The Influence of Innovative Strategies on Insurance Penetration in Ethiopia: The Case of Nyala Insurance S.C.

A Thesis Submitted to the College of Business and Economics, Department of Management of Addis Ababa University in Partial Fulfilment of the Requirements for the Masters of Science (M.Sc.) in Management

By

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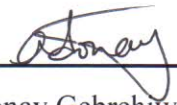
I, Adonay Gebrehiwot Gebreegziabher announce this research paper entitled "*The Influence of Innovative Strategies on Insurance Penetration in Ethiopia: The Case of Nyala Insurance S.C.*" is my own and I have the valor to say, it is an original research work that has not been produced by others in any other institutions or universities for any other requirements in any form. To this end, I acknowledge I have properly used all sources of information to produce the study appropriately.



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Mesfin Fikre (PhD)

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Abbreviations

Africa Re – Africa Reinsurance Corporation
ANOVA – Analysis of Variance
EIC – Ethiopian Insurance Corporation
GPD – Gross Domestic Product
Ethio Re – Ethiopian Reinsurance Company
IP – Insurance Penetration
IS – Innovative Strategies
NBE – National Bank of Ethiopia
NISCO – Nyala Insurance SC

Abstract

Insurance drives economic growth by managing risk and channeling funds, insurance companies fuel development in every economy. The insurance industry in Ethiopia suffers from a severely low insurance penetration. The penetration rate of insurance in Ethiopia is estimated at 0.32% which is very low compared to other countries. The study was undertaken to investigate the influence of innovative strategies on insurance penetration in Ethiopia. To foster a better understanding of the study variables the evolutionary theory of economic change was utilized. The study used a mixed research methodology and employed a correlational research design to achieve the research objectives. The study evaluated the influence of innovative strategies on insurance penetration in Ethiopia by measuring the level of implementation of innovative strategies. The study chose to focus on the Nyala Insurance S.C. a consistently high performing insurance company located in Ethiopia. The sampling frame of the study consisted 207 insurance professionals; while the sample was 106 individuals drawn from four departments: claims, finance, marketing, and underwriting department. Data was collected through the use of closed-ended questionnaires. Out of the 106 questionnaires disseminated 102 were duly filled and returned. The various demographic features and results obtained were presented using tables. The data collected was then analyzed and simple linear regression analysis was used to show the relationship between the independent and dependent variable. The findings of the descriptive statistics revealed that the level of implementation of innovative strategies is high but leaves room for more to be desired. The inferential analysis evidenced that innovative strategies have a significant positive influence on insurance penetration. The research delivers clear conclusions, actionable recommendations for future research, and insights for key players like insurance firms, investors, and policymakers in Ethiopia.

Keywords*: Insurance Company, Innovation, Innovative Strategies, Insurance Penetration*

CHAPTER ONE

1 INTRODUCTION

This chapter provides contextual background on the chosen topic and offers information about the organization under study. Additionally, it presents the statement of the problem, research questions, objectives, significance, limitations, key terms, and chapter organization.

1.1 Background of the Study

Insurance offers a distinct set of services that bolster economic development; these services include risk underwriting and long-term investment of premiums collected (Pearce & Robinson, 2007). The fact that higher levels of development tend to be accompanied by wider adoption of insurance products, suggests that insurance plays a crucial role in supporting economic growth (Puri, 2007). Although insurance has been a prevalent practice worldwide for millennia, its adoption rate remains relatively low.

Across different economies innovative strategies have proven essential for generating increased output and productivity (Kiraka, Kobia, & Katwalo, 2013). The implementation of effective innovative strategies is a crucial factor in enhancing the competitive advantage and financial performance of insurance companies (Kettunen, 2006). By implementing feasible manufacturing processes, and cultivating a positive customer perception, companies can leverage innovations to build an unshakeable competitive advantage (Gunday, Ulusoy, Kilic, & Alpkan , 2011).

It's evident that problem-solving is no longer enough and organizations must shift towards continuously improving in this dynamic world (Drucker, 1993). Due to the ever-shifting nature of the business landscape; businesses need to embrace a perpetual state of reinvention to stay relevant and resilient. The ability to adapt and evolve through the creation of new competitive advantages serves as a key differentiator for organizations navigating dynamic and unpredictable business landscapes (Porter, 1985).

The traditional insurance landscape, dominated by standardized products, focused on the mass market, is ripe for disruption through the exploration of niche markets and customized solutions catering to specialized customer needs (Insurance Governance Leadership Network, 2016). In the context of global transformation, prioritizing and fostering innovation competencies for integrated services is a fundamental requirement for sustainable economic development across diverse sectors (Ko, et al., 2010).

The insurance industry is currently experiencing mounting pressure as a result of the growing necessity for innovation and the escalating demand for insurance products in developing economies. Failure to promptly respond to these changes could result in the industry's market penetration becoming stagnant or even declining. To address this challenge, the industry must adopt innovative strategies that offer customers a wider range of options for purchasing their products and services. For many businesses, the primary impediment to expansion lies in effectively presenting their offerings to potential customers.

1.2 Background of Insurance Firms in Ethiopia

Ethiopian insurance's roots stretch back as far as 1905, with the Bank of Abyssinia, a subsidiary of the Bank of Egypt, offering fire and marine coverage. Balois, a Swiss insurer, joined the scene in 1923; but the Italian occupation from 1936 to 1941 imposed tight limits, reserving the market only for Italian companies.

Foreign insurers dominated Ethiopia's 1951 market with 18 branches, with only one domestic company, "The Imperial Insurance," in existence. By 1967, foreign branches grew to 30, and 10 new domestic insurance companies emerged.

In 1975, the communist government nationalized all insurance companies, leading to the establishment of the Ethiopian Insurance Corporation (EIC). In 1991, proclamation (no. 83/1994) was introduced and it permitted only local insurers to operate in the country.

Currently in Ethiopia, there exist a total of 18 insurance companies, with one being state-owned and the remaining 17 being private. Additionally, the country boasts one reinsurance company, the "Ethio-Re".

The focus of this study is Nyala Insurance S.C. (NISCO), a prominent insurance company in Ethiopia renowned for its exceptional performance, growth and financial stability. NISCO was established in 1995, following the enactment of the Insurance Business Proclamation 86/1994, with a subscribed capital of 25 million ETB and a paid-up capital of 7 million ETB. In 2005, NISCO expanded its operations to include life insurance, thereby becoming a composite insurer, and increased its paid-up capital to 35 million ETB. Over the past five years, NISCO has experienced remarkable growth, with its paid-up capital is currently standing at 600 million ETB (NISCO, 2022).

With its headquarters located in Addis Ababa, NISCO has established a strong presence in nearly all regional states of Ethiopia, boasting a network of 46 service outlets, including 35 service centers and 11 contact offices, strategically located throughout the country. In the year 2020, NISCO generated a premium income of 565.3 million ETB, resulting in a gross profit of 149 million ETB. Furthermore, the company's total assets amounted to 2.2 billion ETB (NISCO, 2022).

