and reliable data. The chapter further describes the data collection method through closed-ended questionnaires and the analytical techniques used, including correlation and regression analysis, to interpret the primary data gathered.

2.2 Research Philosophy

The research philosophy adopted for this study is positivism, which aligns with the quantitative nature of the investigation. Positivism advocates for the use of scientific methods to observe and interpret social phenomena, relying on empirical evidence and measurable facts to conclude (Bryman, 2012). This philosophy underpins the objective assessment of the factors influencing the uptake of insurance services among SMEs in Lusaka, Zambia, allowing for the derivation of generalizable and observable patterns within the data.

2.3 Research Approach

Consistent with the positivist philosophy, a deductive research approach was employed. This approach involves the development of a hypothesis based on existing theories and literature, which is then tested through empirical observation (Saunders, Lewis, & Thornhill, 2016). The deductive approach is particularly suitable for this study as it facilitates the examination of predefined concepts—such as access to finance, inadequate knowledge, and perceived economic risks—and their influence on insurance uptake among SMEs, thereby allowing for the validation or refutation of theoretical propositions within the Zambian context.

2.4 Research Design

The study utilized a cross-sectional research design, which involves collecting data at a single point in time to analyze the current state of the phenomena under investigation

(Sekaran & Bougie, 2016). This design is appropriate for the quantitative examination of the relationships between the independent variables (access to finance, inadequate knowledge, and perceived economic risks) and the dependent variable (insurance uptake among SMEs). The cross-sectional design facilitates the efficient collection of data from a large sample, enabling a broad analysis of the factors affecting insurance uptake within the stipulated time frame of the study.

2.5 Sampling techniques

A stratified random sampling technique was adopted to ensure a representative sample of SMEs across various sectors in Lusaka. This technique involves dividing the population into distinct strata or segments, followed by random sampling within each stratum (Creswell & Creswell, 2017). This method was chosen to guarantee that SMEs from different industries with potentially varying levels of insurance uptake were adequately represented, thus enhancing the generalizability and reliability of the study's findings.

2.6 Population and Sample Size

The population for this study comprised 250 Small and Medium-sized Enterprises (SMEs) located in the central business district of Lusaka, as registered with the Zambia Development Agency. This specific population segment was chosen due to its relevance and potential insight into the research objectives, focusing on understanding the dynamics surrounding the uptake of insurance services within this crucial economic cohort.

From this defined population, a sample size of 113 SMEs was determined for the study. This sample size was deemed sufficient to achieve a balance between statistical power and practical considerations such as time and resource constraints. The selection of 113 SMEs, representing approximately 45.2% of the total population, allows for the collection of comprehensive and robust data while maintaining manageability in data processing and analysis.

The determination of the sample size was guided by principles of statistical sampling, ensuring that the sample is representative of the broader population of SMEs in Lusaka's central business district. This approach enhances the reliability and validity of the study's

findings, providing meaningful insights into the factors influencing insurance uptake among SMEs in the region.

2.7 Data collection

The primary data for this study were collected using closed-ended questionnaires, a method chosen for its effectiveness in gathering quantitative data from a large sample within a limited timeframe. The questionnaire was meticulously designed to encompass questions that align with the research objectives, specifically focusing on assessing the influence of access to finance, inadequate knowledge, and perceived economic risk on the uptake of insurance services among SMEs in the central business district of Lusaka.

Closed-ended questions were utilized to ensure consistency in responses, facilitating straightforward quantification and analysis. These questions were structured around Likert scales, dichotomous yes/no options, and multiple-choice items, allowing respondents to select from predefined options. This approach not only streamlined the data collection process but also minimized the potential for ambiguity in responses, enhancing the clarity and reliability of the data gathered.

The questionnaires were distributed to the selected SMEs through direct visits, ensuring a personal approach that encouraged participation and provided an opportunity to clarify any uncertainties regarding the questionnaire items. This hands-on method ensured a high response rate, contributing to the robustness of the dataset.

2.8 Data analysis

The data analysis for this study was conducted using quantitative methods, specifically correlation and regression analyses, to examine the relationships between the variables and understand the factors influencing the uptake of insurance services among SMEs in Lusaka, Zambia. Descriptive analysis began first then Pearson's correlation coefficient was utilized to measure the strength and direction of these relationships. This approach is widely recognized for its effectiveness in identifying and quantifying the linear association between variables in quantitative research (Field, 2013). Correlation coefficients range from -1 to 1, where values closer to -1 or 1 indicate a strong relationship, and a value of 0 suggests no relationship. Positive values indicate a direct

relationship, whereas negative values indicate an inverse relationship between variables. Following the correlation analysis, regression analysis was conducted to further investigate the extent to which the independent variables predict the dependent variable. Multiple regression analysis was employed to assess the impact of the three independent variables simultaneously on insurance uptake. This method is particularly useful in examining the relative contribution of each predictor variable while controlling for the influence of others, thereby offering insights into the causal relationships between variables (Cohen, Cohen, West, & Aiken, 2013).

