College of Development Studies, Center for Regional & Local Developmental Studies

Factors Determining Demand for Microinsurance: The Case of Addis Ababa

A thesis submitted to the graduate program of Addis Ababa University (AAU) for the partial fulfillment of the requirements of MA degree in Regional and Local Developmental Studies

Advisor: Dr. Frew Mengistu (Ph.D.)

By: Amanuel Demelash (GSR/3563/14)

Addis Ababa

September 2023

This is to certify that the thesis prepared by Amanuel Demelash Kassaye, titled: A Critical Assessment of Demand for Microinsurance: The Case of Addis Ababa submitted in fulfillment of the requirements for the degree of MA in Regional and Local Developmental Studies complies with the regulations of the university and meets the accepted standards concerning originality and quality.

Board of Examiner

_____	_____	_____
Supervisor	**Signature**	**Date**
_____	_____	_____
Internal Examiner	**Signature**	**Date**
_____	_____	_____
External Examiner	**Signature**	**Date**
_____	_____	_____
Chairperson	**Signature**	**Date**

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to several individuals and organizations without whom my academic journey and research work would not have been possible. First and foremost, I would like to sincerely thank my advisor, Dr. Frew Mengistu, for his unwavering support, guidance, and invaluable insights throughout my research work. His encouragement, constructive criticism, and rigorous feedback have been instrumental in shaping my research work. I would also like to thank the Director and employees of the Association of Ethiopian Microfinance Institutions for their support and cooperation in providing me with the necessary data and information for my research. Their willingness to share their knowledge and expertise has been truly invaluable. Finally, I would like to express my gratitude to my family for their unconditional love, encouragement, and support throughout my academic journey. Their unwavering support and belief in me have constantly motivated and inspired me.

Abstract

The study's primary objective was critically examining and identifying "The Demand for Microinsurance in Addis Ababa." The study employed a mixed type of research approach. Respondents of the study were selected using cluster random sampling. Data was gathered using surveys, interviews, focus group discussions, and secondary sources. Data gathered were analyzed using linear regression, contingent, and thematic analysis. The results indicate that there is low and moderate awareness level among low-income households. The primary factor affecting demand for micro insurance is the willingness to pay. Willingness to pay is affected by factors such as price, transaction cost, risk aversion and quality of the product, trust in the insurer, capacity to pay, and awareness level. The study further informed the capability of micro insurance institutions in Addis Ababa to distribute micro insurance products. Finally, the study recommends that policymakers and stakeholders review the policies and strategies of micro insurance by addressing the awareness level and enhancing perceived values and willingness to pay of low-income households.

Key terms: micro insurance, willingness, awareness, institutions, demand,

Acronym

AEMFI - Association of Ethiopian Microfinance Institutions

CGAP - Consultative Group to Assist the Poor

CSA - Central Statistical Agency

DECSI - Dedebit Credit and Savings Institution

EIC - Ethiopian Insurance Corporation

ERHS - Ethiopia Rural Household Survey

GDP - Gross domestic product

IAIS - International Association of Insurance Supervisors

ILO - International Labor Organization

MDTCS - Micro Development Training and Consultancy Services

NBE – National Bank of Ethiopia

NGO - Non-Governmental Organizations

OECD - Organization for Economic Cooperation and Development

PMAC - Provisional Military Administration Council

PSNP - Productive Safety Net Program

REST - Relief Society of Tigray

SACCO - Savings and Credit Co-operative Society

UNCDF - United Nations Capital Development Fund

Contents

Chapter One

1. Introduction

The need to conduct research on this topic derived from personal observation. As members of the population of Ethiopia is poor and struggling to survive daily, it raises a question of how to manage survival. The finance sector could provide a lot of support in helping the community. Taking the idea from Nobel Prize-winning banker and economist Muhammad Yunus, Ethiopia started developing microfinance institutions which are pro-poor organizations. The other financial sector the Nobel prize winner indicated to be established is microinsurance company. However, not much has been done in this regard. So, this research attempts to create a pathway for the development of micro level insurance institutions to support the poor community for sustainable development.

“Insurance is civilization's fire extinguisher if the risk is like smoldering coal that may spark a fire at any moment. The main idea of insurance is the distribution of risk by sharing it among several individuals, whether it was hunting giant elk in a group to spread the risk of being the one stabbed to death or shipping cargo in several different caravans to avoid losing the whole shipment to a raiding tribe, people have always been aware of the risk. Countries and their citizens need to spread risk among large numbers of people and move risk to entities that can handle it. This is how insurance emerged. What some consider the first written insurance policy was found on an ancient Babylonian monument. In Medieval Europe, the guild system emerged, with members paying into a pool that covered their losses. In the 1600s, ships sailing to the New World would secure multiple investors to spread the risk around. The horrific Great Fire of London in 1666 gave rise to fire insurance. Life insurance became more widespread and affordable after the invention of mortality tables, which helped predict longevity” (Beattie, 2021).

The emergence of the modern insurance business in Ethiopia traced back to the establishment of the first bank, the Bank of Abyssinia, in 1905. After many years of dragging feet in the business, Imperial Insurance Company was established in 1951. Following the overthrow of the Imperial regime in 1974, the Provisional Military Administration Council (PMAC), came into being with a new economic system called a command economy. Consequently, in December 1975, after

the thirteen private Insurance Companies nationalized, the provisional Military Administration Council issued Proclamation No. 68/1975 to establish the Ethiopian Insurance Corporation (EIC). As per this proclamation, all nationalized insurance companies' assets, liabilities, and capital were transferred to EIC (Smith, A., & Chamberlain, D., 2010).

Microinsurance is an outgrowth of the micro-financing projects developed by Muhammad Yunus, which helped millions of low-income individuals in Asia and Africa to set up businesses and buy houses. Microinsurance or the insurance of the poor has been considered "the next revolution" in addressing risk and vulnerability in low-income countries (Marduch 2006). Microinsurance is often distributed in cooperation with microfinance organizations, rural banks, savings and credit cooperatives, and humanitarian organizations providing nonfinancial services. Insured crops and livestock can be used as collateral for loans to buy better equipment or otherwise improve the farmer's yields, ultimately raising the standard of living. In Ethiopia, microfinance was introduced in 1995 to reduce poverty, and since then, Ethiopia's government has stimulated the expansion of modern financial services in the country. Around 31 licensed microfinance institutions are operated throughout the country (Eshete A 2010).

Microinsurance is far from being homogeneous. The main concerns are a wide variety of risks and take a lot of different forms; it has recently received much attention as a promising tool to protect poor individuals from shocks. Yet, voluntary demand from people has been low, shedding doubt on the viability of microinsurance as a useful risk-management tool. This study was conducted to better understand this puzzle both theoretically and empirically on the demand for insurance. While people's lack of understanding of insurance does seem to limit the demand for it, several more fundamental factors, such as price, quality, limited trust in the insurer, and liquidity constraints also seem to have an important role in explaining the puzzle (Jean-Philippe plateau, Ombeline D.B. and Wouter G., 2017).

1.1. Statement of the problem

Microinsurance is a form of insurance designed for low-income households, typically in developing countries, to provide them with financial protection against risks such as illness, accidents, and natural disasters. In Ethiopia where a significant proportion of the population lives below the poverty line and lacks access to formal insurance products, microinsurance has

been identified as a potential tool for reducing vulnerability and promoting financial inclusion. However, despite efforts by the government and microfinance institutions to promote microinsurance, uptake remains low. Therefore, this study seeks to critically assess the demand for microinsurance in Ethiopia, with the aim of identifying factors that hinder or facilitate its adoption.

Previous research has explored the potential benefits and challenges of microinsurance in Ethiopia, including issues related to product design, distribution channels, and consumer behaviors. However, there is a need for further research to understand the factors that drive demand for microinsurance and barriers that prevent them from accessing and using these products.

The lack of access to affordable and appropriate insurance products is a major problem for many low-income households in Ethiopia, which are vulnerable to a range of risks that can have severe financial consequences. Without insurance, these households may resort to coping mechanisms that are detrimental to their long-term well-being such as selling productive assets or borrowing at high rates. In addition, the absence of insurance can limit the ability of microfinance institutions to provide loans to these households, as they often require collateral or other form of security.

The purpose of this study is to critically assess the demand for microinsurance in Addis Ababa. It also attempts to identify the key drivers of demand for microinsurance among low-income households in Addis Ababa. State the main barriers to accessing and using microinsurance products. And understand how can these barriers be overcome to increase the uptake of microinsurance. The findings of this study provide insights for policymakers, microfinance institutions, and insurance providers on how to design and deliver effective microinsurance products that meet the needs of low-income households in Addis Ababa.

1.2. Objective

1.2.1. General objective

The general objective of this study is to critically examine and understand the factors affecting the demand for microinsurance. It also examines the awareness level of people toward the demand for microinsurance in Addis Ababa.

1.2.2. Specific objectives

- Assess the awareness level of the people about micro insurance.
- Identifying the fundamental factors for demand or lack of demand for microinsurance in Addis Ababa.
- Assess the willingness to pay by low-income households.

1.3.Research question

- What is the level of awareness among low-income households in Addis Ababa about micro insurance products, and how does this vary by demographic factors?
- What are the primary factors that affect demand for micro insurance among low-income households in Addis Ababa, and how do these differ from the factors that inhibit demand?
- What is the willingness of low-income households in Addis Ababa to pay for microinsurance products, and how does this vary by type of risk and level of coverage?

1.4.Significance of the study

Microinsurance has recently received much attention as a promising tool to protect poor individuals from different shocks. As the poor get insured the recovery time and funding it takes to recover gets easier and shared among different people using different institutions both formal and informal. However, existence of demand exerted from people and identifying microinsurance as a useful risk-management tool and lack of trust among the people. This Research was conducted to better understand this puzzle theoretically and empirically on the demand for microinsurance. It is also helpful to share experience from different parts of the world with Ethiopia and provide knowledge for the microinsurance institutions in Ethiopia. With this study, the low-income household will benefit as it studies awareness level. And the microinsurance institutions both formal and informal will get clarifications to what the demand will look like. On the other hand, other interested parties like government, Non-Governmental Organizations (NGOs), and microfinance institutions will see the need for microinsurance, so it creates an opportunity to involve in the sector. So, this study could be the pathway to creating job opportunities, knowledge creation, accumulation, etc. in the insurance sector.

1.5. Scope of the study

This study is confined in its scope to the Addis Ababa population's demand for microinsurance. However, it has been quite difficult to determine the low-income households in Addis Ababa. The study categories participants with their monthly income below 30,000 as low income. And those above 30,000 as middle to high income.

1.6. Limitations of the study

The study relies on an income threshold that may not reflect what is needed for a decent life in urban areas like Addis Ababa, therefore while this classification provides a general understanding of income distribution in Ethiopia, it may not capture the complete socio-economic picture. Thematically the study delimited only to investigate the main factors related to the demand for microinsurance and which factors cause the lack of demand for microinsurance.

Chapter Two

2. Literature review

2.1. Definitions of concepts

"Microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved" Churchill (2006, 12-13).

Microinsurance in Philippines is considered as providing the poor access to a basket of insurance products, support, and services in pursuit of poverty reduction and to provide holistic insurance protection to the stakeholders of the microfinance industry (Martinez 2012).

Even though microinsurance is broadly defined as insurance accessed by the low-income population, theoretically provided by a variety of different providers, and managed by generally accepted insurance practices, informal microinsurance providers are delivering affordable microinsurance products to the excluded population. There is ample evidence in Ethiopia and the rest of Africa of self-help groups such as the traditional funeral societies, which are inclusive of the poorest segments of the community, that provide cash and in-kind funeral benefits for their members and members' families. In Ethiopia, there are a variety of informal insurance schemes such as Iddir, Bussa Gonofa, and Debare and self-insurance mechanisms such as saving in the form of assets, livestock, etc. (Dercon et al. 2008).

2.2.Theoretical literature review

Microinsurance is a form of insurance targeted towards low-income populations, providing protection against risks such as illness, death, and property loss. Theoretical perspectives on microinsurance demand can be broadly classified into three categories: economic, behavioral, and institutional. Economic theories focus on the role of risk aversion, expected utility, and the affordability of insurance premiums. According to these theories, individuals will demand insurance if the perceived benefits, such as risk protection and financial stability, outweigh the costs, such as insurance premiums (Dercon & Christiaensen, 2011). Behavioral theories emphasize the role of cognitive biases, social norms, and trust in shaping insurance demand. For example, the prospect theory suggests that individuals may be more sensitive to potential losses than potential gains, leading to a higher demand for insurance (Kahneman & Tversky, 1979).

Additionally, trust in insurance providers and the influence of social networks can significantly impact the uptake of microinsurance (Giesbert & Steiner, 2011). Institutional theories highlight the importance of regulatory frameworks, the role of government, and the presence of supporting institutions in the development of microinsurance markets. The enabling environment, including legal and regulatory frameworks, can either facilitate or hinder the growth of microinsurance (Churchill & Matul, 2012).

Insurance is one way of managing risk but not everyone will be able or want to use insurance to manage their risk. Some people may choose not to use insurance even though it is available to them. Those in the lowest income levels may simply never be able to afford the premiums required for even small insurance policies. There may also be restrictions on the ability of insurers to reach the market below certain levels of income. The combination of current business models, infrastructure, market characteristics, and regulation does not allow the sustainable provision of insurance to low-income households. When considering the development of the microinsurance market it is, therefore, important to consider these restrictions and the potential market that emerges because of that. Importantly, it is also necessary to recognize the limits of commercial microinsurance and to ensure that insurance solutions are prioritized for markets in which they can sustainably operate. (Smith, A., & Chamberlain, D., 2010).

The value of microinsurance is determined by the level of satisfaction or utility everyone derives from subscribing to the policy. Determinants of demand for microinsurance as per research conducted in other parts of the world are price, transaction cost, risk aversion, trust in the insurer, level of wealth influencing the decision, and personal characteristics like age, gender, and education level are factors that affect individual decisions, quality of product the insurance companies are providing, the design of the contract are some of the determinants of demand for microinsurance. In doing this they have put evidence as to why they believe these factors determine the value of the insurance. (Ombeline D.B. and Wouter G. 2017)

Social protection involves policies and programs that protect people against risk and vulnerability, mitigate the impacts of shocks, and support people who suffer from chronic incapacities to secure basic livelihoods. It can also build assets, reducing both short-term and intergenerational transmission of poverty. It includes social insurance (such as health, life, and asset insurance, which may involve contributions from employers and/or beneficiaries); social

assistance (mainly cash, food, vouchers, or subsidies); and services (such as maternal and child health and nutrition programs). Interventions that provide training and credit for income-generating activities also have a social protection component (Adato and Hoddinott 2008). Social protection can be attained by implementing four categories of intervention that address the risks of disadvantaged and vulnerable populations preventive interventions, promotional interventions, protection interventions, and transformation interventions. Protection interventions aim at providing relief from development. These are often regular and predictable transfers of cash and/or food for a limited or unspecified period to protect the lives and livelihood of chronically poor and food insecure individuals and households. (Wolday A., David P., Guush B., Yoseph A., and Berhane K., 2013).

Agricultural risk is associated with negative outcomes stemming from imperfectly predictable biological, climatic, and price variables. These variables include natural adversities, climatic factors not within the control of agricultural producers, and adverse changes in both input and output prices (World Bank 2005). In this context, farmers must manage risks from unforeseen events occurring in all economic and business activities. However, agricultural risk and risk management instruments in the sector may have a certain number of specificities, compared with other types of household risks. The Organization for Economic Cooperation and Development (OECD 2009) identifies the major sources of agricultural production risks as weather, pest, disease, genetics, machinery efficiency, quality of inputs, and the interaction of technology with other farm and management characteristics. Other agriculture hazards include ecological risks related to crop yields, climate change, and the management of natural resources. Smallholder farmers are also susceptible to market risks associated with output and input price variability, relationships with the food value chain concerning quality, safety, new products, and technological changes. Moreover, unexpected changes may occur in the access to credit or other sources of income that affect the financial viability of the farm. (Smith, A., & Chamberlain, D., 2010).

