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DETERMINANTS OF DEMAND FOR NON-LIFE INSURANCE IN HARARE

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A dissertation submitted in partial fulfilment of the requirements for the degree of Master of Business Administration

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DECLARATION

I, Stewart Mashingaidze, do hereby declare that this dissertation is a result of my own investigations and research, except to the extent indicated in the acknowledgements, references and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree, to any other university.

Signature: ........................................ ...........  Date: ................................ .

Student

Signature: ........................................ ...........  Date: ................................ .

Supervisor
ACKNOWLEDGEMENTS

A big thank you my supervisor, Dr. H. Chikova, for the invaluable, expert guidance. Heartfelt gratitude and love to my dear wife, Anesu, and daughter Mimi for the inspiration and motivation. The research would not have been a success without support from Dr. D. Madzikanda, UZ Graduate School of Management, management and staff at Glenrand M·I·B Zimbabwe, insurance practitioners and most importantly the respondents drawn from the insuring public. May the Almighty God bless you exceedingly, abundantly.

To God be all glory and honour forever and ever!!!
DEDICATION

To my dear mother who departed too early, before reaping the fruits of her labour.

*I will never forget all the lessons you taught me especially that “fortune knocks once at a man’s door in a life time.”* I will meet you in heaven at the sound of the trumpet.
ABSTRACT

Insurance is defined as an economic device to reduce or eliminate risks, by transferring the risks from individuals to insurance companies. The development of the insurance market is important for the economy through protecting assets, capital mobilisation and promoting trade. Knowledge of consumer behavior in the insurance market is important in understanding customer needs and wants. Demand for insurance is driven by many factors across the world, chief among them demographic, social, cultural and institutional factors. While several studies have been conducted to explain demand for life insurance, very little has been done for non-life insurance. Nevertheless, most of the studies to date have been concentrated in developed countries. This research investigates the demand for non-life insurance in Harare, the latter being a developing country set up. The aim of the study is to examine the determinants of demand for non-life insurance. To achieve this, a cross-sectional survey was conducted on 120 respondents drawn from buyers of non-life insurance products from six insurance companies in Harare. The data were collected through questionnaires and analysed using descriptive statistics, ANOVA and Pearson’s correlation coefficient and t-tests using the Statistical Package for Social Sciences (SPSS). The major findings of the study indicate that income, age, education and legal compulsion variables are positively related to demand for non-life insurance. Income was found to be the strongest predictor of the demand for non-life insurance. There is no evidence from the survey on the positive influence of personal and cultural variables. The findings have important implications on policy formulation for both the regulatory authorities and insurance companies, particularly in influencing marketing strategies.
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<table>
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<th>Description</th>
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<tbody>
<tr>
<td>IPEC</td>
<td>Insurance and Pensions Commission</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>GWP</td>
<td>Gross Written Premium</td>
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CHAPTER 1 - INTRODUCTION

1.1 Introduction

Financial services are considered a critical determinant of economic growth worldwide (Levine, 2005). The insurance industry is an important element of the financial services sector. The Geneva Association (2011) estimates the worldwide insurance premiums at US$4.34 trillion, equivalent to 7% of global GDP. The Sub-Saharan Africa insurance market (excluding South Africa) accounts for 0.2% only of the global insurance market. The market is expected to grow from US$8.9 billion in 2011 to US$16 billion by 2017 (Swiss Re, 2012). Elango and Jones (2011) report that emerging markets represent approximately 12.14% of the total global insurance market (and 15.5% of the total world non-life premium volume), compared to the 87.86% represented by developed markets. The less developed economies’ insurance markets are forecast to grow much faster than developed economies. This growth in insurance services will enhance economic and social welfare development in these markets.

Rani (2007) notes that the insurance sector is crucial in mobilising savings, financial intermediation, promoting investment activities, stabilising financial markets, and managing risks. Insurance services lead to efficient allocation of capital resources, prevent losses to firms by encouraging loss prevention, facilitate economic growth (through trade and commerce) and complement government’s social security programmes. The Zimbabwean insurance market is following this projected path. IPEC (2009, 2010, 2011 and 2012) reports that the non-life insurance market Gross Written Premiums (GWP) were US$77 million, US$117 million, US$159 million and US$194 million respectively.

Because the growth and development of insurance markets is vital for economic growth, it is imperative to understand the factors that result in increased consumption of the insurance services. Very little has been done to study the consumption patterns in developing countries in general, and particularly Zimbabwe.
1.2 Background to the study

Studies of consumer behaviour, as explained above, are generally done within the framework of the Political, Economic, Social and Technological (PEST) analysis. This is done to investigate the impact of the Politics, Economics, Social and Technological environments on the purchase decision amongst consumers. On the political front, the Zimbabwean government has enacted a number of laws and regulations that potentially impact on the consumption of insurance services. The country has also had important dynamics in the economy. The adverse losses from the inflationary decade (2000-2009) and the challenges from dollarisation (post-2009) have complicated behavioural patterns amongst consumers of financial services in Zimbabwe, insurance included. While the non-life insurance market grew by 155% from US$77 million in 2009 to US$194 million in 2012, The Zimbabwe Independent (July 5, 2013) quoted Albert Nduna, the Zimre Holdings Ltd Group CEO as saying that at some point in the past the figures reached US$600 million. Efforts are being made by all players towards rebuilding the insurance market to previous peak levels. In order to make the most of this expected growth Ulbinaite, Kucinskiene & Moullec (2013) conclude that it is desirable to gain in-depth knowledge on behavioral characteristics of the citizens who purchase insurance products. This forms the basis for this study.

1.3 Statement of the Problem

Despite the critical role that the insurance sector plays for financial and economic development, very few studies have been done to examine the factors that drive the development of the insurance sector. Particularly on the non-life insurance market, Feyen, Lester & Rocha (2011) conclude that the sector appears much less researched than the life insurance market. According to Cole, Sampson & Zia (2010) the determinants of the demand for financial services are much less understood, particularly in developing markets. International researchers have gone some way in providing useful information on the patterns for international demand for insurance. However, several territories have been left unexplored as little attention has been given to developing markets. Studies such as by Outreville (1996), Park, Borde & Choi (2002), and Beck & Webb (2003) relate to
demand for life insurance, predominantly in the developed world. Very little has been studied on the consumption of non-life insurance services. Browne, Chung & Frees (2000) research on motor and general liability insurance demand amongst developed markets in the period 1987-1993.

This study seeks to understand the factors driving the demand for non-life insurance in Harare. The study examines the influence of macroeconomic, demographic, and institutional drivers to explain the behaviours of consumers of insurance services. If studies are not done to understand the buying behaviours amongst consumers of insurance services, the anticipated growth of the non-life insurance sector may not be realised. The continued underdevelopment of the non-life insurance is expected to curtail the growth of the economy in general.

1.4 Research Objectives

1.4.1 Primary objective

- To investigate the factors determining the demand for non-life insurance in Harare

1.4.2 Secondary Objectives

1. To explore the relationship between background factors and the demand for non-life insurance services.

2. To find out how respondents perceived the determinants of demand for non-life insurance.

3. To test the relationship between personal, cultural, social and institutional factors and the demand for non-life insurance services.

4. To recommend ways to stimulate demand for non-life insurance services.
1.5 Research Questions

1.5.1 Main Research Question

- What are the determinants of the demand for non-life insurance in Harare?

1.5.2 Related Research Questions

1. What non-life insurance products are being consumed?
2. Who are the consumers of non-life insurance products?
3. What are the perceptions amongst consumers on determinants of demand for non-life insurance?
4. What is the relationship between personal, cultural, institutional and social factors and the demand for non-life insurance?

1.6 Statement of the Hypotheses

From the research questions and objectives above, the following four hypotheses were formulated for testing.

1. \( H_0 \): Personal factors influence the demand for non-life insurance services.
   \( H_1 \): Personal factors do not influence the demand for non-life insurance.
2. \( H_0 \): There is a strong positive relationship between income and demand for non-life insurance.
   \( H_1 \): There is no strong positive relationship between income and demand for non-life insurance.
3. \( H_0 \): Social factors influence the demand for non-life insurance.
   \( H_1 \): Social factors do not influence demand for non-life insurance.
4. \( H_0 \): Cultural factors influence the demand for non-life insurance.
   \( H_1 \): Cultural factors do not influence demand for non-life insurance.

1.5 Justification

The bulk of the existing empirical research focuses on the growth of the life insurance sector, as measured by life insurance premiums. A few theories have
been developed to explain the motives for purchasing non-life insurance but there have been few empirical tests conducted in less developed insurance markets. This study contributes to the body of research on the determinants of non-life insurance consumption in a developing Sub-Saharan African nation context. The research will also provide a platform for further research to be carried out in the non-life insurance market.

The findings in this research give insights into the consumer behaviour patterns. This will assist marketers in tailor-making products, processes and marketing initiatives so as to correctly capture and address consumer needs. This will be key in customer relationship management. The eventual success of the insurance industry will assist the growth of the Zimbabwe economy.

1.6 Organisation of the Study

This study is composed of five chapters, namely: Introduction (Chapter 1), Literature Review (Chapter 2), Methodology (Chapter 3), Findings and Analysis (Chapter 4), and Conclusions & Recommendations (Chapter 5). The “Introduction” provides the basis upon which the research was prompted, detailing objectives of the research as well as its justification. “Literature Review” focuses on the demand aspects of non-life insurance covered by other authors in journals, textbooks, web sites, and previous research studies of a similar nature and other published sources of data. A number of authors have covered this topic, providing the background upon which this research study is founded. The “Methodology” section outlines the investigation methods used in this research. A number of elements were noted in the process of carrying out this research and these are presented and analysed in the “Findings and Analysis” section. Chapter Five (5) consolidates all the four chapters referred to above. This is done through conclusions and recommendations. The chapter concludes by providing directions for future research.
CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

To get a better understanding of decision-making processes by buyers of goods and services, both individually and collectively, a lot of exploration is needed in the field of consumer behaviour in the market place. According to Lancaster & Reynolds (2005), consumer behaviour sums up the acts of individuals directly involved in the acquisition and utilisation of economic goods and services. Also included are the decision processes preceding and determining the said acts. It is thus the buying behaviour of individuals and households who buy goods and services for personal consumption. Consumer behaviour studies individual consumer characteristics such as demographics and behavioural variables in an attempt to understand people’s wants, leveraging on studies from the fields of economics, psychology and sociology. If general consumer behaviour is well understood, the identification of determinants of demand for goods and services becomes easier.

Because relatively little has been published on buyer behaviour for services in general, and insurance in particular, the researcher analyses general buyer behaviour literature to gain insights into possible techniques and approaches that can be applied in the research (McKechnie, 1992). A review and appraisal of the main models of consumer buying behavior is done, with consideration on their applicability on the consumption of non-life insurance services.