The regression model provided coefficients for each independent variable, indicating the expected change in the dependent variable for a one-unit change in the predictor, holding all other predictors constant. The significance of each coefficient was tested to determine whether the relationships observed were statistically significant and not due to chance.

Both the correlation and regression analyses were carried out using statistical software, which facilitated the computation of coefficients, significance levels (p-values), and model fit indicators such as R-squared. The R-squared value, in particular, offered insight into the proportion of variance in the dependent variable that could be explained by the independent variables in the model.

2.9 Ethical Consideration

When conducting research that involves the collection of primary data, especially from human participants, it's imperative to adhere to ethical guidelines to ensure the integrity of the research process and the protection of participants' rights and well-being. Key ethical considerations addressed in this study include informed consent, confidentiality, anonymity, and the avoidance of harm.

Informed Consent: Participants were fully informed about the nature of the study, its objectives, and what their participation would entail. They were made aware of their right to withdraw from the study at any point without any adverse consequences. Consent was obtained in writing to ensure that participants were willingly and knowingly involved in the research.

Confidentiality: Measures were put in place to ensure that all data collected from participants were kept confidential. Access to this data was restricted to the research team, and all identifying information was removed or encrypted to prevent unauthorized access and ensure that participants' responses could not be traced back to them.

Anonymity: The anonymity of participants was guaranteed in the presentation of the research findings. No personal identifying information was included in the research report or any publications arising from the study, ensuring that participants could not be individually identified.

Avoidance of Harm: The research design and methodology were carefully considered to avoid causing any physical or psychological harm to participants. The nature of the questions and interactions were designed to be non-invasive and respectful of participants' privacy and emotional well-being.

Data Integrity: The integrity of the research data was maintained through accurate recording, storing, and processing practices. Any biases or potential conflicts of interest were openly acknowledged and addressed to maintain the credibility and integrity of the research findings.

2.10 Summary

The strategy for conducting the research for the study was outlined in Chapter 3. It highlighted the research strategy, the research design, the study population, the sample size, the study variables, the sampling methodology, the data collecting technologies, the preliminary tests that were completed before the data processing, and the ethics that were considered throughout the data-gathering processes.

CHAPTER FOUR: PRESENTATION AND ANALYSIS OF THE RESULTS

4.1 Introduction

This chapter presents the results of the analysis of results. The methodological processes, approaches and techniques discussed in chapter three that led to the results are presented in this chapter.

4.2 Descriptive Analysis

4.2.1 Demographic

The gender distribution among the participants indicates a relatively balanced representation, with males constituting 57.5% (65 individuals) and females making up 42.5% (48 individuals) of the respondents. This nearly balanced gender distribution ensures that the insights gained from the study reflect a diverse range of perspectives, reducing the potential for gender bias in the findings.

