KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

ASSESSING THE ROLE OF MICRO INSURANCE IN POVERTY REDUCTION: CASE STUDY OF GLICO INSURANCE COMPANY

BY

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DECLARATION

I hereby declare that this submission is my own work and that to the best of my knowledge, it contains no materials previously published by another person or material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

This study is dedicated first and foremost to God Almighty for without Him I would not have come this far. Further, I dedicate this work to all who have the desire, but not the means, to undertake MBA program. It is my wish that this study serve as an inspiration to you all. Lastly I dedicate this study to myself for the hard work, courage and determination I exhibited throughout the MBA program.

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ABSTRACT

This study builds on logical and systematic understanding of micro insurance as a relevant element of the micro finance package. The study generally determines the role micro insurance play in reducing poverty. Specifically, the study aimed at examining various mechanisms for creating micro insurance awareness, types of micro insurance products on offer, benefits of micro insurance as well the challenges in providing micro insurance services. An in-depth analysis used both secondary and primary data gathered through documentary review, questionnaires and face-to-face interview. Data were analyzed and summarized using descriptive statistics aided by SPSS and MS-Excel. A total of eighty (80) respondents representing clients of Glico insurance company and one staff of the company were interviewed through questionnaires and face-to-face interviews respectively. The study revealed that micro insurance is beneficial in many ways to the clients who purchased Glico‟s micro insurance policy. The most to least benefits as revealed by the study were savings component benefit of the policy, reimbursement of damage item. However, some respondent (though insignificant) revealed that purchasing a micro insurance policy has not been beneficial in any way. Types of micro insurance product subscribed, per the study, showed that all clients but one (who purchased property policy) had purchased a life insurance policy in either Anidaso life policy or Edwa Nkosuo life policy. The study again revealed various mechanisms through which clients became aware of Glico‟s micro insurance products and these mechanisms include customer referral, advertisement, partner-agent model and family referral. Challenges faced by Glico in the provision of micro insurance services to low income earners pointed to rampant collapse of micro finance companies such as DKM and Noble Dream as well as intense competition from other providers like Star Assurance and State Insurance Company. The study, finally recommended that Glico and all insurance players in the micro insurance business should deliver services to more rural areas where low income earners abound in order to achieve greater impact of poverty reduction. Again, needs assessment of low income earners must be conducted periodically and appropriate micro insurance products designed to meet identified needs.

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CHAPTER ONE

1.0 INTRODUCTION

This research builds on logical and systematic understanding of the micro insurance as a coping strategy towards improved poverty reduction in Kumasi metropolis and Ghana as a whole. The study determines the impact of micro insurance on the welfare of poor families in rural settings. Specifically the study aims at examining the level of awareness of microinsurance concept and its effect on poverty reduction.

1.1 BACKGROUND OF THE STUDY

Micro-insurance has over the years been viewed as new finance discipline. However, micro insurance is a financial discipline which is a component of the concept of micro finance. Micro insurance has grown into a sector on its own after successful implementation in some parts of the world.

The term micro-insurance was first published around 1999 and in defining it has been subject of much debate and discussion. The definition of micro-insurance is continually evolving. Micro-insurance is defined as a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs, income and level of risk (ILO's Micro-insurance Innovation Facility, 2008). According to International Association of Insurance Supervisors 2007, microinsurance is defined as Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Importantly this means that the risk insured under a micro-insurance policy is managed based on insurance principles and funded by premiums. Further micro-insurance is a risk transfer device characterized by low premiums and low coverage limits, and designed for low-income people not served by typical social insurance schemes (Micro Insurance Academy, India, 2007).

On a general note, micro-insurance can be defined as a division of microfinance, which looks to help poor families by offering insurance plans tailored to their needs. Micro-insurance is often found in developing countries, where the current insurance markets are inefficient or non-existent. Because the coverage value is lower than a usual insurance plan, the insured people pay considerably smaller premiums.

The history of micro-insurance cannot, in fact, be examined without looking at that of insurance in general. The concept of insurance dates back to around 3,000 BC in China where merchants and their investors shared the risk of goods lost when shipping overseas. A similar concept evolved in Babylon; the Greeks and Romans introduced the origins of health and life insurance around 600 BC when they created benevolent societies which cared for the families of deceased members.

England's first fire insurance company was launched following the Great Fire of London in 1666. Around the same time, Mr. Edward Lloyd opened a coffee house that was a popular haunt for those in the maritime industry and became a meeting place for those wishing to insure ships and cargoes. Thus, Lloyd's of London was established. At the end of the 17th Century, the first mortality table was created, which marked the first step in the development of modern life insurance.

The role of insurance industry in the economic development of any nation is pivotal. This is because economic development focuses attention upon the development and use of resources to increase supply and improve the distribution of economic goods (Hilliard 1967). Along that line Madora (2001) observed that insurance industry plays a vital and pivotal role in financial markets as well as in economic development by supplying funds to variety of financial and non-financial organizations as well as government agencies. Increased interest has emerged for using finance based means of managing risk for vulnerable households. New evidence shows that the finance trinity (i.e. savings, credit, and insurance) can be used not only to assist capital accumulation but also to help smooth consumption and improve riskbearing (Zeller, et. al. 1997; Sebstad and Cohen, 1999; Rutherford, 2000).

The business of insurance in Ghana has witnessed substantial growth in the recent past; the industry now occupies a unique position in the socio-economic development of the country. The growth of industry is evidenced by the contribution it makes to the GDP of Ghana. The structure of Ghana"s economy is currently dominated by the services sector, of which the financial and insurance sectors play a major role. This accounts for about 51% of GDP, thus maintaining its dominance by way of its contribution to GDP for the past five years. According to a report by KPMG, financial and insurance activities recorded an average growth rate of 4.8% from 2009 to 2013. In 2013, it accounted for 6% of GDP. Financial and insurance activities form a core component of the services sector and have been growing over the last few years. From 8.8% of Services GDP in 2009, financial and insurance activities increased to 13.2% of Services GDP in 2013. The financial and insurance sectors, has been growing consistently since 2009. From GH¢1.5 billion in 2009, it grew by 45% in 2010.
After 10% growth in 2011, it further posted strong growths of 40% and 72% in 2012 and 2013 respectively.

Similarly, Chukwulozie (2006) contended that apart from the social role it plays by relieving government of some burden of meeting the financial security needs, insurance can assist economic development generally and the development of the capital market in particular. He further argues that because they have thousands of policy holders insurance companies are able to amass a considerable quantum of funds that are important in supporting investment in an economy. Accordingly, with greater resources and a safety net the borrower can take on a greater risk to achieve higher income and stimulate outside investment. They can also market their product outside of the local market achieving a better price for goods and raw-materials. Insurance enables the policy holder to save a portion of his income, without the need to use it on medication, fire, theft and death; it can instead be invested in child"s education.

The primary function of insurance, as stated early on, is to act as risk transfer mechanism, to provide peace of mind and protect against loses. Access to adequate insurance protection can assist the poor to achieve sustainable growth and provide them with capability to attain a better standard of living (World Bank, 2000). It can mitigate the impact of personal and national calamities on the buildup of assets, providing escape from the vicious circle of poverty that engulfs each new generation. The field of micro-insurance is experiencing tremendous growth, with microfinance units, government agencies and private insurance companies serving as providers. Policy makers in governments, national and international development agencies, and the civil society are considering whether investing in policies and programs supporting micro-insurance is worthwhile. This decision needs to be answered in the light of the potential impact micro-insurance can achieve, especially in reducing the poverty rate. Foreign agencies in partnership with some local institution are continually working to increase the awareness of micro-insurance particularly amongst the illiterate. For example, the NIC-GIZ project promoting Micro-insurance in Ghana (ProMiGH) addresses this concern by supporting the development of various communication tools as part of its activities to increase insurance awareness. These communication tools include information materials on financial literacy (the ABC of insurance, Micro-insurance, savings, Investment and loans) which have been designed and widely circulated both locally and internationally.

Consequently, awareness movies such as „sika wo Ataban" and „kora wo daakye" (which literally means money can fly and save for your future respectively) were telecasted on Coastal TV (central region). Despite these efforts, the level of awareness is considerably low.

In-spite of the growth of the insurance industry in Ghana and the pivotal role it plays in the socio-economic development of Ghana, there are still problems militating against the realization of its full potentials. The level of awareness of insurance in Ghana is relatively low (subscribed mostly by the Erudite). The majority of people living in Africa have to bear the financial burden of catastrophes themselves, without access to insurance or government assistance. In Ghana, access to insurance as at year 2010 was low: 4.1% (excluding public health insurance). A previous study suggested that lack of knowledge about insurance products, and to an extent misunderstanding of the concept of insurance accounts for the low uptake of insurance among the low-income population in Ghana. Ackah and Owusu (2012) also revealed low insurance uptake is as a result of the general lack of insurance knowledge amongst the populace, low income levels and the reliance on God‟s protection to prevent calamities.

1.2 STATEMENT OF THE PROBLEM

Largely in light of the Easterly school of development economics, micro-insurance as a development instrument has steadily gained popularity over the last decade in low- and middle-income countries (Dror and Preker, 2002; Armendáriz and Morduch, 2005; Churchill, 2006). This concept recently arose out of the microfinance family, where microcredit and micro-savings have long held the position in terms of most implemented, most developed, and most studied. A common characteristic of all three concepts is that they generally serve low- to middle-income people who are excluded from formal financing markets, mechanisms, and products. Many people in low- and middle income countries live in poverty. Depending on the method used, approximately 2.5 billion people live under the international poverty line of $2 a day (PPP). Surprisingly, 1.4 billion live under the $1.25 a day line (Chen and Ravallion, 2010). Poverty is mostly concentrated around Asia, Latin America, and especially Africa. Concerning insurance coverage Matul *et al.* (2010) show that, only 2.6 percent of the Africa‟s population (living under $2 per day) has insurance cover. One dimension of poverty is the market failure of exclusion inaccessibility of the poor to formal financing mechanisms-both credit and insurance, since the poor are often considered too poor to bank, or insure (Dror, 2006). This has been challenged both academically and empirically by for example professor Yunus of the Grameen Bank, showing that there is willingness among the poor to use financial services (i.e. loan, save, or pay premiums to be insured) for both investments and consumption smoothening (Armendáriz and Morduch, 2005; Dror, 2006) (e.g. reinsurance company Swiss Re considers the target population for microinsurance around 4 billion (Kalra, 2010). Therefore, an enormous potential lies hidden within this new, but vast potential market.

The rise of microfinance in low- and middle income countries over the last two decades can apart from the earlier mentioned market failure be explained by a government failure, since many governments find themselves unable to provide the financial protection for their people through social security programmes (i.e. act as a safety net). Therefore, they remain largely exposed to income/consumption shocks (Dror and Preker, 2002; Gebre and Ruys, 2007). These stem from both idiosyncratic, as well as covariate shocks such as floods, droughts, typhoons, or epidemics (Morsink *et al.,* 2011). It is these shocks that threaten the economic growth paths of the poor (especially the covariate shocks), which as a result locks them more tightly into poverty, in other words the poverty trap (Azariadis and Stachurski, 2005; Mosley and Verschoor, 2005; Barret and Swallow, 2006). This idea of the „vicious circle of poverty" rests on the assumption that people are unable to take the necessary actions which will pull them out this poverty trap, simply because they are poor (Mosley and Verschoor, 2005). Various attributes of poverty can create this entrapment. Among which are poor health, lack of skills, lack of confidence, lack of support mechanisms, remoteness from markets and institutions, lack of physical assets or borrowing power, etc.