1.3 Statement of the Problem

The insurance industry in Ethiopia is confronted with several challenges, with low insurance penetration taking the forefront. According to (Atlas Magazine, 2022), the current level of insurance penetration in Ethiopia stands at a mere 0.32%. While low insurance penetration is a global issue, with developed markets such as the UK and the USA at approximately 11.1% and 11.7%, respectively; it is a more pressing concern in Ethiopia, where the penetration rate falls far below both the continent's average of 2.78% and the global average of 7.23% (Statista, 2023). Furthermore, Ethiopia's insurance penetration lags behind that of other African countries, such as South Africa at 12.2%, Namibia at 7.86%, and Mauritius at 5.7% (AfricaRe, 2021).

The insurance industry must undergo a fundamental transformation to significantly enhance its contribution to the overall economy and attain comparable levels to that of the banking sector. The interplay between an expanding economy, heightened customer awareness, and changing preferences presents both opportunities and challenges for Ethiopian insurance providers. They

must respond with strategic dexterity, revising their approach to progress and extending their reach to capitalize on the evolving landscape (EIC, 2017). This statement aptly encapsulates the scope of the researcher's aspirations for the present study, intending to fully leverage the prevailing circumstances in the relevant domain.

Studies carried out regarding the insurance industry in Ethiopia include that of: (Kahase G., 2018) who researched the Ethiopian insurance sector and its contribution to economic growth; (Afomiya T., 2020)who focused on the influence of innovation strategies on the performance of private insurance firms in Ethiopia; Tihetna (2021) who sought to investigate the determinants of insurance companies' profitability; Nigussie (2021) who carried out a study on cost and profit efficiency of the Ethiopian insurance industry and its determinants.

All of the aforementioned studies had examined various aspects of the insurance sector, yet they have overlooked the crucial role that innovative strategies have to play regarding insurance penetration. It is widely acknowledged that innovative strategic approaches are necessary for reaching new markets and increasing penetration. This study aims to address the methodological gaps in the literature and mitigate the low insurance penetration in Ethiopia by evaluating the impact of innovative strategies on insurance penetration.

The researcher has found that compared to the banking sector the contribution of the insurance scene to the overall GDP of Ethiopia is almost negligible. Just considering the vast number of innovative actions taken by the banking sector discernable in the myriad of new banking products, services and technologies rolled out in recent years; the insurance sector is found to be severely lacking. The researcher believes this can be mitigated by the incorporation of innovative strategies in the game plan management layout to combat staleness.

1.4 Research Questions

This study has tried to answer the following questions:

- What is the level of implementation of innovative strategies in the insurance sector of Ethiopia?
- To what extent and magnitude do innovative strategies influence insurance penetration in Ethiopia?

1.5 Objectives of the Study

1.5.1 General Objective

The main objective of this study was to investigate the significance of the influence of innovative strategies on insurance penetration in Ethiopia.

1.5.2 Specific Objectives

- To examine the level of implementation of innovative strategies in the insurance sector of Ethiopia.
- To establish the extent and magnitude to which innovative strategies influence insurance penetration in Ethiopia.

1.6 Significance of the Study

The present study offers valuable insights for insurance company management regarding the industry's performance in relation to the overall economy. Specifically, it provides an understanding of the key variables that contribute to insurance penetration enhancement, allowing for a more focused approach to strategic planning and resource allocation. Furthermore, this study highlights the need for more in-depth research in this area, including a broader range of insurance companies.

The findings of this study are also of great importance to policymakers, as they shed light on the role of innovative strategies in insurance penetration. Armed with this knowledge, policymakers can develop frameworks and programs aimed at promoting growth in the industry.

Overall, this study has significant implications for the insurance industry and its stakeholders by providing a deeper understanding of the factors that drive insurance penetration; it has the potential to inform strategic decision-making and drive growth in the sector. The results of this study will also hold great significance for insurance brokers and agents who serve as intermediaries between clients and insurance companies. These findings will provide them with valuable insights into their performance relative to the industry, thereby enabling them to better comprehend the sector in which they operate.

Additionally, scholars and researchers will benefit from this study, as it will enhance their understanding of the insurance industry, in turn, maybe even inspiring further research in this area.

1.7 Scope of the Study

The present study explored the influence of innovative strategies on insurance penetration through the examination and measurement of the level of implementation innovative strategies. The researcher has chosen to center the study around NISCO, an Ethiopian insurance company that has been operating for over a quarter of a century. Among the 18 insurance companies considered, NISCO stands out as the most suitable candidate for this investigation due to its sustained growth over the years. For this research four departments within NISCO were picked as the population, and samples were taken from them.

1.8 Limitations of the Study

The scope of this study was restricted to a single insurance company due to budgetary and data constraints. It is acknowledged that various other factors, including government intervention, economic conditions, and human factors can impact the level of insurance penetration. However, for the purposes of this study, these factors are assumed to remain constant and the researcher only explores the influence of innovative strategies. Furthermore, the researcher has only looked at innovative strategies as a whole and has not examined its various components due to data constraints.

The study also encountered several challenges, including the reticent demeanor of certain respondents during the questionnaire completion process. However, these obstacles were overcome through persistent follow-up visits and inquiries. Additionally, some respondents did not provide completed responses.

1.9 Definition of Key Terms

Insurance Company: in this study the term insurance company was used to refer to traditional firms alongside intermediaries like agents, brokers, risk managers, and loss adjusters, recognizing their interconnected roles in managing risk for policyholders.

Innovation: in this study the term innovation was used to refer the process of conceptualizing, developing, and implementing novel ideas, products, and organizational practices (Puri, 2007).

Innovative Strategy: in this study the term innovative strategy was used to refer to a firm's planned actions to stimulate advancements, typically involving resource allocation to research and development initiatives.

Penetration: in this study, the term penetration was used to refer to the successful attainment of a predetermined market share within a defined geographical area or among a specific population group, accomplished through the sale of products or services (Gitau, 2013).

Insurance Penetration: in this study the term insurance penetration was used to refer to the ratio of total insurance premiums to gross domestic product (GDP) (KPMG, 2013); serving as a representation for the level of development and integration of the insurance sector within a national economy (Easterly, 2007).

1.10 Organization of the Study

Chapter One lays the groundwork, introducing the study's purpose and context. Chapter Two dives into relevant literature, identifying gaps and establishing the conceptual framework. Chapter three unveils the research design and methodology. Chapter four presents and discusses the results. Finally, Chapter Five wraps it all up with key findings, conclusions, recommendations, and future research avenues.

CHAPTER TWO

2 LITERATURE REVIEW

2.1 Introduction

The objective of this section is to enhance comprehension of the correlation between innovative strategies and insurance penetration. The specific areas covered here are the theoretical review, the empirical review of past studies, the conceptual framework, a critique of the existing literature, and the research gap. But first, the chapter opens by providing in-depth insight into the variables to be explored in this study.

2.1.1 Innovative Strategies

Innovation is the successful translation of creative concepts into tangible deliverables, resulting in novel or optimized goods and services (Schumpeter, 1983). Innovation and invention may be related but they are completely different concepts (Bhasin, 2012). Innovation isn't just about inventing new things; it's about applying those inventions to create value, expand markets, and reinvent how we live and work. Innovation serves as a catalyst for economic expansion, demonstrably linked to the creation of different market niches and the subsequent generation of unrealized revenue potential (Sardana, 2016).