Developing supportive Meso-level technical service providers with the required human, financial, technical, and information resources to deliver quality micro-insurance services to low-income households is a critical strategic intervention. The lack of technical capacity calls for micro-insurance providers to build their competence—including product development, delivery,

collections, systems development, accountability reporting, as well as staff development, and retention. In the Ethiopian context, many insurances and microinsurance providers do not have appropriate systems, trained staff, client-centered financial products, etc. to expand their activities. To fill the gap, many of the insurance and microinsurance providers offer in-house capacity-building programs by the institutions themselves. The resolution of these challenges calls for an organized and well-coordinated Meso-level support system. The Meso-level infrastructure that supports the emergence of microinsurance providers includes the development of infrastructure, credit reference bureaus, associations and networks, human resource development, information system designers, audit service providers, front-office IT service providers, etc. The support is provided in infrastructure, human resource development, technological infrastructure, payment system, associations and networks, credit reference bureaus, and reinsurance.

2.3.Empirical literature

Empirical studies on microinsurance demand in Addis Ababa and Ethiopia more broadly have shown that the uptake of these services remains relatively low. Several factors have been identified as influencing the demand for microinsurance in the region. These include affordability, lack of awareness, trust, and financial literacy. High premiums relative to income levels are a significant barrier to microinsurance adoption (Gebrehiwot, 2016). Many individuals in Addis Ababa remain unaware of microinsurance products and their potential benefits (Gebrehiwot, 2016; Ayalew & Tesfaye, 2018). A lack of trust in insurance providers has been identified as a major obstacle to microinsurance uptake (Ayalew & Tesfaye, 2018). Low levels of financial literacy can hinder the understanding and adoption of microinsurance products (Giesbert & Steiner, 2011).

The structure of the Ethiopian insurance market and the way the distribution is currently taking place looks bad for the development of a microinsurance market. Even if insurers decide to pursue new and lower-income markets, there are several challenges that they will face like high transaction costs, limited distribution opportunities, limited technical capacity, the absence of electronic management information systems, and the products and features of different types of microinsurance in Ethiopia many of these products are still in an experimental stage and have, therefore, not yet been extensively rolled out. Some of these insurance products are weather-

index insurance, Health insurance, and Credit life insurance. (Smith, A., & Chamberlain, D., 2010).

Ethiopia has a very small insurance industry, both in absolute and relative terms. Insurance premiums (including both life and general insurance) totaled US$105m in the 2006/07 financial year (ending June 2007), equating to about 0.2% of Gross domestic product (GDP). Compared to some other African countries. this is a very low level of insurance penetration and is indicative of the underdeveloped state of the insurance market in Ethiopia. Ethiopia has a total of ten insurance companies of which one, the Ethiopian Insurance Corporation (EIC), is government owned. According to market share based on gross premiums, the EIC is also the largest of the companies, with about 42% of the general and 62% of the long-term insurance market. Seven of these companies had composite insurance licenses (able to write long-term and general insurance) during the 2007/08 financial year. Two new companies are in the process of being licensed, of which one is reported to be a life insurance-only company, the first such company in Ethiopia. (Wolday A., David P., Guush B., Yoseph A., and Berhane K., 2013).

In a demand-side analysis of the potential of providing insurance to low-income individuals and households in Ethiopia, it is important to have a closer look at the nature and distribution of poverty in Ethiopia. Poverty exerts a profound influence on the demand for microinsurance in a variety of ways. Increases the severity of risks, increases the probability of risks, decreases coping capacity, decreases awareness of financial tools, and decreases access to financial tools. Risk management or coping strategies to deal with risks, Ethiopians rely on three major categories of risk management or coping mechanisms individual self-insurance, community-based arrangements, and external assistance. Each of these categories contains possible ex-ante and ex-post measures that can be taken to actively manage and prepare for a risk event before it happens and cope with it after the fact. A significant need for more robust risk management mechanisms in Ethiopia. However, need does not automatically translate into demand. Three factors are drawing on the field research and available literature, that are believed to influence attitudes (and willingness to buy) to insurance these are the perception of the value of formal risk transfer or insurance as a concept, perceived and actual appropriateness (to the needs of potential clients) of insurance product, and trust in specific products and insurance providers. Apart from focusing on attitudes towards insurance in terms of the above three factors, attitudes towards

specific types of insurance coverage and what this implies for product preference is also considered, while we also consider willingness to pay for insurance (Smith, A., & Chamberlain, D., 2010).

The Ethiopia Productive Safety Net Program (PSNP) provides a topical case study of a large-scale government-implemented social protection program, in one of Africa's poorest countries. It is a 'live example' of the opportunities and challenges facing donors and governments as they seek to forge a consensus over social protection. Ethiopia's PSNP is one of the largest and most successful and commendable forms of social protection in Sub-Saharan Africa (Brown, Gibson, and Ashley 2008).

The review of previous food security programs highlighted the need for a more consistent and timely approach to household investment and income-generating investments and a more diversified approach to the provision of direct transfers and financial products for asset accumulation and protection (including transfers, savings, and multiple arrangements for credit) (MoARD 2009). The household asset-building component of the food security program (2010–2014) recognizes that food-insecure households vary in their capacity to undertake investments, assume risks, adopt innovative practices, and take on and repay loans. The Productive Safety Net Program can play a significant role in the transition out of emergency relief. In circumstances of chronic poverty and food insecurity, predictable social transfers can help to address the structural dimensions of hunger and vulnerability and reduce the need for ad hoc relief appeals (Ministry of Labor and Social Affairs 2011). The PSNP was modeled to respond to chronic food insecurity whereby the program not only meets food deficit requirements but does so in a way that protects and builds community assets.

The general insurance sector dominates, with motor insurance forming the largest category of general insurance. Life insurance premiums constituted only US$6m or 6% of total premiums in 2007, while general insurance premiums totaled US$99m or 94% of total premiums. Almost half (43%) of total insurance premiums is derived from motor vehicle insurance. Despite the large proportion that motor insurance constitutes of all general insurance premiums, it is reported to be a loss leader for most insurance companies. The two next largest categories of insurance are marine insurance (14% of total insurance premiums) and engineering insurance (9% of total premiums). Most of the business is corporate. The largest categories of insurance in Ethiopia

demonstrate that most insurance business in Ethiopia is sold to corporate clients insuring their assets (motor vehicle, fire), business (aviation, engineering, and marine), and staff members (accident & health, life/long-term and workmen's compensation). As a result, intermediation is geared towards corporate clients, and very little insurance is intermediated on an individual retail basis. There is very little product innovation and the products available are not geared towards the retail market with much of it still based on products sold before 1976. Relatively high profits were reported but with potential concerns about true performance. The insurance sector reports relatively high profits, but lower than that generated in the banking sector. Between 2002 and 2007, general insurance companies generated an average return on equity of 16.5% (Insurance Supervision Department, Bank of Ethiopia, 2008), while the general insurance industry returns for 2007/08 was 23%. The reported returns may, however, be overstated and several factors need to be considered when interpreting the reported profits restricted investment options and concentration, the absence of the stock market, the impact on equity valuation and liquidity, credit premiums, and the reliability of financial reporting (Smith, A., & Chamberlain, D., 2010).

The informal insurance sector serves more individuals with insurance (or risk management) products than the formal sector. A few categories of financial institutions, serving millions of Ethiopians, are currently involved in either providing informal risk management products (as done by the iddir) or informal insurance products (as done by MFIs and SACCOs). The difference between these categories of payouts is the level of certainty around the premium and payout. While iddir may tend to vary their contributions and pay-outs depending on the risk experience of the iddir and the level of contributions received MFIs and SACCOs will normally set their premiums at a fixed level (a percentage of the total loan amount) and cover the outstanding debt of clients. While this approach may work for relatively predictable risks, any risk that is higher than predicted or catastrophic will wipe out the insurance funds of these institutions and, if they are unable to cover the value of outstanding loans affected by the risk, negatively impact the financial soundness of their business and their client's trust in the institution (Smith, A., & Chamberlain, D., 2010).

According to research conducted by Smith, A., & Chamberlain, D. (2010) in Ethiopia to design appropriate microinsurance products, it is key to understand the risk experiences of the poor. In analyzing the risks experienced by Ethiopian households, it is important to distinguish between

the risks that are generic to all Ethiopians and risks specific to a livelihood or region. The two major generic risks are poor health or illness, and death, while the two biggest risks relating to livelihood include crop failure (due to drought or other reasons) and cattle mortality (due to drought or diseases). Because risk is a large part of daily life in Ethiopia, focus group discussion participants seemed to possess a firm understanding of risks and threats to their livelihood. Except for universal risks such as death and illness, risks appear to vary from region to region, especially between urban and rural areas. The results for the rural population show that crop failure and livestock death (due to drought) are the main risks. This finding is consistent with prior studies by Dercon et al. (2008) that identify the main risks for rural households in Ethiopia similarly. Key informants in urban areas consider property loss due to damage (e.g., fire) and theft to be a risk second only to the death of the household head and illness. Households in Addis Ababa are also concerned with a high cost of living and high unemployment rates.

Although informal risk-sharing schemes have been devised in the Ethiopian insurance sector; the formal insurance market perceives the low-income sector as an unattractive niche. Many of the risks of financially excluded people in Ethiopia are insurable. By helping low-income households manage their risks, micro-insurance can assist them to maintain a sense of financial confidence even in the face of significant vulnerability. For instance, agricultural insurance products in Ethiopia are indemnity-based agricultural products, revenue agricultural insurance products, index-based agricultural insurance products, crop insurance, multiple peril crop insurances, crop revenue insurance, area yield index insurance, weather index insurance products, livestock insurance, bloodstock insurance, aquaculture insurance, forestry insurance, greenhouse insurance. The range of micro-insurance products is almost as varied as that of commercial insurance. Existing insurance product types have been re-engineered to accommodate the needs of low-income households according to the International Association of Insurance Supervisors and Consultative Group to Assist the Poor (IAIS and CGAP 2007). As in the Ethiopian case, indicated earlier, MFIs and many Savings and Credit Co-operative Societys (SACCO) are currently self-insuring their loans through credit-life insurance, because of the lower cost structure, simplicity, limited risk, and the focus of microinsurance providers protecting their assets. In addition to these credit-life insurance products, several research teams in collaboration with local insurance companies— such as Ethiopian Insurance Corporation and Nyala Insurance Company, and MFIs (e.g., Dedebit Credit and Savings Institution (DECSI) in Tigray and Buusaa

Gonofaa in Oromia) have implemented pilot projects on weather indexed insurance products and livestock indemnity insurance to reduce the risks of smallholder farmers. Many of these pilots are in progress and are yet to be seen if they can be scaled up. There are some hopes that some of the results documented from these pilots will be scaled up at the commercial level by insurance companies and MFIs in collaboration with insurance companies. Four selected micro-insurance schemes focusing on mitigating the risks of smallholder farmers in Ethiopia are the Relief Society of Tigray (REST) Initiated Weather Index Insurance (the HARITA Project), Weather Index Insurance by Nyala Insurance Company, Crop Insurance Pilot of World Bank in Alaba Woreda, A Pilot Livestock Indemnity Insurance for Smallholder Farmers. (Wolday A., David P., Guush B., Yoseph A., and Berhane K., 2013).

Opportunities and challenges for microinsurance in Ethiopia, a larger project funded by the United Nations Capital Development Fund (UNCDF) and managed by the International Labor Organization (ILO) to promote microinsurance development in several African countries. The goal of the project was to map the microinsurance landscape (including supply, demand, and regulatory dimensions) in Ethiopia and to facilitate a process for the development of an inclusive insurance (and microinsurance) market in Ethiopia. A large unserved market, a generally weak financial system with a low level of penetration and contact with the lower-income market, a young insurance industry at a very early stage of development with limited skills, limited experience to date with retail and life business, more people may have informal risk cover than formal insurance, unsupportive environment for intermediation, limited health services infrastructure, cooperatives, and MFIs are leading the delivery of financial services to low-income households and, in terms of client numbers, present the only substantial client networks, likely that any insurance development will be credit-led, Existence of iddir and equib signals need for risk management, but much of it at a level difficult to serve by commercial players, regulation in process of modernization with the opportunity to create a supportive regulatory framework.

In a diagnostic study conducted in Ethiopia in 2013, they elaborated that Ethiopia has the largest livestock population in Africa. It is estimated at 105 million tropical livestock units, which includes 49.3 million heads of cattle, 47 million heads of sheep and goats, 8.3 million equines, 760 thousand camels, and a poultry population of 38.13 million according to the Central

Statistical Agency (CSA 2009). Cattle play the most important role in the farming economy followed by sheep and goats. Poultry farming is widely practiced in Ethiopia and small farmers use them for consumption purposes and as a source of cash income. The livestock subsector is an integral part of the country's agricultural production system and contributes significantly to the country's economic development—the contribution of livestock and livestock products to the agricultural economy accounts for 35–45 percent, excluding the value of draught power, transport, and manure (Winrock International 1992). Livestock 19 accounts for an estimated 15–17 percent of the total GDP and contributes to the livelihood of approximately 70 percent of the Ethiopian population—this translates into approximately 44– 52 million people whose subsidiary needs, economic activity, and food security rely on livestock production. Livestock contributes to the production of food (milk, meat, eggs, and blood), industrial raw materials (wool, hair, hides, and skins), inputs for crop production (draught power and manure), and export earnings (live animals, skins, and hides). They also generate cash income which can be used to purchase food grains, seeds, fertilizer, and farm implements and for financing miscellaneous social obligations and is a form of asset accumulation to protect against unforeseen risks.

The Micro Development Training and Consultancy Services (MDTCS) conducted 43 individual interviews and 125 focus group discussions to delineate the ranking of risks by households in various regions of Ethiopia. The results of the study indicate that household risks vary from region to region. For example, the death of a household member was ranked number one in the Oromia cereal-producing region, while Oromia pastoralists and SNNP coffee producers ranked respectively livestock loss and coffee and onset disease as their priority risks (Oxfam America and MDTCS 2009).

Major Agricultural risks faced by low-income households in Ethiopia are Drought Risks, Crop Loss, Livestock Disease and Death, Health Risks, Death of Family Members, Injuries and Disabilities, Risk of Urban Households, Market Risks, Climate Change, and the Risk of Low-Income Households as per many research conducted and reviewed. The ability of farmers to retain small and frequent losses depends on access to agricultural services and the functioning of the relative markets, such as those for credit, finance, transport, storage, or extension. Where such markets are incomplete or uncompetitive, farmers' ability to retain risks is hindered. In these cases, small-scale farmers are forced to rely on other mitigating or informal ways to

smooth consumption, which may perpetuate subsistence, hinder farm capital formation, and limit agricultural productivity growth (Carter 2008). Moreover, households in poor developing countries are typically ill-equipped to cope with large shocks. Formal insurance schemes are mostly absent and informal risk-sharing arrangements and savings offer only partial consumption smoothing (Morduch 1995; Townsend 1995; Dercon 2002). Especially the consequences of covariate shocks, such as droughts, are most often hard felt, often affecting people's welfare many years after the shock (Dercon 2004). Carter (2008) indicates that coping strategies employed by low-income households usually perpetuate subsistence, hinder capital formation, and limit productivity growth. It is, therefore, necessary to delineate prevalent risks faced by Ethiopian households and examine existing coping strategies and their willingness to pay to permit the development of client-centered micro-insurance products that properly mitigate the risks of low-income households.