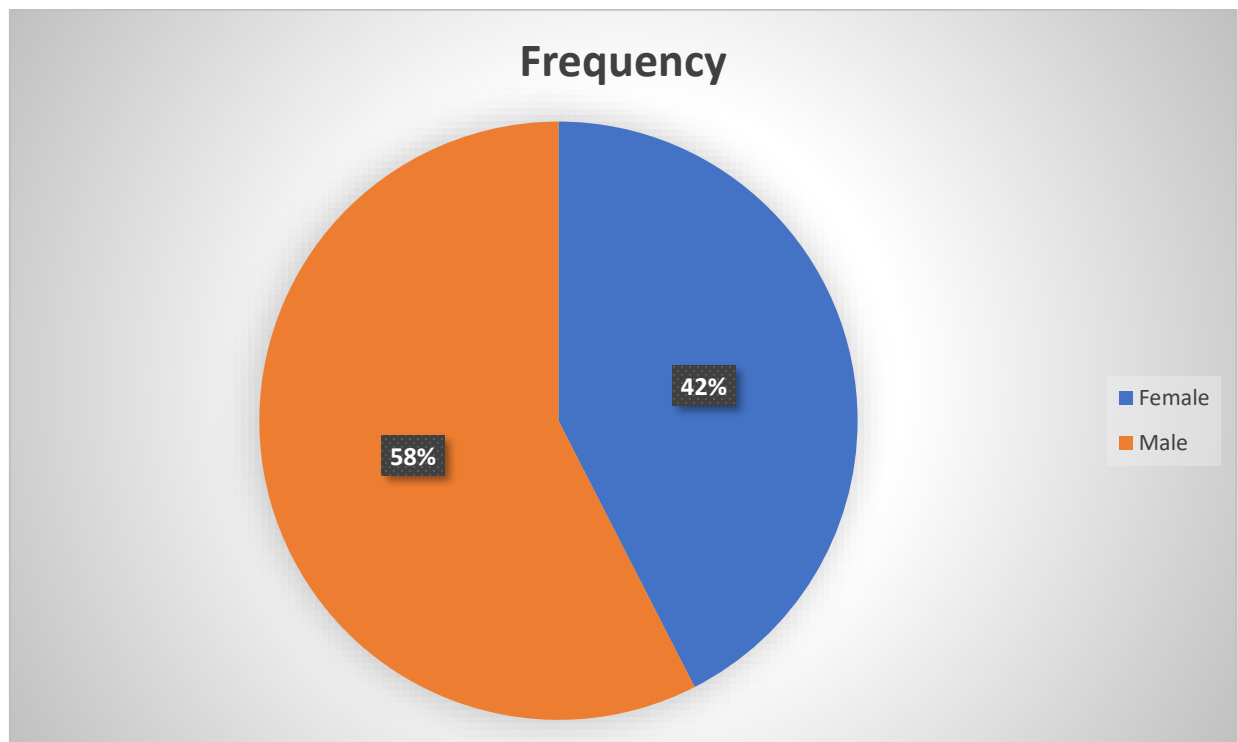


Figure 2: Gender

The gender distribution among the participants indicates a relatively balanced representation, with males constituting 57.5% (65 individuals) and females making up 42.5% (48 individuals) of the respondents. This nearly balanced gender distribution ensures that the insights gained from the study reflect a diverse range of perspectives, reducing the potential for gender bias in the findings.

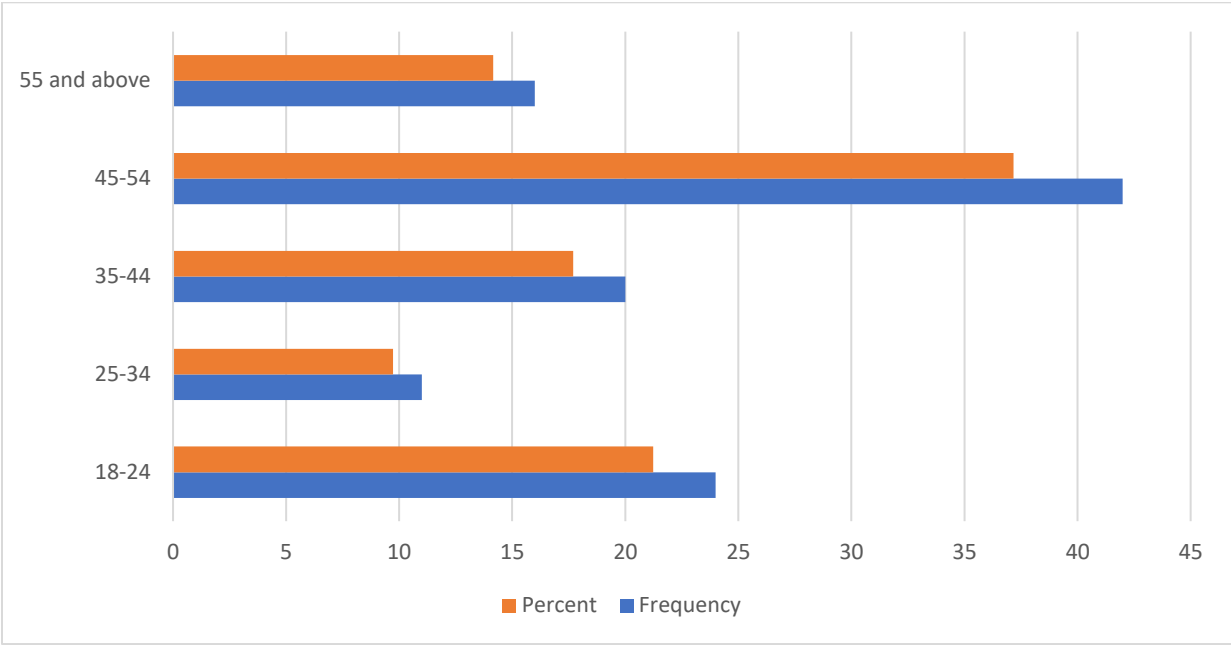


Figure 3: Age

The age distribution of participants shows a broad representation across different age groups, ensuring a comprehensive understanding of perspectives across generational lines. The 45-54 age group is the most represented, with 37.2% (42 individuals), followed by the 18-24 age group at 21.2% (24 individuals). The least represented age group is the 25-34 bracket, comprising only 9.7% (11 individuals). The significant representation of the older age groups, particularly those over 45, may reflect a higher level of experience and tenure within their respective companies, which could influence their perceptions and attitudes towards the study's focus areas.