As can be inferred from the paragraph above there is a wide range of definitions for innovation that often overlap; without a clearcut definition of innovation it will be hard to develop strategies to be innovative (Baregheh, Rowley, & Sambrook S., 2009). The most comprehensive definition so far is “Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, services or processes, to advance, compete and differentiate themselves successfully in their marketplace” (Baregheh, Rowley, & Sambrook S., 2009).

Strategy isn't just a plan, it's a blueprint for lasting success. It begins with discovery, blossoms into a guiding doctrine, and flourishes on unwavering execution (Kvint, 2009). Strategy is of paramount importance due to the inherent limitation of resources available for goal attainment. Strategy encompasses both consciously formulated plans and organically evolving patterns of action, serving as the guiding framework for organizations to set objectives, determine suitable courses of action, and allocate resources effectively, facilitating adaptation and ensuring long-term success in dynamic environments (Freedman, 2013).

Innovative strategies stand as key instruments for organizations seeking to penetrate new markets, increase their market share, and differentiate themselves within competitive landscapes (Jenssen & Nybakk, 2013). So, in simple terms innovative strategies can be defined as an amalgamation of the terms “innovation” and “strategy”; where in-depth thought and planning is put in before the execution of innovative endeavors.

2.1.2 Insurance Penetration

Insurance penetration is a means to measure the amount of capital in the hands of insurance companies (Rejda, 2004). Insurance penetration acts as a key indicator of the insurance sector's development. The insurance penetration rate is the ratio between insurance premium volume and GDP (Mahul, Verma, & Clarke, 2012). Unlike insurance density, insurance penetration measures

the standing of insurance activities relative to the economy disregarding the population factor. That is why the researcher believes insurance penetration is the better of the two in evaluating the degree of development of the insurance sector within a nation. The researcher believes insurance penetration is a vital instrument of measure as it not only explores the level of premium changes year to year but also ratios them to yearly GDP records to see how much the insurance sector is contributing to the economy. This will be informative to insurance managers and allow them not to only focus on their growth from year to year but the growth of their contribution to the overall bottom line.

2.2 Theoretical Framework

A theory is a structured set of ideas (variables) expressed as propositions that define how those ideas (variables) connect and influence each other (magnitude or direction). (Creswell J. W., 2012). Theories seek to explain, predict, and grasp phenomena; push boundaries and refine knowledge, all within their guiding assumptions (Torraco, 2004). A theoretical framework isn't just a collection of ideas; it's a curated set of concepts, chosen for their relevance to a specific research project, that provide a structure for investigation (Zahra, 1996). The present study is grounded in the evolutionary theory of economic change, which will be expounded upon in the following section.

The evolutionary theory of economic change utilizes principles from evolutionary biology to explain the dynamics of economic systems and institutions. It underscores that the transformation of economies is a gradual and cumulative progression, propelled by factors such as variation, selection, and adaptation. This theory centers on the intricate mechanisms of long-term, progressive economic change, emphasizing the gradual, cumulative nature of transformation driven by ongoing adaptation and selection processes (Nelson & Winter, 1961). The evolutionary approach underscores the crucial role of firm-level capabilities and adaptations in shaping economic transformations, providing a valuable framework for analyzing how changes in product demand, resource availability, and firm-led innovation contribute to the ongoing evolution of economic systems (David, 1974). The substantial and sustained expansion of macro-economic indicators can be demonstrably attributed to the dynamic interplay between technological advancements and a pervasive culture of innovation (Nelson R. , 2008).

Economic systems exhibit variation through the diversity of firms, industries, technologies, and institutional arrangements. This variation arises from entrepreneurial activities, innovations, and changes in economic conditions. These systems undergo a process of selection where certain variations are more successful or fit for the environment than others. Market competition, consumer preferences, and institutional dynamics act as mechanisms of selection. Successful variations, whether in terms of products, business models, or institutions, are more likely to survive. Economic entities that survive and thrive undergo adaptations to changing conditions. Adaptation involves changes in business strategies, organizational structures, and technologies. Over time, the accumulation of successful adaptations contributes to the overall evolution of the economic system. The concept of creative destruction, introduced by economist Joseph Schumpeter, is a key element of the evolutionary theory. It describes the continual process by which the introduction of new innovations and technologies lead to the decline of existing industries that fail to adapt and the emergence of new ones better equipped to exploit the new technological paradigm.

The evolutionary theory highlights the significance of knowledge dissemination, cooperation, and adjustment as drivers of innovation. Insurance firms can capitalize on this notion by cultivating a culture of perpetual learning, exploring novel partnerships, and adapting to emerging trends. In this particular case the insights of evolutionary theory can be used to suggest that insurance companies possess the ability to adjust their strategies in response to the ever-shifting market. Through the adoption of innovative practices and the perpetual evolution of their offerings, services, and operational frameworks; insurers can enhance their rates of market penetration and sustain their competitiveness within the ever-changing world.

2.3 Empirical Review

The relationship between innovative strategies and insurance penetration will be discussed below. The literature examined will correspond with and advocate for the hypothesis of the present study.

Innovation strategies are primarily driven by advancements in technology, evolving consumer tastes and preferences, shortening product cycles, and escalating competition. Involving stakeholders in the process is extremely critical for the success of innovative projects. The primary effect of innovation lies in broadening the cognitive frameworks of decision-makers. Common innovative strategies include product development or impersonation, adoption of systems that help improve and enhance firm activities, market pricing strategies, new product offers, product placement strategies, promotion activities, and the implementation of new or upgraded production and distribution methods.

Organizational and marketing innovations are deployed by a large proportion of European enterprises to gain economic success and competitive advantage; achieved through sales growth and productivity increases (Hollanders & Evangelista, 2012). These growths in sales and revenue ultimately translate to an increase in insurance penetration. The implementation of innovative marketing strategies demonstrably enhances brand-customer relationships and enriches customer experiences, thereby influencing subsequent marketing efforts and facilitating the alignment of brand initiatives with customer-centric principles (Tajeddini, 2010).

Innovation sparks progress in five key areas strategy, structure, processes, technology, and culture. (Atalaya, Sarvanc, & Anafarta, 2013). These advancements will in the long run attract a wider customer base due to ease as well as free up resources to be used for further advancement culminating in increased revenue intake and, thus higher insurance penetration. The implementation of process innovation strategies demonstrably contributes to enhanced financial performance, strengthened market positioning, and increased bargaining power within competitive market environments (Jenssen & Randoy , 2006).

The rollout of new products to the market will lead to a spike in premium collection and eventually to an increase in insurance penetration. Product innovation can be a powerful revenue driver (Storey & Easingwood, 1998). Innovative capabilities and customer-centric practices play a critical role in driving superior financial outcomes and fostering positive customer relationships (Pishgar, Deshkam, Ghanbarpoor, Shabani, & Ashoori, 2013).