Coping strategies of low-income households in Ethiopia to mitigate risks are Oromia region livestock insurance demand study coping strategies, coping strategies of farmers in the incident of livestock diseases, coping strategies in the incidence of the adverse market price of livestock, and coping strategies of farmers in the incidence of livestock death this is some of the coping strategies done to mitigate risk by low-income households in Ethiopia as per different research are conducted in the area. Rural producers and communities employ several mechanisms to deal with the risky business of farming, and any intervention must account for the likely effect of those mechanisms and the resources available to farmers. The mechanisms include information gathering, avoiding risks, diversification, and sharing of risks.

The report of Oxfam America's demand study (Oxfam America 2011) indicated that it would be difficult to measure the demand and actual willingness and ability of Ethiopians to pay for micro-insurance without detailed and deep analysis based on quantitative estimates of interest in specific products (actual terms, including benefit levels, policy exclusions, premium rates, claims procedures, etc.). However, based on the limited primary quantitative and qualitative information in the study, the report concludes that "as such, all that can be said with certainty is that there is strong interest in insurance in principle across the country." Nearly all the participants in focus group discussions said they would be interested in purchasing insurance, explaining the main reason they had not done so already was ignorance that the service existed. A study in rural

Ethiopia indicates that needy households are willing to pay up to 1 USD per month per household for health insurance.

In the Oromia region livestock insurance demand study (AEMFI 2010), two product concepts were developed to gauge respondents' perceptions of various aspects of the designed livestock insurance products. Respondents were asked what aspects of the products they most liked, to rank aspects of the product that were most appealing, and to identify their willingness to purchase the products. Respondents who were disinterested in the product concepts were asked why they disliked the product and what aspects of the products could be improved to change their decision about the product. The Hill, Hoddinott, and Kumar (2011) study uptake responses were analogous. The most common reason given for not purchasing insurance by the Ethiopia Rural Household Survey (ERHS) respondents was "I would like to buy it but cannot afford it," with slightly more than 50 percent of non-purchasers giving this answer. Approximately 30 percent stated that they did not need it and 16 percent thought the price was too high, given what was provided. Less than 3 percent of respondents stated that the rainfall on their fields was too different from that at the weather station, that they did not trust the insurance company to pay, or that they did not understand the contract.

To develop an appropriate financial literacy/education campaign it was critical to identify how and from what sources respondents are exposed to financial information. The results of the Oromia region livestock insurance demand study (AEMFI 2010) indicated that most respondents obtain financial service information from relatives and friends (81.7 percent). This data imply that micro-insurance providers should target communal organizations such as cooperatives and unions, as they are a combination of business and social forums. Consequently, about 51.7 percent and 41.7 percent of the respondents reported that they derive their financial service information from Cooperatives and Unions, respectively. About 75 percent of the respondents indicated that they receive financial service information from the radio, as the apparatus is easily accessible and relatively inexpensive. About 50.8 percent of the respondents reported that they obtain information from television. Advertisements were a limited source of financial service information (20.8 percent); and banks and microfinance institutions are a relatively good source for providing financial service information at 30.8 percent and 31.7 percent, respectively.

Churches, which are important social outlets, are a very low source of financial service information at 5 percent.

Compared with the success of the delivery of loans and saving products, MFIs in Ethiopia have not progressed in delivering micro-insurance services to their clients. They only attempted to protect their loan portfolio through the provision of credit life insurance, by covering the repayment of the outstanding loans in case of a borrower's default. They have not addressed the production, marketing, and health risks of the clients. However, given the superior understanding, MFIs have with clients (which can reduce fraud and adverse selection) they are well placed to mitigate their clients' risks by bundling micro-insurance with credit/saving products. BASIX in India for example bundles agricultural and livestock credit with mandatory weather and livestock insurance schemes. Learning how to reduce transaction costs was a big part of microfinance success, and a similar learning experience needs to take place in micro-insurance, which is more complex than credit products. (Wolday A., David P., Guush B., Yoseph A., and Berhane K., 2013)

2.4. Institutional framework

According to Licensing, License Renewal, and Product Approval for Microinsurance Providers Directives No. SMIB/1/2015, an insurer means a person that issues an insurance policy or undertakes or agrees to undertake the obligation of an insurance policy, whereas microinsurance is designed to address risks and insurance needs of low-income populations. Microinsurance products mentioned in this directive include life insurance and general insurance. Under life insurance: term insurance for the insured policyholder or member of the family, accidental death or disability of insured policyholder or family member, credit life, medical expense, investment-linked, and other categories of microinsurance as may be authorized by the National Bank. Under general insurance: loss of damage to property including crops and livestock, on an indemnity basis only, credit linkage coverage, saving linkage coverage, weather linkage coverage, and other categories of microinsurance as may be authorized by the National Bank.

Licensing, License Renewal, and Product Approval for Microinsurance Providers Directives No. SMIB/1/2015 also proclaims how dealing with microinsurance exclusively maintained, an insurer may be established to exclusively deal in microinsurance products under such circumstances, an insurer shall fulfill many conditions regarding general and capital

requirements established by the National Bank of Ethiopia (NBE). with regards to general requirements persons with significant influence shall meet all requirements and considerations set in the directive, appointments of Board of directors, Chief Executive Officer subjects shall be approved by NBE, and any shareholder making influence shall be approved by NBE. Capital requirements in this directive are any applicant for a new insurance company license that exclusively plans to deal in microinsurance products shall have paid up capital of birr 7 million and 3 million for general microinsurance products and life microinsurance products respectively and birr 10 million for both products.

In accordance with Licensing, License Renewal, and Product Approval for Microinsurance Providers Directives No. SMIB/1/2015, microinsurance products features microinsurance providers may offer all microinsurance products including weather index insurance. However, the latter shall always be subjected to a prior reinsurance treaty arrangement. And the maximum sum insured per risk for microinsurance products shall not exceed 1% of the paid-up capital of the insurer, also the maximum sum insured for a group under a single policy for a risk shall not exceed 1% of the paid-up capital of the insurer per person multiplied by the number of insured in the group. Without prejudice to the above-mentioned directives, the sum insured for the credit life insurance product shall run up to the outstanding loan amount. The Policy duration for all microinsurance products shall not exceed 12 months. Without prejudice to the above policy duration for life and credit life, microinsurance products may extend up to the terms of life policy and loan repayment.

Licensing, License Renewal, and Product Approval for Microinsurance Providers Directives No. SMIB/1/2015 points out requirements for approval, which are the endorsement from the company's board issued the proposed product, background note on the product, duly completed application form, proposal/ application form and policy specimen, and documentation describing the calculation of the premium rate (premium rate chart) and an explanation as to how the expected to claim ratio used for premium calculation provides appropriate client value for microinsurance product. An outline of the planned distribution approach, including the use of microinsurance agents, insurance agents, brokers, and/or other channels. A summary of the commission and fee to be paid to each category of intermediaries for each microinsurance

product. An authorized microinsurance provider shall carry out any pilot program on microinsurance products and be registered and approved by the national bank.

Treasury Bills. Directive No. 25 of 2005 limits the types of assets in which general insurance funds may be invested to the following:

- Not less than 65% of admitted assets may be invested in Treasury Bills and bank deposits, "provided, however, that aggregate bank deposits (checking, savings, and time deposits) held with any one bank shall not exceed 25% of the total admitted assets".
- No more than 15% of admitted assets may be invested in company shares.
- No more than 10% of admitted assets may be invested in real estate, and 10% of admitted assets may be invested in "investments of the insurance companies' choice".

For long-term insurers, the types of assets that may be invested are limited to the following:

- Not less than 50% of admitted assets may be invested in Treasury Bills/Bonds and bank deposits, "provided that aggregated deposits (checking, savings, and time deposits) held with any one bank shall not exceed 25% of the total admitted assets".
- No more than 15% of admitted assets may be invested in company shares.
- No more than 25% of admitted assets may be invested in real estate, and 10% of admitted assets may be invested in "investments of the insurance company's choice".

The relatively high percentage of assets required to be in Treasury Bills and bank deposits has raised a problem for insurance companies, given the relatively low returns of these assets, investment opportunities in company shares are limited and the high investment required for Treasury bills and bank deposits may be the only option for investment in these funds.

Brokers and agents are established as intermediaries. The insurance regulatory framework distinguishes between two categories of intermediaries: agents and brokers. While agents are restricted to selling the insurance products of one insurer, brokers can place insurance businesses with more than one insurer. Both are required to be Ethiopian Nationals or institutions fully owned by Ethiopian Nationals. (Smith, A., & Chamberlain, D., 2010).

Microinsurance can be developed and delivered by insurance companies, mutual funds, MFIs, NGOs, governments, or semi-public bodies. However, it is only the insurance companies and

deposit-taking MFIs which are allowed, by law, to issue micro-insurance policies in Ethiopia. Other providers such as cooperatives can be used as agents of insurance companies and deposit-taking MFIs. Although there has been a relative success in building sustainable micro-insurance providers in Ethiopia, such as the deposit-taking MFIs, insurance companies, and cooperatives in a short period, they failed to provide tailored micro-insurance services and interventions which address the insurance needs of low-income households. (Wolday A., David P., Guush B., Yoseph A., and Berhane K., 2013)

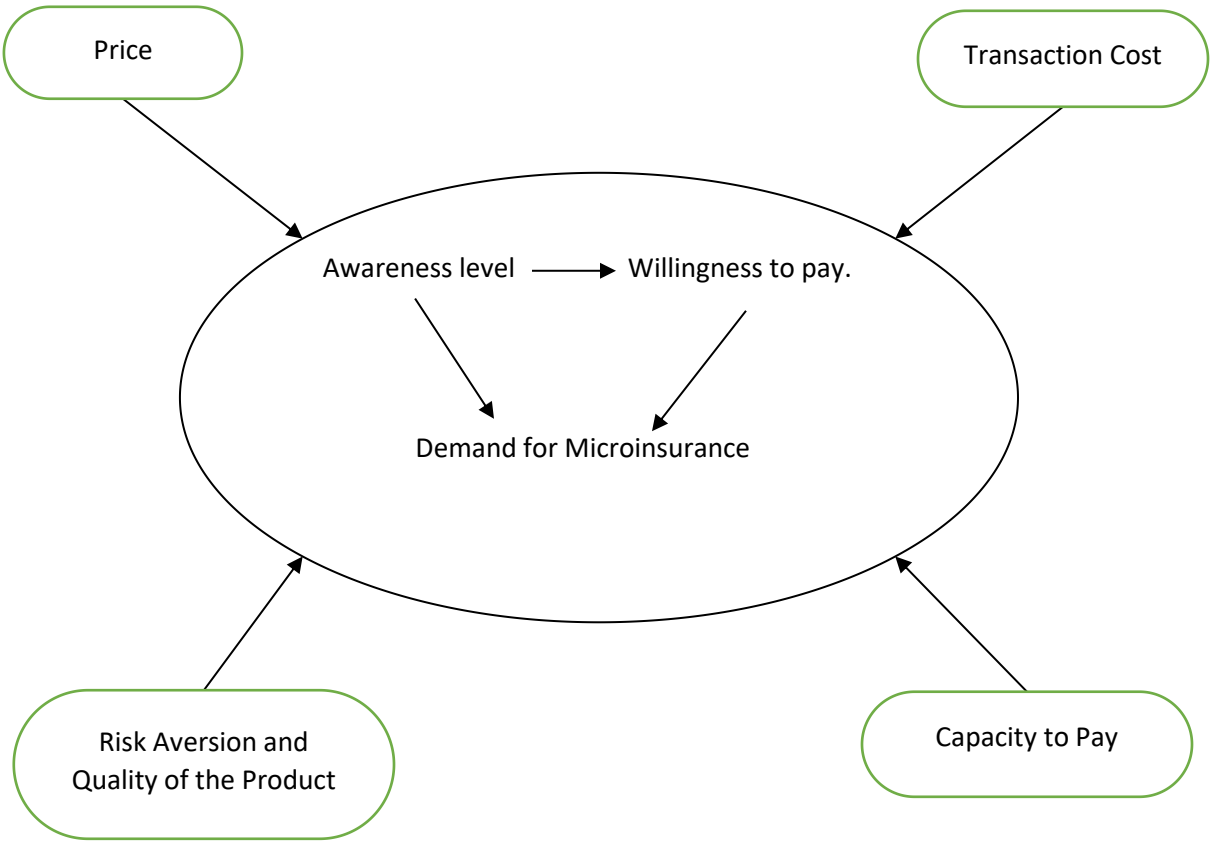
Expanding and improving the quality of micro-insurance services in Ethiopia requires a clear legal and regulatory framework. The objectives of micro-insurance regulation are expected to include: (i) safeguarding the solvency of institutions involved in the provision of insurance policies or ensuring the stability of the sector; (ii) protecting clients or policyholders; (iii) increasing the competitiveness of the insurance market and its efficiency (including the adoption of new technologies and innovations); (iv) developing the insurance market, including formalizing insurance services to low-income clients; and (v) supporting other strategies (non-insurance) objectives such as compliance with international standards or law enforcement (IAIS and CGAP 2007). The intention of regulation and supervision policies should focus on creating a more conducive environment for the expansion of microinsurance to attain sustainable development.

2.5. Gaps in Literature Review

Despite the growing body of research on microinsurance demand in Addis Ababa and Ethiopia, several gaps remain. There is a scarcity of reliable and up-to-date data on microinsurance spreading in Addis Ababa, which hinders comprehensive analysis and evaluation. Most studies focus on specific types of microinsurance products, such as health or agricultural insurance, which may not capture the full variety of microinsurance products available in the market. further research is needed to understand the complex relationships between various factors influencing microinsurance demand, such as how affordability, awareness, trust, and financial literacy interact with each other. The literature tends to focus on formal microinsurance products, with limited attention given to the role of informal insurance mechanisms, such as community-based or mutual aid arrangements, and identify factors influencing demand for formal microinsurance products.

2.6. Conceptual framework

In this research, the dependent variable is demand for microinsurance and the independent variables are price, transaction cost, quality of the product, and risk aversion. Adam Smith defined demand as a customer willing to pay a price for a given good or service at a certain time. So, willingness and capacity to pay become moderators to the creation of demand after considering the product and the price to be paid. Awareness level and trust in the insurer are also factors that will help us identify the demand for microinsurance (Ombeline D.B. and Wouter G. 2017).



Chapter Three

3. Research methodology

3.1. Research Approach

This research employs a mixed research methodology approach. As both qualitative and quantitative methods are used for the study to explain, find, and analyze the data acquired. Using both methods helped research in both understand and predict demand for microinsurance in Addis Ababa from data gathered using both methods. Qualitative methods that will be used are focus group discussion, interviews, surveys, and document analysis. This helped the research address trustworthiness and authenticity by dressing quality assurance in credibility, transferability, fairness, educative, tactility and catalytic. The quantitative methods that were used are observational and experimental this helped the research by answering questions like reliability and validity by being internally and externally constructive and content oriented.

Having the use of mixed methods help in using both existing and discovering frameworks. Both word and numerical data were analyzed and interpreted to generate theories and experimental findings. So, the research has both subjective and objective interpretations. Triangulation was done to the final interpretation of both methods and come up with an overall interpretation this design is also called “concurrent triangulation design” (Creswell, Plano Clark, et al., 2003).

3.2. Data collection methods

Data relevant to the study were gathered using both primary and secondary data collection methods. The primary data collection methods used include interviews, focus group discussions, and surveys. Secondary data collection was gathered from the microfinance institution, and secondary research.

1. Interviews are qualitative research methods that were used to gain more detailed insights into demand for microinsurance. Interviews were conducted with both potential customers and industry experts to gain better understanding of the market dynamics and potential opportunities.
2. Focus group are qualitative research method that involves small group of individuals discussing a particular topic. This method was used to gain more in-depth insights into

the attitudes, beliefs, and perceptions of potential microinsurance customers in Addis Ababa.