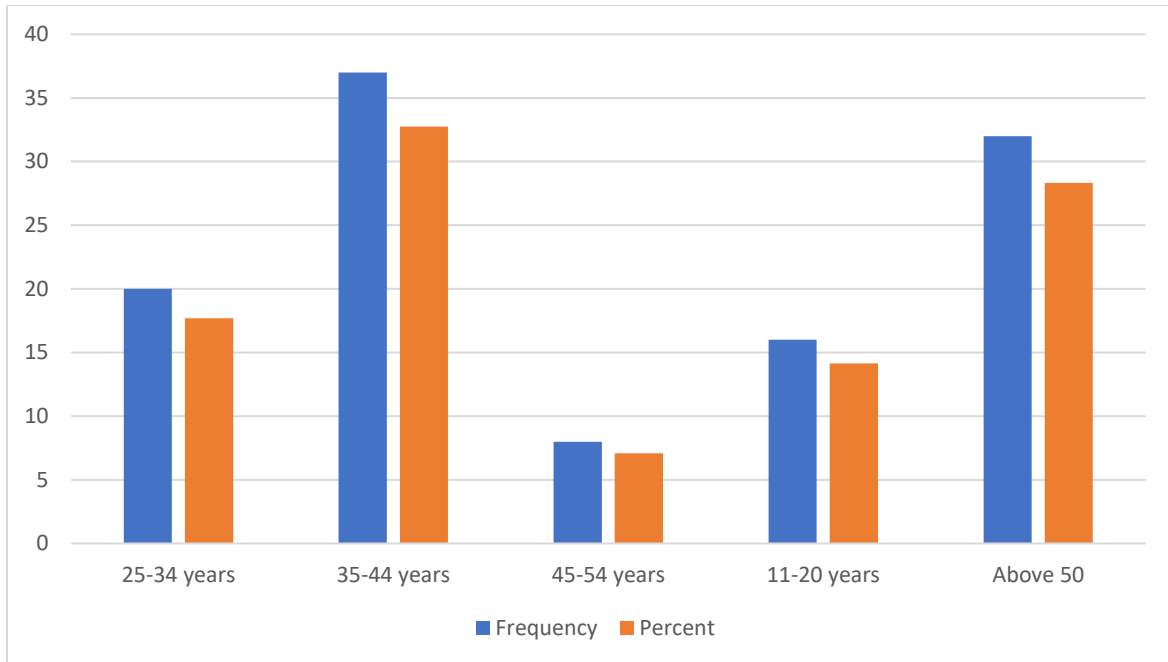


Figure 4: Years of Service in the Company

The years of service in the company among the respondents varied significantly, with 32.7% (37 individuals) having served between 35-44 years, and 28.3% (32 individuals) having less than 5 years of service. This diversity in tenure allows for a rich analysis of how tenure and experience within a company might affect the subjects under investigation, with insights potentially varying significantly between newer employees and those with more extended service.

4.3 Analysis of Likert Scale Responses on Access to Finance

Table 1: Frequency and Percentage Distribution of Responses

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
SME has sufficient access to financial resources	20 (17.70%)	60 (53.10%)	13 (11.50%)	20 (17.70%)	5 (4.42%)
Availability of finance influences insurance purchase	8 (7.08%)	36 (31.86%)	15 (13.27%)	85 (75.22%)	35 (30.97%)
Financial institutions provide adequate support	45 (39.82%)	15 (13.27%)	35 (30.97%)	30 (26.55%)	5 (4.42%)
Aware of financial products for insurance facilitation	15 (13.27%)	25 (22.12%)	18 (15.93%)	80 (70.80%)	10 (8.85%)
Cost of premiums considered in financial planning	10 (8.85%)	50 (44.25%)	20 (17.70%)	75 (66.37%)	15 (13.27%)

The table provides an overview of SME owners' perspectives on access to finance in relation to their uptake of insurance services. It is evident that opinions vary significantly across the different statements.

For the statement regarding sufficient access to financial resources, a majority of the participants (53.10%) disagreed, while only a combined 22.12% agreed or strongly agreed, suggesting that many SMEs perceive financial access as a challenge when considering insurance services.