2.2 The insurance market

2.2.1 The definition of insurance

Chow-Chua & Lim (2000) define insurance based on two viewpoints, being an individual's viewpoint and society's viewpoint. From an individual's viewpoint, insurance is viewed as an economic device in which individuals pay premiums to protect themselves against large financial loss incidents. From the society's viewpoint, insurance is viewed as an economic device to reduce or eliminate
risks by transferring the risks from individual level to the society as a whole. The primary function of insurance is to provide a sense of security, without necessarily decreasing the uncertainty for the individual as to whether the event will occur. While insurance does not alter the probability of occurrence of an event, it does reduce the probability of financial loss connected with the event. According to Kunreuther & Pauly (2005), economists view insurance markets as a special case of markets for contingent claims. A contingent claim is taken as a contract between two parties in which one of the parties (the insured) purchases a “ticket” from another party (the insurer). The “ticket” is redeemable upon the happening of certain states of nature. In the insurance market the “ticket” is commonly referred to as an insurance policy, its cost being the insurance premium. The states of nature are the insured events covered by the insurance policy, such as road traffic accidents, death, fire, lightning strike, theft, malicious damage to property and ill-health.

2.2.2 Types of insurance

There are different kinds of insurance to cover different circumstances as detailed in Fig 2.1 below.

![Figure 2.1: Types of insurance. Source: own elaboration](image)

Life insurance is a contract between the policy owner and the insurer, where the insurer agrees to reimburse the occurrence of the insured individual's death or
other event such as terminal illness or critical illness. The insured agrees to pay the cost in terms of insurance premium for the service. Non-life insurance covers anything other than human life. It is also called general insurance or property and casualty insurance. Examples are insuring property like buildings, home and office contents, stock, plant and machinery, vehicles, boats/ ships and aviation. All these are insured against fire, lightning, theft, accidental damage, injury due to accidents, hospitalisation for illness and liabilities to others arising out of the law.

2.2.3 Benefits of Insurance

The insurance system helps provide a sense of stability for families (Chow-Chua & Lim, 2000). By easing the hardships suffered by loss, insurance creates a more harmonious setting for families to thrive in. Insurance is also useful to businesses as it aids the planning process of businesses. With the security provided by insurance, business operators can invest more into the business, creating more revenue for the economy through construction and expansion of needs. The insurance system bolsters the economy by reinvesting the collected premiums into businesses and ventures, which in turn invest in the economy through the purchase of materials and services in order to maintain their businesses. Arena (2008), Haiss & Sumegi (2008) and Ćurak, Lončar & Poposki (2009) find evidence of a causal relationship of insurance market development on economic growth. International traders are exposed to a significant number of risks, many of them being beyond the control of enterprises but covered through insurance (Chau & Khin, 2013).

The insurance sector offers export related financing and trade credit risk, facilitating international trade via effective mechanism for risk indemnification (Arena, 2006). Commercial related insurance provides several types of protection ranging from construction of new plants, machinery and equipment and trade credit coverage. The World Bank (2009) reports that motor insurance is probably the most important type of insurance sold in developing countries and might be the type of insurance the general public had an acquaintance. Ownership of motor vehicles generally increases in tandem with economic development, with a lot of countries requiring some form of mandatory motor insurance. According to
World Bank (2009) studies, Central Asia, Africa and Europe motor insurance premiums represent at least 30 per cent of all general insurance premium income. This phenomenon is explained by the rapid rise of motor fleets caused by rising purchasing power and poor public transportation systems (Chau & Khin, 2013).

2.3 Consumer behavior theory

McKechnie (1992) notes that there has been little progress in developing a conceptual framework through which consumer buying behavior for services may be understood, despite the numbers of empirical studies that have been undertaken. Since relatively little has been published on buyer behavior for services, much information is obtainable from general buyer behavior on the acquisition of goods. It is however imperative to note that services are characteristically distinguished from goods on the grounds of being perishable, intangible, inseparable, heterogeneous. These characteristics dominate in services and create problems in the marketing of services, which will also have an important impact on buyer behavior in financial services.

Intangibility is the main distinguishing feature, since services are processes or experiences rather than physical objects and therefore cannot be possessed (Bowen & Schneider, 1988). Because services are intangible they generally become difficult for consumers to grasp mentally (Bateson, 1977). Inseparability arises from the fact that services are processes or experiences, meaning that essentially they must be produced and consumed simultaneously. On perishability, services cannot be stored for consumption in the future, hence the need for short distribution channels so that they can be produced on demand (Bateson, 1977). Heterogeneity arises from differences in experiences during production and consumption as they depend much on the nature of the personal interactions of the buyers and sellers.
2.3.1 The buying process model

Marketing goals are mostly realised by first gaining a comprehensive understanding of buyer behavior. To this end, various models have been proffered, focusing on the process preceding the purchase decision, the decision itself, and the subsequent post-purchase behavior (Wilson & Gilligan, 2005). An example of this model is illustrated in Figure 2.2.

![Figure 2.2 A sequential model of the buying process. Source: (Wilson & Gilligan, 2005, p.184)](image)

According to Wilson & Gilligan (2005), the process begins with the consumer's recognition of a problem, needs or wants. This emerges as the result of either an internal stimulus (e.g. hunger or thirst) or an external stimulus (e.g. advertisements or friends’ comments). This leads to information search from personal sources (e.g. family, neighbours, friends and colleagues) and public sources (e.g. mass media). An evaluation of alternatives available is done, leading to the actual purchase decision. Post-purchase behaviour looks at further action taken by consumers after the purchase, based on their level of satisfaction/ dissatisfaction with the purchase. Cognitive dissonance is the discomfort or conflict the buyer experiences as a result of the purchase.

2.3.2 A stimulus–response (or black box) model of buyer behaviour

Wilson & Gilligan (2005) explain that buyers in consumer markets vary based on their ages, incomes, educational levels and geographical location. More importantly, they vary in terms of their expectations, their lifestyles and their personalities. This is the reason why market planners should appreciate these complexities to get clearer understanding of the buying process dynamics. Failure to do so is likely to be costly to the business and significantly places a company at a competitive disadvantage. The stimulus-response model (or the
black box model) is a well-developed and tested model of buyer behaviour and is summarised in the diagram below (see Figure 2.2).

![Diagram of Buyer Behaviour Model](image)

Figure 2.3: A stimulus–response model of buyer behavior. Source: (Kotler P., 2002)

According to Kotler (2002), the black box model shows how stimuli, consumer characteristics, decision processes and consumer responses interact. Stimuli from the external environment and the marketing mix elements enter the buyer’s ‘black box’, interacting with the buyer’s characteristics and decision processes to produce a series of outputs leading to purchase decisions. Included in this is the question of whether or not to buy, and which product, brand, dealer, when, and how much quantities (Wilson & Gilligan, 2005). Marketing planners ought to have an appreciation of how the black box operates, and most importantly the two principal components of the box. The latter relates to the factors brought by individual to the buying situation and the decision processes that are employed. Wilson & Gilligan (2005) further note that from the marketing planner’s viewpoint, the combination of personal, cultural, psychological and social factors influencing behaviour (illustrated in Figure 2.2) is largely non-controllable. It is of paramount importance that effort be put into understanding how the factors interact and, indeed ultimately influence the purchase behaviour, given the influence the factors exert upon the buying decisions.
2.3.3 Critique of the buyer behaviour models

McKechnie (1992) criticises buyer behavior models in three ways:
(a) The models cannot be tested empirically.
(b) It is not clear whether these models are necessarily the most appropriate conceptual frameworks to use.
(c) There has been a lack of appropriate measures of salient dimensions for testing concepts in services marketing situations. There is little, if any, theoretical work on how consumers buy services in general and specifically insurance.

The arguments above are also supported by Wilson & Gilligan (2005). However, the lack of an acceptable theoretical framework has not inhibited empirical work. There has been a variety of studies of buying behaviour for both personal and corporate financial services. It is apparent from the studies that empirical work has tended not to test conceptual frameworks but rather focusing on specific issues in relation to buying behaviour such as factors affecting the choice and usage of financial services (McKechnie, 1992).

2.3.4 Factors influencing general consumer behaviour

From the models discussed above it is evident that there are many factors influencing consumers’ purchasing decisions and buying behaviour. In reviewing literature such as by Lancaster & Reynolds (2005), Kotler & Armstrong (2007) and Yakup & Jablonsk (2012), the major factors affecting consumer behaviour can be classified and structured into five groups: cultural factors, social factors, physical factors, personal factors and the marketing mix. Furaiji, Latuszynska & Wawrzyniak (2012) summarise the factors as detailed in Table 2.1:

Table 2.1: Major factors affecting consumer behaviour

<table>
<thead>
<tr>
<th>Culture factors</th>
<th>Culture</th>
<th>These are the set of basic values, behaviours and wants learned by members of a society from their family and other key institutions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-culture</td>
<td>Sub-culture</td>
<td>Cultures contain smaller sub-cultures which include geographic regions, nationalities, racial groups and religions.</td>
</tr>
</tbody>
</table>
### Social factors

| Social class | This is the society's ordered and relatively permanent divisions, the members of which share identical values, behaviours and interests. Social class can be easily determined by a mix of occupation, income, education and wealth. |
| Groups | Groups are two or more individuals who interacting to accomplish individual and/or mutual goals. Personal behaviour is influenced by small reference groups involving family, friends, religious groups, and neighbours. |
| Family | Marketers draw interest in roles and influences of husbands, wives and children on the purchase of goods and services. |
| Roles & status | Each person's position in groups can be defined in terms of their roles & status. The roles carry a status that is conferred to them by the society. |

### Personal factors

| Age & life cycle stage | Purchase behaviour of buyer changes over their lifetimes. Marketers usually define their target markets in terms of the family life-cycle stage and tailor make products and market plans for each stage. |
| Occupation | A buyer's occupation affects the nature and types of goods and services bought. |
| Economic situation | A buyer's economic situation impacts on product choice. Marketers monitor trends in interest rates personal income and savings when marketing income-sensitive goods. |

### Psychological factors

| Motivation | When a consumer realises that they have a need, the inner push to quench the need is referred to as motivation. A motivated person is usually ready to act. |
| Perception | It is the process by which potential buyers select, organise and interpret market information to form meaningful images of the world. |
| Learning | Learning is described as the useful changes in individual behaviours arising from their experience over time. |

### Marketing mix

| Product | These are the tangible goods or intangible services that are produced or manufactured for offering to the market. |
| Price | This is the consideration or amounts paid by customers for the goods and services. |
| Promotion | Promotions represent all the communications used by marketers in the marketplace. It has four distinct elements, these being sales promotion advertising, public relations and personal selling. |
| Placement | This is a way of getting the goods and services to the consumer to make them easily accessible. |

Source: Furaiji, Latuszynska & Wawrzyniak (2012)
2.4 Demand for insurance services

While a lot has been written on general consumer behaviour, very few studies have been done to confirm the applicability of the findings in the consumption of services (Beckett, Hewer, Howcroft, 2000). There are generally a few studies on the consumption of insurance services. Of the researches that have been done the inclination has largely been on life insurance. A few studies have combined life and non-life insurance, leaving the non-life sector relatively under-studied. A lot of the findings from life insurance researches are useful in the study of non-life insurance and should thus be explored in detail, given that some researchers’ findings have already combined the life and non-life aspects.