3. Survey are common research method used to gather quantitative data. The survey was used to assess the awareness level of people about microinsurance and to measure the willingness to pay for insurance by low-income households. Appropriate sample size was used to represent the population. Pilot test was also conducted to the test the reliability and validity of the questions. Corrective actions were taken to better clarify the questions and make the respondents participation enjoyable and easy. Cronbach's alpha for the questions was 79.5% which shows the correlation among the questions was significant and reliable.
4. Secondary research involves analyzing existing data from published sources such as academic journals, industry reports and government statistics. This method was used to gain a broader understanding of the microinsurance industry in Ethiopia and to identify gaps in existing research.

Interview was conducted with a bored of director (1 person), elders or iddir leaders (2 persons), and microfinance institution loan officers (1persons) total of 4 participants. Focus group discussion was be held with elders or iddir leaders (2 persons), microfinance loan officers (1 persons), and total of 3 participants. Surveys were distributed on social median platforms. The post engaged with around 180,000 people. 301 participants were selected from individual who filled the survey questions.

3.3. Sampling technique

Sampling technique used was clustered random sampling technique. As Ethiopian population specifically the poor population is very vast, this study clustered them into three groups population with active membership in microfinance institutions, in iddir, and population not members of both iddir and microfinance institution located in Addis Ababa. The total estimated population of Addis Ababa is around 4 million according to the United Nations population division. There is no universally accepted definition for low income and the data is difficult to obtain. However, a significant proportion of the population in Addis Ababa live below the poverty line. As this study sought to understand the usage and demand for microinsurance in Addis Ababa. Sampling technique was designed to reflect the diverse range of individuals who

avail this service. While microinsurance are traditionally associated with low-income segment of the population the study came across individuals from different income bracket using this service. Therefore, this study sample included individuals from varied income level to ensure a comprehensive representative of the user base. The sample consisted of 301 participants, out of which 27 generate monthly income above 30,000 a month. Which classify the as medium or high income. However out of these 27 participants 17 were actively involved in microfinance indicating potential demand for microinsurance. Including these individuals help gain insights into factors influencing the use and demand for these service across different income level. So fort this research survey respondents were selected randomly from Facebook users with viewer settings adjustment in Addis Ababa. To select a representative sample from this population we couldn't use the total population of 4 million. So, the initial sample size was determined by using the following scientific formula: $n_0 = z^2\,\alpha/2 \times pq/e^2$ Where z = value for a selected alpha level of 0.025 in each tail (for 95% degree of confidence) =1.96, (p). (q) = estimate of variance = 0.25, e = the desired level of precision (i.e., the margin of error), p is the estimated proportion of the

$n_0 = \frac{(1.96)^2 \times 0.5 \times 0.5}{0.05^2} = 385$ population which has the attribute in question, q=1-p. However, after consulting with experts about the objective of the study and sample size after considering the homogeneous characteristic of clients, non-response, incomplete responses, selection bias, budget, and time constraints in collecting the data thus the sample size was 301 respondants.

3.4. Data analysis

Data obtained was analyzed using qualitative methods. The researcher used open-ended and conversational communication such as interviews, focus group discussion. Using the quantitative data analysis method, the researcher employed objective measurements, the statistical, mathematical, or numerical analysis of data for surveys, questionnaires, and other related files and used SPSS to regress the data, measure the data, and describe the findings. Triangulation was done to the final interpretation of the data collected and analyzed.

Bryman (2016) notes that creating new variables is a common practice in social science research and that it can be used to improve the reliability and validity of the measurement, capture important concepts not measured by existing variables, or simplify data analysis. He provides guidance on how to create new variables, including how to recode existing variables, how to

create composite variables by combining multiple variables, and how to create new variables using statistical techniques such as factor analysis or regression analysis. Field (2018) also provides an overview of how to create new variables in SPSS, including how to recode existing variables, compute new variables based on mathematical operations or logical expressions, and create composite variables by combining multiple variables. He emphasizes the importance of carefully documenting the process used to create new variables, as well as testing the reliability and validity of the new variables through techniques such as Cronbach's alpha or factor analysis.

Having this mind this research used binary with yes and no response options, is valuable for creating new variable and enhance the thesis. It allows to create variables that represent specific conditions or preference and facilitates aggregation and subgroup analysis. Its simplicity, clarity, and efficiency support easier interpretation of findings and comparative analyses. Variables created are awareness composite, price composite, transaction composite, risk aversion and quality of product composite, trust in insurance composite, capacity to pay composite, and willingness to pay composite.

The first specific objective was to assess the awareness level of the people about microinsurance. This raised a research question What is the level of awareness among low-income households in Addis Ababa about microinsurance products, and how does this vary by demographic factors? To answer this question data analysis and sampling techniques were used. The quantitative method was used to analyze the survey using descriptive statistics such as mean, median, mode, and standard deviation to understand the level of awareness of microinsurance among different demographic groups. Clustered random sampling was used to ensure that the sample is representative of the population. The qualitative method used was a focus group and interviews were used to gain more insights into people's level of awareness about microinsurance. Thematic analysis was used to identify common themes and patterns in the data. The hypothesis derived were:

H0: There is low awareness of micro insurance among low-income households.

H1: There is moderate to high awareness of micro insurance among low-income households.

The second specific objective was to Identify and understand fundamental factors for demand or lack of demand for microinsurance. This raised the research question What are the primary

factors that influence demand for microinsurance among low-income households in Addis Ababa, and how do these differ from the factors that inhibit demand? How do factors such as income, education, and access to information affect demand for microinsurance? In doing so used both quantitative and qualitative methods to address the question. The quantitative method used was data collected through surveys analyzed using regression analysis to identify the factors that influence demand for microinsurance. Clustered random sampling was used to ensure that the sample is representative of the population. The qualitative methods used were Focus groups and interviews to identify the factors that influence the demand for microinsurance from experts in the industry. Thematic analysis was used to identify common themes and patterns in the data.

The 3rd specific objective addressed was assessing the willingness to pay by low-income households and the potential demand for microinsurance. What is the willingness of low-income households in Addis Ababa to pay for microinsurance products, and how does this vary by type of risk and level of coverage? What are the factors that influence willingness to pay, such as income, perception of risk, and trust in insurance products? This where research questions are tacked when addressing the objective. For this objective, the following data analysis and sampling techniques were used. Quantitative methods used were the data collected through surveys was analyzed using econometric techniques such as discrete choice modeling to estimate the willingness to pay for microinsurance. Clustered random sampling was used to ensure that the sample is representative of the population. Qualitative methods were Focus groups and interviews which helped in gaining experts' opinions on the willingness to pay for microinsurance. Thematic analysis was used to identify common themes and patterns in the data. The hypothesis derived were:

- H0: Low-income households are not willing to pay for microinsurance.

- H1: Low-income households are willing to pay for microinsurance if it is affordable and provides sufficient coverage.

In summary this study used a mix of descriptive statistics, regression analysis, and contingent valuation for data collected. Descriptive statistics such as frequency distributions, percentages, and measures of central tendency was used to analyze the data collected through survey or interviews. Regression analysis was used to identify the factors that influence the demand or

lack of demand for microinsurance. Contingent valuation was used to estimate the willingness to pay for microinsurance.

Ethical Considerations

Getting informed consent was important to obtain before conducting any research. Confidentiality/Privacy of Participants was a priority, participants have the right to privacy and confidentiality. Participants should be treated fairly and with respect. Risk assessment in conducting this research is a minimum risk as data collection was done throw social media and institutions. The research aimed to benefit the participants and the wider community by developing problem-solving research. In the process of data collection, collector avoided using deception in the research. If one must use deception, one should ensure that the participants are fully debriefed and informed about the true purpose of the research. Participation in the study was voluntary. This means that participants were free to withdraw their consent at any time without any negative consequences.

Chapter 4

4. Results

4.1. Descriptive statistics

This study aimed to investigate the demand for microinsurance. Data was collected from 301 respondents. The population consists of a variety of low-income populations, clients of microfinance institutions, and members of Iddir in Addis Ababa, Ethiopia.

Table 1: age of respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	100	33.2	33.2	33.2
	25-35	168	55.8	55.8	89.0
	35-50	23	7.6	7.6	96.7
	>50	10	3.3	3.3	100.0
	Total	301	100.0	100.0	

As shown in Table 1, of the total respondents, 33.2% (100 respondents) were from the age range between 18-25, and 55.3% (168 respondents) were from age 25-35 covering a large portion of the sample size. While 7.6% (23 respondents) were aged 35-50, the remaining 3.3% (10 respondents) were above age 50. The age of respondents covers the wide variety of the demography giving high relevance to generate data for the study.

Table 2: sex of respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	223	74.1	74.1	74.1
	Female	78	25.9	25.9	100.0
	Total	301	100.0	100.0	

As shown in Table 2, of the total respondents, 74.1% (223 respondents) were male and 25.9% (78 respondents) were female, which shows that female participation and interest in the industry is very low. This indicates that the range of female's participation the is overweighed by males.

Table 3: education level of resp.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	read and right	2	.7	.7	.7
	High school/certificate	30	10.0	10.0	10.6
	diploma/degree	153	50.8	50.8	61.5
	M.A/PHD	116	38.5	38.5	100.0
	Total	301	100.0	100.0	

As shown in Table 3, the education level of respondents shows that from the total respondents, 7% (2 respondents) can read and write, and 10.0% (30 respondents) are in high school or have certificates. Covering a large portion of the sample size, 50.8% (153 respondents) have completed their diploma or degree. and the remaining 38.5% (116 respondents) completed higher education levels in M.A and Ph.D. This covered a wide variety of respondents.

Table 4: occupation of resp.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Self-employed	49	16.3	16.3	16.3
	Governmental org	121	40.2	40.2	56.5
	non-governmental	41	13.6	13.6	70.1
	employed in private org	67	22.3	22.3	92.4
	Unemployed	21	7.0	7.0	99.3
	Retired	2	.7	.7	100.0
	Total	301	100.0	100.0	

As shown in Table 4, the occupation of respondents shows that from the total respondents, 16.3% (49 respondents) are self-employed. 40.2% (121 respondents) are working at a governmental organization that covers a wide portion of the population. 13.6% (41 respondents) are working in nongovernmental organizations. 22.3% (67 respondents) are employed in private organizations. 7% (21 respondents) are unemployed. And 0.7% (2 respondents) are retired. this covers a wide variety of populations.

Table 5: marriage status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	164	54.5	54.5	54.5
	not married yet	133	44.2	44.2	98.7
	Divorced	4	1.3	1.3	100.0
	Total	301	100.0	100.0	

As shown in Table 5, the marital status of respondents shows that 54.5% (164 respondents) are married, 44.2% (133 respondents) are not yet married, and 1.3% (4 respondents) are divorced.

Table 6: monthly income of resp.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-2000	32	10.6	10.6	10.6
	2000-5000	42	14.0	14.0	24.6
	5000-15000	137	45.5	45.5	70.1
	15000-30000	63	20.9	20.9	91.0
	>30000	27	9.0	9.0	100.0
	Total	301	100.0	100.0	

As shown in Table 6, the monthly income of respondents shows of total respondents 10.6% (32 respondents) have income from 0-2,000, 14% (42 respondents) have income from 2,000-5,000, 45.5% (137 respondents) have income from 5,000-15,000 covering a large portion of the sample

size, 20.9% (63 respondents) have income from 15,000-30,000, the remaining 9% (27 respondents) have income above 30,000.

Table 7: which microfinance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ACSI	39	13.0	13.0	13.0
	Aggar	16	5.3	5.3	18.3
	Awach	41	13.6	13.6	31.9
	Other	31	10.3	10.3	42.2
	not member	174	57.8	57.8	100.0
	Total	301	100.0	100.0	

As shown in Table 7, of the total respondents 57.8% (174 respondents) are not members of microfinance institutions. The remaining 42.2% (127 Respondents) are members. When respondents were asked from which institutions 13% (39 respondents) were ACSI, 5.3% (16 respondents) were Aggar, 13.6% (41 respondents) were Awach, and 10.3% (31 respondents) were from different other microfinance institutions located in Addis Ababa.

Table 8: iddir membership year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-3 year	76	25.2	25.2	25.2
	3-7 year	56	18.6	18.6	43.9
	7-10 year	4	1.3	1.3	45.2
	>10 year	16	5.3	5.3	50.5
	not member	149	49.5	49.5	100.0
	Total	301	100.0	100.0	

As shown in Table 8, of the total respondents 49.8% (149 respondents) are not members of Iddir. 50.2% (151 Respondents) are members. When respondents were asked a range of how long they had been members 25.2% (76 respondents) have been members for 0-3 years, 18.6% (56 respondents) have been members for 3-7 years, 1.3% (4 respondents) have been members for 7-10 years, 5.3% (16 respondents) have been members for above 10 years.

To analyze the data collected, the researcher created 7 variables that consist of awareness level with scale of 12, willingness to pay with scale of 14, price factor with scale of 3, transaction cost factor with scale of 4, risk aversion and quality of product with scale of 6, trust in insurance with scale of 5, and capacity to pay with scale of 4. This will not only help identify the accepted and rejected hypothesis but also contribute to a more comprehensive and structured study report.

Table 9: Statistics

		Awareness level	Willingness to pay	Price factor	Transaction cost factor	Risk aversion and quality of product	Trust in insurance	Capacity to pay
N	Valid	301	301	301	301	301	301	301
	Missing	0	0	0	0	0	0	0
Mean		5.9203	10.2558	1.2359	1.9369	3.5847	2.7076	1.8804
Median		6.0000	10.0000	1.0000	2.0000	3.0000	3.0000	2.0000
Mode		5.00	8.00	.00	2.00	2.00	3.00	2.00
Std. Deviation		2.04783	3.22351	1.28615	.90885	1.74842	1.16658	1.04832
Percentiles	25	4.0000	8.0000	.0000	1.0000	2.0000	2.0000	1.0000
	50	6.0000	10.0000	1.0000	2.0000	3.0000	3.0000	2.0000
	75	7.0000	12.0000	2.0000	3.0000	5.0000	3.0000	3.0000

As shown in Table 9, The data collected for this study considered the awareness level of 301 respondents. The mean was 5.9 indicating awareness level is slightly below average. The

median was 6 which indicates half of the respondents are higher than this value and half are below. The data have the mode of 5 which indicate the most common value for awareness level among the respondents. The standard deviation was 2 which shows the data is widely spread.

The data collected for this study also considered the willingness to pay for 301 respondents. The mean was 10.2 indicating willingness to pay is slightly below average. The median was 10 which indicates half of the respondents are higher than this value and half are below. The data have a mode of 8 which indicate the most common value of willingness to pay among the respondents. The standard deviation was 3.2 which shows the data is widely spread.

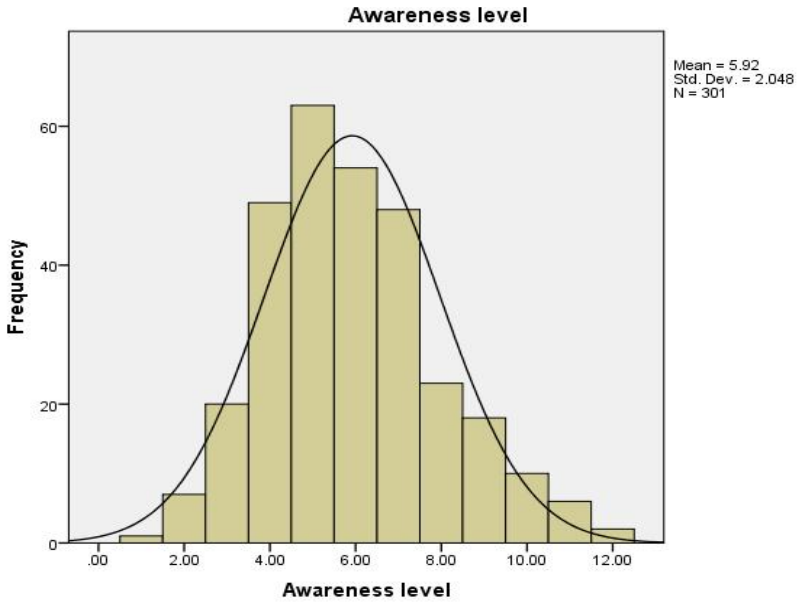
On the one hand, the price factor for 301 respondents was considered in the study undertaken. The mean was 1.2 indicating price factor is below average. The median was 1 which indicates half of the respondents are higher than this value and half are below. The data have the mode of 0 which indicate the most common effect of price on demand for microinsurance among the respondents is 0. The standard deviation was 1.2 which shows the data is closely clustered.