The cornerstone of effective innovation lies in leveraging the existing knowledge base within a firm. This shared resource, accessible to all stakeholders, facilitates collaboration, reduces

redundancy, and fosters the development of solutions built upon accumulated expertise (Didier & Olsson, 2011). Investment in technology empowers firms to optimize processes, reduce waste, and boost productivity, laying the foundation for sustained success (Maarof & Murat, 2013). The advancement of technological capabilities often corresponds with the diffusion of these advancements into other areas and lead to even more innovation so it's no contest that it will lead to an increase in overall revenues.

2.4 Conceptual Framework

A conceptual framework constitutes a skeletal structure composed of interconnected abstract constructs, representing the empirical, experiential, and analytical/synthetic dimensions of a phenomenon or system under consideration (Bogdan & Biklen, 2003). In short, a conceptual framework serves as a visual depiction of the anticipated relationship among variables or the specific characteristics or properties under investigation. This foundational structure provides a visual representation of the hypothesized influence of the independent variable on the dependent variable (Young & Sexton, 1997). As shown in Figure 2.1 below the conceptual framework for this study depicts the perceived link between the independent variable (innovative strategies) and the dependent variable (insurance penetration).

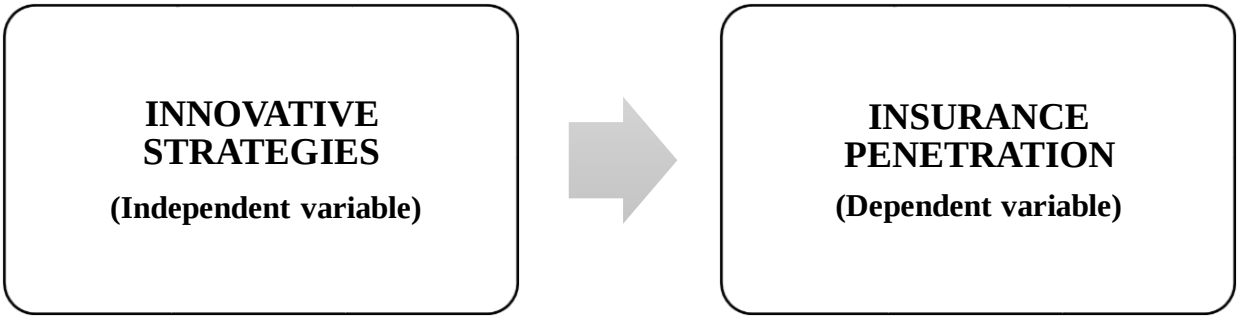


Figure 2.1: Conceptual Framework

Source: theoretical framework and empirical review

2.5 Research Hypothesis

The researcher has constructed a research hypothesis that outlines the impact of the independent variable on the dependent variable under study. Hypothetical backgrounds about the impact of innovative strategies on insurance penetration was constructed to address the research problem, as outlined in the subsequent theoretical proposition:

H_0: Innovative strategies have no significant influence on insurance penetration in Ethiopia.

H_1: Innovative strategies have a significant influence on insurance penetration in Ethiopia.

2.6 Research Gaps

From the literature review, it is apparent that innovative strategies have been the subject of numerous studies and publications worldwide. However, the researcher was unable to find any

publications that investigate the relationship between innovative strategies and insurance penetration in Ethiopia. The few pieces of work that could be found relating to innovative strategies and the insurance sector tackled various themes, including the relationship between innovation and microenterprise growth (Mulu, 2009), determinants of insurance company performance (Yuvaraj & Abate, 2013), the insurance sector's contribution to economic growth (Kahase G., 2018), and factors influencing financial performance of insurance companies within specific regions (Kanbiro & Ayneshet, 2019). Notably, (Afomiya T., 2020) explored the influence of innovation strategies on private insurance firm performance. However, from these publications, we can infer that none of them have done research on the topic at hand and this research seeks to fill that gap.

CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter dissects the research methodology and explores the chosen research perspectives, data sources, target population, sample and sampling strategies, data gathering techniques, and methods analysis and interpretation.

3.2 Research Philosophy

Research philosophies are foundational frameworks influencing our approach to gathering and interpreting knowledge (Saunders, Lewis, & Thornhill, 2007). In other terms, a research philosophy embodies fundamental beliefs that steer the formulation and implementation of a research study, and diverse research philosophies propose varied approaches to comprehending scientific research. This particular study employed the positivism philosophy in which knowledge is believed to be objective and independent of human perception; with its emphasis on observable data and verifiable methods (Hatch & Cunliffe, 2006). In simple terms, positivism claims that the world can be understood objectively.

3.3 Research Design

A research design is the blueprint one uses to chart the course to resolving research questions (Kothari, 2004). The design denotes the comprehensive strategy selected to cohesively incorporate the various elements of the study, thereby guaranteeing that the research problem is addressed effectively. The design of a study delineates the type of study, methods of data collection, and plan for statistical analysis.

A good research design features a distinct and well-defined objective, with the chosen method effectively targeting and answering the research questions (Sekaran & Bougie, 2010). For this study, the researcher has chosen to employ the correlational research design as a means to identify the relationship between variables. The strength of correlational research lies in its ability to shed light on what kind of relationships variables have with one another. By employing non-manipulative methods, researchers gain valuable insights into the relationships between variables under investigation, more specifically the strength and/or direction of the relationship between the variables.

3.4 Research Approach

The research approach encompasses diverse methodologies, strategies, procedures, or processes employed to gather or scrutinize data or information. The research examines the correlation between variables and employs numerical scales, which signify respondents' attitudes, necessitating a meticulous and impartial evaluation of the research variables.

Quantitative research methodologies employ standardized instruments and scales to gather quantifiable data, facilitating statistical analysis and hypothesis testing. Conversely, qualitative research prioritizes in-depth observation, interviews, and textual analysis, resulting in subjective data rich in meaning and subjective interpretation (Zikmund , Babin, Carr, & Griffin, 2009). Consequently, the researcher elected to utilize an amalgamation of the two methods for this study.

To achieve objectivity in hypothesis testing and control subjective interference in the results the quantitative research method was employed more predominantly throughout this research; while the qualitative research method was utilized during questionnaire preparation.

3.5 Time Horizon

The time horizon refers to the framework within which a study is intended to be completed (Saunders, Lewis, & Thornhill, 2007). Cross-sectional research designs involve collecting data from a defined population at a single point in time, often employing surveys to measure variables of interest. This approach provides information about the population at that specific moment but lacks the ability to examine changes over time. Conversely, longitudinal studies follow the same individuals or groups over an extended period, enabling researchers to observe trends, changes, and potential causal relationships between variables. In this regard, due to time constraints, a cross-sectional study design was deemed the most suitable approach for this investigation.

3.6 Target Population

A population refers to the complete set of individuals or elements possessing features one wishes to understand (Creswell P. , 2003). In other words, it refers to the larger group from which a sample is taken (Orodho, 2003). The target population of this study was the employees of NISCO in Addis Ababa. The selection of these individuals was predicated on the fact that they possess extensive knowledge about the insurance industry and are optimally positioned to provide invaluable insights to the study.