2.4.1 Demand for insurance in international markets

In a study of factors influencing demand for general-liability and motor vehicle insurance consumption across the Organization for Economic Cooperation and Development (OECD) countries between 1987 and 1993, Browne, Chung & Frees (2000) report that legal systems, income and wealth influence demand for motor and liability insurance. They further observe that income has a greater influence on consumption of motor vehicle insurance than on general-liability insurance. Park, Borde & Choi (2002) find national culture, income, socio-political stability and regulation influencing consumption of both life and non-life insurance amongst 38 countries.

Rani (2007) in a study of the Coimbatore District, Mumbai, India, concludes that age, income and value of property significantly determine demand for insurance. Ulbinaite, Kucinskiene & Moullec (2013) in a study of the citizens of Lithuania conclude that five factors influence the decision process during acquisition of insurance service. These are cited as; the service provider’s level of competence, the acceptability of insurance services, the possibility to reduce premiums payable, the consumers’ attitude towards insurance and the impact of the positivism of insurance on the consumers’ decision making. Further results of the socio-demographic analysis show that decision to buy insurance services is affected by gender, marital status, levels of education, family life cycle and area of residence.
Horng & Chang (2008) examine, using econometric regression models, the determinants of non-life insurance consumption in Taiwan between 1970 and 2005, with a special focus on fire insurance and motor insurance. The study concludes that economic conditions affect insurance demand differently across the various policy types. The results show that income has a much greater effect on motor insurance demand, than on demand for fire insurance. Furthermore, the results reveal that the consumption of non-life insurance is significantly and positively related to income and risk aversion. These views are further supported by Enz (2000) and Zheng et al. (2008, 2009) who demonstrate empirically that increasing wealth has been an important long-term driver of growth in aggregate insurance demand in the emerging economies.

Empirical investigation by Hwang (2003), using a time series data analysis, shows that the main factors which influenced people in China to purchase life insurance products were directly associated with the successful economic reform experienced from late 1970s. This led people to progress to higher layers of economic security, the increased levels of education and the change in social structure.

2.4.2 Demand for insurance in Sub-Saharan Africa

Literature on the demand for non-life insurance services in Sub-Saharan Africa is scanty. Kunle, Adebowale & Francis (2011) study how Nigerian road users perceive motor risks and subsequent demand for motor insurance. The conclusion was that pricing of motor insurance to a large extent affected the demand for comprehensive insurance. An investigation to identify the factors which influence the demand for micro-insurance services among the informal sector workers in Ghana reveals that income levels, premium flexibility, and nodal agency significantly determine micro-insurance demand. Insurance knowledge, expectation (trust) and marital status have a positive and significant impact on the demand for micro insurance (Akotey, Osei & Gemegah, 2011).

In another study of the demand for comprehensive motor insurance in Ghana, Awunyu-Vitor (2012) concludes that demand is a function of income, value of the
car, age of the vehicle, perception of the premium and claim procedures. These studies went some way to investigate demand for motor insurance. The results however cannot reliably infer on the demand of the rest of non life insurance services.

### 2.4.3 Demand for insurance in Zimbabwe

The Insurance and Pensions Commission (IPEC) report for 2012 indicates that there were twenty three (23) non-life insurers. The total premiums collected by the market were worth US$160 million, with total assets amounting to US$270 million. The premiums are distributed as detailed in Figure 2.4 below:

![Figure 2.4: Distribution of GWP written by business class. Source: IPEC (2012)](image)

As can be seen in fig 2.4 above, motor and fire insurance are the dominant classes of business for the short term insurance industry in Zimbabwe. There is however no evidence on any researches that have been done to investigate the determinants of the behaviour patterns amongst buyers of insurance services. An understanding of such factors allows for strategies to boost consumption levels thereby increasing written premiums.
2.5 Determinants of demand for insurance services

2.5.1 Income

Review of extant literature places prominence on income as the single largest determinant of demand for insurance. Outreville (1990), Harrington & Niehaus (1992), Szablicki (2002), Beck & Webb (2003), Li, Moshirisen, Nguyen & Wee (2007), Vadlamannati (2008) and (Feyen et al., 2011) also support the view that individual income, shown by a country’s GDP or per capita income, was the most important determining factor for individual insurance consumption. Chau & Khin (2013) perceive insurance products as “superior goods”, with higher income implying higher consumption. This view is supported by Hsee & Kunreuther (2000) who conclude that insurance purchase and compensation decisions generally focus on purely monetary aspects, guided by cost-benefit analysis. Hwang (2003) supports this argument by concluding that the income variable is statistically significant and positively correlated with life insurance consumption in China. USAID (2006) accepts the dominance of income and categorises insurance markets into four phases (indicated by dashed vertical lines in Figure 2.5): dormant, early growth, sustained growth and mature.

![Figure 2.5: The relationship between gross national income (GNI) per capita and the penetration of non-life insurance. Source: Feyen, Lester & Rocha (2011)](image-url)
Feyen, Lester & Rocha (2011) and USAID (2006) explain that during the growth phases, rising levels of per capita income are associated with an increased affordability of insurance products as the growing middle-class population acquires greater disposable incomes. Park & Jean (2011) conclude that increased incomes allow for higher consumption in general, make insurance more affordable, and create a greater demand for non-life insurance to safeguard acquired property. Those households with more discretionary income are likely to be more willing, and certainly have more ability to purchase insurance. Consumers with higher income are also more likely to have an understanding of the importance of purchasing insurance and how such a purchase can protect them and their property (Stith & Hoyt, 2012). Deviations from the trend line in Figure 2.3 above depict the presence of local factors (Enz, 2000). While income takes prominence in influencing demand for insurance services, there are other important factors that need consideration at a country level.

### 2.5.2 Other factors

In assessing the impact of climatic change on the demand for insurance, Ranger & Surminski (2011) suggest five pathways of influence: economic growth; willingness to pay for insurance; public policy and regulation; the insurability of natural catastrophe risks; and greenhouse gas mitigation. Ranger & Williamson (2011) forecast that income alone could potentially increase insurance penetration by 2.1%, 1.9%, 1.6%, 2.4% and 4.2% per year between 2010 and 2020 for Brazil, Russia, South Africa, India and China respectively. When other factors are included these rates were to be adjusted by at least 2%. This study brings out a different perspective as it stresses on the importance of other factors which have not been given prominence in early researches. The wide range of factors impacting on insurance demand are listed in Table 2.2.
Table 2.2: Drivers of non-life insurance demand beyond income

<table>
<thead>
<tr>
<th>Group of Drivers</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomic factors</td>
<td>Economic stability</td>
</tr>
<tr>
<td></td>
<td>Inflation rates</td>
</tr>
<tr>
<td></td>
<td>Developed and stable financial markets</td>
</tr>
<tr>
<td></td>
<td>Openness to trade</td>
</tr>
<tr>
<td>Political, regulatory and legal factors</td>
<td>Stable legal and institutional frameworks</td>
</tr>
<tr>
<td>(including pre-conditions for insurance)</td>
<td>Adequate insurance law</td>
</tr>
<tr>
<td></td>
<td>Opening distribution channels (e.g. bancassurance)</td>
</tr>
<tr>
<td></td>
<td>Conductive regulatory environment</td>
</tr>
<tr>
<td></td>
<td>Property rights</td>
</tr>
<tr>
<td></td>
<td>Judicial efficiency and transparency</td>
</tr>
<tr>
<td></td>
<td>Mandatory insurance rates</td>
</tr>
<tr>
<td>Socio-cultural factors</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Financial literacy</td>
</tr>
<tr>
<td></td>
<td>Religious and cultural attitudes to risk and insurance</td>
</tr>
<tr>
<td></td>
<td>Perception of other available financing in the event of a loss, such as disaster aid</td>
</tr>
<tr>
<td>Risk factors</td>
<td>The nature of exposure, such as the number of cars</td>
</tr>
<tr>
<td></td>
<td>Natural catastrophe exposure</td>
</tr>
<tr>
<td></td>
<td>Risk awareness linked with recent catastrophe experience</td>
</tr>
</tbody>
</table>

Source: Ranger & Williamson (2011)

Elango & Jones (2011) claim that three sets of time-variant factors drive insurance demand in the international setting. These drivers are classified into economic, demographic and institutional factors. What can be inferred from these researches is that at macro levels, the need for insurance is determined by demographic and socio-cultural factors. Institutional factors capture the role of governmental and legal systems in supporting consumption. At the micro level income influences the means to acquire the services.

2.6.2.1 Demographic Factors

In a later study of the Ghanaian market Akotey et al. (2011) further argued that it is the level of one’s knowledge about insurance that is positive and significant, meaning that the level of one’s formal education is not statistically significant. The explanation was that when purchasing micro-insurance products it is the person’s proper understanding and appreciation of the concept of risk pooling or the value of insurance that is the most vital factor. Feyen et al. (2011) and Treerattanapun (2011) conclude that education should improve demand for insurance because it increases the level of awareness of the relevant risks and the degree of risk aversion. On a separate note Akotey et al. (2011) discovered that marital status is positive and statistically significant, with married couples demanding more micro-insurance services.

2.6.2.2 Cultural variables

Lancaster & Reynolds (2005) define culture as a group of complex symbols and artefacts created by humans and handed down from one generation to another, as determinants and controls for human behaviour in a particular society. The cited examples are attitudes, beliefs, values, language and religion. It is from this that consumers learn their values, preferences, behaviour patterns and perceptions. Wilson & Gilligan (2005) are of the view that culture is the most fundamental force and enduring influence on human buyer behavior and group the set of cultural factors into culture, subculture and social class. Factors forming the subculture include religious groups, nationality groups, geographical areas and racial groups. All these groupings exhibit degrees of difference in cultural preferences ethnic taste, attitudes, taboos, and lifestyles. The influence of social class is discussed in 2.6.2.3 below. A major cultural change in the last century that accelerated since the early 1960s was the changing role of women in society (Lancaster & Reynolds, 2005). Working women have helped alter traditional stereotypes that society applied to women, leading to their increased independence and economic power.

Zelizer (1979) notes that, traditionally, organised religion conflicts with the concept and principles of insurance. Some religions are of the belief that reliance on insurance for protection of life or property results from distrust in God’s protection. Beck & Webb (2003) note that religious differences explain some of
the variation in life insurance consumption across countries Lemaire, & McBeth (2010) find a significant impact of cultural variables on non-life insurance consumption. A follow-up study by Treerattanapun (2011) suggests that consumers may respond to insurance solicitations according to their cultural belief, not only economic rationality. Swiss Re (2011) supports this view by reporting that an estimated 270 million Muslims live in Sub Saharan Africa, and are governed by the shariah law which does not accept the role of insurance.

Hofstede (1983, 2001) provides four cultural dimensions that describe cross-cultural differences across different countries: Individualism, Power Distance, Masculinity / Feminity, and Uncertainty Avoidance. Park & Lemaire (2011) test the effect of religion and Hofstede’s four cultural measures on non-life insurance demand, using a large international panel data from 82 countries over a ten-year period. They note that the impact of cultural variables is significant in the development of insurance markets. They further conjecture that the impact would be primarily found in richer countries.