Another issue the data collected for this study accounted for is the transaction cost factor for 301 respondents. The mean was 1.9 indicating transaction cost factor is above average. The median was 2 which indicates half of the respondents are higher than this value and half are below. The data have a mode of 2 which indicates the most common transaction cost factor among the respondents. The standard deviation was 0.9 which shows the data is closely clustered.

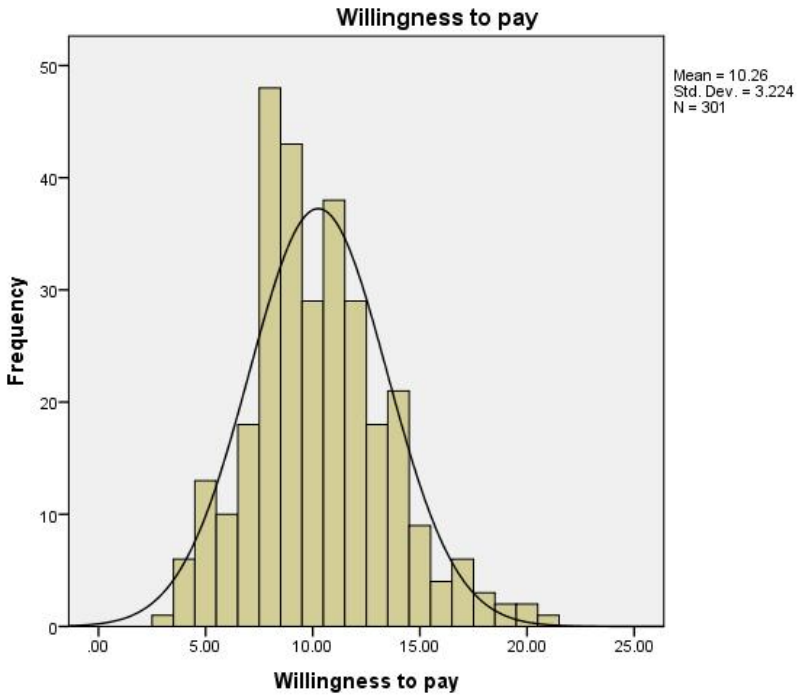
The data collected in this study also considered the risk aversion and quality of product effect on demand for 301 respondents. The mean was 3.58 indicating risk aversion and quality of product effect on demand is slightly below average. The median was 3 which indicates half of the respondents are higher than this value and half are below. The data have a mode of 2 which indicates the most common response on risk aversion and quality of product effect on demand among the respondents. The standard deviation was 1.7 which shows the data is widely spread.

The trust in insurance was accounted for based on the replies from 301 respondents. The mean was 2.7 indicating trust in insurance is slightly below average. The median was 3 which indicates half of the respondents are higher than this value and half are below. The data have a mode of 3 which indicates the most common response on trust in insurance among the respondents. The standard deviation was 1.16 which shows the data is closely clustered.

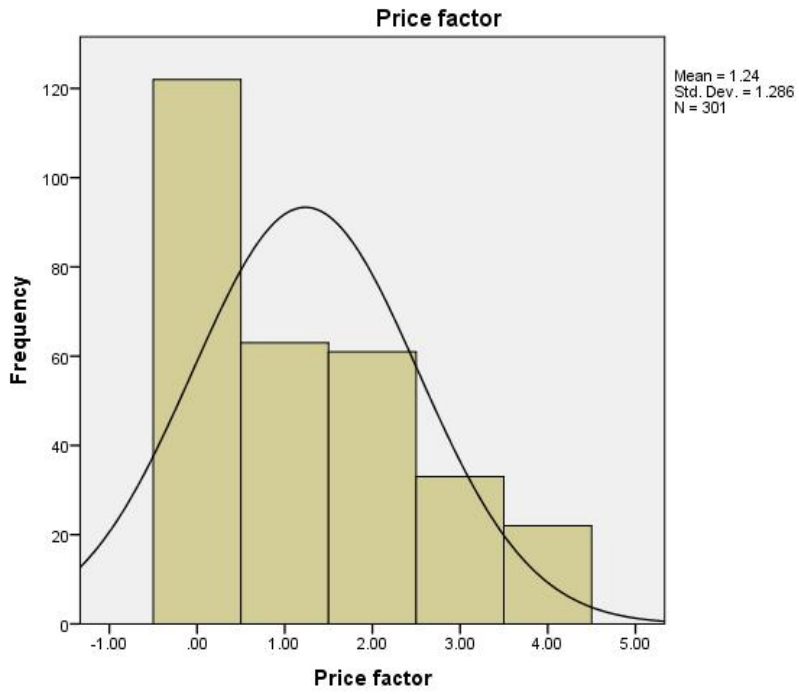
The study compiled the response from 301 respondents on the capacity to pay for microinsurance. The mean value was 1.8 indicating capacity to pay is slightly below average. The median was 2 which indicates half of the respondents are higher than this value and half are below. The data have a mode of 2 which indicates the most common response capacity to pay among the respondents. The standard deviation was 1.04 which shows the data is closely clustered.



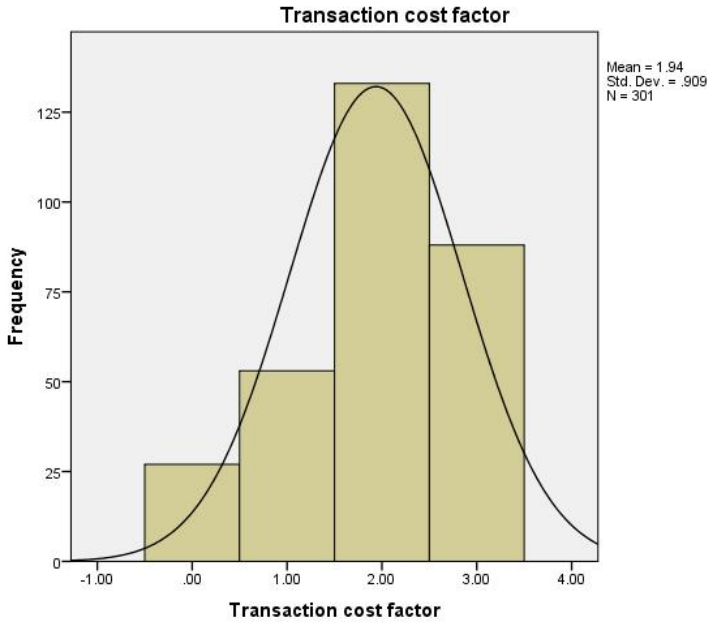
This study examined the distribution of awareness levels of 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 5.92 and 2.04, respectively. The normality curve showed most of the data are clustered around the mean, with few scores at the extremes. The symmetrical shape of the curve shows equal distribution on both sides of the mean.



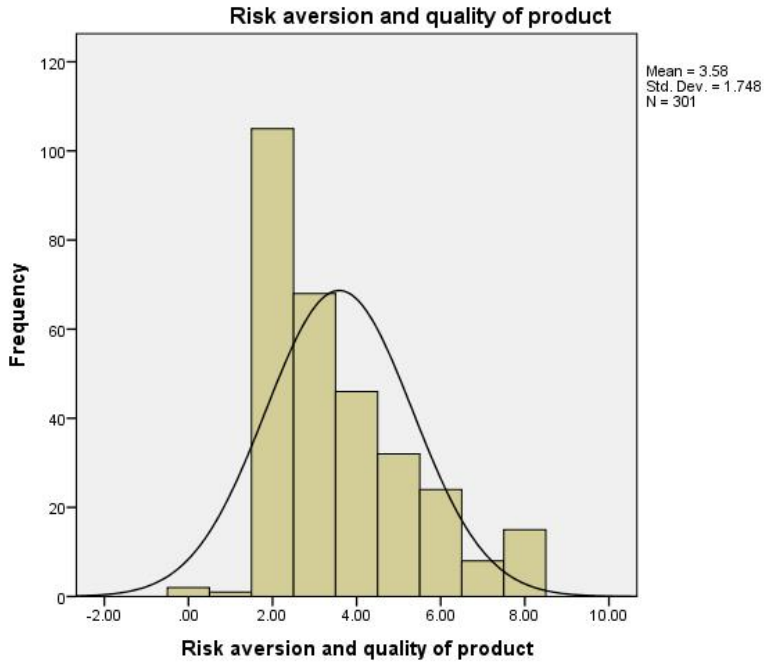
This study examined the willingness to pay of 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 10.26 and 3.22, respectively. The normality curve showed most of the data are clustered around the mean, with few scores at the extremes. The symmetrical shape of the curve shows equal distribution on both sides of the mean.



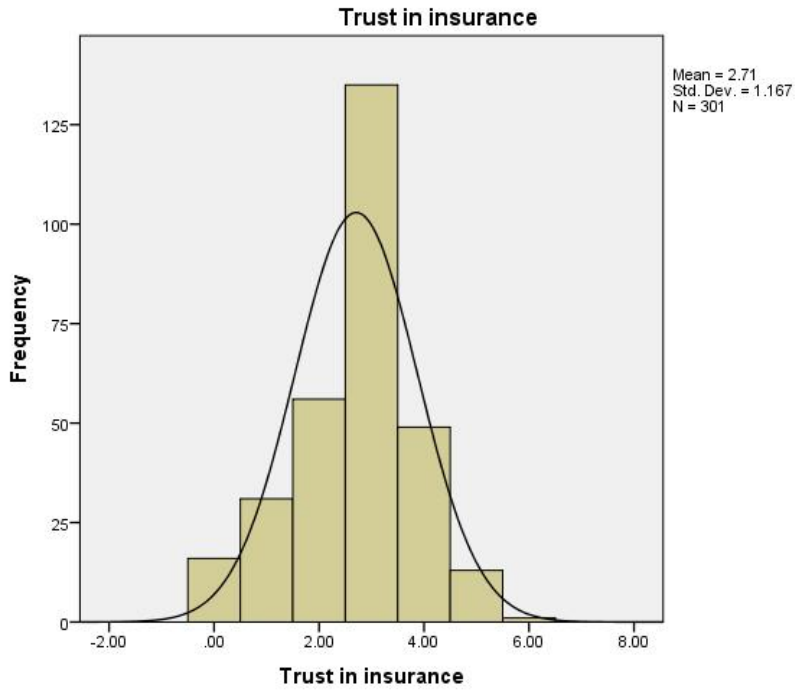
This study examined the distribution of price factor among 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 1.24 and 1.28, respectively. The normality curve showed most of the data are clustered slightly to the right of the mean, with the rest spread to the left. And We don't have any outliers.



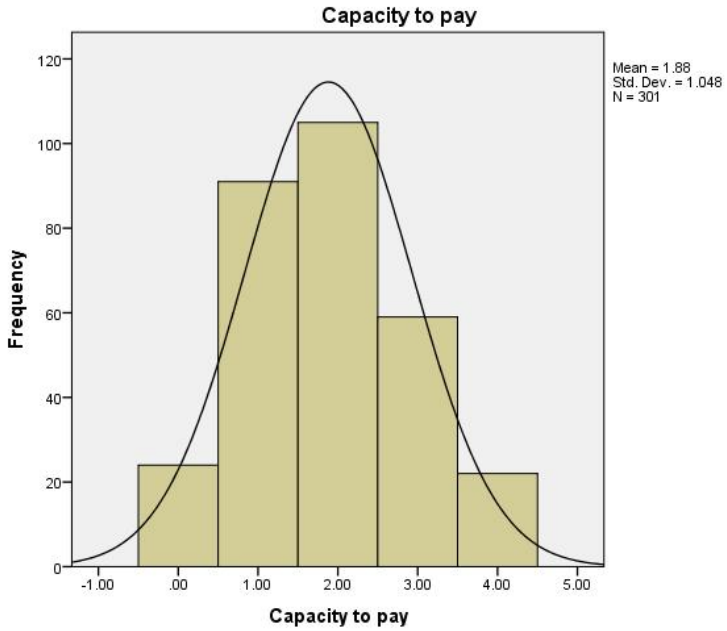
This study examined the transaction cost factor for 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 1.94 and 0.90, respectively. The normality curve showed most of the data are clustered around the mean, with few scores at the extremes. The symmetrical shape of the curve shows equal distribution on both sides of the mean.



This study examined the attribution of risk aversion and quality of products on 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 3.58 and 1.74, respectively. The normality curve showed most of the data are clustered around the mean, with few scores at the extremes. The symmetrical shape of the curve shows equal distribution on both sides of the mean.



This study examined the trust in insurance of 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 2.71 and 1.16, respectively. The normality curve showed most of the data are clustered around the mean, with few scores at the extremes. The symmetrical shape of the curve shows equal distribution on both sides of the mean.



This study examined the capacity to pay of 301 respondents. The data followed normal distribution as evidenced by the normality curve shown above. The mean and standard deviation were 1.88 and 1.04, respectively. The normality curve showed most of the data are clustered around the mean. The symmetrical shape of the curve shows equal distribution on both sides of the mean.

4.2. Assessing the Awareness level

The first specific objective is assessing the awareness level of the respondent about microinsurance. To achieve this study developed three hypotheses to test.

Firstly, the data was examined on whether the null hypothesis is rejected or accepted. The null hypothesis claims microfinance members and non-microfinance members have equal awareness levels. However, the alternative hypothesis argues that microfinance members have different awareness levels from non-microfinance members.

Table 10.1: Awareness Composite

Group Statistics

	microfinance membership status	N	Mean	Std. Deviation	Std. Error Mean
Awareness level	yes	127	6.1969	2.20403	.19558
	no	174	5.7184	1.90709	.14458

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Awareness level	Equal variances assumed	4.642	.032	2.012	299	.045	.47846	.23780	.01049	.94643
	Equal variances not assumed			1.967	247.505	.050	.47846	.24321	-.00057	.95749

As shown in Table 10.1, microfinance membership status is a grouping variable and awareness level is a test variable. Respondents with microfinance membership have a mean and standard deviation of 6.19 and 2.20 respectively, whereas respondents that aren't members have a mean of 5.71 and a standard deviation of 1.9. The p-value is 0.045, which is below 0.05 leading to reject the null hypothesis that microfinance members have equal awareness levels compared to non-members.

Secondly, the data was gathered to test whether the null hypothesis is that Iddir and non-Iddir members have equal awareness levels. However, the alternative hypothesis argues that Iddir members have different awareness levels from non-Iddir members.

Table 10.2: Awareness Composite

Group Statistics

	iddir membership status	N	Mean	Std. Deviation	Std. Error Mean
Awareness level	yes	150	6.1133	2.07748	.16963
	no	151	5.7285	2.00644	.16328

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Awareness level	Equal variances assumed	.044	.834	1.635	299	.103	.38486	.23542	-.07843	.84814
	Equal variances not assumed			1.635	298.487	.103	.38486	.23544	-.07848	.84820

As shown in Table 10.2, Iddir's membership status is the grouping variable and awareness level is test variable. Respondents with Iddir membership have a mean and standard deviation of 6.11 and 2.07 respectively, whereas respondents that aren't members have a mean of 5.72 and a standard deviation of 2. The p-value is 0.1 which is above 0.05. this indicates that the null hypothesis is acceptable. The result thus, shows that Iddir and non-Iddir members have equal awareness levels.