Micro- insurance could help with many of these issues by protecting the poor from financial shocks which leaves their income to be invested on their path to economic growth. Microinsurance has therefore been acknowledged to have the potential as an additional risk transfer mechanism to reduce the vulnerability of the poor (Morsink *et al.*, 2011; Barnett *et al.*, 2007). Although the link has, to my knowledge, not been extensively studied, risk management in the form of micro-insurance could be one of the means to help stabilize the poor from frequent shocks. Since micro-insurance is a relatively new offspring of microfinance, it has only been receiving limited attention by academics until recently. It is based on these findings that I seek to test the level of awareness of micro-insurance and its related components amongst the poor.

1.3 OBJECTIVES OF THE STUDY

The general objective of the research is to assess the role of micro insurance in poverty reduction. Specifically, the research sought to address the following objectives:

Objective 1: To examine various mechanisms used by Glico to create micro insurance awareness to low income earners.

Objective 2: To identify various micro-insurance products subscribed by clients of Glico.

Objective 3: To assess the effect of Glico‟s micro-insurance in reducing poverty amongst low income clients

Objective 4: To examine major challenges facing clients of Glico insurance company.

1.4 RESEARCH QUESTION

- What are the mechanisms Glico uses to create awareness of its micro insurance products to low income earners?
- What micro-insurance products does GLICO offer to its low income customers?

- How does Glico‟s micro insurance policy help to reduce poverty amongst its clients?
- What are the major challenges clients of Glico insurance company face?

1.5 SCOPE OF THE RESEARCH

The study covers Glico Insurance Company Limited and its micro insurance clients in the Kumasi metropolis.

1.6 SIGNIFICANCE OF THE RESEARCH

It is hoped that the result of this study concerning micro-insurance in the Kumasi Metropolis would contribute to current knowledge on micro-insurance awareness amongst low income earners and its effect on poverty reduction. This will compliment, to a large extent, the efforts of Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH in promoting micro-insurance in Ghana.

Secondly, the finding unearthed will be useful not only to insurance service providers within the metropolis but also to all insurance service providers throughout the country. This would also help stakeholders in insurance business to formulate and implement policies that will help them to effectively increase the level of awareness and design products to suit low income earners.

Lastly, the findings of this research will serve as a guide to future research work in the area of micro insurance and its components.

1.7 LIMITATIONS OF THE RESEARCH

Almost all research studies are conducted under certain time and resource constraints. As a result these researches are bound to have certain limitations. Similarly, the researcher faced some challenges in undertaking the study, these include:

- Insufficient secondary information

A major constraint emanates from the insufficiency of secondary information. No noteworthy prior research could be found which could clearly explain the relationship among microinsurance and poverty.

- Sample size

The sample size for the respondents in this study was not too large as micro-insurance is comparatively a very new concept in Ghana. The sample is thus convenience based. Time limitation was another for which the sample size selected is small.

Although the major findings of the study are consistent with the analytical framework of Micro-insurance, the above mentioned limitations of the research should be taken into consideration by readers.

1.8 ORGANIZATION OF THE RESEARCH

The research was organized in five chapters;

Chapter one provides an introductory overview of the full study comprising the statement of the problem, objectives of the study, research questions, methodology and relevance of the study. Limitations of the study, operational definition of terms and how the thesis was organized are also captured in this chapter.

Chapter two follows with a review of relevant literature on micro finance and microinsurance as well as the effect of micro-insurance on poverty reduction.

Chapter three presents detailed methodology used for the study and gives an overview of the population sampling technique, the research design, research instrument, the data collection procedures and data analysis procedures. It also provided analytical framework and the relevant variables that were included in the model to be used in the study.

Chapter four focuses on the findings and analysis of the data collected from the respondents.

Chapter five summarizes, concludes and offer recommendations for future research studies.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviews various literatures on micro insurance. It initially focuses on micro insurance as part of the micro finance with particular emphasis on the impact of micro finance on poverty reduction. Investigation of delivery models of micro insurance, benefits of micro insurance, types of micro insurance and among others were reviewed. Further, the research reviewed the impact of micro insurance, history of micro insurance in Ghana as well as the determinants of micro insurance.

2.1 THE MICROFINANCE CONCEPT

The microfinance concept has been defined extensively by many authors. Among these authors are Otero (1999, p.8) who defines it as providing financial services to individuals within the low income bracket as well as very poor self-owned business men and women. Financial services offered to these poor and very poor individuals mostly comprise of savings and credit as well as insurance to some extent (Ledgerwood, 1999). Similarly, Schreiner and Colombet (2001, p.339) in their research explained microfinance as effort aimed at increasing the provision of micro credit to the bankable poor who are neglected by the formal banks. Thus, the concept of microfinance encompasses delivery of financial services like loans, savings and insurance to both rural and urban poor who cannot enjoy such services from the formal banks. On a general note, microfinance can be defined to cover the provision of financial services and the management of small funds by offering a range of product/services and intermediation function which targets low income earners. Such products include insurance, micro loans, micro insurance just to mention a few. Review of literature on microfinance reveal that microfinance and micro credit are often used interchangeably but there is a clear distinction between the two. This distinction has been clearly drawn by researchers. To start with Sinha (1998, p.2) states that the provision of small loans is micro credit but in cases where provision of small loans is augmented by other financial services (usually provided by NGOs and MFIs) the term micro finance is appropriate. This distinction points to the fact that micro credit is a component of the micro finance concept.

Microfinance, particularly micro credit, is a relatively new term in the field of development. According to Robinson (2001) and Otero (1999), the concept first gained attention in the 70s. Before this era, the 50s through to the 70s, financial services which were highly subsidized through rural credit programmes where largely provided by donor agencies and government. Robinson (2001) revealed that such programmes however often recorded high loan defaults and high losses rendering the programme ineffective. He further emphasized that the 80s was characterized by a new development in the history of microfinance when micro finance institutions such as the Grameen Bank (founded by Prof. Muhammad Yunus) and BRI began to display capabilities and abilities of offering micro credit and savings services profitably on a large scale. This system was void of subsidies and was basically financed commercially and sustained and was able to reach a very large pool of clients (Robinson, 2001). Clear distinction between microcredit and subsidized rural credit programmes offered by governments and donors is the fact that the former insisted on recovering small loans disbursed, charged interest on loan disbursed (to cater for cost of credit delivery) and targeted bankable poor clients (ibid). This practice clearly indicated that micro credit could generate high returns while serving relatively large clients. This revelation spurred significant growth in micro finance with the establishment of many MFIs in the 1990s, according to Robinson

(2001, p.54) with Dichter (1999, p.12) describing the 1990 era as “microfinance decade” with Robinson further emphasizing that microfinance had now turned into an industry. The increase in the number of MFIs and success in proving small loan emphasized the need for other financial services apart from the conventional micro credit as it was evident that the poor demanded such services (MIX 2005). The launch of Microcredit Summit in 1997 reiterated the relevance of microfinance in national development. The aim of the Summit was to reach 175 million people comprising largely of poorest family, especially women, selfemployed and other financial and business services by the end of 2015 (Microcredit Summit).

More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit.

2.1.1 MICROFINANCE AND ITS IMPACT ON DEVELOPMENT

Microfinance has proved vital to economic development as cataloged by many proponents. The UNCDF in their 2004 study provided evidence from studies to demonstrate that microfinance plays vital roles in development, and summarizes all of the identified roles into three. According to their study, microfinance:

- Assists needy households meet basic needs,
- is generally positively correlated with enhancements in the economic welfare of households,
- empowers women by buffering the economic participation of women and thus providing leverage into gender equity.

Many authors such as Otero (1999, p.10) have also made submissions that have contributed to the view of microfinance as a tool with poverty alleviation as its core mandate. She asserts that microfinance presents opportunity to the right human capital, i.e., with the right education and training to create access to productive capital, especially to the less economically privileged populace. By enhancing the provision of material capital to a less economically privileged person, their sense of dignity is buttressed and this effectively equips the person to contribute positively to the economy and society (Otero, 1999). In addition, the aim of microfinance is

not just centered on providing easily accessible money to people who are less economically privileged. Its effects are also evident at the level of the institution Otero (1999). It endeavours to establish institutions that deliver financial services to the poor, who have little or no access to credit from formal and more commercial financial institutions. Littlefield and Rosenberg (2004) have also taken notice that the poor generally have little access to commercial financial services of the economy and thus microfinance institutions have emerged to fill this void. Filling this void in a financially sustainable way, MFIs have integrated themselves into the formal financial system have gained access to capital markets to fund their lending portfolios. This permeates them to significantly increase the number of poor people they can reach (Otero, 1999). Recent studies (IMF (2005); Simanowitz and Brody (2004); Littlefield, Murduch and Hashemi (2003)) have commented on the critical role of microfinance in meeting the Millennium Development Goals. Simanowitz and Brody
(2004) for example, categorically explain microfinance as a key strategy in reaching the MDGs specifically designed and suited to build a more solid and more efficient global financial system to meet the requirements of the majority of the population in the middle and low income categories. In support of this assertion, others such as Littlefield *et al* (2003) have identified microfinance as "a critical contextual factor with a strong impact" to achieve the MDGs. Referring to various case studies, these independent studies, as well as a plethora of others, have demonstrated how microfinance has played a vital role in promoting education, eradicating poverty, and improving health and empowering women.

The story is not without a tint of disagreement with the aforementioned commentators and others in support of them. Hulme and Mosley (1996), for example, acknowledge the role that microfinance plays in poverty reduction. They concluded from their research on microfinance almost two decades ago that there was an essential flaw in the operation of most current MFI schemes, in that they were a tad short of achieving the aims they were set out to achieve.

They stated that microfinance is not the end to the means; a complete panacea to alleviate poverty and that in certain instances, microfinance has actually contributed to increasing poverty. In apparent support of this assertion, Rogaly (1996) identified five main faults with MFIs. He pointed out in his research that microfinance:

- encourages a one-sector approach to the allocation of resources to fight poverty,
- microcredit is not important to the people who need it most, i.e., the poorest people,
- Relies on an over-simplistic notion of poverty,
- over-emphasizes scale,
- enhances inadequate learning and change

Another study by Wright in 2000 states that many skeptics of MFIs argue that microfinance fails to reach the poorest that are actually in dire need of this service in theory, but generally and practically have a limited effect on income. For example, the study identifies that microfinance actually has to potential to drive women into greater dependence on their husbands and essentially fall short of providing services to the poor". In addition, Wright says that many developers identify microfinance as inadequate, and that it actually diverts funding from "more pressing or important interventions" such as health and education. A follow up to the preceding point, Navajas *et al* (2000) has alluded from their study that there is an inherent danger that microfinance poses. Microfinance may be serve as the platform for siphoning money from other projects that might help secure poverty alleviation. They speculate that donors and governments agencies should have an evidence-based resolution as to whether the poor gain more from microfinance, than from more health care or food aid. There is then the requirement for an integrated-perspective to microfinance and development to properly evaluate the impact of microfinance in achieving its principal aims of poverty alleviation. Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury *et al* 2004).