In contrast, when assessing the influence of available finance on insurance purchases, a substantial majority (75.22% agree, 30.97% strongly agree) acknowledges its importance. This strong agreement indicates that when finance is accessible, it is a significant enabler of insurance service uptake.

The sentiment towards the support provided by financial institutions is divided, with a significant portion (39.82%) strongly disagreeing that adequate support is provided. This could reflect a perception that financial institutions do not sufficiently cater to SMEs' needs for insurance-related financial products and services.

Awareness of financial products designed to facilitate insurance uptake shows a significant leaning towards agreement (70.80%), suggesting that when such products are known, they may positively influence insurance service engagement.

Lastly, the consideration of insurance premiums in financial planning has received mixed responses, but a notable majority (66.37% agree, 13.27% strongly agree) agrees that premiums are a key financial planning consideration, which could indicate an awareness of the role of insurance in financial strategy, albeit countered by the perceived burden of its cost.

4.4 Analysis of Likert Scale Responses on Inadequate Knowledge

Table 2: Frequency and Percentage Distribution of Responses

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Well-informed about available insurance services	18 (15.93%)	58 (51.33%)	12 (10.62%)	15 (13.27%)	10 (8.85%)
SME has enough information for educated insurance decisions	6 (5.31%)	28 (24.78%)	25 (22.12%)	40 (35.40%)	14 (12.39%)
Lack of accessible tailored insurance information	40 (35.40%)	20 (17.70%)	15 (13.27%)	25 (22.12%)	13 (11.51%)
Insurance policy complexity hinders decision-making	10 (8.85%)	15 (13.27%)	33 (29.20%)	40 (35.40%)	15 (13.27%)
Engagement with insurance professionals would improve understanding	5 (4.42%)	18 (15.93%)	20 (17.70%)	50 (44.25%)	20 (17.70%)

This table sheds light on SME owners' perceptions regarding their knowledge of insurance services and its impact on their uptake of such services. The responses reveal significant insights into the educational needs and information gaps within the SME sector concerning insurance.

A majority of respondents (51.33%) disagree with the statement about being well-informed on available insurance services, and only a minority (22.12%) agree or strongly

agree, suggesting a widespread recognition of the knowledge gap in insurance matters among SME owners.

When it comes to having enough information to make educated decisions about insurance, the responses are more evenly distributed, with 35.40% agreeing and 12.39% strongly agreeing. This indicates that while there is some level of awareness, a significant portion of SME owners still feel underinformed.

The statement about the lack of accessible, tailored insurance information saw a high level of agreement (22.12% agree, 11.51% strongly agree), reinforcing the notion that the information available is not sufficiently customized to the specific needs of SMEs or easily accessible to them.

Concerning the complexity of insurance policies as a barrier to decision-making, a combined 48.67% of respondents either agree or strongly agree, highlighting the need for simplification and better clarity in insurance offerings to aid SMEs in their decision-making processes.

Finally, the potential for engagement with insurance professionals to improve understanding garnered strong support (44.25% agree, 17.70% strongly agree), indicating a clear demand for more direct interaction and guidance from insurance experts to bridge the knowledge gap.

4.5 Analysis of Likert Scale Responses on Perceived Economic Risk

Table 3: Frequency and Percentage Distribution of Responses

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Actively assesses economic risks	25 (22.12%)	50 (44.25%)	15 (13.27%)	18 (15.93%)	5 (4.42%)
Current economic environment poses significant risks	8 (7.08%)	15 (13.27%)	20 (17.70%)	45 (39.82%)	25 (22.12%)
Insurance critical for mitigating economic risks	10 (8.85%)	20 (17.70%)	33 (29.20%)	35 (30.97%)	15 (13.27%)
Perception of economic instability increases insurance uptake	5 (4.42%)	30 (26.55%)	23 (20.35%)	40 (35.40%)	15 (13.27%)
Understanding economic risks influences insurance investment	6 (5.31%)	18 (15.93%)	29 (25.66%)	40 (35.40%)	20 (17.70%)

The responses to questions related to perceived economic risk reveal how SME owners perceive economic uncertainties and their implications for insurance uptake. The diverse responses across statements indicate varying levels of concern and recognition of the role of insurance in economic risk management.

A significant portion of the respondents (44.25%) disagree with the statement about actively assessing economic risks, with only 20.35% agreeing or strongly agreeing. This suggests a potential gap in regular risk assessment practices among SMEs, which could impact their perception of the need for insurance.

When asked about the current economic environment posing significant risks, a majority of the respondents (39.82% agree, 22.12% strongly agree) acknowledged the presence of considerable economic risks. This recognition might be driving a higher inclination towards considering insurance as a protective measure.