Finally, the data were assessed on whether to reject or accept the null hypothesis. The null hypothesis argues that there is low awareness of microinsurance among low-income households. However, the alternative hypothesis argues that the awareness of microinsurance among low-income households is above moderate or high. The mean of the awareness composite reflects the position of awareness level. As shown in Table 9, the mean value is 5.92, and the standard deviation is 2.04. This shows the data is clustered around the mean which indicates to reject the null hypothesis that there is low awareness of microinsurance among low-income households.

Qualitative data collected on current level of awareness about microinsurance among low-income households throw focus group discussion and interviews have been thematically

analyzed. In the focus group discussion five points where raised, understanding of microinsurance, accessibility, marketing and communication, trust, socio-cultural barriers.

In the focus group discussion, the overall awareness and understanding of microinsurance among low-income households show there is a low awareness level. the accessibility challenges due to limited distribution channels and product availability was also discussed. Marketing efforts need improvement with a focus on targeted and culturally sensitive messaging. The trust issues are due to a lack of familiarity with insurance providers. Socio-cultural barriers, such as traditional reliance on community support systems like iddir. But this can be manipulated into a chance for linkage for distribution channels. As discussed by a participant,

In support of this interview conducted with Mr. Z "I am Mr. Z. loan officer. There are many informal institutions across Ethiopia and Addis Ababa using these channels we can create the awareness and understanding of microinsurance. The experiences gained from iddir provide some awareness on insurance and the microfinance experience created some understanding about microinsurance in the population. However, it is still a low level of awareness of microinsurance in Addis Ababa. Female participation is very low in microfinance institution, as they lack interest and know how is very shallow, to seeks ways to involve them in the finance sector and provide products in both micro finance and insurance would benefit for the creation of a developed nation.'"

4.3. Fundamental factors for demand or lack of demand for microinsurance.

The 2nd specific objective was to Identify and understand fundamental factors for demand or lack of demand for microinsurance. To achieve these objective different factors that affect demand have been analyzed in this study. The results are shown below.

Table 11: linear regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.931[a]	.867	.860	1.47048	.867	132.696	14	286	.000

a. Predictors: (Constant), Iddir_Dummy, Sex_Dummy, Price factor, Occupation_Dumm, Awareness level, MF_Membership, Age_Dummy, Trust in insurance, Education_Dummy, Marital_Dummy, Income_Dummy, Risk aversion and quality of product, Transaction cost factor, Capacity to pay

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4016.996	14	286.928	132.696	.000[b]
	Residual	618.419	286	2.162		
	Total	4635.415	300			

a. Dependent Variable: Demand_for_microinsurance

b. Predictors: (Constant), Iddir_Dummy, Sex_Dummy, Price factor, Occupation_Dumm, Awareness level, MF_Membership, Age_Dummy, Trust in insurance, Education_Dummy, Marital_Dummy, Income_Dummy, Risk aversion and quality of product, Transaction cost factor, Capacity to pay

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.418	.435		3.261	.001	.562	2.274
	Price factor	.653	.098	.214	6.659	.000	.460	.846
	Transaction cost factor	.563	.132	.130	4.266	.000	.303	.823
	Risk aversion and quality of product	.853	.063	.380	13.582	.000	.730	.977
	Trust in insurance	.854	.103	.254	8.285	.000	.651	1.057
	Capacity to pay	1.096	.132	.292	8.278	.000	.836	1.357
	Awareness level	.180	.048	.094	3.746	.000	.086	.275
	Age_Dummy	.056	.287	.004	.196	.844	-.509	.622
	Sex_Dummy	.302	.200	.034	1.512	.132	-.091	.695
	Education_Dummy	-.081	.188	-.010	-.430	.668	-.451	.290
	Occupation_Dumm	-.060	.209	-.007	-.288	.773	-.471	.350
	Marital_Dummy	.070	.180	.009	.391	.696	-.284	.425
	Income_Dummy	.127	.208	.015	.612	.541	-.282	.536
	MF_Membership	-.080	.178	-.010	-.449	.654	-.431	.271
	Iddir_Dummy	.147	.187	.019	.787	.432	-.221	.514

a. Dependent Variable: Demand_for_microinsurance

As shown in Table 11. The result of the linear regression shows that the R squared value was 86.7% indicating a strong model fit. The price change effect on micro insurance product as per respondents' the results shows that (β=0.214, $p< 0.000$) this means on average for every change on price the demand for microinsurance increase by 0.214. Indicating positive significance relationship between price and demand for microinsurance. the transaction cost effect on respondents' results shows that (β=0.130, $p< 0.000$) this means on average for every change on

transaction cost the demand for microinsurance increase by 0.130. Having a positive significance relationship between transaction cost and demand for microinsurance. The risk aversion and quality of product on respondents' significance level shows (β=-0.380, p< 0.000) meaning a positive significance relationship between risk aversion and quality of the product and demand for microinsurance. The trust in insurance of respondents' significance level shows (β=-0.254, p< 0.000) meaning a positive significance relationship between trust in insurance and demand for microinsurance. The capacity to pay of respondents' results shows that (β=0.292, p< 0.000) Indicating positive significance relationship between capacity to pay and demand for microinsurance. The awareness level of respondents' results shows that (β=0.094, p< 0.000) this means on average increase in awareness level means the demand for microinsurance will also increase by 0.094. Indicating positive significance relationship between awareness level and demand for microinsurance.

This research also analyzed the significance level of control variables on demand of microfinance. The control variables relation with demand for microinsurance as shown in Table 11. The age of respondents' results shows that (β=0.004, p< 0.844) this means on average for every additional age the demand for microinsurance increase by 0.004. Indicating positive but no significance relationship between age and demand for microinsurance. the Sex of respondents' results shows that (β=0.034, p< 0.132) this means on average for every change on sex the demand for microinsurance increase by 0.034. Having a positive but no significance relationship between sex and demand for microinsurance. The education level of respondents' significance level shows (β=-0.010, p< 0.668) meaning a negative but no significance relationship between education and demand for microinsurance. The occupation of respondents' significance level shows (β=-0.007, p< 0.773) meaning a negative but no significance relationship between occupation and demand for microinsurance. The Marital status of respondents' results shows that (β=0.004, p< 0.844) Indicating positive but no significance relationship between marital status and demand for microinsurance. The income of respondents' results shows that (β=0.015, p< 0.541) this means on average increase in income means the demand for microinsurance will also increase by 0.015. Indicating positive but no significance relationship between income and demand for microinsurance. The Microfinance institution membership status of respondents' results shows that (β=-0.010, p< 0.541) this means on average for every change in membership of microfinance institution the demand for microinsurance will also decrease by 0.015.

Indicating negative but no significance relationship between income and demand for microinsurance. The Iddir membership status of respondents' results shows that (β=-0.019, p< 0.432) this means on average for every change in membership of iddir the demand for microinsurance will also increase by 0.019. Indicating positive but no significance relationship between income and demand for microinsurance.

To summarize our findings price factors, transaction cost factors, risk aversion and quality of product, trust in insurance, capacity to pay and awareness level have significant relationship with demand for microinsurance. However, the control variables like age, sex, education, occupation, marital status, income, microfinance and iddir membership status do not have significant impact on demand for microinsurance.

Qualitative data collected on what factors mainly affect low-income households to purchase or not purchase microinsurance products through focus group discussion and interviews have been thematically analyzed. In the focus group discussion five points where raised, lack of awareness and understanding, affordability, trust and credibility, accessibility, social and cultural factors.

> *As per one of the participants in interview discussed," the lack of awareness in the community is a major challenge for demand in microinsurance I haven't heard of any product that's being sold yet. I believe lack of accessibility and information on the products could play a major role on determining the demand. Due to trust and credibility many people don't want to buy microinsurance products the perceived value for microinsurance products in very low. They are seen as luxury products. Why insure yourself when you don't have much huh? On top of that many people are iddir and equib members, so I don't think they want/ need to be insured by microinsurance. What extra benefits microinsurance products offers need to be explained for us to purchase them."*

In the focus group discussion lack of awareness and understanding as the primary barrier to purchasing microinsurance. The other concerns for low-income households were affordability. Trust and credibility issues with insurance providers also play a major role as per the participants. Limited accessibility to suitable microinsurance products and Social and cultural factors, such as a preference for informal support networks are other factors that affect the demand for microinsurance.

4.4. Assessing Willingness to pay

The 3rd specific objective addressed was assessing the willingness to pay by low-income households and the potential demand for microinsurance.

Table 12: contingent analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.894[a]	.799	.795	1.46049	.799	194.575	6	294	.000

a. Predictors: (Constant), Awareness level, Price factor, Trust in insurance, Risk aversion and quality of product, Transaction cost factor, Capacity to pay

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2490.195	6	415.032	194.575	.000[b]
	Residual	627.108	294	2.133		
	Total	3117.302	300			

a. Dependent Variable: Willingness to pay

b. Predictors: (Constant), Awareness level, Price factor, Trust in insurance, Risk aversion and quality of product, Transaction cost factor, Capacity to pay

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.670	.313		5.342	.000	1.055	2.286
	Price factor	.659	.096	.263	6.871	.000	.470	.848
	Transaction cost factor	.569	.128	.160	4.463	.000	.318	.820
	Risk aversion and quality of product	.857	.061	.465	13.935	.000	.736	.978
	Trust in insurance	.862	.102	.312	8.478	.000	.662	1.062
	Capacity to pay	.108	.129	.035	.839	.402	-.146	.362
	Awareness level	.179	.047	.114	3.788	.000	.086	.272

a. Dependent Variable: Willingness to pay

As shown in Table 12. The Price change effect on respondents' results shows that (β=-0.263, p< 0.000) indicating positive significance relationship between price and willingness to pay for microinsurance product. The transaction cost effect on respondents' results shows that (β=-0.160, p< 0.000) indicating positively significance relationship between transaction cost and willingness to pay for microinsurance product. The risk aversion and quality of product effect on respondents' results shows that (β=0.465, p< 0.000) this means on average for every change in risk aversion and quality of product, the willingness to pay will also increase by 0.465. Indicating

positive significance relationship between risk aversion and quality of product with willingness to pay for microinsurance product. The trust in insurance of respondents' results shows that (β=0.312, p< 0.000) indicating positive significance relationship between trust in insurance and willingness to pay for microinsurance product. The capacity to pay of respondents' results shows that (β=0.035, p< 0.000) indicating positive significance relationship between capacity to pay and willingness to pay for microinsurance product. The awareness level of respondents' results shows that (β=0.114, p< 0.000) indicating positive significance relationship between awareness level and willingness to pay for microinsurance product.

To summarize our finding, the capacity to pay do not have significant relationship with willingness to pay. The price factor, transaction cost factor, risk aversion and quality of product, trust in insurance, capacity to pay, and awareness level have significant relationship with willingness to pay.

Qualitative data collected on willingness of low-income households to pay for microinsurance products throw focus group discussion and interviews have been thematically analyzed. In the focus group discussion five points where raised, perceived value, affordability, trust and credibility, product design, and payment options.

In the focus group discussion perceived value and benefits of microinsurance products influence willingness to pay as per participants. The affordability concerns can be addressed through flexible payment options and tailored product designs could also affect the willingness to pay. Trust and credibility in insurance providers and products play a crucial role in willingness to pay, product design should also cater to the specific needs and circumstances of low-income households.

In support of this, as per on of the participants in interview mentioned that "willingness to pay is highly affected by the perceived value of low-income population as they see it as a luxury product. So, benefits of the microinsurance products should be briefly explained to the customers and create awareness throw social media, tv and so on. The payment should be low and, if possible, should cover the loss. As per my experience usually when the father or mother (family supporter) passes away usually the kids can't afford to survive so they go to relatives and become a burden they can't carry as the microinsurance companies could provide products that

could cover at least the education for the children's so they can learn and start supporting themselves. The institution should be trust worth and provide it is essential to be credible."

Chapter 5

5. Conclusion and recommendations

5.1. Conclusion

The data assessed showed that the awareness of microinsurance among low-income households is above moderate or high. However, in the interviews held and focus group discussion, the overall awareness and understanding of microinsurance among low-income households show there is a low awareness level. In support of this Churchill, C., & Matul, M. (2012). Calm that there is generally low awareness of microinsurance among low-income populations, which may be due to a lack of understanding of insurance concepts, low levels of financial literacy, and limited access to information. The accessibility challenges due to limited distribution channels and product availability was also discussed as another reason for lack of awareness for microinsurance products in the focus group discussion. Leach, J., & Ncube, S. (2016) They emphasized on the challenges of making microinsurance accessible to low-income populations, particularly in terms of distribution channels. It notes that traditional distribution channels, such as insurance agents or brokers, may be too costly for microinsurance providers, and that alternative channels, such as mobile phones or community-based organizations, may be more effective.

The focus group agreed the marketing efforts need improvement with a focus on targeted and culturally sensitive messaging. Cohen, M., & Young, M. R. (2007) also discuss on their research the importance of culturally sensitive messaging in marketing microinsurance to low-income populations. they note that effective marketing may require an understanding of local customs and beliefs, as well as the use of clear and simple language that is easily understood by the target audience. Other point raised on focus group discussion was the trust issues, due to a lack of familiarity with insurance providers, Socio-cultural barriers such as traditional reliance on community support systems like iddir could be reason to lack perceived value for microinsurance products. Wipf, J., & Garand, D. (2010) highlights the importance of trust in building awareness and demand for microinsurance. It notes that low-income populations may be skeptical of insurance providers, particularly if they have had negative experiences with insurance in the past.

To address this, microinsurance providers may need to focus on building relationships with their clients and demonstrating their reliability and trustworthiness over time.

The finding of this research on factors for demand or lack of demand for microinsurance, shows that price factors, transaction cost factors, risk aversion and quality of product, trust in insurance, capacity to pay and awareness level have significant relationship with purchase of microinsurance products. However, the control variables like age, sex, education, occupation, marital status, income, microfinance and iddir membership status do not have significant impact on demand for microinsurance. In support of this the focus group discussion and interviews show lack of awareness and understanding as the primary barrier to purchasing microinsurance.

The other concerns for low-income households were affordability (price and transaction cost). Trust and credibility issues with insurance providers also play a major role as per the participants. Limited accessibility to suitable microinsurance products and Social and cultural factors, such as a preference for informal support networks are other factors that affect the demand for microinsurance. Giné, X., Menand, L., Townsend, R., & Vickery, J. (2012) highlights the importance of price and transaction costs in determining demand for microinsurance. It notes that microinsurance products must be affordable for low-income populations and that transaction costs, such as administrative fees or premiums, must be kept low to make the products accessible. Clarke, D. J., & Dercon, S. (2016) emphasizes the importance of risk aversion and the quality of microinsurance products in driving demand. It notes that low-income populations may be particularly risk-averse and that microinsurance products must offer a high degree of protection and be perceived as reliable and trustworthy to be effective. Cai et al. (2009) examine trust and credibility issues as a barrier to purchasing microinsurance. They find that individuals may be less likely to purchase insurance from providers they do not trust, and that building trust can increase demand for microinsurance. Arora, S. (2010) converse the importance of capacity to pay and awareness level in determining a demand for microinsurance. It notes that low-income populations may not have the financial resources to pay for insurance or may be unaware of the benefits of insurance. To address this, microinsurance providers may need to focus on developing affordable products and effective marketing campaigns to raise awareness. Banerjee and Duflo (2011) highlight the lack of awareness and understanding of microinsurance products as a significant barrier. They argue that individuals may not understand the benefits of microinsurance or may not trust insurance providers, leading to low demand. Bhatt and Sinha

(2012) focus on affordability concerns as a barrier to purchasing microinsurance. They suggest that low-income individuals may view microinsurance as an additional expense they cannot afford, and therefore may be reluctant to purchase it.

This research finding indicated that the capacity to pay do not have significant relationship with willingness to pay. The price factor, transaction cost factor, risk aversion and quality of product, trust in insurance, capacity to pay, and awareness level have significant relationship with willingness to pay. In the focus group and interviews discussion perceived value and benefits of microinsurance products influence willingness to pay as per participants. Akter et al. (2009) explores the potential for a commercially viable market for crop insurance in rural Bangladesh. They find that farmers perceive crop insurance as valuable because it provides a safety net against the risk of crop failure and helps to stabilize income.

The research found other concern was the affordability. it can be addressed through flexible payment options and tailored product designs could also affect the willingness to pay. Giné and Yang (2009) focus on the role of price and transaction costs, finding that reducing transaction costs and offering insurance products at lower prices can increase demand for microinsurance. Loewe (2013) discusses the role of microinsurance in helping people cope with risks. She notes that the affordability of microinsurance and flexible payment options are important factors in making insurance accessible to low-income households. Trust and credibility in insurance providers and products play a crucial role in willingness to pay. Tadesse and Gelaw (2015) examine the demand for health insurance in Ethiopia. They find that trust and credibility in insurance providers are key factors in determining whether individuals will purchase insurance. product design should also cater to the specific needs and circumstances of low-income households. Karlan et al. (2014) look at the impact of tailored product designs on agricultural decisions in Ghana. They find that providing insurance products that are specifically designed to meet the needs of low-income households can lead to increased uptake of insurance and better risk management strategies.

5.2.Recommendation

Conduct market research to identify the specific needs and preferences of clients and iddirs regarding microinsurance products, and tailor the products accordingly. Need to conduct a feasibility study on micro insurance products. Before launching any micro-insurance products, it is important to conduct a feasibility study to determine the viability of the products. This study

should include an analysis of the target market, the types of risks that the products should cover, and the pricing and distribution models that would work best.

Developing simple products is essential. Micro-insurance products should be simple and easy to understand for the target market. The products should be designed so that they can be sold through simple distribution channels, such as mobile phones, agents, and community-based organizations.

Develop partnerships and collaborations between microfinance institutions and iddirs to increase awareness and promote the uptake of microinsurance products. Arranging partnerships between microfinance and microinsurance institutions, local organizations, cooperatives, and other community-based organizations. Increase the availability of microinsurance products in remote areas, by expanding the branch network or partnering with iddirs to provide access to these products. this can help increase the outreach and distribution of microinsurance products.

Educate the market and create awareness. There is a need to educate the target market about the importance of insurance and how it can help them mitigate risks. This can be done through awareness campaigns, community outreach programs, and partnerships with local organizations. There is also a need to address the gender imbalance in the industry and ensure that female employees and clients are adequately represented and catered to.

Develop risk management strategies to address the risk of default on loans and ensure the sustainability of microinsurance products. Need to leverage technology. Technology can play a crucial role in making micro-insurance products more accessible and affordable. For example, mobile technology can be used to sell and distribute insurance products, as well as to process claims quickly and efficiently.

Develop a regulatory framework. A regulatory framework should be developed to ensure that the micro-insurance products are transparent, fair, and accessible to the target market. This framework should include guidelines for pricing, distribution, and claims processing.

By implementing these recommendations, it will be possible to increase the uptake of micro-insurance products in Addis Ababa, which will help mitigate risks for the target market and contribute to the overall economic development of the region.

References

Adato, M., & Hoddinott, J. (2008). Social protection: Opportunities for Africa. IFPRI Policy Brief 5. International Food Policy Research Institute.

Association of Ethiopian Microfinance Institutions. (2010). The potential for high-value livestock indemnity insurance in Ethiopia's Oromia Region.

AEMFI. http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1278965574032/Livestock.pdf

Akter, S., Brouwer, R., Choudhury, S., & Aziz, S. (2009). Is there a commercially viable market for crop insurance in rural Bangladesh? Mitigation and Adaptation Strategies for Global Change, 14(3), 215-229.

Arora, S. (2010). Microinsurance in India: Insurance penetration among the low-income population. Journal of Health Management, 12(4), 399-424.

Ayalew, G., & Tesfaye, A. (2018). Determinants of demand for micro health insurance: Evidence from Ethiopia. African Journal of Economic Review, 6(1), 1-17.

Banerjee, A., & Duflo, E. (2011). Poor economics: A radical rethinking of the way to fight global poverty. Public Affairs.

Beattie, A. (2021, May 27). The history of insurance: From ancient Babylonia to the American colonies.

Bhatt, M. R., & Sinha, K. (2012). Microinsurance: Issues and challenges. Indian Journal of Finance, 6(5), 4-9.

Biener, C., & Eling, M. (2011). The performance of microinsurance programs: A data envelopment analysis. Journal of Risk and Insurance, 78(1), 83-115.

Bryman, A. (2016). Social research methods (5th ed.). Oxford University Press.

Borchgrevink, A., Woldehanna, T., Ageba, G., & Teshome, W. (2005). Marginalized groups, credit, and empowerment: A study of the Dedebit Credit and Savings Institution (DECSI) of Tigray, Ethiopia (Vol. 1). A report commissioned by Norwegian People's Aid (NPA) and the Association of Ethiopian Microfinance Institutions (AEMFI).

Brown, T., Gibson, S., & Ashley, S. (2008). Building consensus for social protection: Insight from Ethiopia's Social Productive Safety Net Programme (PSNP). The IDL Group–International Development Consultants, Department for International Development DFID.

Cai, H., Chen, Y., Fang, H., & Zhou, L. A. (2009). Microinsurance, trust and economic development: Evidence from a randomized natural field experiment. National Bureau of Economic Research Working Paper No. 15396.

Carter, M. (2008). Inducing innovation: Risk instruments for solving the conundrum of rural finance. Keynote paper prepared for the 6th Annual Conference of the Agence Française de Development and the European Development Network. Paris, France, November 2008.

Churchill, C. (2006). Protecting the poor: A microinsurance compendium. Geneva: International Labour Office.

Churchill, C., & Matul, M. (2012). Protecting the poor: A microinsurance compendium. Geneva: International Labour Organization.

Churchill, C., & Matul, M. (2012). Protecting the poor: A microinsurance compendium. Volume II. International Labour Office.

Churchill, C., & McCord, M. J. (2012). Current trends in microinsurance. Microinsurance Innovation Facility Briefing Note, 1.

Clarke, D. J., & Dercon, S. (2016). Dull disasters?: How planning ahead will make a difference. Oxford University Press.

Cohen, M., & Sebstad, J. (2006). The demand for microinsurance. MicroSave India Focus Note, 2.

Cohen, M., & Young, M. R. (2007). Marketing microinsurance: Best practices guide. MicroSave Market-led solutions for financial services.

Creswell, J. W., Plano Clark, V. L., Gutmann, M., & Hanson, W. (2003). Advanced mixed methods research designs. In A. Tashakkori & C. Teddlie (Eds.), Handbook of mixed methods in social and behavioral research (pp. 209–240). Thousand Oaks, CA: Sage.

Central Statistical Agency (CSA). (2007). Atlas of Selected Welfare Indicators. Statistical

Survey 2007. Addis Ababa: CSA.

Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2007). Financial performance and outreach: A global analysis of leading microbanks. The Economic Journal, 117(517), F107-F133.

Dercon, S. (1996). Risk, crop choice, and savings: Evidence from Tanzania. Economic Development and Cultural Change.

Dercon, S. (2002). Income Risk, Coping Strategies and Safety Nets based on Ethiopian Rural Panel Data Survey (1994–1997). WIDER Discussion Paper 2002/22. Helsinki, Finland: UNU World Institute for Development Economics Research (UNU/WIDER).

Dercon, S. (2004). Growth and shocks: Evidence from rural Ethiopia. Journal of Development Economics, 74.

Dercon, S. (2008). Fate and Fear: Risk and Consequences in Africa. Journal of African Economies, 17(suppl 2).

Dercon, S. (2009). Risk, poverty, and insurance. Innovations in insuring the poor, 2020 vision for food, agriculture, and the environment, Focus 17, Brief 3. Washington, DC: International Food Policy Research Institute (IFPRI).

Dercon, S., & Christiaensen, L. (2011). Consumption risk, technology adoption and poverty traps: Evidence from Ethiopia. Journal of Development Economics, 96(2), 159-173.

Dercon, S., Hoddinott, J., & Woldehanna, T. (2005). Shocks and consumption in 15 Ethiopian villages, 1999–2004. Journal of African Economies, 14(4).

Dercon, S., Bold, T., De Weerdt, J., & Pankhurst, A. (2004). Extending Insurance? Funeral Associations in Ethiopia and Tanzania. OECD Working Paper 240. Paris, France: Development Center OECD.

Dercon, S., De Weerdt, J., Bold, T., & Pankhurst, A. (2006). Group-based funeral insurance in Ethiopia and Tanzania. World Development, 34(4).

Dercon, S., Hoddinott, J., Krishnan, P., & Woldehanna, T. (2008). Collective Actions and Vulnerability: Burial Societies in Rural Ethiopia. In Collective Action and Property Rights for Poverty Reduction: Lessons from a Global Research Project, edited by

Mwangi, E., Markelova, H., and Meinzen-Dick, R. Washington, DC: International Food Policy Research Institute (IFPRI).

Dercon, S. (2003). Extending Insurance: Building on Funeral Societies in Ethiopia and Tanzania. Retrieved from http://www1.worldbank.org/sp/risk_management/PDF_files/PP_Insurance_Dercon.pdf

Dercon, S. (2005, May). Vulnerability: A Micro-perspective. Paper presented at the Annual Bank Conference on Development Economics (ABCDE), Amsterdam.

Dercon, S., Hoddinott, J., Krishnan, J., & Woldenhanna, T. (2008). Collective Action and Vulnerability: Burial Societies in Rural Ethiopia. CAPRI Working Paper No. 83.

Dercon, S., & Christiaensen, L. (2011). Consumption risk, technology adoption and poverty traps: Evidence from Ethiopia. Journal of Development Economics, 96(2), 159-173.

Emana, B., Gemtessa, K., Lemessa, D., & Ayele, G. (2005). Informal finance in Ethiopia. Association of Ethiopian Microfinance Institutions (AEMFI) Occasional Paper No. 13. Association of Ethiopian Microfinance Institutions.

Eshete, A. (2010). Assessment of the role of microfinance Institutions in urban poverty Alleviation.

Field, A. (2018). Discovering statistics using IBM SPSS statistics (5th ed.). Sage Publications. Gebrehiwot, D. (2016). Demand for Microinsurance in Ethiopia. Ethiopian Journal of Economics, 25(2), 63-86.

Giné, X., Menand, L., Townsend, R., & Vickery, J. (2012). Microinsurance: A case study of the Indian rainfall index insurance market. World Bank Economic Review, 26(3), 418-438.

Giné, X., & Yang, D. (2009). Insurance, credit, and technology adoption: Field experimental evidence from Malawi. Journal of Development Economics, 89(1), 1-11.

Giesbert, L., & Steiner, S. (2011). Perceptions of (micro)insurance in Southern Ghana: The role of information and peer effects. The Geneva Papers on Risk and Insurance—Issues and Practice, 36(4), 525-546.

Government of Ethiopia. (1960). Commercial Code. Addis Ababa: Government of Ethiopia.

Government of Ethiopia. (1994a). Monetary and Banking Proclamation, No. 83 of 1994. Addis Ababa: Government of Ethiopia.

Government of Ethiopia. (1994b). Licensing and Supervision of Banking Business Proclamation, No. 84 of 1994. Addis Ababa: Government of Ethiopia.

Government of Ethiopia. (1994c). Licensing and Supervision of Insurance Business Proclamation, No. 86 of 1994. Addis Ababa: Government of Ethiopia.

Government of Ethiopia. (1996). Licensing and Supervision of Micro Financing Institutions Proclamation, No. 40 of 1996. Addis Ababa: Government of Ethiopia.

Government of Ethiopia. (1998). Cooperative Societies Proclamation, No. 147 of 1998. Addis Ababa: Government of Ethiopia.

Government of Ethiopia. (2004). Cooperative Societies (Amendment) Proclamation, No. 402 of 2004. Addis Ababa: Government of Ethiopia.

Hill, R.V., Hoddinott, J., & Kumar, N. (2011). Adoption of Weather Index Insurance. Learning from Willingness to Pay among a Panel of Households in Rural Ethiopia. IFPRI Discussion Paper 1088. Washington, D.C.: International Food Policy Research Institute.

Hougaard, C., Chamberlain, D., & Aseffa, Y. (2009). Towards a strategy for micro-insurance development in Zambia: A market and regulatory analysis. Belville, South Africa: The Centre for Financial Regulation and Inclusion.

Investopedia. (2008). History of Insurance. Retrieved from https://www.investopedia.com/articles/08/history-of-insurance.asp#:~:text=What%20Is%20the%20History%20of,as%20old%20as%20human%20existence.

IAIS and CGAP (International Association of Insurance Supervisors and Consultative Group to Assist the Poor). (2007). Issues in regulation and supervision of micro-insurance. IAIS Issues Paper. Basel, Switzerland: IAIS and CGAP.

International Association of Insurance Supervisors (IAIS) and the CGAP Joint Working Group

on Microinsurance. (2007). Issues in regulation and supervision of microinsurance. June 2007. Retrieved from https://www.iaisweb.org

IRIN Africa. (2007, December 14). Ethiopia: Drought insurance extended to 6.7 million people. Retrieved from http://www.irinnews.org/Report.aspx?ReportId=75865

Jabbar, M., Negassa, A., & Gidyelew, T. (2007). Geographic distribution of cattle and shoats populations and their market supply sheds in Ethiopia. Discussion Paper No. 2. Improving Market Opportunities. ILRI (International Livestock Research Institution): Nairobi, Kenya.

Platteau, J.-P., de Bock, O., & Gelade, W. (2017). The Demand for Microinsurance: A literature review. Retrieved from https://www.daneshyari.com/article/preview/413390.pdf

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica, 47(2), 263-291.

Karlan, D., Osei, R., Osei-Akoto, I., & Udry, C. (2014). Agricultural decisions after relaxing credit and risk constraints. The Quarterly Journal of Economics, 129(2), 597-652.

Kebede, T. (2008, August 22). Personal communication. Oromia Credit and Savings Institution (OCSI).

Leach, J., & Ncube, S. (2016). Exploring the challenges of microinsurance distribution in low-income countries. Journal of Financial Services Marketing, 21(1), 1-14.

Loewe, M. (2013). The role of microinsurance as a tool to cope with risks. In M. Contreras & D. M. Hulme (Eds.), Handbook of Micro Health Insurance in Africa (pp. 53-76). LIT Verlag Münster.

Martinez, W. H. (2012, July). Role of the state and regulation in promoting microinsurance - The Philippine experience. Paper presented at the 2012 Asia-Pacific Insurance Regulators Conference, Ho Chi Minh City, Vietnam.

Marduch, J. (2006). Microinsurance: The next revolution? In A. Banerjee, R. Benabau, & D. Mookherjee (Eds.), Understanding poverty (pp. 337-356). Oxford University Press.

Matul, M., Tatin-Jaleran, C., & Kelly, E. (2013). Microinsurance products and processes: A

consumer-centric analysis. Microinsurance Network.

Morduch, J. (1990). Risk, production, and saving: Theory and evidence from Indian households. Harvard University, Unpublished manuscript.

Morduch, J. (1995). Income smoothing and consumption smoothing. The Journal of Economic Perspectives, 9(3), 103-114.

Morduch, J. (2006). Microinsurance: The next revolution? In A. Banerjee, R. Benabau, & D. Mookherjee (Eds.), Understanding poverty (pp. 337-356). Oxford University Press.

MoARD (Ministry of Agriculture and Rural Development). (2009). Food Security Program 2010–2014. Addis Ababa, Ethiopia: Ministry of Agriculture and Rural Development.

MoFED (Ministry of Finance and Economic Development). (2002). Ethiopia: Sustainable Development and Poverty Reduction Program. Addis Ababa, Ethiopia: Ministry of Finance and Economic Development.

Ministry of Labor and Social Affairs. (2011). Quoted in DFID. (2011). Building Consensus for Social Protection: Insights from Ethiopia's Productive Safety Net Project (PSNP).

Nyala Insurance. (2007). Annual report 2006/07. Nyala Insurance: Addis Ababa.

National Bank of Ethiopia. (2008, October). General Conditions of Insurance Companies. Unpublished document.

National Bank of Ethiopia. (2015). Licensing and Supervision of Microinsurance Business Licensing, License Renewal, and Product Approval for Microinsurance Providers. Retrieved from https://nbebank.com/wp-content/uploads/pdf/directives/insurancebusiness/smib%201%2020150001.pdf

OECD. (2009). Managing Risk in Agriculture: A Holistic Approach. Paris, France: OECD.

Organization for Development Cooperative (ICCO) in Collaboration with the Association of Ethiopian Microfinance Institutions (AEMFI). (n.d.). Occasional Paper No. 19. Addis Ababa.

Oxfam America. (2011). HARITA quarterly report: January 2011 – March 2011. Boston, MA, US: Oxfam America.

Oxfam America and MDTCS. (2009). Micro-insurance demand study for Ethiopia. Addis Ababa.

Platteau, J. P., De Bock, O., & Gelade, W. (2017). The demand for microinsurance: A literature review. World Development, 94, 139-156.

Smith, A., & Chamberlain, D. (2010). Opportunities and challenges for microinsurance in Ethiopia: An analysis of the supply, demand, and regulatory environments.

Solomon, A., Workalemahu, A., Jabbar M. A., Ahmed, M. M., & Belachew, H. (2003). Livestock marketing in Ethiopia: A review of structure, performance, and development initiatives. Socioeconomics and Policy Research Working Paper 52. ILRI (International Livestock Research Institute): Nairobi, Kenya.

Tadesse, G., & Gelaw, F. (2015). Demand for health insurance in Ethiopia. BMC Health Services Research, 15(1), 1-9.

Thornton, R. L., Hatt, L. E., Field, E. M., Islam, M., Solís Díaz, F., & González, M. A. (2010). Social security health insurance for the informal sector in Nicaragua: A randomized evaluation. Health Economics, 19(Suppl 1), 181-206.

Townsend, R. M. (1995). Consumption insurance: An evaluation of risk-bearing systems in low-income economies. The Journal of Economic Perspectives, 9(3), 83-102.

United Nations. (2004). An investment guide to Ethiopia: Opportunities and conditions. March. United Nations.

Webb, P., & Von, B. (1994). Famine and food security in Ethiopia: Lessons for Africa. John Wiley & Sons.

Wiedmaier-Pfister, M., & Dror, I. (2016). Microinsurance product development for microfinance providers. Microinsurance Network.

Winrock International. (1992). Assessment of animal agriculture in sub-Saharan Africa. Morrilton, Arkansas: Winrock International Institute for Animal Agriculture.

Wipf, J., & Garand, D. (2010). Performance indicators for microinsurance: A handbook for microinsurance practitioners. ADA ASBL.

World Bank. (2005). Managing Agricultural Production Risk: Innovations in Developing Countries. Report No. 32727-GIB. Washington, DC: World Bank.

Wolday, A., David, P., Guush, B., Yoseph, A., & Berhane, K. (2013). Diagnostic study of providing micro-insurance service to low-income households in Ethiopia: An input to a natural microinsurance strategy. International Food Policy Research Institute.

Zimmerman, T., & Wiedmaier-Pfister, M. (2010). Microinsurance in Ethiopia: Risk management for the poor. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).

Timetable

Activities	Month		
	Apr	May	June
Acceptance of research proposal	15/04/2023		
Talk with advisor	25/04/2023		
Development research tools		5/05/2023	
Sample selection and talk with an advisor		10/05/2023	
Pilot study		12/05/2023	
Validation of equipment		15/05/2023	
Publication on social media		15/05/2023	
Data collection		31/05/2023	
Data entry and analysis			5/06/2023
Thesis report writing			10/06/2023
Finalizing draft report			13/06/2023
Finalizing Final report			12/10/2023

Budget

Activities	Amount
Travel and refreshment	5,000
Material and supplies	7,000
Data collection, publication on social media	10,000
Printing	5,000
Total cost	27,000

Appendix

Interview Questions.

- Can you provide an overview of the current level of awareness about micro insurance among low-income households in your region/country?

- In your experience, what are the main reasons why low-income households may not purchase micro insurance?

- On the other hand, what are the key factors that can encourage low-income households to purchase micro insurance?

- Based on your experience, what is the typical amount that low-income households are willing to pay for micro insurance?

- Are there any specific types of micro insurance products that are more appealing to low-income households?

- From your experience, which sectors do you think microfinance institutions are most involved in that require insurance for their clients?

- Can you give some examples of how micro insurance has helped microfinance institution clients in these sectors?

- In your opinion, how can Iddirs play a role in increasing the awareness and demand for micro insurance among their members?

- Have you seen any successful examples of Iddirs offering micro insurance to their members? If so, can you describe the benefits and challenges of this approach?

የጽሁፍ መጠይቅ

በቅድሚያ በዚህ መጠይቅ ላይ ለመሳተፍ ፈቃደኛ በመሆንዎ አመሰግንዎታለሁ። እኔ አማኑኤል ደመላሽ እባላለሁ። በአዲስ አበባ ዮኒቨርስቲ ፣የሪጅናል እና ሎካል ዴቨሎፕመንታል ስተዲስ ኮሌጅ የማስተርስ ፕሮገራም 2ኛ ዓመት ተማሪ ነኝ። በዚህ አመት ለምረቃ የሚያበቃኝን የምርምር ጽሁፍ በማዘጋጀት ላይ እገኛለሁ። የጥናቴ ርእስም Critical Assessment of Demand for Microinsurance: the Case of Addis Ababa ነው። እርስዎም በዚህ ጥናት ውስጥ ለተዘጋጀው የጽሁፍ መጠይቅ መላሽ ሆነው ተመርጠዋል። በመጠይቆቹ ላይ ለሚሰጡአቸው ምላሾች ትክክለኛነት እምነቴ የጸና ነው። የሚሰጡት ምላሽ ከዚህ የጥናት አላማ ውጪ ለሌላ ለምንም ነገር እንደማይውል አረጋግጥልዎታለሁ። ለቀረቡት ጥያቄዎች የሚመስልዎትን ይህንን ምልክት በማድረግ ይመልሱ። ( )
https://forms.gle/1p5Gib4NmqteE2Mq6

1. ዕድሜ *

( ) 18 – 30
( ) 30 – 45
( ) 45 - 55
( ) >55

2. ጾታ *

( ) ወንድ
( ) ሴት

3. የትምህርት ደረጃ *

( ) መጻፍና ማንበብ
( ) ሁለተኛ ደረጃን ወይም ሰርተፍኪት የጨረሰ
( ) የመጀመሪያ ዲግሪ ወይም ዲፕሎማ ያለው
( ) ሁለተኛ ዲግሪ ወይም ከዛ በላይ ያለው

4. የስራ ሁኔታ *

( ) የግል ስራ
( ) የመንግስት ተኪም ተቀጣሪ
( ) መንግስታዊ ያልሆነ ድርጅት
( ) የግል ድርጅት ተቀጣሪ
( ) ስራ አጥ
Other:

5. የጋብቻ ሁኔታ *

( ) ያገባ
( ) ያለገባ
( ) ፍቺ

6. የወር ገቢ*

( ) 0-2000
( ) 2000-5000
( ) 5000-15000
( ) 15000-30000
( ) >30000

7. የማይክሮ ፋይናንስ አባል ኖት?

( ) አዎ
( ) አይ

8. የትኛው የማይክሮ ፋይናንስ አባል ኖት?

( ) አዲስ ብድር እና ቁጠባ
( ) አጋር
( ) አዋጭ
Other:

9. የእድር አባል ነዎትን? *

( ) አዎ
( ) አይደለሁም

10. የእደር አባል ከሆኑ ምን ያህል ጊዜ ሆኖዎታል?

( ) 0-3 አመት
( ) 3-7 አመት
( ) 7-10 አመት
( ) >10 አመት

11. የእደር አባል በመሆን የሚገኝ ጥቅም ምንድን ናቸው? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ)*
( ) ማህበራዊ ድጋፍ
( ) ቁጠባ
( ) የግንኙነት ስንሰለት ለመመስረት
( ) በማህበረሰቡ ውስጥ መተማመንን ለማኖር

12. <u>በማይክሮ ኢንሹራንስ ()</u> መሸፈን የሚገባው ሆኖ ግን ሳይሸፈን በመቅረቱ <u>ያጋጠመዎት ጉዳት ወይም ኪሳራ</u> አለን? *
( ) አዎ
( ) የለም

13. ለጥያቄ ቁጥር ዘጠኝ መልስዎ አዎ ከሆነ እድርዎ ያጋጠመዎትን ጉዳት ወይም ኪሳራ ሸፍኖሎታልን?

( ) አዎ
( ) አልሸፈነልኝም

14. ስለማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ከዚህ በፊት ሰምተው ያውቃሉ?*

( ) አዎ
( ) አልሰማሁም

15. ምርጫዎ አዎ ከሆነ ከሚከተሉት ውስጥ በየትኛው መንገድ ሊሰሙ ቻሉ? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ) *

( ) ከማይክሮ ፋይናንስ ተቋም
( ) ከማህበረሰብ ድርጅቶች
( ) ከጓደኞቼና ቤተሰቦቼ
( ) ከመድህን (ኢንሹራንስ) ድርጀቶች
Other:

16. የማይክሮ ኢንሹራንስን (አነስተኛ እና ጥቃቅን የመድን ሽፋን) እንዴት ይረዱታል? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ) *
( ) ለዝቅተኛ ገቢ ላላቸው ሰዎች የተቋቋመ
( ) በገንዘብ ዙሪያ ለሚደርሱ አደጋዎች ከለላና ድጋፍ የሚሰጥ
( ) አነስተኛ ክፍያ እና ቀላል የመድን ሽፋን
( ) ለታወቁ ክንውኖች የክፍያ ሽፋን የሚሰጥ
Other:

17. ከዚህ በፊት የማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) አባል ሆነው ወይም ገዝተው ያውቃሉን? *
( ) አዎ
( ) አላውቅም

18. ገዘተው ወይመ አባል ሆነው የማያውቁ ከሆነ መክንያቱ ምንድን ነው? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ)*
( ) የግንዛቤ እጥረት ወይም ውስብስብነቱ
( ) ክፍያው ከፍተኛ በመሆኑ
( ) ዝቅተኛ ግምት በመስጠት
( ) አመኔታን ማጣት
Other:

19. የማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ጥቅሞች ምንድን ናቸው? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ) *
( ) ካልተጠበቁ ክንውኖች መጠበቅ
( ) ለተሻለ ጤና ጥሩ ሁኔታን የሚፈጥር መሆኑ
( ) ባልተጠበቁ ምክንያቶች ለሚከሰቱ ፣ ከፋይናንስ እጥረቶች ጋር የተገናኙ ጭንቀቶችን የሚታደግ መሆኑ
( ) በራስ መተማመንን ያሳድጋል
Other:

20. የማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ለመግዛት የሚያጋጥሙ ተግዳራቶች? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ) *

( ) ከማይክሮፍ ኢንሹራንስ (መድን) የሚገኙ ጥቅሞችንና ውጤቶችን ላይ የግንዛቤ እጥረት
( ) ክፍያውን ከፍሎ ለመግዛት የገቢ ውስንነት
( ) ኢንሹራንሱን ከሚያቀርቡት ጋር ያለው የግንኙነት መንገድ በቂ ያለመሆን
( ) በኢንሹራንስ ካምፓኒው ላይ እምነት ማጣት
Other:

21. ማይክሮ ኢንሹራንሱን ለመግዛት ስያስቡ በውሳኔዎ ላይ አዎንታዊም ሆነ አሉታዊ ተጽእኖ የሚያሳድሩብዎት ነገሮች ምንድን ናቸው? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ) *

( ) የኢንሹራንሱ የምርት ውጤቶች ተገቢነትና ጠቀሜታ ላይ ያለ አረዳድ
( ) የመግዛት አቅም ማነስ
( ) የመድህኑ አቅራቢ ተአማኒነትና ተገቢነት
( ) የኢንሹራንሱ የምርት ውጤት፣ ተደራሽነትና ተስማሚነት እንዲሁም የስርጭት መስመሮች
Other:

22. ማይክሮ ኢንሹራንስን (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ላለመግዛት ምክንያት የሆኑ አዘናጊ ምክንያቶች ምንድን ናቸው? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ) *

( ) በኢንሹራንሱ ምርቶች ላይ ውስን የሆነ እውቀትና ግንዛቤ መኖር
( ) ኢንሹራንስ ቅድሚያ የመስጠት ወይም ተገቢ ነው ብሎ ለመውሰድ የተዛባ እምነትና ግንዛቤ
( ) በመድህን አቅራቢው ላይ እምነትን ማጣት
( ) ከፍተኛ ክፍያ መጠን
Other:

23. በእድርዎ አማካኝነት የማይክሮ ኢንሹራንስን (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ግዥ ቀርቦልዎት ቢሆን የተሸለው አማራጭ ይሆን ነበርን? *

( ) አዎ
( ) አይደለም

24. ለማይክሮ ኢንሹራንስን (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ለመግዛት ምን ያህል ፍላጎት አሎት?*

( ) በጣም ከፍተኛ
( ) ከፍተኛ
( ) አነስተኛ
( ) ምንም ፍላጎት የለኝም

25. የትኛውን የማይክሮ ኢንሹራንስን (አነስተኛ እና ጥቃቅን የመድን ሽፋን) አይነት ለመግዛት ፍላጎትዎ ከፍተኛ ነው? (ከአንድ በላይ ምርጫ መምረጥ ይችላሉ)*

( ) የጤና መድን
( ) የህይወት መድን
( ) የንብረት እና የተለያዩ ስራዎች የመድን ሽፋን
( ) የቁጠባ ሂሳብ፣ ብድርና ጥቅል አገልግሎቶች የመድን ሽፋን
Other:

26. በማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) የተከፈለ ኪሳራ አጋጥሞት ያውቃሉን?*

( ) አዎ
( ) የለም

27. በማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ሊከፈል የሚችል ኪሳራ ሆኖም መድን ሽፋን ባለመግዛቶ ሳይከፈል የቀረ አጋጥሞት ያውቃሉን?*

( ) አዎ
( ) የለም

28. ወደፊት ሊያጋጥምዎት የሚችል ኪሳራ ለመሸፈን የማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) የመግዛት ፍላጎት አለዎትን?*

( ) አዎ
( ) የለኝም

29. እድርዎ የማይክሮ ኢንሹራንስ (አነስተኛ እና ጥቃቅን የመድን ሽፋን) ሽፋኖችን ለአባሎቹ ቢሸጥ እምነት ይኖሮታል? *

( ) አዎ
( ) አይኖረኝም

30. ማይከሮ ኢንሹራንስን ለልሎች ተጠቃሚ እንዲሆኑ ይመክራሉ? *

( ) አዎ
( ) አይ

31. የማይክሮ ኢንሹራንስ ለማሻሻል ጠቀሚ ነው የሚሊት ሀሳብ ካሎት