Some investigators such as Sinha (1998) have argued that it is notoriously arduous to measure the impact of microfinance on poverty. Money is functionally and essentially fungible and might make the isolation of credit impact difficult to isolate. She argues that the definition of poverty in terms of how it is evaluated is hotly debatable.

Poverty is a simple yet complex issue to define because of the differing perspectives on it. For the larger majority, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 dollar a day (World Bank, 2003).

2.1.2 THE IMPACT OF MICROFINANCE ON POVERTY

Considerable debate as to whether the impact of microfinance should be assessed or not abound, Simanowitz (2001) revealed. The squabble is that if there are clear parameters for impact assessment provided by the market as to whether clients are happy to pay for a service, assessment becomes irrelevant. However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI (ibid). In this light, impact assessment becomes necessary as it allows MFIs to review their impacts and improve upon such performances (Simanowitz, 2001, p.11).

There is more to defining poverty than just focusing on low levels of income. As revealed by Wright (1999) in his study, an increase in income levels does not guarantee a decrease in poverty and thus solely focusing on income as a measure of poverty may prove problematic. Wright further argues that increase in the level of income of the poor may induce the poor to adopt certain negative expenditure habits such as gambling thus non income variables should be considered in defining poverty, than just income level. He affirms this by stating that “the focus needs to be on helping the poor to sustain a specified level of well-being by providing various products tailor-made to their needs to improve their net wealth and income security.

Other commentators assert that MFIs has not been able to reach the poorest in society with a strong disbelief of the impact of microfinance, studies however reveal extensively that microfinance has been successful. Evidence provided by Littlefield, Murduch and Hashemi (2003, p.2) attest that microfinance reduces clients" exposure to risk and help them acquire asset and increase income. Success stories of positive impact of microfinance in countries such as India, Indonesia, Zimbabwe, Bangladesh and Uganda have been well documented. Particular example is the report on a SHARE project in India which revealed that through microfinance three-third of the clients successfully migrated from poverty. Though Dichter (1999) argued against the positive impact of microfinance, he conclusively admitted to some positive impacts such as stabilization of consumption, and increase in wealth. To add to literature on impact of micro finance, extensive research on combating poverty through microfinance by Hulme and Mosley (1995, p.109) revealed that the programme design of delivery can result in positive impact of micro finance. Mayoux (2001, p.52) highlights impact of micro insurance as follows:

- Income of poor is largely enhanced through granting of small loans,
- Stabilization of income level helps the poor to adequately plan and save towards unforeseen shocks and emergencies.

Hulme and Mosley (1995) asserted that the low income earners" exposure to risk and poverty can be reduced considerably when they invest in low risk areas with loans granted to them. This statement is by Johnson and Rogaly (1997, p.12). They cited instances where credit and savings schemes were aligned to the needs of the very poor. Conclusively, though there is much debate about the impact of microfinance, there is also clear evidence that microfinance recognises the need of the poor and serves them with products which reduces their exposure to risk considerably. Microfinance, particularly micro credit, presents considerable strengths: cost effectiveness, powerful leverage effect of donors" and state funds, potential financial sustainability. Microcredit has a positive impact on income and reduces vulnerability.

Children"s education, health outcomes of women and children, free labour and empowerment of women are some important results of microcredit scheme (J. Murdoch, 2002). However, weaknesses need to be addressed to improve microcredit as a poverty reduction tool. It is not universal enough (eg times of crises, displaced population etc), creates indebtedness problems for those who cannot repay regularly because of cyclical or single source incomes and it sometimes results in unhealthy social pressure. However, microcredit has taught us that poverty alleviation strategies should be demand driven , starting with the poor, going beyond commonly accepted ideas, leveraging third parties (NGOs) and continuously innovative, because no single model offers eternal remedy. There is an unjust paradox that the poor are the most vulnerable to hazard but have little or no access to efficient risk management strategies. Risk management process of the poor has to be transformed or completed by giving access to new opportunities. In this way the poor become more empowered through the possibility to make choices. Micro-insurance is such new opportunity to help accelerate poverty alleviation.

2.2 CONCEPT OF MICRO-INSURANCE

After micro credit comes micro insurance. The success of micro credit had created huge awareness of the microfinance concept. This has largely encouraged researchers, nongovernmental agencies, government, policy makers among others to consider other components of microfinance, specifically micro insurance. The focus on micro insurance, according to Morduch (1999) is due largely to the success of the credit schemes which has been effectiveness in alleviating poverty and providing them with the means to earn and sustain income level. The second reason is the need to provide other services to that will reduce the poor"s exposure to risk since these poor folks are most vulnerable. Creating an atmosphere where low income earners can address risk issues is vital to the success of any poverty reduction measure (Holzmann & Joegensen, 1999). Most low-income earners in developing countries are self-employed or employed in small firms and are often not able to demand insurance products that fit their needs through adequate delivery channels, premiums, coverage, premium collection, and product simplicity. Fortunately, there are a variety of new innovations that hold the promise of both reaching the poorest and being profitable.

The concept of micro-insurance is a recent development in the financial industry which evolved about ten years ago. Due to its short history, the amount of academic literature on the topic is neither abundant nor undisputed. Currently, micro-insurance is seen as the next step of financial integration of the poor after the microcredit programmes seem to become relatively well established. Development experts across the world agree that micro insurance is a dominant tool for poverty reduction as it enables poor households to pool their risks and thereby prevent them from falling deeper into the poverty trap due to unforeseeable shocks. Currently, as highlighted by Reigner, et al, 2008, micro insurance promotion is an integral part of programs aimed at strengthening both financial systems development, and health and social security systems. Micro-insurance schemes may cover various risks: the most frequent ones being life, health, disability, property and crop micro-insurance. Micro-insurance just as microcredit is recognized as a key tool in reducing poverty and enhancing economic development. Larger sections of the population, especially in Africa, comprise of low income earners. Without adequate risk cover for such individuals, the occurrence of peril is likely to push these folks deeper into the poverty trap. For instance, if the source of finance in a family runs into financial problems and is unable to recover, all other dependents in the family will be rendered relatively poorer. Thus the practice of micro insurance creates the platform which allows the poor to take more financial risk which may result in higher profit margins. Without micro insurance the poor would only focus on activities with minimal risk components which do not yield higher returns but an income level sufficient only for themselves and their family (Maleika, 2009).

2.2.1 DEFINITION OF MICRO-INSURANCE

According to GCAP Working Group, micro-insurance refers to the protection of individuals, within the low income bracket, from specified losses in return for a fee (premium) commensurate with the level of risk protection. Low-income people can use micro-insurance, where it is available, as one of several tools to manage risks-one of the causal factors of poverty if not managed. Other tools include community-based mutual support systems; risk avoidance and reduction; access to other risk-managing financial services such as savings and emergency loans; and social protection options made available through governments, in the case of Ghana-National Health Insurance Scheme. According to CGAP, these tools collectively form a complex matrix through which low-income people manage their risks. This definition by GCAP is almost the same as defined by Churchill 2006. Central underlying principle of micro insurance is risk pooling, which implies that financial contributions are collected from the members of an insurance scheme, and the loss of one individual is spread among all members in case of risk occurrence.

The main difference between micro insurance and regular insurance is that the former is specifically targeted at low-income people, who have limited financial resources and often irregular income flows. Thus, the product design is tailored to meet the needs of these people and financial capabilities. Micro-insurance, like microcredit, involves the breakdown of a conventional financial product, in this case insurance. With the downscaling of insurance products some defining characteristics change in order to meet the needs of the poor. One of the big hopes resting on micro-insurance is granting access to insurance to those previously deprived from any form of formal risk mitigating mechanism. On a general note, microinsurance can be defined simply as "insurance for the poor". This is in analogy to microcredit, which is in fact credit for the poor. Similarly, Warren Brown (2001) defines micro-insurance as insurance for low-income people. Churchill et al. (2006) reinforce this point by stating that micro-insurance and conventional insurance are similar except that the former referring to a clearly prescribed target market: low-income people. There is no clear cut-off point between micro-insurance and conventional insurance. Micro-insurance is primarily directed at people below and at the poverty line, sometimes also marginally above it. Apart from addressing different people, micro-insurance is not substantially different from conventional insurance theory with respect to the major insurance characteristics. Microinsurance is also affected by asymmetric information and market failures like adverse selection and moral hazard. In addition, due to its small scale layout micro-insurance is much more exposed to transaction costs than conventional insurance (Morduch, 2002).

2.2.2 TYPES OF MICRO-INSURANCE

Just like formal insurance, micro insurance offers low income earners the opportunity to choose among the various types of micro insurance policies. Below are some common types of micro insurance policies:

Micro-Life insurance policy- this type of micro insurance seeks to pay some amount of money to specified beneficiaries once the insured dies. This can be further broken into term, whole and endowment. Micro life is similar to life insurance policies offered by formal insurance companies but tailored to meet income levels of the poor. With term life, insurance coverage is for a stipulated period of time. Whole life policy, on the other hand, offers protection throughout in the insured life time. Term life insurance policies provide a set amount of insurance coverage over a specified period of time say five or ten years.

Endowment policy seeks to pay the face value of the policy should the insured die within a stipulated period of time

Health Insurance- this type of micro insurance provides protection against unexpected illness and accidents. This type of micro insurance is not largely offered by MFIs and insurance companies in Ghana. This is largely due to Government of Ghana‟s implementation of the National Health Insurance Scheme to care for the poor

Non-life policy- this type of policy, specifically property insurance provides insurance cover against losses and damage of insured‟s property. What makes this type difficult is the measurement of the extent of damage or loss when a peril occurs.

Other policies include disability insurance (a component of life insurance) which provides that insured and his/her family against damage resulting in physical injuries and crop insurance which also provides cover against natural disaster which causes damage to crops. This was widely practiced in Ghana in the 70s and 80s. Other notable ones include disaster insurance, unemployment insurance and reinsurance.

2.2.3 MICRO-INSURANCE DELIVERY MODELS

The effectiveness of micro insurance not only lies in the products but how the products are delivered to customers-low income earners. Mechanism for micro insurance delivery is organization specific. Generally, mechanisms though which micro insurance services are delivered are partner-agent model, full service model, provider driven model and communitybased or mutual model. These modes are discussed below:

Partner agent model: A partnership is formed between the micro-insurance scheme and an agent (insurance company, microfinance institution, donor, etc.), and in some cases a thirdparty healthcare provider. The micro-insurance scheme is responsible for the delivery and marketing of products to the clients, while the agent retains all responsibility for design and development. In this model, micro-insurance schemes benefit from limited risk, but are also disadvantaged in their limited control.

Full service model: The micro-insurance scheme is in charge of everything; both the design and delivery of products to the clients, working with external healthcare providers to provide the services. This model has the advantage of offering micro-insurance schemes full control, yet the disadvantage of higher risks.