2.6.2.3 Social factors

In analysing consumer behaviour, Wilson & Gilligan (2005) note that it is important to examine the influence of a chain of social factors such as, family, status, social role and reference groups. According to Lancaster & Reynolds (2005), social class is the most familiar social influence. Marketing researchers use social class as the principal criterion upon which the identification of market segments is premised, given that this classification exposes a lot about probable behaviour. An important determinant of social class has traditionally been income. Social class is an indicator of lifestyle and its existence exerts a strong influence on consumers and their behaviour (Wilson & Gilligan, 2005).

Lancaster & Reynolds (2005) explain that reference groups have a more intimate role to play in influencing consumers. Reference groups are a group of people whose standards of behaviour influence a person’s attitudes, opinions and values. In general, people tend to imitate and seek advice from those closest to them. Groups can be found in a person’s social life, through membership of a
club or organisation with a common hobby or interest. In order to foster a sense of ‘belonging’, individuals are unlikely to deviate too far from the formal or informal behavioural norms laid down by the group.

For many products, however, it is the family that exerts the greatest single influence on behaviour. The nature of the family can be identified by considering the ‘family life cycle’, from being unmarried to newly married until retired couples. The levels of disposable income change as families go through the family life cycle. At a more general level, research in the USA has identified that husbands are dominant in the insurance purchase decision within the family (Wilson & Gilligan, 2005).

Kunreuther & Pauly (2005) observe that some people become embarrassed that they do not have insurance protection when they learn that others do. Ulbinaite, et al. (2013) support the view after noting that some buyers of insurance are pressured to buy by their colleagues and friends who would have done so. They fear being uninsured, and therefore prone to a disaster, upon realisation of peers who would have purchased insurance cover. In other cases they copy their friends and neighbours with similar preferences who and have already gone through the information gathering trouble to reduce search costs.

2.6.2.4 Institutional Factors

According to North (1981), institutions are the human devised constraints that configure human behaviour. A country's institutional structure includes all formal and informal mechanisms governing human behaviour amongst its citizens. This typically incorporates the legal systems in place to safeguard property rights for the people and companies in that particular country. Syverud, Bovbjerg, Pottier & Will (1994) explain that the United States leads the world in per capita consumption of liability insurance because of its legal system that encourages over-consume property-liability insurance. Peng (2000) observes that the key role played by institutions is to reduce levels of uncertainty amongst companies and individuals transacting in the markets. Institutional factors such as the rule of law and quality of governance are likely to influence the attitudes of consumers.
towards their insurance purchase decisions. According to Beck & Webb (2003), institutional differences explain some of the variation in life insurance consumption across countries. Apart from income, Esho et al. (2004) discovered a strong positive relationship between the protection of property rights and insurance consumption. They concluded that consumption of motor insurance services was greater in common-law countries than in statutory-law countries. Browne et al. (2000, 2008) note that the legal system in force in a country is a significant factor in the development of the insurance market.

The legal system specifies the liabilities of those responsible for damages, and defines the business environment of insurers. In another study, Park & Lemaire (2011) highlight that the development of non-life insurance markets should be positively related to Common Law. Ritcher (2012) suggests the regulatory tools in insurance markets as product standardisation, rate making, distribution channels, reporting and disclosure standards and capital requirements. He further proposes regulatory strategies such as mandatory insurance to address under-developed demand, keep products simple and establish trust via distribution channel regulation, improve insurer stability, state as risk bearer, state/ tax subsidised premiums, all in an effort to promote insurance market growth.

2.5.3 Literature Synthesis

Many factors influence a consumer’s purchasing decisions and buying behaviour for non-life insurance services. The literature classifies and structures these factors in various ways as summarised in Table 2.3.

Table 2.3: Major factors affecting demand for insurance

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Year</th>
<th>Context</th>
<th>Subject Matter</th>
<th>Major Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Browne &amp; Kim</td>
<td>1993</td>
<td>45 countries</td>
<td>Life insurance consumption</td>
<td>Income, social factors, education</td>
</tr>
<tr>
<td>2 Outreville</td>
<td>1996</td>
<td>48 developing countries</td>
<td>Life insurance</td>
<td>Income</td>
</tr>
<tr>
<td>3 Browne, Chung &amp; Frees</td>
<td>2000</td>
<td>OECD countries</td>
<td>Motor vehicle &amp; general-liability insurance</td>
<td>Income, wealth, legal systems</td>
</tr>
<tr>
<td>4 Park, Borde &amp; Choi</td>
<td>2002</td>
<td>38 countries (12 EU)</td>
<td>Insurance</td>
<td>Culture, income, socio-political stability, regulation</td>
</tr>
<tr>
<td>5 Szablicki</td>
<td>2002</td>
<td>63 developing</td>
<td>Life insurance</td>
<td>Income, education</td>
</tr>
<tr>
<td>No.</td>
<td>Author(s) &amp; Year</td>
<td>Country(s)</td>
<td>Variable(s)</td>
<td>Literature Focus</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------</td>
<td>------------</td>
<td>-------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>6</td>
<td>Hwang 2003</td>
<td>China</td>
<td>Life insurance</td>
<td>Income, education, social</td>
</tr>
<tr>
<td>7</td>
<td>Beck &amp; Webb 2003</td>
<td>68 countries (14 EU)</td>
<td>Life insurance</td>
<td>Income (GDP), banking sector, religion, institutions</td>
</tr>
<tr>
<td>8</td>
<td>Esho Kirievsky, Ward &amp; Zurbrugg 2004</td>
<td>44 countries (12 EU)</td>
<td>Non life insurance</td>
<td>Income (GDP), institutional</td>
</tr>
<tr>
<td>9</td>
<td>Rani 2007</td>
<td>India</td>
<td>Insurance</td>
<td>Income, age, property value</td>
</tr>
<tr>
<td>10</td>
<td>Horng &amp; Chang 2008</td>
<td>Taiwan</td>
<td>Non-life insurance</td>
<td>Income, risk aversion</td>
</tr>
<tr>
<td>11</td>
<td>Kunle, Adebowale &amp; Francis 2011</td>
<td>Nigeria</td>
<td>Motor insurance</td>
<td>Pricing</td>
</tr>
<tr>
<td>12</td>
<td>Akotey, Osei &amp; Gemegah 2011</td>
<td>Ghana</td>
<td>Micro-insurance services</td>
<td>Income, knowledge, expectation, marital status</td>
</tr>
<tr>
<td>13</td>
<td>Ranger &amp; Williamson 2011</td>
<td>BRICS states</td>
<td>Non-life insurance</td>
<td>Income, climate change</td>
</tr>
<tr>
<td>14</td>
<td>Treerattanapun 2011</td>
<td>82 developed countries</td>
<td>Non-life insurance</td>
<td>Culture</td>
</tr>
<tr>
<td>15</td>
<td>Elango &amp; Jones 2011</td>
<td>35 emerging countries</td>
<td>Insurance</td>
<td>Economic, institutional, demographic</td>
</tr>
<tr>
<td>16</td>
<td>Feyen, Lester, Rocha 2011</td>
<td>90 developing &amp; developed countries</td>
<td>Insurance</td>
<td>Income, demographic, institutional, religion</td>
</tr>
<tr>
<td>17</td>
<td>Awunyo-Vitor 2012</td>
<td>Ghana</td>
<td>Motor insurance</td>
<td>Income, age, perceptions</td>
</tr>
<tr>
<td>18</td>
<td>Ulbinaite, Kucinskiene &amp; Moulec 2013</td>
<td>Lithuania</td>
<td>Insurance</td>
<td>Gender, marital status, education, family life cycle, area of residence</td>
</tr>
</tbody>
</table>

Source: adapted from Haiss & Sumegi (2008), with own elaboration

It is evident in Table 2.3 above that bulk of the extant literature relates to the consumption of life insurance products, principally in the developed world. Very few studies have been done to investigate the determinants of demand for non-life insurance services in the developed world, and worse still in the developing world. The results from the few studies on non-life insurance demand are not very comprehensive. Browne, Chung & Frees (2000) and Esho Kirievsky, Ward & Zurbrugg (2004) discover the impact of income and legal systems, Horng & Chang (2008) - income and risk aversion, Ranger & Williamson (2011) – income and climate change, Treerattanapun (2011) – culture. Researches such as by Park, Borde & Choi (2002), Rani (2007), Elango & Jones (2011), Feyen et al. (2011) and Ulbinaite et al. (2011) combine life and non-life insurance variables and conclude that the dominant factors influencing demand are largely the same.
In Sub-Saharan Africa, a few localised studies have recently been done by Akotey, Osei & Gemegah (2011) and Awunyo-Vitor (2012), both investigating demand for motor insurance. This research therefore takes a more comprehensive approach in investigating the wider factors that have been investigated in the consumption of life insurance services. This approach is also supported by literature on general consumer behaviour (Table 2.1). The factors can therefore be classified into five groups: cultural factors, social factors, psychological factors, personal factors and institutional factors. While legal factors are not included in Table 2.1, their impact on the consumption of non-life insurance services has widely been confirmed. The marketing mix elements are planned and produced by firms to indirectly stimulate consumer behaviour. This research is centred on environmental stimuli generated by economic, social, cultural and institutional circumstances that determine demand (Figure 2.6).

Figure 2.6: Hypothetical research model. Adapted from (Furaiji, et al., 2012) with own elaboration

The model was adopted by Furaiji et al. (2012) while investigating the factors influencing consumer behaviour in the electric appliances market in Iraq. While it was used for physical products, it remains relevant in the study for services. For
purposes of this study, however, the marketing mix elements have been modified to conform to services by including people, processes, and physical evidence. Institutional factors have been incorporated into the independent variables in line with the findings from recent researchers.

2.6 Conclusion

It has been discovered that a lot of literature exists on general consumer behaviour. It is only recent that the concept of consumer behaviour has been studied in the context of financial services. While efforts have been made to study consumption of life insurance services (predominantly in developed countries), relatively little has been studied for non-life insurance services. The researcher has explored the key concepts and models of general consumer behaviour and discovered their applicability to services, and insurance in particular. An analysis of consumption patterns of insurance services was then made, both in the international markets and in Sub-Saharan Africa, highlighting the major determinants of consumer behaviour. This then led to the formulation of the framework to be adopted for this research. The next chapter outlines the methodology to carry out the research study.
CHAPTER 3 - METHODOLOGY

3.1 Introduction

In this chapter, the researcher describes the approach and strategy of the research study. In addition, the data collection method, sample selection as well as validity and reliability issues are presented. At the end of the chapter an overview of the methodology is provided.

3.2 Research Design

The research started out as an exploratory study, by first gaining knowledge about general consumer behavior in literature, and demand for insurance services on the international arena. It then developed into an explanatory research through the identification of the determining forces in the demand for non-life insurance in Harare. According to Saunders, Lewis & Thornhill (2009), an explanatory approach goes beyond descriptive research to explore the cause and effect and establish the nature of relationships between the variables.