3.7 Sampling Technique

As there are real-world limitations to studying entire populations, we attempt to obtain a representative and manageable sub-group that captures the key characteristics of the larger whole (Ramani & Kumar, 2008). The sampling technique refers to the systematic procedure employed to select a subset from the target population. By effectively capturing the essential characteristics of the population, the chosen sampling technique enables researchers to generalize their findings with confidence. A stratified sampling technique was utilized in this study as the limitations of simple random sampling in heterogeneous populations are understood (Orodho, 2003). By stratifying the population and then employing random sampling within each section, the researcher increases the generalizability of the research findings.

3.8 Sampling Frame

A sampling frame is defined as a comprehensive list encompassing all elements belonging to the target population that we wish to study (Orodho, 2003). A study typically has differing units of observation and units of analysis; in this particular case the units of observation were the claims, finance, marketing, and underwriting department employees of NISCO in Addis Ababa; while the units of analysis were the insurance companies of Ethiopia.

Table 3.1: The list of departments in the sample frame and the number of employees in each department

Department	Number of employees in the department
Claims department	32
Finance department	18
Marketing department	149
Underwriting department	8
Total	**207**

Source: NISCO, HR department

3.9 Sample Size

A sample is a curated subset of data, selected from a larger population using a specific method. Through the analysis of this smaller group, researchers can make informed estimates about the characteristics of the entire population (Orodho, 2003).

The sample size of this study was calculated using Slovin's formula as shown below:

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

n= sample size

N= total population

e= error margin

n= 106/1+(106*10%^{2})= 106/1+(106*.01)= 106/1+1.06= 106/2.06= 51.4%

Considering the small size of the population in this study, a precision of 10% has been employed as deemed appropriate by (Lind, Marchal, & Wathen, 2008).

Table 3.2: Sample size

Department	Sample size	Percentage of the whole sample frame
Claims department	24	12%
Finance department	15	7%
Marketing department	60	29%
Underwriting department	7	3%
Total	**106**	**51%**

Source: Own calculations

3.10 Data Source and Type

The major source of data for this study were the employees of NISCO in Addis Ababa thus it can be said primary data was employed in this study.

3.11 Data Collection Tool

Data collection tools encompass the instruments, and techniques used to gather information (Creswell P. , 2003). Choice of the appropriate method of data collection is influenced by the research problems and disposable resources available (Cooper & Schindler, 2006).

In this particular case, the researcher opted to utilize questionnaires in the collection of primary data due to their cheapness, simplicity and the fact they don't require as much effort (Gillham, 2008). A closed-ended questionnaire with 23 items was utilized in this research; on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The items themselves were prepared by the researcher employing the input of high-level NISCO employees. The respondents were requested to evaluate the current level of implementation of innovative strategies as well as the level of insurance penetration in NISCO. The questionnaire had 23 items comprising two categories relating to innovative strategies with 20 items and insurance penetration with 3 items. The questionnaire was administered to 106 employees in specified departments.

3.12 Data Collection Procedures

Respondents were first contacted to explain the research and obtain their voluntary consent. Subsequently, individually administered questionnaires were distributed and collected from all selected participants. The researcher actively monitored and followed up to ensure high completion rates.

3.13 Operationalization of Variables

Operationalization defines and measures abstract concepts through observable indicators. In this research, 20 questionnaire items on a five-point Likert scale served as operationalizations for the independent variable.

Table 3.3: The independent variable and its expected influence on insurance penetration

Variable	Definition	Measurement	Expected effect on insurance penetration
Innovative strategies	a means exploited by a company to stir advancements, usually by capitalizing money in research and development activities.	20 item questionnaires on a five-point Likert scale	+

Source: literature review

3.14 Data Analysis and Presentation

Data analysis constitutes a systematic approach of extracting insights through the identification of specific characteristics and relationships to draw valid inferences and establish relevant trends (Creswell J. , 2003). In this particular study, once the questionnaires were collected the data was organized and processed by using Statistical Package for Social Science 25 (SPSS 25). The demographic characteristics of respondents were presented in a table format for easy visual interpretation. Furthermore, a simple linear regression model was used to determine the statistical significance of the independent variable (innovative strategies) on the dependent variable

(insurance penetration) (Cooper & Schindler, 2006). Simple linear regressions are used in situations where there is a single independent variable (Kothari, 2004).

The regression equation used was:

$y = \beta_0 + \beta_1 x$

where,

y is insurance penetration

x is innovative strategies

β_0 is the value of the dependent variable where the independent variable is nil

CHAPTER FOUR

4 DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The initial sections of this chapter address the response rate and delve into the reliability and validity analysis of the research instrument. Subsequently, a rigorous descriptive and inferential analysis was undertaken, and the findings were presented that elucidate the influence of innovative strategies on insurance penetration in Ethiopia, fulfilling the central research objective.

4.2 Response Rate

The sample size for this study was 106 insurance professionals working in NISCO from four departments: claims, finance, marketing and underwriting. Out of the 106 questionnaires dispatched 102 were duly filled and returned. This translates to a response rate of 96.2% which is adequate for analysis; since a response rate above 30% of the total sample size is sufficient enough to make generalizations about the whole population (Cooper & Schindler, 2003).

4.3 Reliability and Validity Tests

In this study, Cronbach Alpha was used to test the reliability and validity of the instrument, questionnaire, used. Results ranging from 0.70 to 0.80 were considered to have good reliability while those between 0.80 and 0.95 were considered to have very good reliability (Zikmund , Babin, Carr, & Griffin, 2009).

Table 4.1: Reliability test for innovative strategies instruments

	Cronbach's Alpha	Number of items
Innovative strategies	.756	20

Source: Own survey, computed in SPSS 25, 2023

Table 4.2: Reliability test for insurance penetration instruments

	Cronbach's Alpha	Number of items
Insurance penetration	.710	3

Source: Own survey, computed in SPSS 25, 2023

Therefore, based on the findings depicted in table 4.1 and 4.2, we can conclude that the instruments employed can be relied on as good measures of both the independent and dependent variables.

4.4 Descriptive Statistics

4.4.1 Demographic information of respondents

Table 4.3: Demographic information of respondents

Variable	Categories	Frequency	Percentage	Cumulative Percentage
Gender of respondents	Male	57	55.9%	55.9%
	Female	45	44.1%	100%
	Total	**102**	**100%**	
Department of respondents	Claims	23	22.5%	22.5%
	Finance	15	14.7%	37.3%
	Marketing	57	55.9%	93.1%
	Underwriting	7	6.9%	100%
	Total	**102**	**100%**	
Educational qualification of respondents	Diploma	-	0%	0%
	Undergraduate/Degree	83	81.4%	81.4%
	Graduate	19	18.6%	100%
	Postgraduate/PhD	-	0%	
	Total	**102**	**100%**	
Experience of respondents in the insurance industry	Less than 1 year	-	0%	0%
	1-5 years	34	33.3%	33.3%
	6-10 years	40	39.2%	72.5%
	Over 10 years	28	27.5%	100%
	Total	**102**	**100%**	
Experience of respondents in their current position	Less than 1 year	29	28.4%	28.4%
	1-5 years	56	54.9%	83.3%
	6-10 years	17	16.7%	100%
	Over 10 years	-	0%	
	Total	**102**	**100%**	

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.3, in the majority of NISCO employees were male. With regard to the department, they work in; most fall under the marketing department followed by the claims, finance and underwriting departments respectively. Accordingly, a large part of the workforce is degree holders with a relatively small amount of graduate degree holders. It can also be observed that more than half of the employees have 6 years and above experience in the insurance industry with an additional a year and above experience in their current position.