Provider-driven model: The healthcare provider is the micro-insurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.

Community-based/mutual model: The policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services. This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations.

2.3 RATIONALE FOR MICRO-INSURANCE

The microfinance industry in providing credit or financial assistance to the poor for the past years has learnt significant lessons. Notable amongst them is the fact that the poor does not only need credit to improve on their livelihood. It is out of these lessons that micro-insurance has become the newest discipline within the microfinance industry which aims at offering protection against risks faced by the poor (Kloppenburg 2006, Leftley and Mapfumo 2006, Llanto,et all,2007).

Today, micro-insurance promotion has taken a front runner role in poverty alleviation programmes to help enhance both the development of the financial, health and social security systems. This is because development experts across the world have come to the agreement that micro-insurance is a potent tool for complementing micro credit in the fight against poverty by enabling poor households to pool risks, thereby, preventing them from falling deeper into the poverty trap at the occurrence of unforeseeable shocks (Wiedmaier-Pfister, Jowett, Portula, Llanto, 2007). The occurrence of a peril has the ability to wear away hard earned but small income of the poor. This is specially the case when the households have no formal insurance cover over them. The role of micro-insurance like any effective risk management instrument, according to Leftley and Mafumo (2006), is therefore to stabilize income level and provide a safety net for the poor as they move away from the poverty trap.

Micro-insurance in summary has the ability to help boost the stability of the poor.

2.4 THE NEED FOR MICROINSURANCE

The goal of several poverty eradication projects or programmes embarked on by the Government of Ghana is to ensure a sustainable equitable growth, accelerate poverty reduction and protect the vulnerable (GSS, 2000). Although there are several projects aimed at accelerating poverty eradication and sustaining equitable growth in Ghana for the poor, there seems to be little or no attention to developing programs or projects targeting the protection of the poor or the vulnerable. The 2000 population and housing census indicated that 80% of the working population in Ghana is found in the private informal sector. Lately it has also been noticed that the informal sector does not only lack access to credit but also lack other important products like insurance that has the ability to protect the poor and their gains from identified life cycle risk or emergencies by ensuring that the agenda for poverty eradication by the Government is continued. The poor in developing countries like Ghana enjoy few safeguards against the numerous perils of life – illness, injury, natural disasters, or loss of property. This is so because most governments in developing countries are often unable to provide adequate social protection for their poorer citizens. At the same time, formal insurers in many markets do not see low-income people as viable clients since they consider the informal market as highly risky and expensive. The absence of adequate social protection for the poor in Ghana has the ability to undermine the achievement of the country"s poverty eradication strategy programmes. There is, therefore, the need to promote the concept of micro-insurance by governments as well as other private entities to ensure that the gains of the poor who are mostly in the informal private sector of the economy are provided with adequate social net to protect them and their gains from life vulnerabilities. In connection to the importance of micro-insurance, there has been recent progress whereby some traditional insurance companies have introduced some simple products, such as life insurance and credit life for the poor or the low income earners (Latortue, Montesquiou and Ward 2008). This progress is mostly as a result of Non- Governmental Organizations providing financial assistance to certain insurance companies to consider developing products for the low end market. A major vulnerability and exclusion study undertaken in Ghana by Snyc Consult in 2006 indicates that there are five main risks which create vulnerability to poverty in Ghana and these are: Macroeconomic shocks, Health shocks, Life cycle shocks, Natural environment and disasters and Exclusion tendencies.

The work further indicated that although poor people in the informal sector are exposed to multiple risks, they lack effective risk management instrument to militate against the identified vulnerability. According to Vigano et al. (2007), in the absence of institutional opportunities to insure or cover against risks, households and individuals in developing countries may use different strategies to deal with them. For example, the traditional coping strategy of many poor households includes the selling of assets: land, livestock, borrowing at high interest rates, etc. These coping strategies in the end leave debt burdens for the affected individuals. In most cases it was noticed that this traditional method of coping or managing a risk rather undermines the low income person"s capability to survive future shocks. In other cases, the individual"s ability to become financially independent again after a risk or an emergency takes rather a longer time than expected after such incidence of vulnerability. Micro-insurance is an emerging industry and MFIs as well as similar institutions that serve the poor have come to recognize that their clients do not only need loans but a variety of financial services which includes insurance

(Llanto et al,2007) Poor clients over time have articulated their need for risk protection. In response to these needs, many have formed organized groups and these groups have attempted to manage their own in house mutual benefit associations which have not been very successful. For example in Ghana, people join social groups which may be based on religious, cultural or family affiliations or relationships. Most of these groups have welfare scheme systems that employ all members to contribute a minimum amount of money which is deposited in a central pool and managed by the leaders of the groups to be used to support paid up members in the event of a risk like death or sickness or any emergencies as agreed upon by all the members belonging to the group. The challenge of these indigenous welfare schemes, however, lies in the fact that the Mutual Benefit Associations (MBA) lack the technical knowledge required in the management of risks. In most cases it has been noticed that the schemes only provides only token assistance to the affected member which involves the purchase of a quantity of provision (milk, sugar, etc) to be presented to a hospitalized member . Another key challenge encountered by the MBA is that in some cases the pool of funds mobilized gets depleted before the occurrence of an emergency and members are, therefore, made to contribute an additional amount aside their regular contributions in order to enable them to support their troubled member. For instance, in Ghana, most poor families support the cost of funerals by borrowing from traditional money lenders and or from relatives. The loans are paid from the revenues generated from the donations and contributions received during the burial ceremonies which in most cases cannot be guaranteed as source of repayment for the loan. Most low income earners or the poor, therefore, become indebted after performing the funeral rites of their loved ones, thereby, threatening their ability to improve on their livelihood. This has led to cases where children of school going ages are made to drop out of school to take up employment in order to support their parents or relations in paying debts brought about as a result of the cost incurred in organizing a funeral.

2.5 HISTORY OF MICRO-INSURANCE IN GHANA

The micro-insurance industry in general and Ghana in particular has a long way to go, many lessons to learn and distribution and breakthroughs are yet to come. The business formally started in 2004 when CARE supported GLICO to design the first formal micro funeral insurance policy in Ghana. By the end of 2006 the micro funeral policy designed by GLICO and distributed through 6 MFIs was the only known micro insurance product available for the low income earners. In 2007 Micro Insurance Agency (Micro Ensure) was registered and incorporated as an insurance agent to promote the design, sale and distribution of microinsurance products by providing strategic linkages between the traditional insurance companies, MFIs, NGOs and the targeted clients.

2.6 DEMAND FOR MICRO-INSURANCE AMONGST THE POOR

Leaftley, 2007 indicated that without access to affordable and sustainable insurance products society will have no safety nets. The effect of the losses is that the entire community gets poorer and the poor faces an uncertain future where an emergency can rapidly erode the assets that hard work has taken many years to accumulate (Leaftley, 2007). Although it is a fact that low-income households are extremely vulnerable, early research on the demand for insurance suggests that the target market may not consider insurance as an appropriate means of managing risks. Some very poor people may not also want to purchase insurance because they may not consider the expense to be a good use of their limited financial resources.

Others actually think that they don"t need insurance but strongly believe that insurance is for the poor. An insurance demand study conducted in Zambia clearly revealed that insurance would not be a high priority for many poor people (Matul 2007, Churchill, Liber, McCord and Roth 2003). The demand for Micro-insurance has been found to be directly related to vulnerability and it grows out of the risks and risk management strategies of low-income households.

2.7 DETERMINANTS OF DEMAND FOR MICRO INSURANCE

According to Akotey and Gamegah (2011) in the article "demand for micro insurance in Ghana", an individual‟s demand for micro insurance are affected by the following factors,

Premium flexibility: One important factor that encourages informal sector workers to demand micro insurance is the flexible payments and collection of affordable premiums. Since most of the informal workers do not have regular income, providing insurance to them requires the proper structuring of its price (premiums) in terms of cost, flexibility of payments and ease of collection. It is, therefore, very important that the timings of premium collection is structured to coincide with the cash inflows of low-income households (GuhaKhasnobis and Ahuja, 2004; Sinha, 2002; Tenkorang, 2001). This point is reiterated by Sebstad et al. (2006) that, micro-insurance demand studies that take into consideration the cash flows of the informal sector can be valuable in designing premium payment systems. This is because past studies have proved that micro-insurance schemes can run into serious difficulties when premium payment options do not coincide with the cash flow of lowincome households (Guha-Khasnobis and Ahuja, 2004; Sebstad et al., 2006; Leftley, 2002).

The level of income: Beenstock et al. (1986), Browne and Kim (1993) and Outreville (1996) claimed that the capacity to afford an insurance premium is directly connected to one‟s level of income. However, the capacity of low-income households to afford insurance services is not only related to the level of income but also the proper management of their financial resources has a remarkable impact on their access to micro insurance (Matul, 2005).

Nodal agency: Guha-Khasnobis andAhuja (2004) assert that a nodal agency is a must in the provision of a cost-effective micro insurance that addresses the most important needs of lowincome households. A nodal agency could be any of the civil society associations such as community-based organizations (CBO), women‟s groups, informal economy trade unions, non-governmental organizations (NGOs), MFIs, micro-entrepreneurs associations and so forth. Such organizations being aware of the specific needs of their members can promote their access to micro-insurance services. The functions of a nodal agency include product design, premium collection, distribution and the control of adverse selection as well as moral hazard (Guha-Khasnobis and Ahuja, 2004).

Expectations: Under expectation, issues to consider include trust, prompt payment of claims and the expected benefits or value of micro-insurance products. Trust is a very important variable that influences the decision of informal workers most of whom are low-income earners to subscribe to micro insurance. For instance, if low-income earners trust that insurers will honour their legal responsibilities by making prompt payments of claims when necessary, then they will be encouraged to buy micro insurance products (McCord, 2008).

Insurance knowledge: Low-income households think that they do not require insurance. This is probably due to lack of confidence in insurers and poor understanding of the riskpooling concept. Previous experience with micro insurance shows that many people do not understand the concept of insurance and how it works. In some cases, the views of poor people about insurance are negative. They see it as the reserve for the rich; something that is irrelevant, too expensive or even unfair (McCord and Osinde, 2005; Cohen and Sebstad, 2005; Manje and Churchill, 2002; Herrera and Miranda, 2004; Matul, 2005; McCord, 2008).

Conducting a research on the impact of risk events and on how poor people cope with the shocks, gives a better picture of the need and demand of insurance. When crisis occur the poor adopts common coping mechanism in order to solve the accompanying challenges (Cohen and Sebsted 2006). It is, therefore, worth saying that understanding the various coping mechanism of the poor in the event of a risk management is an important lessons needed in accessing demand for micro-insurance.