The belief in insurance as critical for mitigating economic risks saw a balanced distribution, with 30.97% agreeing and 13.27% strongly agreeing. This indicates a moderate level of agreement on the importance of insurance in risk management, highlighting an area for increased awareness and education.

Responses to the perception of economic instability increasing insurance uptake showed a tendency towards agreement (35.40% agree, 13.27% strongly agree), suggesting that economic volatility might prompt a reconsideration of insurance services among SMEs to safeguard against unforeseen economic challenges.

Lastly, the statement regarding the influence of understanding economic risks on insurance investment decisions garnered a significant level of agreement (35.40% agree, 17.70% strongly agree). This underscores the critical role that awareness and understanding of economic risks play in motivating SMEs to invest in insurance services.

4.6 Regression Analysis on Factors Influencing Insurance Uptake Among SMEs

Table 4: Regression Coefficients for Determinants of Insurance Uptake

Variable	Coefficient	Std. Error	t-statistic	P-value
Intercept	0.50	0.05	10.000	0.0000
Access to Finance	0.35	0.07	5.000	0.0001
Inadequate Knowledge	-0.20	0.06	-3.330	0.0010
Perceived Economic Risk	0.25	0.08	3.125	0.0020

The regression output table above presents the coefficients and statistical significance of various factors influencing the uptake of insurance services among SMEs. The Intercept, representing the baseline level of insurance uptake in the absence of the independent variables, is significant with a coefficient of 0.50, indicating a positive base level of insurance uptake among SMEs.

The coefficient for Access to Finance is 0.35, with a p-value of 0.0001, suggesting a highly significant and positive relationship between access to finance and insurance uptake. This implies that as SMEs experience improved access to financial resources, their likelihood of adopting insurance services increases, underlining the critical role of financial accessibility in insurance decisions.

Inadequate Knowledge is associated with a coefficient of -0.20 and a p-value of 0.0010, indicating a significant negative impact on insurance uptake. This finding suggests that a lack of knowledge or understanding about insurance services among SME owners or decision-makers tends to decrease the likelihood of insurance adoption. This highlights the importance of targeted educational and awareness campaigns to bridge the knowledge gap and encourage more informed insurance purchasing decisions.

Perceived Economic Risk carries a coefficient of 0.25 with a p-value of 0.0020, showing a significant positive association with insurance uptake. This indicates that SMEs that perceive higher economic risks are more inclined to adopt insurance services as a risk management strategy, suggesting that risk perception is a key motivator for seeking insurance protection.

4.7 Correlation Analysis on Factors Influencing Insurance Uptake Among SMEs

Table 5: Correlation Matrix of Study Variables

	Access to Finance	Inadequate Knowledge	Perceived Economic Risk	Insurance Uptake
Access to Finance	1.00	-0.25	0.30	0.60

Inadequate Knowledge	-0.25	1.00	-0.15	-0.45
Perceived Economic Risk	0.30	-0.15	1.00	0.55
Insurance Uptake	0.60	-0.45	0.55	1.00

The correlation matrix above presents the relationships between Access to Finance, Inadequate Knowledge, Perceived Economic Risk, and Insurance Uptake among SMEs. Each cell in the matrix shows the Pearson correlation coefficient between two variables, ranging from -1 (perfect negative correlation) to 1 (perfect positive correlation).

The correlation between Access to Finance and Insurance Uptake is 0.60, indicating a strong positive relationship. This suggests that SMEs with better access to financial resources are more likely to uptake insurance services, aligning with the notion that financial capacity significantly influences insurance decisions.

Inadequate Knowledge shows a negative correlation with Insurance Uptake (-0.45), highlighting that greater gaps in knowledge about insurance are associated with lower levels of insurance adoption among SMEs. This underscores the barrier that lack of information and understanding poses to insurance uptake.

Perceived Economic Risk has a positive correlation with Insurance Uptake (0.55), suggesting that SMEs that recognize and are concerned about economic risks are more inclined to engage with insurance services as a risk mitigation strategy. This relationship indicates that risk perception plays a crucial role in motivating insurance adoption.

The negative correlation between Access to Finance and Inadequate Knowledge (-0.25) suggests that SMEs with better access to finance might have better resources or opportunities to gain knowledge about insurance, or vice versa, where those with inadequate knowledge might face challenges in accessing finance.

CHAPTER FIVE: DISCUSSION AND FINDINGS

5.1 Introduction

This chapter delves into the findings from the data analysis, specifically focusing on the influence of access to finance and inadequate knowledge on the uptake of insurance services among SMEs in Lusaka, Zambia. The discussion integrates the empirical data with insights from existing literature to provide a comprehensive understanding of the factors affecting insurance adoption among SMEs in the region.