4.4.2 The Level of Implementation of Innovative Strategies and Insurance Penetration in NISCO

To evaluate and depict the existing level of utilization of innovative strategies in NISCO, respondents were asked to rate their level of agreement with 20 statements relating to innovative strategies. Furthermore, an additional 3 statements were utilized to assess the level of insurance

penetration in NISCO. The researcher regarded a mean score of less than 2.69 as low, between 2.70 and 3.49 as moderate and greater than 3.50 as high in Likert five-point scale (Kothari, 2004).

4.4.2.1 The Level of Implementation of Innovative Strategies in NISCO

Table 4.4: Descriptive statistics of innovative strategies

	N	Mean	Std. Deviation
Our company boasts a sufficient marketing budget	102	3.92	.805
Our company makes use of referral programs to attract new clients and benefit existing ones	102	1.75	.750
Our company sponsors events to boost its public image and notoriety	102	3.77	.757
Our company frequently sets up new marketing channels to boost customer base	102	3.65	.753
Our company employs email marketing to keep benefactors up to date on new developments	102	1.84	.767
Our company has reduced variable cost elements in service procedures	102	3.96	.612
Our company has enhanced the speed of delivery of services to clients	102	4.30	.657
Our company carries out frequent customer satisfaction surveys to quantify the quality of service provided	102	2.23	.994
Our company has eradicated non-value-adding activities in service delivery-related procedures	102	3.78	.574
Our company has improved on turnaround time	102	4.44	.606
Our company regularly innovates on existing products	102	3.67	.635
Our company keeps well informed on global product developments	102	3.64	.626
Our company holds routine product innovation discussions	102	3.59	.722
Our company tailors its products with regard to changing times and situations	102	3.69	.580
Our company believes in the necessity of R&D	102	3.73	.566
Our company works towards providing self-service platforms for customers	102	3.48	.700
Our company automates routine tasks utilizing innovative technologies	102	3.55	.698
Our company makes use of data analytics to better understand the industry and country they're in	102	3.41	.635
Our company implements innovative systems, such as Enterprise Resource Planning	102	3.56	.698
Our company has increased investment in innovative technology	102	3.54	.670
Innovative Strategies	102	3.51	.296
Valid N (listwise)	102		

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.4, the level of implementation of innovative strategies in NISCO was at a high level with a mean score and SD of 3.51 and 0.296 respectively. When we see the individual items, the items which relatively scored the highest mean value were: "Our company has improved on turnaround time" with a mean score of 4.44 and SD of .606; followed by "Our company has reduced variable cost elements in service procedures" with a mean score of 3.96 and SD .612 and "Our company has enhanced the speed of delivery of services to clients" with a mean score of 4.30 and SD .657. While the items with the lowest mean score were: "Our company makes use of referral programs to attract new clients and benefit existing ones" with a mean score of 1.75 and SD of .750; followed by "Our company employs email marketing to keep benefactors up to date on new developments" with a mean score of 1.84 and SD .767 and "Our company carries out

frequent customer satisfaction surveys to quantify the quality of service provided." with a mean score of 2.23 and SD of .994.

4.4.2.2 The Level of Insurance Penetration in NISCO

Table 4.5: Descriptive statistics of insurance penetration

	N	Mean	Std. Deviation
Our company has increased its level of premium collected from year to year	102	4.32	.632
Our company's contribution to GDP has increased from year to year	102	3.73	.706
Our company's rate of growth of premium collected year to year is on par with that of growth GDP as a whole	102	2.01	.790
Insurance Penetration	102	3.35	.566
Valid N (listwise)	102		

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.5, the level of insurance penetration in NISCO was moderate with a mean score and SD of 3.35 and .566 respectively.

4.5 Inferential Analysis

4.5.1 Diagnostic Tests

Running a linear regression requires recognizing the potential for misleading results if assumptions are violated (Field, 2009). Accordingly, the researcher conducted various diagnostic tests, including Pearson's correlation, Breusch-Pagan, Kolmogorov-Smirnov, and scatterplot analysis, to ensure the chosen model's appropriateness for drawing reliable conclusions about the population.

4.5.1.1 Correlation test

In this study the Pearson's correlation coefficient test was used to test the strength and direction of the relationship between the independent and dependent variables. A correlation coefficient between 0.00 and 0.19 were deemed to be very weakly related, 0.20 to 0.39 weakly related, 0.40 to 0.59 moderately related, 0.60 to 0.79 strongly related and 0.80 to 1.00 very strongly related (Evans, Pucik, & Barsoux, 2002).

Table 4.6: Pearson's correlation coefficient test results

		Innovative Strategies	Insurance Penetration
IS	Pearson Correlation	1	.673**
	Sig. (2-tailed)		.000
	N	102	102
IP	Pearson Correlation	.673**	1
	Sig. (2-tailed)	.000	
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.6, the correlation coefficient of .673 represents a strong, statistically significant and positive relationship between innovative strategies and insurance penetration in Ethiopia.

4.5.1.2 Heteroskedasticity test

In this study the Breusch Pagan heteroskedasticity test was used to check whether the error terms are normally distributed and residuals have a constant variance.

Table 4.7: Breusch Pagan heteroskedasticity test results

Chi-Square	df	Sig.
3.001	1	.083

a. Dependent variable: Insurance Penetration

b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.

c. Predicted values from design: Intercept + Innovative Strategies

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.7, the study failed to reject the null hypothesis, error terms have a constant variance, given that the p-value of .83 was greater than the critical value.

4.5.1.3 Multicollinearity test

There is no need to test for multicollinearity in this case because we are dealing with a simple linear regression model.

4.5.1.4 Normality test

In this study the Kolmogorov-Smirnov normality test was used to determine if the data set was normally distributed as it's more conclusive than the graphical approach.

Table 4.8: Kolmogorov-Smirnov normality test results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.066	102	.200*	.975	102	.051