2.8 EVIDENCE OF IMPACT OF MICRO-INSURANCE

Though the concept of micro insurance is relatively new, attempts to evaluate the impact of micro insurance by many researchers abound. Typical of such attempts is the work of Mosley (2008) which tabulated findings from five (5) micro insurance schemes. The schemes assessed were FINCA, BRAC, Grameen Kaylan, SSS (which are health insurance schemes) and BASIX in India (which is a weather insurance scheme). General assessment by Mosley revealed that all five schemes had positive impact on the lives of the poor. Some studies also assert that the impact of micro finance has positive externalities. Mosley (2008) reiterates that „outsiders" even enjoy the benefits of micro insurances that those directly insured. This situation points to the fact that market failure is imminent and may cause a shortfall in supply of micro insurance services. Despites these efforts to measure the impact of micro insurance extensive study is required to authenticate the uncertain and incomplete impact assessment of micro insurance documented by researchers to date.

2.9 CHALLENGES TO THE ENHANCING MICRO INSURANCE

Though micro insurance has recorded cases of positive impact assessment this achievement is narrow relative to the impact of micro credit. This limitation is largely due to, but not limited to, its newness. Other reasons are that the provision of insurance services is more complex relative to micro credit resulting in low take up rates. As evidence to the above reason, Clarke and Dercon (2008, p.10) comment that the insurance company faces high costs, small pool of insured risk among others when there is low subscription. Parallel to the above comment, Mosley (2008) points out the negative relationship between break-even premium and the size of the portfolio. He explains this relation as that this trade-off suggests that there are basically two routes to overcome the problems faced by micro insurance programs. One is to raise premium and thus limit access by the poor. This is however a self-defeating route, so far as providing insurance to the poor is concerned. The other is to increase participation by the poor by keeping the premium low and reach the uptake level at which the program becomes financially viable. Mosley further reiterates the selection of the latter as it is more desirable but emphasis must be placed on sustaining the program until it reaches break-even point. He asserts that the survival of micro insurance program in a pro-poor condition should be the crux of the problem. In light of the challenges explained above it has become necessary to experiment micro insurance with different options. Much attention is being drawn to the many different types of risk from life to crop and health among others. Conclusively, general assessment points out that micro insurance can assume a key role if effectively and efficiently combined with right policies and designs.

2.9.1 STATE OF POVERTY IN GHANA

Don"t ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty. Poor man, Kenya 1997 (Nayaran et al. 2000 cited in Blackmon 2008). Till date, poverty reduction is one of the major goals of development interventions. As a results all stakeholders including UNDP, governmental and non-governmental organization, World Bank among others have committed resources and attention to the cause of poverty reduction. Initial attempts saw the United Nations (UN) in the 21st century to establish Millennium Development Goals (MDGs) which seeks to reduce considerably, if not eliminate, poverty in developing countries. After this intervention, several other followed suit. Most notable among these interventions is the Poverty Reduction Strategy Papers (PRSP), largely inspired by World Bank. These papers aimed at developing various strategies for combating poverty in developing countries. In broad terms, the PRSPs aimed at reducing the number of people living under the situation described as poor. Ghana has over the last three decades implemented a number of development policy frameworks as parts of its poverty reduction agenda. These include Ghana‟s version of the PRSPs framed as medium-term development policy frameworks: the Ghana Poverty Reduction Strategy, 20022004 (GPRS I) and the Growth and Poverty Reduction Strategy, 2005-2009 (GPRS II). The current medium-term development policy framework, the Ghana Shared Growth and Development Agenda, 2009-2013 (GSGDA) like its predecessors, GPRS I&II, also focuses on accelerated economic growth with the ultimate goal of reducing poverty (GoG/NDPC 2002, 2005, 2009).

Since the late 1980s, Ghana has periodically conducted a number of surveys, referred to as the Ghana Living Standard Survey (GLSS), to determine the incidence of poverty across localities and socio-economic groups in the country. In all, five rounds of the GLSS (1-5) have been conducted by the public statistical agency, the Ghana Statistical Service (GSS). From these surveys, consumption (expenditure)-based poverty measurement is applied to derive a poverty line which indicates the level of standard of living measure at which minimum consumption must be met (GSS 2000). According to the most recent poverty report by GSS, the overall poverty profile of Ghana show declining levels of poverty across the country with the lowering of the absolute numbers of the poor from about 7.4 million individuals in 1991 to about 6.2 million individuals in 2006 (GSS 2007). In proportional terms, the percentage of the Ghanaian population defined as poor decreased from about 52 percent in 1991 to about 28 percent in 2006. However, the overall picture on declining levels of poverty masks significant differences across localities (rural and urban areas), administrative regions, economic activity and gender (male and female headed houses). For instance, while poverty has declined generally, the decline was significant in the southern forest belt of cocoa and other cash crops production, and actually increased in predominantly food crops producing areas and fishing communities of Ghana (GoG/NDPC 2010). A key policy debate that has attracted the attention of policy-makers and researchers is the definition and measurement of poverty. According to Owusu and Yankson (2007), defining and measuring poverty in terms of, who the poor are and the methods used are very important and critical as they have a huge impact on the strategies that a country adopt to reduce poverty. They added that the definition and measurement of poverty are also the foundation on which the analyses of the poor are anchored. However, as Satterthwaite (2004) notes, the way poverty is defined in many developing countries remains rooted in questionable assumptions about what „poverty‟ is, and the real needs of the poor. In particular, the use of income or expenditure as determinant of the poverty line within the context of the widely accepted view of poverty as a multi-dimensional is problematic. According to Boarini and d‟Ercole (2006), income measures do not provide a full picture of the command of resources that an individual or household possesses. They add that income measures tend to neglect the ability of individuals and households to borrow, to draw from accumulated savings, and to benefit from help provided family and friends, as well as consumption of public services such as education, health and housing. Therefore, in the light of the criticisms of the monetary poverty measurements, non-income indicators such as access to health, education, housing, are increasingly considered in the measurement of poverty. However, the use of the poverty line is still widely used in many countries, including Ghana (GoG/NDPC 2002; GSS 2007).

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.1 INTRODUCTION

This chapter sought to discuss the population and sample size, the techniques used for sampling and data collection, the various data collection instruments as well as the procedures used in measuring and analyzing the data. This chapter therefore seeks to describe how the whole research was conducted.

3.2 THE RESEARCH DESIGN

The research strategy adopted by the researcher is the case study approach. Non-probability sampling techniques, specifically convenience and purposive sampling method were used in the study.

3.3 POPULATION

The study focused on all individual micro insurance clients and staff of Glico Insurance Company in Ghana. Specifically, the study focused on clients in the low income bracket; the Bankable poor.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUE

Both convenient and purposive sampling technique was used in choosing the sample size. The study sought to cover a sample size of eighty (80) respondents (clients). The size was selected largely due to time constraint. Similarly, purposive sampling technique was used to select key management staff of Glico Insurance Company to discover various insurance products on offer as well as challenges they face in delivering micro insurance services, among others.

3. 5 SOURCES OF DATA COLLECTION

Primary data for this research was collected from respondents using semi-structured questionnaires as well as face to face interview. Secondary data sourced from journals, articles and books used to form the theoretical framework for the research.

3.6 METHODS OF DATA COLLECTION

3.6.1 Questionnaire Administration

The questionnaires were sent to various respondents with the help of company‟s mobile deposit collectors. Due to the low level of literacy among these respondent, the researcher took time to read and explain the details of the questionnaires in a manner in which the respondents understood.

3.6.2 Conduct of Interview

Follow up interviews were conducted to seek clarification on earlier responses. The researcher intentionally repeated questions to ensure respondents gave a true opinion of the question being asked. An interview session was also conducted to solicit information from the insurance company in relation to micro insurance products, awareness and challenges of micro insurance. Ethical considerations were taken into consideration to ensure that information obtained from respondents is kept confidential.

3.7 DATA ANALYSIS

Considering the nature of the data that was collected, it was very appropriate to use both quantitative and qualitative approaches to analyze the data.

In terms of qualitative data, references and comparisons were made to both past and current literature. For quantitative analysis, descriptive statistical measures such as bar graphs, pie charts and bar charts were used to provide a pictorial view of the findings of the research.

Statistical software package such as SPSS and Microsoft Excel was also used to analyze data obtained from the questionnaire. Recommendations were made based on the findings.

3.8 LIMITATIONS

The researcher encountered some challenges in the course of the study. These include the following:

- Most of the respondents initially misjudged the researcher to be a government official, despite identification, and therefore were reluctant to provide the necessary information needed to complete the research.
- The respondents were widely dispersed, in terms of their location, and this posed a greater challenge as the researcher had to cover a large distance to reach the respondents
- High level of illiteracy amongst the respondent made it difficult for the researcher to solicit direct responses from the respondents.
- Another very pertinent limitation was time constraint. This was a very pressing issue as some respondents delayed the data gathering process. Following a well-developed and comprehensive time schedule for the study was crucial to reduce the effect of this constraint on the study.
- Intensified load shedding exercise also caused a major delay in the analysis of the data obtained from the respondents.

Despite all these problems, effort was made to gather much information to ensure accuracy and also give a true representation of the findings.

3.9 PROFILE OF GLICO INSURANCE COMPANY

GLICO was established in 1987 as a specialist life insurance company with a vision to grow, develop and become a leading life insurer in Ghana. GLICO, (then Gemini Life Insurance

Company) has focused on its vision and has, through innovation and excellent service delivery, become the leading privately owned life insurance company in Ghana, notwithstanding the numerous challenges it faces. The story of GLICO is one of perseverance, commitment to duty, dedication, loyalty and a firm trust in GOD. Mr. Kwame Achampong-Kyei, the stalwart man behind GLICO LIFE, left his comfort zone in Britain to set up a life insurance business, because he believed that “A man cannot sit on another‟s sun and shine”. So, he decided to walk into the dark and light up his own lamp by returning home to start a company and contribute to the economic development of his country.

Today, GLICO LIFE has grown from a single business unit specializing only in life insurance, to a Group status. It now boasts of six distinct business enterprises comprising

GLICO Life Insurance Company Ltd, GLICO Financial Services Ltd, GLICO General Insurance Company Ltd, GLICO Healthcare, GLICO Properties Ltd, and GLICO Pensions Trustee. GLICO LIFE is now a one stop shop for insurance and financial services. Insurance at your door step is a key objective at GLICO. Over the past 27 years, Glico has opened branches in major cities nationwide to save its clients the hassle of traveling long distances. Glico currently has twenty-two (22) Branches and Area Offices in all the ten regions of Ghana to serve you. At GLICO LIFE, the aim is to make life insurance available to every household in Ghana to meet the needs of the insuring public. Glico‟s Micro insurance products are: GLICO Anidaso Policy and GLICO Edwa Nkosuo Policy.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS OF FINDINGS

4.0 INTRODUCTION

In the previous chapter, the research design, the sample of the study, the data collection techniques, the method of data analysis and the statistical procedure of the research were discussed. This chapter discusses various findings of the research. The discussion focuses on the demography of respondents, reasons for micro insurance, income level of respondents, awareness creation mechanisms, micro insurance products subscribed by respondents, challenges faced by micro insurance providers and benefits of micro insurance. In all, eighty (80) respondents, mainly micro insurance clients of Glico insurance company, and a staff of Glico insurance company (coordinator of micro insurance) were interviewed through questionnaires and face-to-face respectively. A response rate of 100% was received as all 80 questionnaires administered were duly answered.

4.1 FINDINGS FROM FACE-TO-FACE INTERVIEW

The researcher conducted a face-to-face interview with Mrs. Ahmed Barikisu, northern sector coordinator of micro-insurance at Glico insurance company, Kumasi. The interview revealed micro insurance products offered, insurance delivery model, and challenges faced by Glico insurance company. Below is the presentation of the findings from the interview.

4.1.1 GLICO'S DELIVERY MODEL:

Glico insurance company practices somewhat of partner-agent model of insurance delivery where the company partners with selected micro finance institutions as well as rural banks. Glico insurance company currently partners with TIP micro finance and Micro Capital as well as several rural banks. With the micro finance institutions, Glico conducts training sessions for the sales and marketing team of the MFIs‟ to market its micro insurance products to already existing and prospective client who approach the micro finance institution for financial assistance. Unlike the MFIs, Glico insurance company has stationed in the offices of the rural banks their trained micro insurance staffs who offers micro insurance services to both existing and prospective clients of the rural bank.

4.1.2 MICRO INSURANCE PRODUCTS:

Currently, Glico insurance company offers two (2) main life insurance policies with savings component for low income earners. These are

- Edwa nkosuo policy: this type of micro insurance covers only the insured (usually, the main contributor). The insured makes a daily minimum premium payment of Ghc 2.00 for a year after which the client is reimbursed with the full savings component of the policy provided a peril does not occur.
- Anidaso policy: this policy is similar to Edwa Nkosuo however the insurance covers not only the insured but the spouse and two other children under the ages of 18 years. With this policy the insured makes daily minimum premium payment of Ghc 5.00 for a minimum of five years after which the client is reimbursed with the savings component in the event that losses do not occur.

4.1.3 MARKETING STRATEGY:

The interview conducted by the researcher revealed that although the company has adopted different marketing strategies, the company"s policy on marketing is one-to-marketing (staff to customer). The reason for this strategy, is to enable the staff of the company explain to prospective client, in detail, the concept of micro insurance and its benefits.

4.1.4 CHALLENGES:

The main challenge faced by Glico insurance company in relation to providing micro insurance services is the recent collapse of many micro finance institutions. The collapse of micro finance institution like Noble Dream and DKM created fear and panic and this has reduced the level of confidence individuals have in the micro insurance business and micro finance as a whole. The head of micro insurance at Glico however admitted that the company has reduced its involvement with MFIs and currently offering direct micro insurance services to the clients as part of measures to over this challenge. This strategy, in particular, is the reason why the partner-agent mode of delivery of micro insurance discussed later in this chapter recorded the penultimate percent in terms mechanisms for creating micro insurance awareness, as the study revealed.

Secondly, competition from other insurance companies particularly State Insurance Company (SIC) and Star Assurance Company poses a great challenge to Glico insurance company which is market leader in micro insurance business having served this section ten (10) years now. In addition the current state of the Ghanaian economy if not stabilized may cause a significant drop in clients" commitment to pay daily premium. The head of micro insurance confirm this but vocally expressing that "the sign are here because most of the mobile tellers come back with lower levels of daily premium collection".

4.2 ANALYSIS OF CLIENT RESPONSES

4.2.1 AGE AND GENDER OF RESPONDENTS

Table one below depicts the demography of respondents who answered questionnaires administered. Out of eighty questionnaires administered, forty-two (42) were answered by male respondents with the remaining thirty-eight answered by female respondents.

Respondents, in terms of age, ranged from eighteen (18) years to over thirty (30) years ago.

Another demographic feature worth addressing is that majority of the respondents were traders with others in marketer, student category. The obvious reason for majority of respondents falling within the trader category is the location of Glico insurance company. Situated in the heart of the business district of Kumasi, Adum, where predominant business activity is trading, most traders willingly accept to do business with the Company, if for no reason at all, but proximity sake. Table one below presents a cross tabular representation of respondents age and gender:

TABLE 1: CROSS TABULATION OF AGE AND GENDER OF RESPONDENTS.

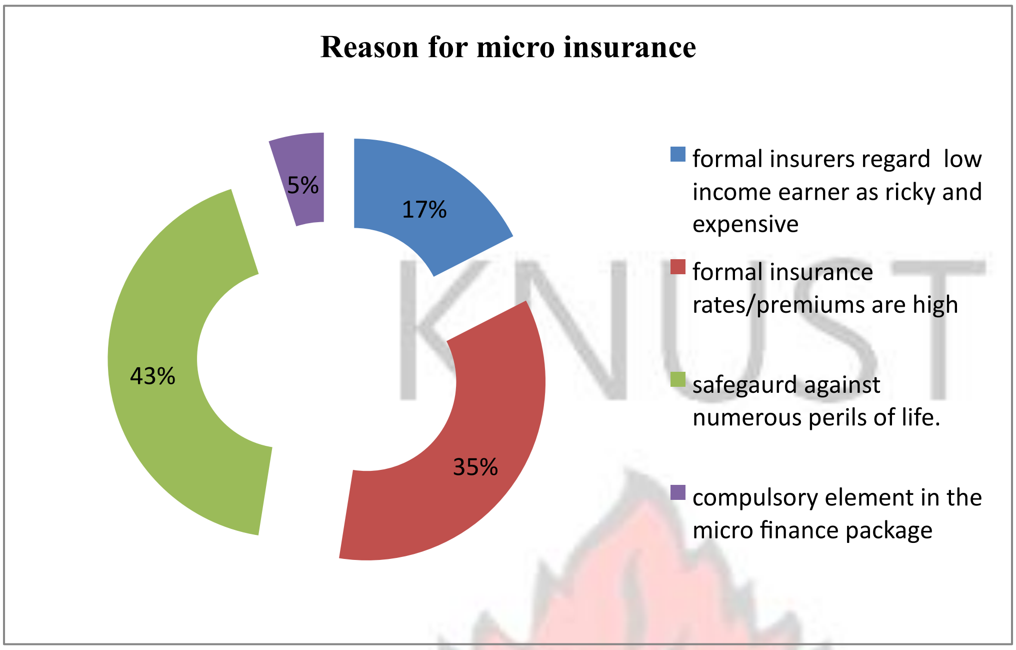
AGE (IN YEARS)	**GENDER OF RESPONDENT**		**TOTAL**
	MALE	**FEMALE**	
18-23	2	11	13
24-29	17	24	41
30-35	14	3	17
36 and above	9	0	9
TOTAL	42	38	80

Source: Survey 2015.

4.2.2 CLIENTS' REASONS FOR BUYING GLICO'S MICRO INSURANCE POLICY

Revealed by Kloppenburg 2006, Leftley and Mapfumo 2006, Llanto,et all,2007, the microfinance industry in providing credit or financial assistance to the poor for the past years has learnt significant lessons. Notable amongst them is the fact that the poor does not only need credit to improve on their livelihood. In line, the poor also to some extent have come to understand and appreciate the need for production. Presented below are the findings as to reasons why clients purchased Glico‟s insurance policy

FIGURE ONE: Client's reasons for buying Glico's micro insurance policy.



SOURCE: Survey 2015.

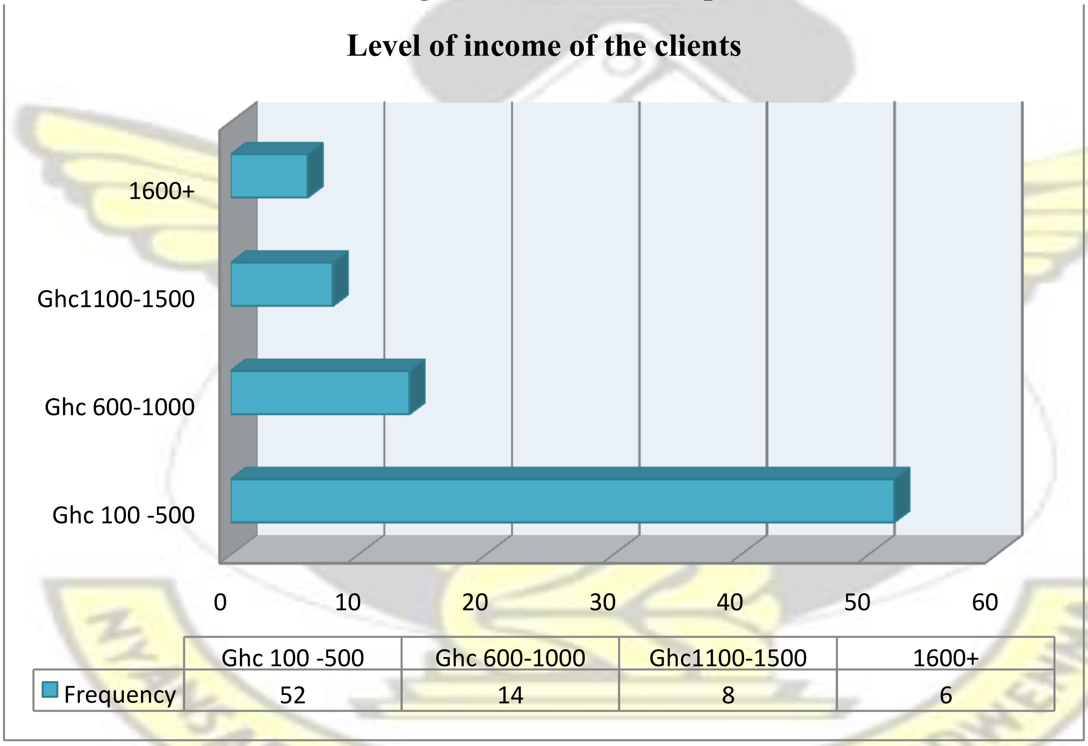
Responses from the survey indicate that 43% of the clients acquired Glico"s micro insurance policy in order to be safeguarded against the numerous perils of life. Follow-up interviews with some section of the clients confirmed that most of the clients were aware of their vulnerability to risk exposure and possible unforeseen losses and thus constructively purchased the policy against the backdrop of the fact that any disaster which can expose them to poverty can occur at any time. As revealed by Sync Consult in 2006, through a major vulnerability and exclusion study undertaken in Ghana, there are five main risks which create vulnerability to poverty in Ghana and these are: Macroeconomic shocks, Health shocks, Life cycle shocks, Natural environment and disasters and Exclusion tendencies. Any of these risks can render the clients of Glico insurance company poor. Similarly, 35% of the clients indicated that their decision to purchase Glico"s micro insurance policy stems largely from the high insurance/premium rates charged by formal insurers. They expressed that they could not in any way afford the policy as formal insurance rates/premium are extremely high for them considering their level of income and other financial obligations they must meet.