3.2.1 Research Approach

The researcher adopted the positivism philosophy by firstly generating hypotheses, whose relationships were then tested. The two most commonly used research approaches are the inductive and the deductive method. The inductive research method sets up a theory by using collected data while the deductive approach finds the theory first and then tests it to the observed data. It is however the deductive approach that was chosen for this research as it jells well with the positivism philosophy. The deductive approach holds that conclusions are derived logically from available facts. It involves moving from theory to hypothesis, observation and confirmation (Burney, 2008). Saunders et al. (2009) identified the characteristics of deduction as: explaining causal relationships between variables, establishing controls for testing hypothesis, independence of the researcher, operationalising concepts for quantitative measurement and generalisations.
This study suited the deductive approach in that the researcher explored the relationships between the cultural, personal, social, and institutional variables on the demand for non-life insurance. Hypotheses were formulated and tested, and generalisations made from inferences. A lot of effort was made to ensure non-interference and thereby maintaining the researcher’s independence.

### 3.2.2 Research Strategies

According to Saunders et al. (2009), research strategies fall into 5 major categories, namely experiment, survey, case study, action research and grounded theory. To explain the determinants of demand for insurance services, the researcher applied the survey strategy because of its association with the deductive approach. The survey approach is frequently used to answer “who, what, where and how” questions. The survey method allows for the collection of large amounts of data from a bigger population, in a highly economical way. The survey strategy is perceived as authoritative, and is both comparatively easy to explain and to understand. The survey strategy allows for the collection of quantitative data which can be analysed quantitatively using descriptive and inferential statistics. Furthermore, the data collected using a survey can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships (Saunders et al., 2009). By adopting the survey strategy, the researcher got more control over the research process in getting samples that made it possible to generate findings that were representative of the whole population.

### 3.2.3 Research Methodology

Research methodologies are generally classified into qualitative and quantitative. Qualitative researches are concerned with finding answers which begin with why, how and in what way (Hancock, 1998). Such researches follow the interpretivism philosophy and are aimed at finding explanations on social phenomenon. This helps in the understanding of the world in which people live and why things are the way they are. A quantitative research is an inquiry that is grounded in the assumption that features of the social environment constitute an objective reality,
whose features are described and explained by collecting numerical data on observable behaviours of samples (Manning & McMurray, 2010). This approach naturally follows the positivism philosophy. Because this research is enshrined in the positivism philosophy, it automatically assumed the quantitative route, through collection of numerical data which was subsequently subjected to statistical analysis.

### 3.2.4 Research Methods

The questionnaire has been adopted as the preferred data collection technique for this research, given its extensive use by researchers within the survey strategy. Questionnaires include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order (Saunders et al., 2009). Each respondent is asked to respond to the same set of questions, thereby providing an efficient way of collecting responses from a large sample prior to quantitative analysis. A total of 180 questionnaires were issued out with an expected response rate of 67%.

The questionnaire was divided into three sections as detailed in Appendix B. Section A contained questions relating to personal characteristics. Section B assessed the ownership of various types of insurance and reasons for buying and not buying non-life insurance. Section C contained questions on factors that affected the insurance purchase decisions. Closed questions of the ranking and rating type were used as the researcher wanted to restrict the audience in their answers to make the data analysis process easier. All the rating questions used a five-point Likert-type scale. The respondents gave answers that fell into set parameters. However, this technique could not afford respondents the liberty to air their own views outside the parameters of asked questions, but it greatly aided in keeping the answers within desired limits.

### 3.2.5 Pilot Survey

Malhotra and Birks (2007) argue that in any research it is greatly expedient, as a matter of reliability and validity, that the questionnaire be tested before
administration. Accordingly, the questionnaire was pre-tested to some respondents who were considered to be representative of the target group that was to be surveyed. The pilot study comprising of a sample size of 18 respondents (10%) was conducted to pre-test the questionnaire wording, layout, sequence and clarity. Pre-testing enabled the researcher to modify questions to give greater clarity to respondents and improve reliability of the collected data.

3.2.6 Population and Sampling

Previous surveys on consumer behaviour by other researchers used varying sample sizes, such as in Iran (93), Ghana (100), India (172), Iraq (176), and Lithuania (336), the average sample size being 175. The factors under examination can easily be applied to and investigated at any population that buys insurance services. The sampling frame for this research consisted of all non-life insurance policyholders in Harare, with each insurer having a list of all its clients. Since there were time and resource constraints, a specific sample had to be identified, following which generalisations would be made.

The stratified random sampling technique was chosen for this research. Stratified sampling involves the grouping of the population into strata or separate sub-population. Samples are then drawn separately from each stratum, either through the simple random or systematic random sampling techniques. Insurance companies were stratified into three strata according to their balance sheet sizes (Big, Medium and Small), based on market report from IPEC (2012). Two insurers were randomly selected from each category. The policyholder names were then arranged in alphabetical order and respondents selected using the systematic random sampling technique to get a sample of 180 respondents (30 per insurer).

3.2.7 Questionnaire Administration

The research is a cross-sectional study of buyers of non-life insurance services in Harare. Saunders et al. (2009) define a cross-sectional research as study of a particular phenomenon (or phenomena) at a particular time (or a ‘snapshot’). The
researcher adopted this approach owing to time constraints. The approach differs from a longitudinal research which studies a particular phenomenon over an extended period of time. The questionnaire was self-administered, meaning that the respondents had to complete the questionnaire on their own. This approach was meant to limit interviewer bias and enhance anonymity of respondents. The “delivery and collection” method was mainly used, with the questionnaires being hand delivered to the respondents in the reception areas of insurance companies while waiting to be served. This was done to ensure that a valid number of respondents were collected to facilitate analysis and conclusions. This method also proved to be handy, against the backdrop of time and resources constraints. By using the self-administered approach, the researcher however forfeited the chance to clarify any issues and opportunity to note and record non-verbal communication.

3.3 Data Processing and Analysis

Having collected data from the survey the next logical step was coding of questionnaires since the original questions were pre-coded. Editing and validation of responses then followed, given that the questionnaires were self-administered. All the data processing and tests were done using the Statistical Package for Social Sciences (SPSS) at 5% level of significance. Reliability tests were conducted to measure the degree of internal consistence in the variables being studied. Descriptive statistics were also produced to show the extent of the determinants on the demand for insurance, using frequency distributions and cross-tabulations, in some cases using Excel Spreadsheets.

The analysis was done in two parts. Personal factors were analysed by conducting One-Way Analysis of Variance (ANOVA). Correlation analysis was then used to interrogate the extent of the relationships further. The data on social, cultural and institutional variables was obtained from the Likert scales and further analysis done using t-tests. The Likert scale responses were ranked from 1-5 as; Strongly non-influential (1), Non-influential (2), Neutrally influential (3), Influential (4), Strongly influential (5). The test value was adopted as 4, meaning that the investigation is for whether the variables are influential on consumption.
In all the cases, the variables were being tested against expenditure on non-life insurance services. Expenditure was assumed to proxy consumer behaviour.

3.4 Validity/ Reliability

Validity is the extent to which the data collection method(s) accurately measure what they are intended for (Saunders et al., 2009). Results of a quantitative research are considered to be completely valid when they correspond with the real value. A lot of care and attention was put in crafting clear and non-ambiguous questions that could be interpreted indisputably and provide the right information for the research. The bulk of the questions were either adopted or adapted from similar researches. The questionnaire was pre-tested before use in order to establish its suitability for use by the respondents. Reliability is the extent to which the data collection techniques yield consistent findings (Saunders et al., 2009). According to Saunders et al. (2009), threats to reliability arise from the subject and/ or participant error or bias. The observer error and/ or bias were reduced through the use of a highly structured and self-administered questionnaire. The participants were given the platform to respond truthfully through upholding and guaranteeing their anonymity.

3.5 Research Ethics Consideration

The formulation and clarification of the research topic, designing of the research, as well data collection, processing, storage and analysis should all the done in a moral and responsible way (Saunders et al., 2009). All efforts were made to align the research to ethical guidelines. Permission was sought from management of the respective insurance companies to conduct the research. Participation by respondents was voluntary and confidentiality was upheld. Respondents were assured of complete anonymity and no names or any other means of identification were requested. Furthermore, no incentives or gifts were given to participants. All efforts were put towards ensuring respondents were not subjected to any form of embarrassment, intimidation, stress, pain, discomfort, and harm (refer to Appendix A).
3.6 Conclusion

This chapter has highlighted the research methodology and design which were used in seeking to answer the research questions. The chapter outlined the research methodology process the researcher followed in the study. A discussion of the study's survey research design was presented and its adoption was justified. The research was based on a survey of non-life insurance policyholders in Harare, with data being collected through questionnaires. The respondents were selected using the stratified random sampling technique. Explanations were given on how the researcher ensured reliability and validity of the study, as well as upholding ethical standards for business researches. The next chapter presents the data findings.
CHAPTER 4 - DATA FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and discussion of the research findings on the determinants of consumer behaviour in the demand for non-life insurance services. The data are presented in the form of graphs, charts, and tables. In addition inferential statistics is used to give more meaning to the data, following which tests are conducted to confirm whether the postulated hypotheses are either accepted or rejected. A discussion of all the issues then ensues, with reference to literature.

4.2 Survey Responses

Questionnaires were randomly distributed to customers of six (6) insurance companies in Harare, with the outcome detailed in Table 4.1. The names of both the companies and respondents have been withheld for confidentiality reasons.

Table 4.1: Response rate

<table>
<thead>
<tr>
<th>Insurer</th>
<th>Issued Questionnaires</th>
<th>Total Responses</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>30</td>
<td>20</td>
<td>67%</td>
</tr>
<tr>
<td>B</td>
<td>30</td>
<td>25</td>
<td>83%</td>
</tr>
<tr>
<td>C</td>
<td>30</td>
<td>22</td>
<td>73%</td>
</tr>
<tr>
<td>D</td>
<td>30</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>E</td>
<td>30</td>
<td>24</td>
<td>80%</td>
</tr>
<tr>
<td>F</td>
<td>30</td>
<td>20</td>
<td>67%</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>129</td>
<td>72%</td>
</tr>
</tbody>
</table>

The overall response rate at 72% was good, being largely boosted by over 80% response rate from two companies (B & E). However, after removing invalid responses, 120 correctly completed and acceptable questionnaires remained for analysis. Thus the valid response rate was 67%.
4.3 Reliability Tests

The Cronbach’s Alpha was used to measure the inter-item reliability of each of the variables being studied. It is a measure of internal consistency, or how closely related a set of items are. The results are in Table 4.2:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Personal Factors</td>
<td>0.707</td>
</tr>
<tr>
<td>2 Social Factors</td>
<td>0.835</td>
</tr>
<tr>
<td>3 Cultural Factors</td>
<td>0.778</td>
</tr>
<tr>
<td>4 Institutional Factors</td>
<td>0.768</td>
</tr>
</tbody>
</table>

As shown in Table 4.2, all the variables had a reliability score above the 0.70 minimum considered acceptable in social science researches (Fatimah et al., 2012).