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

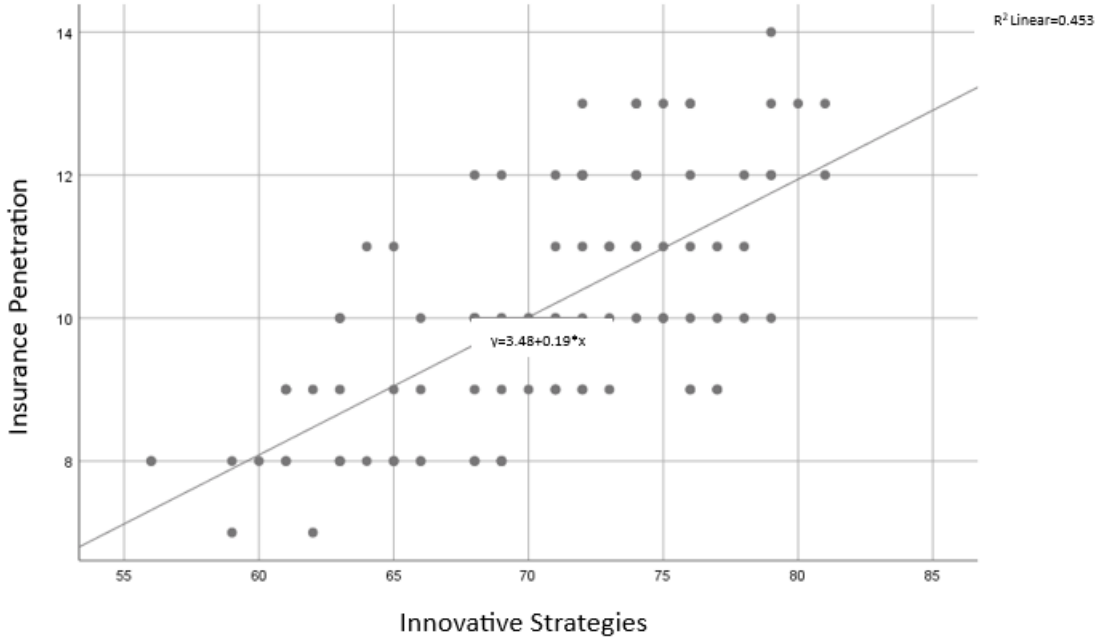
Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.8, the data is normally distributed as the study failed to reject the null hypothesis, the two samples were drawn from the same distribution, given that the reported p-value .200 was greater than the significance value.

4.5.1.5 Linearity test

The researcher employed a simple scatterplot to check if a linear relationship exists between the independent and dependent variable (Garson, 2012).

Figure 4.1: Scatterplot of the independent variable against the dependent variable



Source: Own survey, computed in SPSS 25, 2023

As can be seen in Figure 4.1, the dots line up to form the shape of a straight line with neither a negative nor a positive slope signifying a linear relationship between the two variables.

4.5.2 Regression Analysis

Table 4.9: Model Summary of innovative strategies as a predictor of insurance penetration

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673[a]	.453	.447	1.263

a. Predictors: (Constant), Innovative Strategies

b. Dependent Variable: Insurance Penetration

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.9, a statistically significant positive relationship between the implementation of innovative strategies and insurance penetration in Ethiopia. The correlation coefficient (R) of 0.673 suggests a 67.3% probability that introducing innovative strategies will lead to increased insurance penetration. Furthermore, the coefficient of determination (R^2) of 0.453 implies that 45.3% of the variance in insurance penetration can be explained by the implementation of these strategies. However, it is important to recognize that the remaining 54.7% of the variance is likely attributable to other unmeasured variables not included in the model.

Table 4.10: ANOVA; innovative strategies as a predictor of insurance penetration

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	132.004	1	132.004	82.687	.000[b]
	Residual	159.643	100	1.596		
	Total	291.647	101			

a. Dependent Variable: Insurance Penetration

b. Predictors: (Constant), Innovative Strategies

Source: Own survey, computed in SPSS 25, 2023

As can be seen in table 4.10 there is statistical evidence for the significant influence of innovative strategies on insurance penetration. The F-test statistic of 82.687, accompanied by a p-value less than 0.05, statistically rejects the null hypothesis that the coefficients of all independent variables in the model are equal to zero. This statistically significant finding implies that a substantial portion of the variance in insurance penetration can be attributed to the implementation of innovative strategies, rendering them statistically significant predictors of this outcome. Consequently, based on the statistically significant F-test result, we can confidently conclude that the overall regression model is statistically significant.

Table 4.11: Coefficient of innovative strategies as a predictor of insurance penetration

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.484	1.495		2.331	.022
	IS	.193	.021	.673	9.093	.000

a. Dependent Variable: Insurance Penetration

Source: Own survey, computed in SPSS 25, 2023

As can be seen in Table 4.11, the beta-value of 0.193 associated with the innovative strategies variable signifies a statistically significant ($p < 0.05$) direct and positive influence on insurance penetration at the 95% confidence level. This implies that, on average, a one-unit increase in the implementation of innovative strategies is associated with a 0.193 unit increase in insurance penetration within the Ethiopian context. Additionally, the statistically significant p-value for the constant term indicates that it is statistically different from zero and contributes significantly to the overall accuracy of the model in predicting the dependent variable, insurance penetration.

Thus, the regression equation will be as follows:

$$\mathbf{IP = 3.484 + 0.193IS}$$

where,

IP is insurance penetration

IS is innovative strategies

In conclusion, we can make the inference that, innovative strategies significantly influence insurance penetration in Ethiopia.

4.6 Result of the Hypothesis Test

H_1: Innovative strategies have a significant influence on insurance penetration in Ethiopia

The researcher centered the task of validating the hypothesis based on the findings listed above and interpretations given. The consensus reached at is that innovative strategies have a significant influence on insurance penetration in Ethiopia. In conclusion, we reject the null hypothesis and accept the alternative hypothesis.

CHAPTER FIVE

5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The concluding chapter of this research condenses the major findings, ensuring their convergence with the general and specific objectives. It also draws direct linkages between these findings and the research questions posed, to draw evidence-based conclusions. The chapter also offers practical recommendations, and identifies promising avenues for further.

5.2 Summary of Major Findings

The researcher was interested in investigating the influence of innovative strategies on insurance penetration in Ethiopia along with the level of implementation of innovative strategies. The literature revealed that implementation of innovative strategies was key to enhancing growth in both advanced and developing economies. This study provides compelling evidence for a positive and statistically significant relationship between innovative strategies and insurance penetration in Ethiopia. The correlation coefficient ($r = 0.673$) and p-value (< 0.01) both indicate a strong association between these variables. Additionally, the simple linear regression analysis reveals that 45.3% of the variation in insurance penetration can be attributed to the implementation of innovative strategies. Furthermore, the regression coefficient of 0.193 indicates that for every one-unit increase in the level of implementation of innovative strategies, there is a corresponding 0.193 unit increase in insurance penetration.

The results further revealed that, the mean score for the level of implementation of each innovative strategy discussed varied greatly. Accordingly, those innovative strategies with the highest level of implementation were with regards to: improving turnaround time, reducing variable cost elements in service procedures and enhancing the speed of delivery of services to clients. While those with the lowest level of implementation were in relation to: the use of referral programs to attract new clients and benefit existing ones, employing email marketing to keep benefactors up to date on new developments, and carrying out frequent customer satisfaction surveys to quantify the quality of service provided. The analysis results also revealed that, there was a high-level implementation of innovative strategies overall.

5.3 Conclusions

The aim of this research was to assess the influence of innovative strategies on insurance penetration in Ethiopia; in the hopes of addressing these research questions: “What is the level of implementation of innovative strategies in the insurance sector of Ethiopia?” and “To what extent and magnitude do innovative strategies influence insurance penetration in Ethiopia?” Accordingly, with these enquiries in mind, the findings in chapter four were analyzed and these inquiries were addressed.