As revealed by Latortue, Montesquiou and Ward 2008 there has been recent progress whereby some traditional insurance companies have introduced some simple products, such as micro life insurance and credit life for the poor or the low income earners but this progress is mostly as a result of Non- Governmental Organizations providing financial assistance to certain insurance companies to consider developing products for the low end market. Notable institutions in Ghana apart from Glico insurance company include Star micro insurance services limited and State insurance company. However, considering the large number of low income earners in Ghana, the ratio of insurance company offering micro insurance services to low income earners is considerably low with most of the insurance companies targeting the formal sector largely. To affirm this findings Latortue, Montesquiou and Ward 2008 of a section of the clients interviewed, representing 17% of the respondents indicated that formal insurer do not see the provision of insurance services to the poor to be profitable but risky and expensive. It is for this reason that they purchased Glico‟s micro insurance policy because it well suits their needs. Lastly, responses from 5% of the clients interviewed bared that they hold micro insurance policies because it is part of the requirement to access micro credit. That is to say that the micro finance institutions provide a full micro finance package (micro credit and other financial services of which micro insurance is part) to their customers. Micro insurance service is delivered through partnership with an insurance company (in this case Glico); the partner-agent model of insurance delivery. This affirms the definitions of micro finance by Otero 1999 ("the provision of *financial services* to low-income poor and very poor self-employed people") and Ledgerwood 1999 who supported that the financial services generally include mostly savings and credit but can also include other financial services such as insurance and payment services

4.2.3 INCOME LEVEL OF RESPONDENTS AS A MEASURE OF POVERTY

Beenstock et al. (1986), Browne and Kim (1993) and Outreville (1996) claimed that the capacity to afford an insurance premium is directly connected to one‟s level of income. However, Matul (2005) conveyed that the capacity of low-income households to afford insurance services is not only related to the level of income but also the proper management of their financial resources has a remarkable impact on their access to micro insurance. Thus, the measurement of who a poor person/low income earner is must be carefully analyzed. This study uses the income levels as well as non-income indicators to define Glico‟s client as low income earners.

FIGURE TWO: Chart showing income levels of respondents



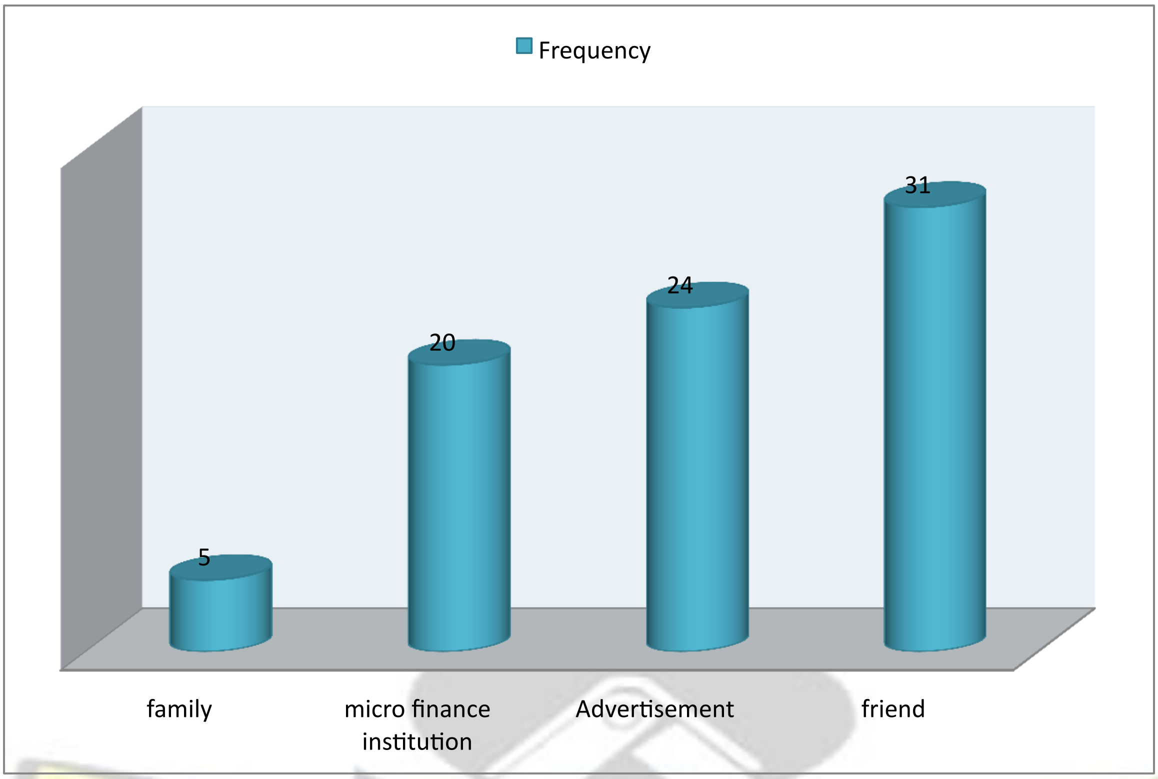
SOURCE: FIELD SURVEY 2015

The income levels of the respondents, as depicted in the chart above, clearly show that the respondents fall within the low income level category. However, as Satterthwaite (2004) notes, „the use of income or expenditure as determinant of the poverty line within the context of the widely accepted view of poverty as a multi-dimensional is problematic‟, this study adopted a multi approach in the definition of a poor client. On the basis on income levels, the findings of the study points that 65% of the clients earn less than Gh 500 cedis monthly (an average of Gh 25 cedis daily). 17.5% of the clients disclosed that they earn between Gh 600 to Gh 1000 every month. Remaining 10% and 7.5% of the clients earn on monthly basis between Gh 1000-Gh1500 and above Gh 1600 respectively. The findings show that though some of the clients earn relatively decent income monthly, majority of the lie within the lowincome level category. On the basis of non-income indicators, follow up telephone interviews revealed that but for the implementation of National Health Insurance Scheme (though currently not in good shape) access to proper healthcare would be problematic. Most of the clients revealed that they "work hand to mouth" which literally means all salaries are spent on consumption. The use of the multi approach (income and non-income) revealed that the clients of Glico are low income earners.

4.2.4 MECHANISM THROUGH WHICH CUSTOMERS BECAME AWARE OF MICRO-INSURANCE.

The findings of the study revealed that the most common medium through which customer became aware of micro insurance product is direct referral by friends. Thirty-one (31) respondents out of a total of eighty expressed that they were made aware of the microinsurance products that Glico insurance company offers. Twenty-four (24) of the respondents revealed that frequent radio advertisements influenced them to subscribe to micro-insurance policies offered by Glico insurance company. Similarly, twenty (20) respondents were introduced to Glico‟s micro insurance products by various micro finance institutions which provide them with financial assistance while the remaining five (5) respondents were introduced to micro insurance by members of their family. Based on the findings of the research, the research submits that Glico Insurance Company practices the Partner Agent mode of insurance delivery but to an acceptable level. That is, Glico partners with selected Micro finance institutions as well as some rural banks to deliver micro insurance product and services to customers, mostly low income earners. This is also indicative that some micro finance institutions are implementing the full micro insurance scheme which encompasses micro credit (provision of small loans) as well as micro insurance (provision of insurance coverage) as explained by Otero 1999 and Ledgerwood 1999 in earlier submissions. This mode of delivery occupies the penultimate position, as explained early on, due to the frequent collapse of many MFIs lately. Summarily, the most effective of the mechanisms through which customers became aware of micro insurance products of Glico is Customer referral. This, to a large extent, is based on the trust prospective clients have in friends already subscribed to Glico‟s micro insurance products. It can therefore be stated with confidence that Glico has implemented its one to one marketing strategy, as stated in its policy, successfully. Advertisement, mostly radio, follow suit in this regard. This is followed by partner-agent model and family referrals respectively. Figure 1 below presents a diagrammatic view of the findings of the study with respect to how customers became aware of Glico‟s micro insurance policies and subsequently subscribed to it.

FIGURE 3: BAR GRAPH SHOWING MECHANISMS THROUGH WHICH RESPONDENTS WERE MADE AWARE OF MICRO INSURANCE



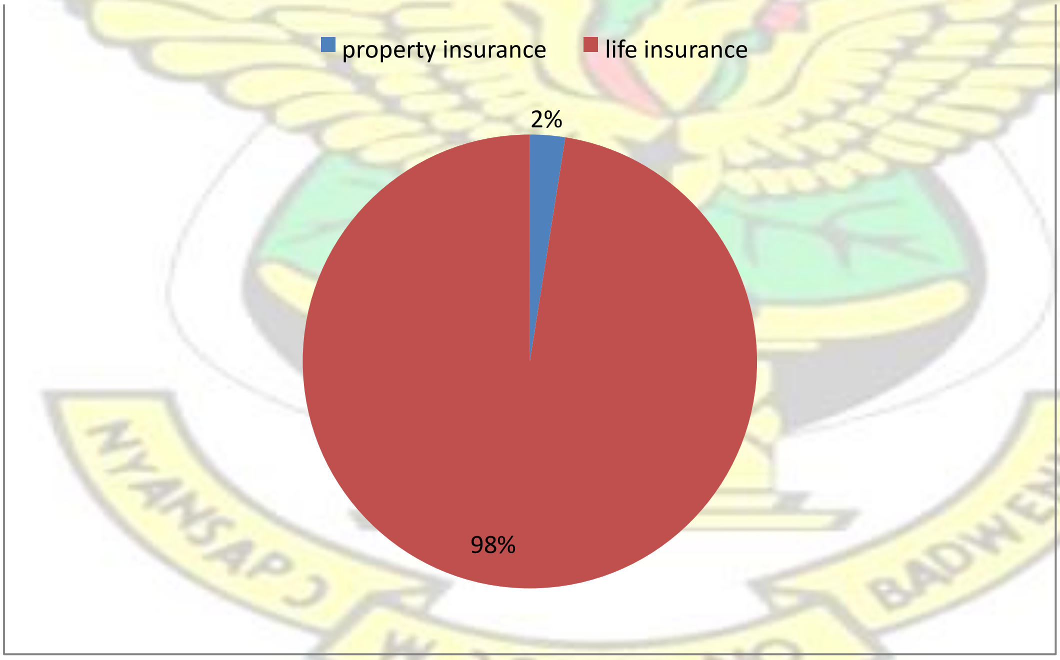
Source: Survey, 2015.

4.2.5 MICRO INSURANCE PRODUCTS SUBSCRIBED BY CUSTOMERS OF GLICO

Figure 2 below clearly displays micro insurance products subscribed by clients of Glico insurance company who are low income earners. Life insurance policy, as revealed by the study, was most subscribed by customers of Glico. Ninety-eight (98) %, representing seventy-nine (79), of the respondents revealed that they have subscribed to life insurance policy with two (2) %, representing one respondent, subscribed to property insurance. The researcher concludes that the high percentage of life insurance policy subscription by the customers is largely due to the terms and conditions of the policy. The life insurance policy requires daily minimum premium payment of Ghc 2.00/ Ghc 5.00 (Anidaso policy/ Edwa

Nkosuo policy) with a savings component inclusive which is affordable to most of the customers given their low income levels. Figure two (2) below gives a pie chart presentation of micro insurance products subscribed by customers of Glico insurance company. According to Akotey and Gamegah (2011) in the article "demand for micro insurance in Ghana", an individual‟s demand for micro insurance are affected by many factors such as flexibility of premium payment and level of income to mention a few. Stebstad et al (2006) reiterated that micro insurance schemes run into serious difficulties when premium payments do not coincide with the cash flow of low income earners. Similarly, Beenstock et al. (1986), Browne and Kim (1993) and Outreville (1996) claimed that the capacity to afford an insurance premium is directly connected to one‟s level of income. The study affirms these previous studies with its findings. Majority of the clients subscribing to the life insurance policies is largely due to the flexibility in the premiums. Relatively, the low income earners are comfortable with the payment of Gh 2 cedis and Gh 5 cedis respectively as these rates clearly meet their income level discussed above in this chapter.