4.4 Types of non-life insurance products demanded

Figure 4.1 below shows the types of non-life insurance products bought by the respondents. The highest proportion of respondents (94%) owns a motor vehicle insurance policy, followed by home insurance (32%).

Figure 4.1: Types of insurance products bought
Low consumption levels were observed for Health, Personal Accident and Business insurance products (13%, 9%, and 6% respectively). It was noted that 48% of the respondents had bought more than one non-life insurance policy. The results also show that 79% of the respondents arrange their insurance covers personally, whilst only 14% participated in employer-organized schemes. Furthermore, 53% had their policies managed by insurance brokers, with 43% going direct to insurers. The rest (4%) buy from banks and agents. Figure 4.2 below illustrates the assets owned by the respondents for which insurance could have been arranged.

![Figure 4.2: Insurable assets owned by respondents](image)

As illustrated in Figure 4.2 above, most of the respondents (94%) own a vehicle, compared to 65% owning house contents, 48% owning houses and 15% owning a business.

The distribution of expenditure on non-life insurance services is shown in Table 4.3 below, based on the annual amounts spent on non-life insurance products.
Table 4.3 – Amounts spent annually on insurance services

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $250</td>
<td>59</td>
<td>49%</td>
<td>49%</td>
</tr>
<tr>
<td>$250 to $499</td>
<td>31</td>
<td>26%</td>
<td>75%</td>
</tr>
<tr>
<td>$500 to $749</td>
<td>5</td>
<td>4%</td>
<td>79%</td>
</tr>
<tr>
<td>$750 to $999</td>
<td>3</td>
<td>3%</td>
<td>82%</td>
</tr>
<tr>
<td>$1,000 and above</td>
<td>22</td>
<td>18%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.3 above, 75% of the respondents spend less than $500 per annum on non-life insurance services, 49% of which spend below $250. It is only 7% whose expenditure is in the middle classes between $500 and $999. It is interesting to note that a considerable proportion of 18% spends at least $1,000 annually.

The marketing and selling of services requires a lot of awareness of the local tastes, preferences and habits. The survey results show that the non-life insurance market in Harare is dominated by the motor insurance class of business. From the 120 respondents, 94% indicated that they owned vehicles, with the same proportion confirming purchase of the motor insurance policy. The fact is also supported by secondary data which shows that the motor book contributed 41% of the market's Gross Written Premiums (IPEC, 2013). Whilst there is evidence that the respondents owned other assets excluding vehicles, there is no corresponding confirmation that insurance was purchased to cover these other assets. While 65%, 48% and 15% of the respondents owned house contents, houses and businesses respectively, only 32% bought home insurance and only 7% had insurance for their businesses.

4.5 The relationship between background variables and demand

4.5.1 Gender and Marital Status

Gender was included in the survey in order to find out if there are any notable differences in perceptions about non-life insurance services between men and women. The distribution of respondents shows that out of the 120 respondents,
64% were males and 36% were females. Cross-tabulation of gender against expenditure on insurance is illustrated in Figure 4.3.

![Figure 4.3: Cross-tabulation of Gender against Expenditure](image)

As can be observed in Figure 4.3, a high proportion of both sexes generally had low expenditure on insurance. Females dominate on the lower end of the market compared to males, but have a lower expenditure than males for values above $1,000. This shows that males are more likely to spend big on insurance than their female counterparts.

Seventy-two percent of the respondents were married, 24% were single and 4% were either divorced or widowed. Marital status was included in order to find out if there are notable differences in perceptions and consumption patterns amongst the respondents. Single buyers of non-life insurance products are more likely to spend less than their married counterparts, given that 62% of single buyers spend less than $250, compared with 46% of married buyers.

### 4.5.2 Age

Age was included to find out if consumption behaviours and perceptions amongst buyers of non-life insurance services are a function of how old the buyers are. Figure 4.4 details the distribution:
Forty-five percent of respondents were aged between 30 and 39 years, followed by 30% aged between 40 and 45 years and then 25% aged between 20 and 29 years. A cross tabulation of the respondents’ ages against their annual expenditures on insurance services is demonstrated in Figure 4.5.

Young adults and the middle age group are shown to be dominant in the low expenditure categories, indicating that high proportions of the young respondents spend low amounts annually on insurance services. On the other hand the
mature adults dominate the high expenditure categories. Table 4.4 below details the various assets owned by the respondents and the actual policies bought, the two being compared across age groups.

Table 4.4: Cross tabulation of Assets owned and policies bought against ages

<table>
<thead>
<tr>
<th>Risk Class</th>
<th>20-29 years</th>
<th>30-39 years</th>
<th>40-59 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number Exposed</td>
<td>Policies bought</td>
<td>Number Exposed</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>27</td>
<td>27</td>
<td>51</td>
</tr>
<tr>
<td>Home</td>
<td>120</td>
<td>8</td>
<td>120</td>
</tr>
<tr>
<td>Business</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>120</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>Health</td>
<td>120</td>
<td>5</td>
<td>120</td>
</tr>
<tr>
<td>Liability</td>
<td>120</td>
<td>1</td>
<td>120</td>
</tr>
</tbody>
</table>

The total number of policies bought was 44, 71 and 79 for the ages 20-29, 30-39 and 40-59 years respectively. The average number of policies per person across the age groups was 1.3 for ages 20-29, 1.5 for ages 30-39, and 2.2 for ages 40-59. The older age groups generally owned more houses, vehicles and businesses and consequently bought more insurance products.

4.5.3 Religion and Employment

Out of the 120 respondents, 118 (or 98%) were Christians, while the Islamic and the African Traditional Religion had a single respondent apiece. From this point of view it will be taken as though the views and perceptions are all from a Christianity perspective. On the other hand, 81% of the respondents were formally employed, 14% self-employed and 5% unemployed. From this distribution it is as though insurance is largely being bought by those in some form of employment.

4.5.4 Highest Qualification

The majority of respondents (74%) had attained at least a degree qualification. Results show that 53% of the respondents were graduates and 21% are post-
graduates. On the lower end, 21% held the “A” Level certificate while 5% held the “O” Level certificate. Figure 4.6 cross-tabulates highest qualification attained against expenditure on insurance.

As shown in Figure 4.6, holders of lower qualifications generally are more likely to spend less on insurance than holders of higher qualifications. Interestingly for the lower qualifications, the proportion of respondents reduces with increasing expenditure. An analysis of the extreme ends shows that all the respondents holding the ‘O’ Level qualification (100%) spend less than $250 annually on insurance. On the other hand, a few post graduates (28%) spend less than $250 compared with a high proportion (36%) spending at least $1,000. This observation was further explained by analysis of the relationship between education and income in Table 4.5.

Table 4.5: Cross tabulation of Highest Qualification against Monthly Income

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>‘O’ Level</th>
<th>‘A’ Level</th>
<th>Graduate</th>
<th>Post Grad</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $500</td>
<td>29%</td>
<td>16%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>$500-$999</td>
<td>57%</td>
<td>24%</td>
<td>22%</td>
<td>4%</td>
</tr>
<tr>
<td>$1,000-$2,499</td>
<td>0%</td>
<td>44%</td>
<td>53%</td>
<td>24%</td>
</tr>
<tr>
<td>$2,500-$4,999</td>
<td>14%</td>
<td>4%</td>
<td>14%</td>
<td>44%</td>
</tr>
<tr>
<td>≥ $5,000</td>
<td>0%</td>
<td>12%</td>
<td>5%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Holders of lower qualifications are more likely to earn less than holders of higher qualifications. Further grouping of incomes into low (below $1,000), middle ($1,000-$4,999) and high ($5,000 and above) shows that 86%, 14% and 0% of those with ‘O’ Levels were in the low, middle and high income classes respectively. For ‘A’ Levels the proportions were 40%, 48% and 12%, for graduates 28%, 67% and 19%, and for Post Graduates 8%, 68% and 24% respectively.

4.5.5 Level of Income

The monthly income levels amongst the respondents are diagrammatically represented in Figure 4.7. The histogram depicts a distribution where most respondents’ incomes are concentrated in the middle income, with few in both the low and high income groups. The highest number of respondents (42%) earned incomes between $1,000 and $2,500 monthly.

![Histogram](image)

**Figure 4.7: Income levels of respondents**
Figure 4.8 represents the relationship between monthly income of the respondents and the amounts spent annually on non-life insurance products.

![Cross-tabulation of Income against Expenditure](image)

As shown in Figure 4.8, the low income earners generally correspondingly spend less on insurance whilst high income earners spend more on insurance. All the respondents earning less than $1,000 monthly spend less than $500 on insurance annually. On the other extreme end, the majority of respondents who earn more than $5,000 (92%) spend at least $750 annually on insurance.

### 4.6 Perceptions of respondents on determinants of demand

Table 4.6 averages the respondents’ perceptions on the factors determining demand for insurance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly Non-Influential</th>
<th>Non-Influential</th>
<th>Neutrally Influential</th>
<th>Influential</th>
<th>Strongly Influential</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Personal Factors</td>
<td>0.8%</td>
<td>2.1%</td>
<td>4.6%</td>
<td>47.9%</td>
<td>44.6%</td>
<td>100%</td>
</tr>
<tr>
<td>2 Social Factors</td>
<td>7.8%</td>
<td>27.2%</td>
<td>30.3%</td>
<td>31.7%</td>
<td>3.0%</td>
<td>100%</td>
</tr>
<tr>
<td>3 Cultural Factors</td>
<td>8.6%</td>
<td>40.0%</td>
<td>24.2%</td>
<td>20.8%</td>
<td>6.4%</td>
<td>100%</td>
</tr>
<tr>
<td>4 Institutional Factors</td>
<td>4.2%</td>
<td>3.9%</td>
<td>10.0%</td>
<td>40.0%</td>
<td>41.9%</td>
<td>100%</td>
</tr>
</tbody>
</table>
As shown in Table 4.6, the majority of respondents (93%) are of the view that personal factors influence the purchase of insurance policies. This belief is further supported by 45% of respondents who felt that the variable is strongly influential. The same applies to institutional factors in which 82% are of the view that the governance framework influences the purchase of non-life insurance policies, with 42% having the view that the influence is strong. On the other hand, 35% of the respondents thought that social factors are influential. It was only 3% who felt that the variable is strongly influential. Interestingly, is also 35% of respondents who perceived that social factors are not influential, with 8% strongly feeling so. The remaining 30% supported neither assertion. Responses on the influence of cultural factors were skewed towards the view that the variable is non-influential (49%). It is only a small proportion of 27% who viewed the variable as influential.

4.7 Tests for relationships between variables

4.7.1 Personal Factors

Hypothesis 1: Personal factors influence the demand for non-life insurance services

To demonstrate the significance of personal factors on expenditure on insurance, the ANOVA test was conducted. The ANOVA tests the differences among two or more independent groups, with the results in Table 4.7.