As discussed in previous chapters the current insurance landscape in Ethiopia is relatively lackluster. Though this is a global issue to be addressed the severe lack of insurance uptake in Ethiopia is disheartening to stakeholders and even future investors. To help rejuvenate the insurance industry the researcher has undertaken the burden of exploring methods that can be exploited to achieve this particular goal. The researcher has, as laid out in this research, examined

the possibility of alleviating the issue of low insurance penetration through the usage of innovative strategies.

The researcher chose to go down this route as theory on which this research is based, the evolutionary theory of economic change, strongly recommends that changing times require industries to evolve and change with the times and those that don't succumb to the tides. From this the researcher was able to grasp the notion that the best way move with the times is by innovating and adopting innovative strategies. The findings of this research confirm this very fact as the researcher was able to prove the significant influence of innovative strategies on insurance penetration.

When it comes to the level of implementation of innovative strategies the findings confirm that there is a high level of implementation in the insurance sector of Ethiopia; but this is just barely. And it leaves room for much to be desired from the stakeholders in the insurance industry to help in the further adoption and implementation of innovative strategies in the insurance industry.

5.4 Recommendations

The researcher has forwarded the following realistic and applicable recommendations:

- **Enhance implementation of innovative strategies:** the researcher recommends that stakeholders of the insurance industry in Ethiopia work towards further improving the level of implementation of innovative strategies by evaluating present innovation capabilities and creating an environment that is conducive for fostering higher levels of implementation of innovation in the insurance industry so that the full benefits of innovative strategies may be realized.
- **Address gaps in implementation:** the researcher recommends that the lackluster implementation of certain innovative strategies, discussed above, be addressed swiftly as a glaring gap can be noticed between their level of implementation and that of other components of innovative strategy.
- **Continuous improvement:** though the level of implementation of innovative strategies may be high the researcher believes there is room for improvement as even higher levels of implementation directly translate to a higher insurance penetration.
- **Explore additional innovative avenues:** the researcher recommends stakeholders of the insurance industry in Ethiopia should also look into other avenues of innovative strategies not dealt with in this research so as to gain an in-depth understanding of the true level of implementation of innovative strategies in the sector.
- **Standardization efforts:** the researcher also suggests that the NBE and Association of Ethiopian Insurers work in tandem with the insurance companies of Ethiopia to standardize certain innovative practices so as to elevate the insurance industry as a whole; thus, increasing the sector's contribution to the economy.

5.5 Suggestions for Further Studies

The following are the areas the researcher suggests to be explored to further add to the topic at hand:

- **Expanded set of innovative strategies:** this study employed only several innovative strategies to make inferences about the level of implementation of innovative strategies as a whole. This was done because these components are commonly found in literature and used in actual practice, but to get the full picture of the level of implementation of innovative strategies, future researchers may choose to include additional components in their research.
- **Industry-wide investigation:** the study also limits itself to the practices of NISCO and its level of implementation of innovative strategies. In this regard, to make the conclusion and recommendations more concrete and infallible, future researchers may conduct the research at the industry-wide level.
- **Inclusion of other departments:** this research considers a limited number of departments; accordingly future researchers may widen their gaze and include other departments.
- **Cross-industry and cross-country comparative studies:** as this research was tuned towards the insurance industry of Ethiopia future research may be carried out in various other industries as well as other countries to illustrate whether the link between innovative strategies and insurance penetration can be generalized.

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Appendix

Questionnaire

Addis Ababa University

College of Business and Economics

Department of Management

Survey questionnaire for a master's thesis conducted on the Influence of Innovative Strategies on Insurance Penetration in Ethiopia.

Dear respondents,

My name is Adonay Gebrehiwot and I am a Master of Science in Management (MSc) student at Addis Ababa University College of Business and Economics. This research is part of my study and conducted for purely academic purposes. All the information collected through the questionnaire will be used only to further knowledge in the field at hand and will be kept confidential.

To this end, I kindly request you to respond to all the given; your genuine and prompt response is a valuable input for the quality and successful completion of the research paper.

General Instruction:

- There is no need to write your name;
- Please put the mark (√) in the appropriate box; that indicates your response to the question.
- In case of any inquiry about this questionnaire, you can contact me through my cell phone or the following e-mail address.

E-mail: adoghiwot901@gmail.com

Phone: +251991-169044

Thank you.

Part I: Demographic Information

1. **Indicate your gender.**

Male [ ]

Female [ ]

2. **Indicate the department you work in.**

Claims [ ]

Finance [ ]

Marketing [ ]

Underwriting [ ]

3. **Indicate your highest level of education.**

Diploma [ ]

Undergraduate/Degree [ ]

Graduate [ ]

Postgraduate/Ph.D. [ ]

4. **Indicate how long you have worked in the insurance industry.**

Less than 1 year [ ]

1-5 years [ ]

6-10 years [ ]

Over 10 years [ ]

5. **Indicate how long you have worked in your current position.**

Less than 1 year [ ]

1-5 years [ ]

6-10 years [ ]

Over 10 years [ ]

Part II: Assessment of the Level of Implementation of Innovative Strategies

By considering the stance and actions of your insurance company, please indicate the extent to which you agree or disagree with each statement by placing a tick next to the corresponding number.

Key: 1 (SD) – Strongly Disagree; 2 (D) – Disagree; 3 (N) – Neutral; 4 (A) – Agree; and 5 (SA) – Strongly Agree

No.	Item	SD (1)	D (2)	N (3)	A (4)	SA (5)
1	Our company boasts a sufficient marketing budget.					
2	Our company makes use of referral programs to attract new clients and benefit existing ones.					
3	Our company sponsors events to boost its public image and notoriety.					
4	Our company frequently sets up new marketing channels to boost our customer base.					
5	Our company employs email marketing to keep benefactors up to date on new developments.					
6	Our company has reduced variable cost elements in service procedures.					
7	Our company has enhanced the speed of delivery of services to clients.					
8	Our company carries out frequent customer satisfaction surveys to quantify the quality of service provided.					
9	Our company has eradicated non-value-adding activities in service delivery-related procedures.					
10	Our company has improved on turnaround time.					
11	Our company regularly innovates on existing products.					
12	Our company keeps well informed on global product developments.					

13	Our company holds routine product innovation discussions.					
14	Our company tailors its products with regard to changing times and situations.					
15	Our company believes in the necessity of R&D.					
16	Our company works towards providing self-service platforms for customers.					
17	Our company automates routine tasks utilizing innovative technologies.					
18	Our company makes use of data analytics to better understand the industry and country they're in.					
19	Our company implements innovative systems, such as Enterprise Resource Planning.					
20	Our company has increased investment in innovative technology.					

Part III: Assessment of Level of Insurance Penetration

By considering the standing of your insurance company, please indicate the extent to which you agree or disagree with each statement by placing a tick next to the corresponding number.

Key: 1 (SD) – Strongly Disagree; 2 (D) – Disagree; 3 (N) – Neutral; 4 (A) – Agree; and 5 (SA) – Strongly Agree

No.	**Item**	**SD (1)**	**D (2)**	**N (3)**	**A (4)**	**SA (5)**
1	Our company has increased its level of premium collected from year to year.					
2	Our company's contribution to GDP has increased from year to year.					
3	Our company's rate of growth of premium collected year to year is on par with that of growth GDP as a whole.					

THANK YOU