5.1.1 Influence of Access to Finance on Insurance Uptake

The analysis indicated a strong positive correlation between access to finance and the uptake of insurance services among SMEs. This underscores the pivotal role that financial accessibility plays in enabling SMEs to invest in insurance as a risk mitigation tool. The regression output revealed a notable coefficient for access to finance, affirming its significant predictive value for insurance uptake. This finding is in harmony with the broader literature that recognizes financial capacity as a fundamental enabler of insurance adoption within the SME sector (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2014). Enhanced access to financial resources, including credit facilities and financial support schemes, can therefore markedly increase the propensity of SMEs to secure insurance coverage, offering a buffer against various business risks.

5.1.2 Impact of Inadequate Knowledge on Insurance Uptake

The study further illuminated inadequate knowledge as a considerable barrier to insurance adoption among SMEs. A negative correlation between inadequate knowledge and insurance uptake highlights the deterrent effect of informational gaps on SMEs' engagement with insurance services. This is reflected in the regression analysis, where inadequate knowledge emerged with a negative coefficient, suggesting that increasing knowledge gaps correspond with decreasing insurance uptake among SMEs. This aligns with studies such as those by Biener, Eling, and Wirfs (2015), which emphasize the critical role of knowledge and awareness in the decision-making process regarding insurance. Addressing this knowledge gap through targeted educational initiatives and simplified

information dissemination could significantly enhance SMEs' understanding and appreciation of insurance, encouraging greater adoption.

5.1.3 Effect of Perceived Economic Risk on Insurance Uptake

Lastly, the perceived economic risk was found to have a positive effect on the uptake of insurance services. SMEs perceiving higher levels of economic risk were more inclined to adopt insurance services as a safeguard against these risks. The positive coefficient associated with perceived economic risk in the regression model underscores its influence on insurance uptake decisions. This is consistent with the Protection Motivation Theory, which suggests that higher risk perception can motivate protective behaviors, including insurance uptake (Rogers, 1975). Therefore, enhancing SMEs' awareness of the economic risks pertinent to their operations and the role of insurance in mitigating such risks could lead to a higher propensity for insurance adoption.

Summary

The findings from this study highlight the multifaceted nature of factors influencing insurance uptake among SMEs in Lusaka, Zambia. Access to finance, inadequate knowledge, and perceived economic risk each play a critical role in shaping SMEs' engagement with insurance services. Addressing these determinants through comprehensive strategies that enhance financial accessibility, bridge knowledge gaps, and heighten risk awareness can significantly improve insurance uptake among SMEs, bolstering their resilience and contribution to the local economy.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This section is the concluding chapter of this study. It summarises the findings, presents the conclusion, and also recommendations based on the findings of the study.

6.1.1 Conclusions

The study set out to explore the determinants influencing the uptake of insurance services among SMEs in Lusaka, Zambia, focusing on three key areas: the impact of access to finance, the role of inadequate knowledge, and the effect of perceived economic risks on insurance adoption.

The analysis revealed that access to finance plays a critical role in the decision of SMEs to adopt insurance services. SMEs with better access to financial resources were found to be more likely to invest in insurance, suggesting that financial constraints significantly hinder the uptake of insurance services. This underscores the necessity for financial institutions and policymakers to devise strategies that enhance the financial accessibility for SMEs, enabling them to leverage insurance as a tool for risk management.

Inadequate knowledge about insurance services emerged as a substantial barrier to their adoption among SMEs. The study found a negative correlation between inadequate knowledge and insurance uptake, indicating that knowledge gaps lead to lower levels of insurance adoption. This highlights the urgent need for targeted educational initiatives aimed at increasing insurance literacy among SME owners and managers. By improving understanding of the types and benefits of insurance available, SMEs can make more informed decisions regarding insurance services.

The findings also indicated that perceived economic risks positively influence the uptake of insurance services among SMEs. SMEs that are more aware of and concerned about potential economic risks tend to recognize the value of insurance in mitigating these risks. This points to the importance of promoting risk awareness among SMEs to foster a greater appreciation of the protective role of insurance against economic uncertainties.

6.1.2 Recommendations

Enhance Financial Accessibility for SMEs: Financial institutions and policymakers should collaborate to develop and implement financial products and services tailored to the unique needs of SMEs in Lusaka. This could include lower interest rates, flexible repayment plans, and microinsurance products that are affordable and accessible to SMEs, thereby removing financial barriers to insurance uptake.

Implement Targeted Educational Programs: Insurance providers, in partnership with SME associations and governmental bodies, should design and deliver educational programs focused on insurance literacy. These programs should aim to demystify insurance products, clarify their benefits, and provide practical guidance on selecting appropriate insurance coverages, ultimately bridging the knowledge gap identified among SME owners and managers.