Table 4.7: One-Way Analysis of Variance of Personal Factors

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sum of Squares</th>
<th>DF</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>14.035</td>
<td>4</td>
<td>3.509</td>
<td>7.982</td>
<td>0.000</td>
</tr>
<tr>
<td>Highest Qualification</td>
<td>9.338</td>
<td>4</td>
<td>2.334</td>
<td>4.005</td>
<td>0.004</td>
</tr>
</tbody>
</table>

The results reveal that there is a statistically significant relationship between personal factors and annual expenditure on insurance services (p<0.05). The personal factors were further analysed to investigate the strength of their association with expenditure on insurance. Table 4.8 below shows the results of the analysis of Pearson’s correlation coefficients.
As shown in Table 4.8, the correlation coefficients of each factor on consumer behaviour was positive. This means that as any one of the variables increases, expenditure on non-life insurance also increases; and vice versa is true. The correlation coefficients indicate strong relationship for the age variable and a weak relationship for highest qualification. This shows that age is a strong predictor of the demand for non-life insurance. The significance (2-tailed) values were all less than 0.05 thereby indicating that there was a statistically significant correlation between each variable and consumer behaviour. Accordingly, **H1 is accepted**.

There is evidence from the tests above, and indeed from analysis of background variables that the age variable is somewhat influential in the consumption of non-life insurance services. The young adults have high proportions with low consumption levels on insurance. The middle age group has higher proportions than the young adults, but lower than mature adults, in the average consumption category. In the high consumption category it is the mature adults group that is exceedingly dominant. The pattern generally points towards a positive relationship between age and consumption. Further correlation tests reveal a positive $r$-value (0.460) with $p<0.05$ at the 5% significance level. The age variable is thus statistically significant and positively related to non-life insurance consumption in Harare. The result corroborates the findings from researches by Saaty and Ansari (2011), which discovered that people above 40 years paid higher premiums against the younger generations who mainly purchase insurance to comply with the law.

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1 A correlation coefficient of less than 0.30 reflects a weak relationship
Evidence from the research also suggests that holders of lower qualifications consume less on non-life insurance than those with higher qualifications. It was particularly interesting to note that all the holders of the ‘O’ Level qualification spend less than $250 per annum on non-life insurance compared with only 28% of post graduates on the same amount. Results show that the education variable is significant (p<0.05). The low correlation coefficient (r=0.299), however, signals a weak positive relationship on non-life insurance demand. The findings are in line with conclusions by Hwang (2003) and Ulbinaite et al. (2003), that education is statistically significant and positively related to insurance demand. This further dispels inconclusive evidence from Browne & Kim (1993) and Outreville (1996).

4.7.2 Income

Hypothesis 2: “Income” is the dominant factor in influencing demand for non-life insurance services

The ANOVA test was also conducted to demonstrate the significance of income on expenditure on insurance, with the results in Table 4.9.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sum of Squares</th>
<th>DF</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Income</td>
<td>62.426</td>
<td>4</td>
<td>15.607</td>
<td>23.44</td>
<td>0.000</td>
</tr>
</tbody>
</table>

There is a statistically significant difference between income and annual expenditure on insurance services (p<0.05). The income variable was further analysed to investigate the strength of its association. Table 4.10 shows the results of the analysis of Pearson’s correlation coefficients.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson’s Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Income</td>
<td>0.665</td>
<td>0.000</td>
</tr>
</tbody>
</table>

As shown in Table 4.10, the correlation coefficient for the variable income at 0.665 depicts a very strong positive relationship with annual expenditure on non-
life insurance. This means that as income increases, expenditure on non-life insurance also increases; and vice versa is true. Income is thus a very strong predictor of the demand for non-life insurance. The significance (2-tailed) value (p<0.05) indicates a statistically significant correlation between the income variable and consumer behaviour. Accordingly, **H2 is accepted**.

The survey results show that expenditure on non-life insurance services is influenced a great deal by the income levels of respondents. There is evidence that low income earners spend less on insurance, with high income earners generally spending more. Correlation tests conducted support this assertion by revealing a very high positive r-value (0.665). Income is thus statistically significant and positively related to non-life insurance demand in Harare. The result corroborates the findings of the many previous researches between income and the demand for non-life insurance services, such as by USAID (2006), Feyen et al. (2011), Park & Jean (2011), Stith & Hoyt (2012) and Chau & Khin (2013).

### 4.7.3 Social Factors

**Hypothesis 3: Social factors influence non-life insurance demand**

Table 4.11 is a One-Sample t-test on the influence of social factors on the consumption of non-life insurance services.

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social class.</td>
<td>-11.328</td>
<td>119</td>
<td>0.000</td>
<td>-1.025</td>
<td>-1.20</td>
<td>-.85</td>
</tr>
<tr>
<td>Involvement in associations.</td>
<td>-10.959</td>
<td>119</td>
<td>0.000</td>
<td>-1.025</td>
<td>-1.21</td>
<td>-.84</td>
</tr>
<tr>
<td>Family role.</td>
<td>-11.767</td>
<td>119</td>
<td>0.000</td>
<td>-1.100</td>
<td>-1.29</td>
<td>-.91</td>
</tr>
</tbody>
</table>

The p-values on the three social factor variables (social class, involvement in professional associations and the family role) all have the 0.000 value. Because
the big and negative t-statistics and mean differences given the test value of 4, it can be inferred that the respondents perceive social factors do not influence consumption. Accordingly, **H3 is rejected**.

The influence exerted by a social factors such as reference groups, family, social role and status on the consumption of insurance services has been confirmed in researches such as by Kunreuther & Pauly (2005) and Ulbinaite, et al. (2013). Results from this research are however inconclusive as the social variable is not statistically significant. The highest proportion of respondents (46%) indicated that they got information on insurance products from sales reps, insurance brokers and agents, with 23% and 25% getting it from advertisements and colleagues and friends respectively. Responding on who influences the purchase decision the majority (57%) indicated no one, a sizeable proportion (25%) cited colleagues and friends and only a small proportion (17%) by family. These factors do not provide conclusive evidence on the influence of the social variables on consumption of non-life insurance services in Harare.

### 4.7.4 Cultural Factors

**Hypothesis 4: Cultural factors influence demand for non-life insurance**  
Table 4.12 is a One-Sample t-test on the influence of social factors on the consumption of non-life insurance services.

Table 4.12: The influence of cultural factors on non-life insurance demand

<table>
<thead>
<tr>
<th>Cultural Factors</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Societal norms and traditions</td>
<td>-13.940</td>
<td>119</td>
<td>.000</td>
<td>-1.358</td>
<td>-1.55 -1.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religious beliefs and values.</td>
<td>-17.091</td>
<td>119</td>
<td>.000</td>
<td>-1.500</td>
<td>-1.67 -1.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area of residence.</td>
<td>-8.865</td>
<td>119</td>
<td>.000</td>
<td>-0.875</td>
<td>-1.07 -0.68</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The p-values on the three cultural factor variables (societal norms, religious beliefs and area of residence) all have the 0.000 value as well. Because of the
big and negative t-statistics and mean differences given the test value of 4, it can be inferred that the respondents perceive cultural factors do not influence consumption. Accordingly, **H4 is rejected**.

Based on the above evidence, cultural is not statistically significant. As such, no relationship is established on its influence on demand for non-life insurance in Harare. This may be as a result of the homogeneity of the respondents in terms of their beliefs, given that 98% are Christians. These findings are however at variance with evidence from Lemaire, & McBeth (2010), Treerattanapun (2011), SwissRe (2011) and Saaty & Ansari (2011) who confirmed the influence of religion on demand for insurance products, albeit in Islamic states.

### 4.7.5 Institutional Factors

**Hypothesis 5: Institutional factors influence the consumption of non-life insurance services**

Table 4.13 is a One-Sample t-test on the influence of institutional factors on the consumption of non-life insurance services.

<table>
<thead>
<tr>
<th>Institutional Factor</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laws relating to compulsory insurance.</td>
<td>8.104</td>
<td>119</td>
<td>.000</td>
<td>.542</td>
<td>.41 - .67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adherence to obligations</td>
<td>-.261</td>
<td>119</td>
<td>.794</td>
<td>-.025</td>
<td>-.21 - .16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The strictness of laws</td>
<td>-1.656</td>
<td>119</td>
<td>.100</td>
<td>-.167</td>
<td>-.37 - .03</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The p-values on two of the three institutional factor variables (adherence to obligations by all parties to an insurance contract and the strictness of laws governing the insurance market) all are greater than 0.05 (i.e p>0.05). The conclusion is that the two do not have a significant influence on insurance consumption. The strictness of laws relating to compulsory insurance however
emerged as a significant variable, with \( p < 0.05 \). It can thus be inferred that the respondents perceive compulsory insurance as influential to the consumption of non-life insurance services. Accordingly, **H5 is accepted**, only for compulsory insurance.

Survey results show that 68% of the respondents bought insurance to comply with regulatory requirements while 29% required insurance for protection against losses. It was only 3% of the respondents who required insurance to comply with bank loan requirements. Interestingly, 94% of the respondents perceived that requirements of the law relating to compulsory insurance strongly influence the consumption of non-life insurance services. The Road Traffic Act Chapter 13:11 Part IV (compulsory insurance against third-party risks arising out of use of motor vehicles) Section 22 Paragraph 1 says “…no person shall use a motor vehicle or trailer on a road unless there is in force in relation to the use of the motor vehicle or trailer by the user a policy of insurance…”

Evidence from the foregoing suggests that the need to comply with mandatory insurance requirements is key in the high consumption levels for motor insurance. Low consumption of insurance products for homes and businesses may be due to the fact that such insurances are not mandatory in Zimbabwe. Thus legal factors dominate in Harare for insurance demand. These findings are in line with the research by Saaty and Ansari (2011) which revealed that the Saudi Arabia market is dominated by compulsory lines of business (motor and health insurance).

### 4.8 Conclusion

In this chapter, the data collected from the survey summarised in tables, charts and graphs to demonstrate demographic characteristics, illustrate consumption patterns, as well as to crystallise the views and perceptions of respondents. Some tests were then done to test the postulated hypotheses. A discussion of all the findings then followed, with a slight inclination towards relating the issues to the conclusions from previous researchers.
CHAPTER 5 - CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter draws conclusions and recommendations from the findings of the study. An attempt is made to answer the main research question and the other related research questions. At the end of the chapter the direction for future research is then presented.

5.2 Conclusions

The results of this survey can provide practitioners in the insurance industry with insights into insurance purchasing behaviour. With better understanding, insurers can modify marketing strategies and products attributes to fit the consumers' needs. The results may also serve as a demand audit assessment of the market situation, trends that may be emerging and act as aids in forecasting future demand for various insurance policies.

5.2.1 Consumption of non-life insurance products

From the findings it can be concluded that people are not fully aware of the non-life insurance products available in the insurance market in Harare. This is the reason why there is a high proportion of consumers who only buy some classes of non-life insurance, for example motor vehicle insurance, because it is a regulatory requirement to do so. This partly explains why all the respondents with motor vehicles (94%) buy motor insurance, leading to the motor insurance business line’s 40% contribution to the market’s GWP.

Insurance brokers and agents are playing a pivotal role both in the distribution of insurance products and giving information to the public on the available insurance products. While most respondents cited that no one influences their buying patterns there is however evidence from the survey underscoring the significant role played by both family and colleagues and friends. The latter group is particularly important in promoting referral business. Findings from the survey
conclude that low income earners generally spend less on non-life insurance products, most probably in buying mandatory motor insurance. High income earners on the other hand are consuming and spending more. Consumption is also more pronounced amongst mature adults than the other age groups. Because males were found to have higher incomes than their female counterparts, it followed that males generally consume more insurance products than females.

5.2.2 Determinants of demand for non-life insurance

Income, education as well as age influence the consumption of non-life insurance products. Consumption levels of non-life insurance are positively related to income, education and age. This research has not found evidence of the influence of cultural and social variables on the non-life insurance demand. It can be concluded that religious beliefs and social class and status have no bearing on the consumption of non-life insurance services.

5.3 Theoretical Contribution

The research contributes to the understanding of consumer buying behaviour in the non-life insurance market in a developing country, as previous research has tended to focus on the developed world and emerging markets.

The major findings of the study indicated that half the set of independent variables (cultural and social) was weakly associated with the dependent variable. However, the in-depth analysis found that personal and institutional factors were strongly associated with the buying behaviours of consumers as illustrated in Figure 5.1 below.
Figure 5.1: The Determinants of demand for insurance in Harare

5.4 Recommendations

5.4.1 Marketing strategy

The strongest challenge for marketing departments in insurance companies is to craft robust and aggressive educative promotional marketing strategies to spread insurance awareness to the public. Emphasis should be less on motor insurance where consumption, and hence awareness, is high owing to legal compulsion and more on the non-motor insurance classes, where consumption is low. The promotional strategy should primarily center on spreading the gospel that there is more to insurance than complying with mandatory motor third party insurance. The insurance products should be packaged in a manner that assures clients of peace of mind, convenience and assurance in the event of occurrence of unforeseen events. Given the confirmation that most consumers are getting information relating to insurance products through insurance brokers and agents, it is probably high time insurers considered more modern platforms to spread awareness. They should utilise the services of e-business (internet), m-commerce (mobile phones) and the social media (facebook, twitter etc).
5.4.2 Market growth initiatives

Given the projected growth figures for insurance markets in developing countries it is clear that there is still much growth potential yet to be fulfilled in Zimbabwe. To develop this potential to the fullest, insurers need strategies that go beyond beating competition, to understanding the demands and characteristics of the market. They need to understand their customers and be able to create the right products that get sold in the right market segments. It is clear that growth potential exists amongst the existing clients of insurance companies. Most clients buy motor insurance but can still buy other available products to cover homes, businesses, liabilities and personal accidents. Demand can further be boosted if the unexploited informal market is targeted and developed, seeing that some respondents indeed own small companies that they are not insuring.

5.4.3 Market segmentation

By unbundling the demographic characteristics of the policyholders of the various insurance policies, it was noted that age, education and income are the prominent variables significantly impacting on the consumption of non-life insurance products. The results of the survey serve as an indication to insurers regarding the market situation and emerging trends. The survey notes that higher consumption of insurance products is being dominated by the high-income class and the highly educated group, with the low income and less educated lot consuming less of insurance. The middle-income group is almost non-existent.

The salient demographic features profile the buyers of the respective policies, potentially assisting insurance companies in defining the target markets more precisely and customising product offerings to better suit the needs and desires of the market segments. Moreover, forecasts could be made on the emerging trends to pro-actively gear the insurers for customers’ preferences in the future. Potentially viable segments from this research are as follows:

- High spenders – highly valued assets
- Low spenders – low cost (budget) insurance products
- Small businesses – tailor made products
5.5 Generalisation of Findings

The findings of this survey can be generalised to the whole market of consumers of non-life insurance products in Harare. Attempts were made to ensure that there was equal participation of buyers from small, medium and large insurance companies amongst the respondents. The sample size of more than 100 respondents and the good response rate makes generalisation plausible.

5.6 Research Limitations

Due to time constraints, the research is a cross-sectional survey of customers of insurance companies done during the month of December 2013. It is possible that results can be different if the study is done over a longer period of time in a longitudinal study. Behavioural tendencies and perceptions tend to vary over time. The overwhelming influence of income could have been affected by the general change in moods amongst consumers during the festive period.

Because the research adopted a quantitative approach, the objective was to describe and explain the issues, and not to understand the problems. Better results could have been obtained if the findings were triangulated with other data gathering methods such as interviews and focus group discussions to verify some of the pertinent issues relating to the research.

5.7 Future Research

The research model could be expanded so as to reflect the influence of marketing mix elements such as pricing, promotion, people, processes and physical evidence. The survey findings could be enhanced by conducting the research on a larger sample of all the insurance companies, as well as by supporting evidence through interviews of both buyers and sellers of insurance products. The focus of the study could also extend to include non-buyers to find out the possible reasons why they do not buy non-life insurance products. The final model of this research can be adopted to study behaviours amongst buyers of non-life insurance products at country level, and even adapt the model to investigate the life assurance market.
REFERENCES


Dear Respondent,

The purpose of this questionnaire is to gather the respondent’s views and perceptions on what determines the demand for **non-life/ short-term/ general insurance services** amongst the buyers in Harare. The survey is part of the research process of the Master of Business Administration degree awarded by the University of Zimbabwe.

Your participation in this research is through the completion of the attached questionnaire. The generated data will be used for the purposes of this research only and kept confidential.

Kindly be advised that your participation in this research is voluntary. As such not any amount of pressure will be used, and neither will there be any inclination to influence your perceptions and judgments. You may withdraw and discontinue participation at any time without incurring any penalties.

If you are willing to participate in this research please sign in the spaces provided below. Please contact me on 0773 384 511 or email: stewmash@gmail.com if in doubt or in need of any clarification.

Thank you for your cooperation.

Kind Regards,

Stewart Mashingaidze

*MBA Student, University of Zimbabwe*

I have read and understood the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate.

________________________________________  _________________
Signature of Participant       Date
UNIVERSITY OF ZIMBABWE

Research Questionnaire

Determinants of demand for non-life insurance in Harare

STEWART MASHINGAIDZE
12/2013
### Section A – Demographics *(please tick the applicable description)*

1. **Gender**
   - Male [ ]
   - Female [ ]

2. **Age**
   - 20 - 29 years [ ]
   - 30 - 39 years [ ]
   - 40 - 59 years [ ]
   - 60 years and above [ ]

3. **Marital Status**
   - Single [ ]
   - Married [ ]
   - Divorced [ ]
   - Widowed [ ]

4. **Religion**
   - Christianity [ ]
   - Islam [ ]
   - African [ ]
   - Other [ ] *(specify_______)*

5. **Employment Status**
   - Formally employed [ ]
   - Self-employed [ ]
   - Unemployed [ ]

6. **Highest Qualification**
   - “O” Level [ ]
   - “A” Level [ ]
   - Graduate [ ]
   - Post-Grad [ ]

7. **Level of Monthly Income**
   - Below $500 [ ]
   - $500 to $999 [ ]
   - $1,000 to $2,499 [ ]
   - $2,500 to $4,999 [ ]
   - $5,000 and above [ ]

### Section B – Buying Patterns *(please tick the applicable description)*

8. **Do you own, manage or hold in trust any of the following assets?**
   - Vehicle [ ]
   - House Contents [ ]
   - House [ ]
   - Business [ ]

9. **Which non-life insurance policies do you normally buy?**
   - Personal Accident [ ]
   - Motor Vehicle [ ]
   - Home Insurance [ ]
   - Business Insurance [ ]
   - Farming [ ]
   - Health Insurance [ ]
   - Liability Insurance [ ]
   - Other [ ] *(specify___________)*

10. **How are your non-life insurance policies administered?**
    - Personally arranged [ ]
    - Through an employer administered scheme [ ]
    - Through a professional association [ ]
    - Through a society, club etc [ ]
    - Other [ ] *(specify___________)*

11. **How do you normally buy your non-life insurance policies?**
    - Direct [ ]
    - Broker [ ]
    - Agent [ ]
    - Bank [ ]
12. How much do you spend annually on non-life insurance policies?
   - Below $250 [ ]
   - $250 to $499 [ ]
   - $500 to $749 [ ]
   - $750 to $999 [ ]
   - $1,000 and above [ ]

13. What is your motivation in buying non-life insurance policies?
   - To protect myself against losses [ ]
   - To comply with regulatory requirements [ ]
   - To comply with bank loan requirements [ ]
   - Other [ ] (specify__________)

14. How did you get information regarding non-life insurance products?
   - Advertisements [ ]
   - Sales reps, insurance brokers/agents [ ]
   - Colleagues and friends [ ]
   - Internet [ ]
   - Published material e.g. Brochures, fliers etc [ ]

15. Who influences you to buy non-life insurance policies?
   - Family [ ]
   - Relatives [ ]
   - Colleagues and friends [ ]
   - No one [ ]

Section C – Buyer Perceptions (tick, mark or shade the applicable description)

Please select the degree of influence of the following personal factors on the purchase of non-life insurance policies:

16. Age of the buyer/policyholder.

<table>
<thead>
<tr>
<th>Strongly Non-influential</th>
<th>Non-influential</th>
<th>Neutrally influential</th>
<th>Influential</th>
<th>Strongly Influential</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
</tbody>
</table>

17. The buyer/policyholder’s job/occupation.

<table>
<thead>
<tr>
<th>Strongly Non-influential</th>
<th>Non-influential</th>
<th>Neutrally influential</th>
<th>Influential</th>
<th>Strongly Influential</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
</tbody>
</table>

18. The buyer/policyholder’s level of disposable income.

<table>
<thead>
<tr>
<th>Strongly Non-influential</th>
<th>Non-influential</th>
<th>Neutrally influential</th>
<th>Influential</th>
<th>Strongly Influential</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
</tbody>
</table>

19. The buyer/policyholder’s level of education.

<table>
<thead>
<tr>
<th>Strongly Non-influential</th>
<th>Non-influential</th>
<th>Neutrally influential</th>
<th>Influential</th>
<th>Strongly Influential</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
</tbody>
</table>
Please select the degree of influence of the following social factors on the purchase of non-life insurance policies:

20. The buyer/policyholder’s social class.

21. Involvement in associations or groupings for both professional and personal reasons.

22. Family role i.e. influence of spouse(s) and children.

Please select the degree of influence of the following cultural factors on the purchase of non-life insurance policies:

23. Societal norms, traditions and values.

24. Religious beliefs and values.

25. Area of residence.

Please select the degree of influence of the following institutional factors on the purchase of non-life insurance policies:

26. Requirements of the law relating to compulsory insurance.

27. Adherence to obligations by all parties to the insurance contract.

28. The strictness of laws governing the insurance market and the supervision thereof by the regulatory authorities.

THANK YOU