FIGURE 4: PIE CHART SHOWING MICRO INSURANCE PRODUCTS SUBSCRIBED BY CLIENTS OF GLICO INSURANCE COMPANY

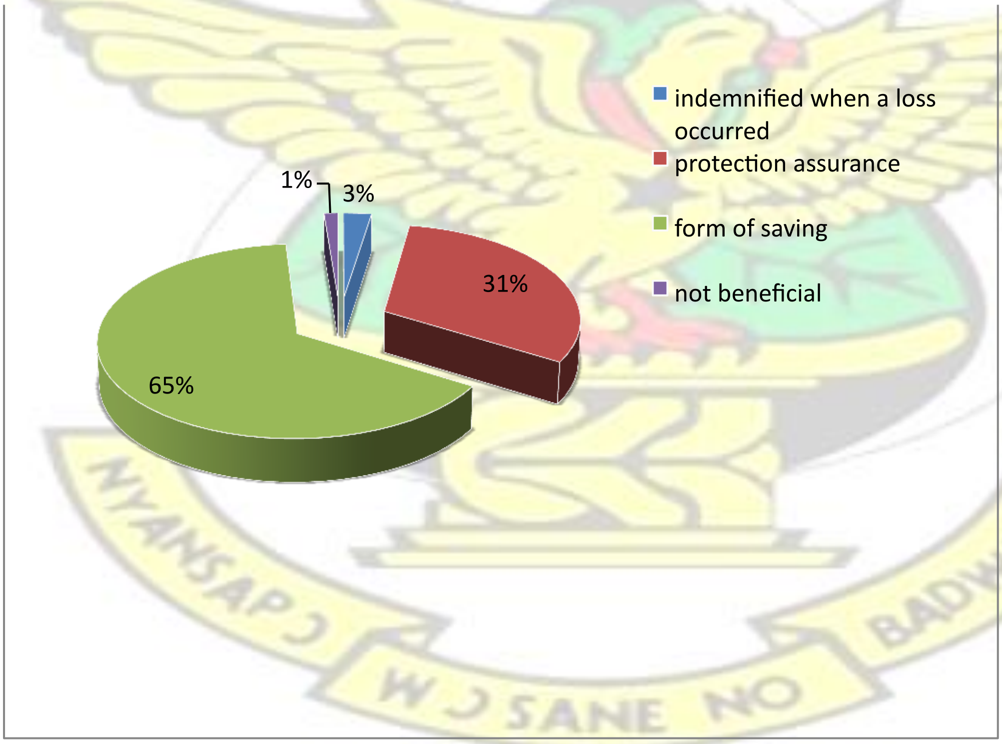


Source: Survey, 2015.

4.2.6 BENEFIT OF MICRO INSURANCE TO THE SUBSCRIBERS

There is no doubt that micro insurance plays a major role in complimenting the effort of micro finance in alleviating poverty. The study revealed some benefits clients of Glico insurance company enjoy for subscribing. The findings of the study show that out of eighty (80) respondents questioned, fifty-two (52) representing 65% of total respondents questioned expressed that the main benefit enjoyed from buying Glico‟s micro insurance policy is the savings component of the policy. Twenty-five (25) respondents stated otherwise citing "protection assurance" as the main benefit enjoyed from purchasing the micro insurance policy. This represents 31% of the entire respondents questioned. Two respondents representing 3% as well as one respondent representing 1% penned "indemnified when a loss occurred" and "not beneficial" respectively as the benefits enjoyed from the micro insurance products.

FIGURE 5: PIE CHART DISPLAYING THE BENEFITS OF MICRO INSURANCE



Source: Survey, 2015

All eighty but one respondent revealed that purchasing a micro insurance policy from Glico insurance company has been beneficial by all standards. The savings component attached to the life insurance policy provides these clients with "double" protection. This means that the clients are protected against occurrence of perils and have savings which they can fall on for emergency expenditure. Similarly, the knowledge of being protected against unforeseen circumstances beyond the client"s control is enough benefit from enjoyed by some clients of Glico insurance company. This affirm earlier research findings that the role of microinsurance like any effective risk management instrument is, therefore, to serve as a shock reliever to major risks and ensure that the household involved can continue on their route to escaping poverty (Leftley and Mafumo 2006, Cohen and Sabstad, 2006).

Respondents revealed that with guaranteed insurance cover against shocks, they panic less and are able to carry out their business operations without stress. As explained by Maleika (2009) that "when farmers are insured against a bad harvest (resulting from drought), they are a in a better position to grow crops which give high yields in good years, and bad yields in year of drought. Without the insurance however, they will be inclined to do the opposite; since they have to safeguard a minimal level of income for themselves and their families, crops will be grown which are more drought resistant, but which have a much lower yield in good weather conditions". In line with this statement, if clients have adequate cover or protection over their business operation they can expand their business operations extensively to areas which yield higher income levels.

Further, the study revealed that respondents were indemnified when hit by unexpected shocks. The respondents, based on follow-up interviews, revealed that they remained stable due to the micro insurance policy which indemnified them after they were hit by unexpected shocks. The respondents expressed that they would have been made poorer and devastated without the micro insurance policy. Nonetheless, an insignificant percentage of respondents revealed that purchasing a micro insurance policy has not been beneficial in any way.

CHAPTER FIVE

SUMMAY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This section of the study presents the summary of the findings of study as well as conclusion and recommendations.

5.1 SUMMARY

The research revealed that Glico insurance company is the leader in micro insurance business having served the sector for ten years now. It was found that the company currently offers two main micro insurance products for its clients namely, Anidaso life policy and Edwa Nkosuo life policy. The study showed that majority of the clients of Glico have subscribed to the life policy with an insignificant margin subscribed to non-life policy (specifically property insurance).

The study revealed the reasons for which clients of Glico purchased the micro insurance policy. Key among the findings is the need to safeguard themselves against unexpected perils as well as high rates of insurance rates which made formal insurance highly unaffordable. Other reasons are simply because assessing micro credit from MFIs compulsorily come with micro insurance and lastly, the perception that formal insurer regard low income earners as risky and expensive. The study also sought to define clients of Glico using the income levels as well as non-income variables. It was revealed that majority of Glico"s micro insurance clients fall within the low income level bracket and thus considered as poor.

The study also revealed the mechanisms through which micro insurance awareness is created.

Although Glico follows the partner-agent model and partners with selected MFIs and rural banks, the study revealed that the most effective mechanism for creating awareness is through “friend referral”-where existing clients introduce friends to Glico‟s micro insurance products. This is followed by awareness creation through advertisement, partner-agent model and family referrals respectively.

Benefits clients of Glico insurance company enjoy for subscribing to micro insurance policies were assessed. Majority of the respondents revealed that the savings component of the policy serves as a form of saving for unforeseen financial circumstances. Similarly, other respondents also revealed that purchasing an insurance policy from Glico gives them assurance of protection against the occurrence of a peril. This assurance gives them enough time and concentration to engage their daily business transactions. Having been indemnified after the occurrence of a loss, some respondent cited this as the benefit they have enjoyed as a result of buying Glico micro insurance policy. A respondent however, revealed that purchasing a policy from Glico has not been beneficial in any way. Finally, the study revealed that the recent collapse of many micro finance institutions like Noble Dream and DKM pose a great challenge to the micro insurance business by reducing the confidence of clients both prospective and existing.

5.2 CONCLUSION

The finding of this study presents evidence which support various arguments present by researcher with respect to the impact of micro insurance. This study confirms that micro insurance just like micro insurance can be a useful tool in reducing poverty. However, the success of this approach largely depends on how effective and efficient micro insurance strategies are implemented.

5.3 RECOMMENDATION

Delivering micro insurance services to rural areas.

The study recommends that Glico insurance company and all other players offering micro insurance services should endeavor to extend services to areas where rural savers (bankable poor) who are most vulnerable to shocks abound. To implement a full micro finance scheme (micro credit and micro insurance) the insurance company can liaise with licensed micro finance institutions in such areas to effectively offer micro insurances services.

Extension of product line.

Glico insurance company and insurance companies in general should assess the need of low income earners and design and implement new products lines which meet the needs of the customers both existing and prospective. For this to be effectively achieved the insurance company must conduct an extensive needs assessment of various low income earners or risk product failure.

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http://www.ilo.org/impactinsurance **APPENDIX**

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KNUST SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE

This questionnaire is intended for the collection of data that will help the researcher to investigate into the level of awareness of micro insurance as well as its effect on poverty reduction. The exercise is purely meant for academic purposes and as such whatever information you provide will be kept confidential.

Please complete this questionnaire with appropriate number or tick where appropriate.

1. Gender of respondent:

   a. Male [ ] b. Female [ ]

2. Age (in years)

a. 18-23 [ ] b. 24-29 [ ] c. 30-35 [ ] d. 36 and above [ ]

3. Marital status

a. Single [ ] b. Married [ ]

4. Type of Employment

a. Farmer [ ] b. trader [ ] c. artisans [ ] d. others, please specify ……………………………

5. How often do you receive income?

a. Daily [ ] b. Weekly [ ] c. Fortnightly [ ] d. Monthly [ ]

d. others please specify ……………………………………….

6. How much income do you earn within the time frame chosen in question 5

………………………………………………………………………

7. Are you aware of micro insurance and its related products?

a. Yes [ ] b. No [ ]

8. Who introduced you to micro insurance and its related product?

a. Friend [ ] b. Family [ ] c. MFI [ ] d. Advertisement

9. What type of micro insurance products have you subscribed?

a. Life insurance [ ] b. Health insurance [ ] c. Property insurance [ ] d. Crop insurance [ ] e. unemployment insurance [ ] f. others …………………………..

10. Which of the following reasons necessitated your choice of the product above?

a. safeguards against the numerous perils of life – illness, injury, natural disasters, or loss of property
b. formal insurers do not see low-income people as viable clients since they consider the informal market as highly risky and expensive
c. formal insurance rates are relatively high
d. compulsory element in the micro credit package
e. Others, please specify

………………………………………………………………………………………………..

11. Has it been beneficial for subscribing to any of the micro insurance products?

a. Yes [ ] b. No

12. If yes, what benefit(s) do you enjoy from purchasing the micro insurance product(s)?

a. I was indemnified when a peril occurred [ ]
b. I have protection assurance [ ]

INTERVIEW GUIDE

1. Do you have on offer micro insurance products for the low income earners?
2. What are some of the products on offer
3. Which type of the products stated in (1) above is mostly subscribed by low income earners?
4. What is the rationale for the provision of the micro insurance products?
5. Challenges faced from providing insurance services to low income earners.
6. In your opinion, do you think there is the need to provide micro insurance services to low income earners?