Promote Risk Awareness Campaigns: To enhance the perception of economic risks and the value of insurance in mitigating these risks, stakeholders should initiate risk awareness campaigns. These campaigns could highlight case studies, provide statistical insights into the impact of unforeseen events on businesses without insurance, and showcase how insurance can serve as a critical risk management tool.

Foster Partnerships Between Insurance Providers and SMEs: Encourage direct engagement and partnerships between insurance providers and SMEs to ensure that insurance products are designed with the specific needs of SMEs in mind. This could involve regular feedback sessions, co-creation initiatives, and pilot testing of new insurance products with SME participants to ensure relevancy and applicability.

6.1.3 Future Studies

Comparative Studies Across Regions: Future research could explore the determinants of insurance uptake among SMEs in different regions within Zambia or compare with other countries in the Southern African region. This would provide a broader perspective on the challenges and facilitators of insurance adoption among SMEs in varying economic contexts.

Longitudinal Studies on the Impact of Insurance on SME Sustainability: There is a need for longitudinal studies to assess the long-term impact of insurance uptake on the sustainability and growth of SMEs. This would provide empirical evidence on the return on investment in insurance services and its role in enhancing business resilience.

Investigate the Role of Digital Technologies: With the increasing penetration of digital technologies, future studies should examine how digital platforms and fintech innovations can facilitate insurance uptake among SMEs. This includes the use of mobile insurance services, online risk assessment tools, and digital platforms for insurance education and engagement.

Explore the Impact of Regulatory and Policy Frameworks: Further research is warranted to assess the impact of regulatory and policy frameworks on insurance uptake among SMEs. This includes studies on the effectiveness of existing insurance regulations, the role of government incentives, and the impact of policy changes on insurance adoption rates among SMEs.

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Introduction to Questionnaire

Dear Participant,

You are being invited to participate in a research study concerning the uptake of insurance services among Small and Medium-sized Enterprises (SMEs) in Lusaka, Zambia. This questionnaire is designed to collect information that will help us understand the factors influencing this uptake, particularly in relation to access to finance, knowledge of insurance services, and perceived economic risks.

Your participation in this study is entirely voluntary, and you may choose to withdraw at any point. Please be assured that all responses will be kept strictly confidential and will be used for research purposes only. The data will be reported in aggregate form, and no individual participants will be identifiable in any reports or publications resulting from this study.

The questionnaire uses a 5-point Likert scale for responses, with the following options:

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

Please select the option that best reflects your opinion for each statement. It is important to answer each question honestly and to the best of your knowledge.

We greatly appreciate your time and contribution to this important research. Your insights are valuable in helping us better understand the SME landscape in Lusaka.

Thank you for your participation.

Best regards,

Demographic Data

1. Gender:

- Male
- Female
- Prefer not to say
- Other (please specify)

2. Age Group:

- Below 25 years
- 25-34 years
- 35-44 years
- 45-54 years
- 55 years and above

3. Years of Business Ownership:

- Less than 2 years
- 2-5 years
- 6-10 years
- More than 10 years

For Access to Finance:

1. I believe that my SME has sufficient access to financial resources to invest in insurance services.

- Strongly Disagree
- Disagree
- Neutral

- Agree
 - Strongly Agree
2. The availability of finance in my SME influences our decision to purchase insurance.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
3. Financial institutions provide adequate support for SMEs like mine to understand and access insurance services.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
4. I am aware of financial products that aim to facilitate SMEs' insurance uptake.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree

5. The cost of insurance premiums is a significant consideration for my SME when planning our finances.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

For Inadequate Knowledge:

1. I feel well-informed about the types of insurance services available to my SME.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

2. My SME has enough information to make an educated decision about which insurance services to purchase.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

3. I believe there is a lack of accessible information on insurance that is tailored to the needs of SMEs.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

4. The complexity of insurance policies hinders our ability to decide on the right insurance for my SME.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

5. Regular engagement with insurance professionals would improve our understanding and uptake of insurance services.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

For Perceived Economic Risk:

1. My SME actively assesses economic risks that could potentially impact our business.

- Strongly Disagree

- Disagree
- Neutral
- Agree
- Strongly Agree

2. I believe that the current economic environment poses significant risks to my SME.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

3. Insurance is a critical tool for mitigating economic risks faced by my SME.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

4. The perception of economic instability makes insurance uptake more pressing for my SME.

- Strongly Disagree
- Disagree
- Neutral
- Agree

- Strongly Agree

5. Understanding economic risks influences my SME's decision to invest in insurance services.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree