ASSESSMENT OF FACTORS THAT INFLUENCE DECISIONS TO INSURE SMALL AND MEDIUM ENTERPRISES AGAINST FIRE IN (NCBD)-NAIROBI COUNTY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF ARTS IN SOCIOLOGY (DISASTER MANAGEMENT)

OCTOBER, 2013
I hereby declare that this research project is my original work and has not been presented for a degree award in any other University.

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DEPARTMENT OF SOCIOLOGY & SOCIAL WORK
This project is dedicated to my Lord and Saviour, Jesus Christ The Nazarene, who has divinely favoured me and continuously enabled me accomplish goals that are exceedingly, abundantly, above all I could ever ask or imagine.

“Not unto me, Lord, not unto me but to Your name be the glory, because of Your love and faithfulness”

Psalm 115: 1
I thank the Lord God Almighty for protection, provision, intellect, health and wealth. This entire course would have not been possible without Your divine enablement. Thank you Jesus.

My Mum, My special friend and mentor Paul, My sisters Shiro & Njeri, brothers Njoro and Samuel for their tireless encouragement.

I acknowledge with gratitude my project supervisor, Prof. Edward Mburugu, whose patience, guidance, encouragement, suggestions and constructive criticisms were instrumental in the success of this project. Your availability and dedication to your students, puts you a class above the rest. To all the Lecturers I interacted with Faculty of Arts Sociology Department, To the respondents in Nairobi CBD and any other person not mentioned, who positively contributed to this project paper, thank you for your time and contribution.

God Bless you all.
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CCTV - Closed-Circuit Television
CCN - City Council of Nairobi
COMESA - Common Market for Eastern and Southern Africa
GoK - Government of Kenya
MSMEs - Micro, Small and Medium Enterprises
MFI - Micro Finance Insurance
MIPs - Medical Insurance Providers
NGOs - Non-Governmental Organization
NCBD - Nairobi Central Business District
PWC - PriceWaterHouse Coopers.
SADC - South African Development Community
SMEs - Small and Medium Enterprises
SPSS - Statistical Software for Social Scientists
SACCO - Savings and Credit Co-operative
Small and Medium Enterprises (SMEs) make up to over ninety per cent of businesses and account for between fifty to sixty per cent of employment. It is observed that although Micro Small and Medium Enterprises (MSMEs) are extremely important in helping a large number of very poor people become less poor, they are characterised by high mortalities due to the uncertain socio-economic and policy environments that they operate in and inaccessibility to financial services insurance included.

It has been noted that the greatest risk the SMEs face in developing nation is fire. In this regard, to prevent the SMEs from such early mortalities, insurance companies have come up with various products targeting the SMEs to insure them against fire. Fire insurance is a form of property insurance which protects people from the costs incurred by fires. When a structure is covered by fire insurance, the insurance policy will pay out in the event that the structure is damaged or destroyed by fire. Some standard property insurance policies include fire insurance in their coverage, while in other cases; fire insurance may need to be purchased separately.

It is on this note that this study sought and to examine factors that influence decision to insure small and medium enterprises against fire in Nairobi Central Business District. In particular, the study aimed at establishing the level of knowledge on Fire Insurance among SME owners, assessing the attitude towards fire insurance on business (SMEs), determining the magnitude of perceived benefits of fire insurance and examining the factors that affect decision to insure SMEs against fire disasters in Nairobi County.

The study used inferential survey research design with the target population being the SMEs owners in Nairobi County. The study utilized a stratified random sampling approach with the sample size being 100 SMEs. Both qualitative and quantitative data was collected using both questionnaire and a key informant interview. Data was entered and analysed using SPSS version 19.

The results of the study showed that the proportion of the SMEs insured in Nairobi CBD was quite low despite the high level of awareness of the existence of the fire insurance services. In addition, the study established that unwillingness to insure the business and the negative perception that the SMEs owners have against the insurance companies in Kenya were the
SMEs. Further, the study found that there was a significant association and the decision to insure the SME. Additionally, the enterprises were more likely to be insured compared with the small enterprises.

Based on the findings and the conclusion of the study, it is recommended that the Insurance Regulatory Authority needs to design a policy where the entire Insurance Industry sensitizes their clients the need to insure against various unforeseen disasters e.g. fire, terrorism amongst others. It is recommended that the government develop a legislation similar to the one applied on the motor vehicles insurance where the owners take insurance on compulsory basis. The study further recommends that the government explores the possibilities of designing a curriculum on fire insurance that can be integrated with the Kenya system of Education and particularly at the secondary school level. Additionally, the study recommends that the insurance companies need to come up with simple fire insurance education messages that can be used to educate the SMEs owners on the role of fire insurance in any given business. Further, the study recommends that the insurance companies needs also to strengthen their campaigns on fire insurance focusing on the SMEs owners, up the game on claims settlement hence the insureds level of confidence in insurance market will go up. Arrangement of premium financing through banks on behalf of their clients.
CHAPTER ONE: INTRODUCTION

1.1 Background

Globally, Small and Medium Enterprises (SMEs) make up to over ninety per cent of businesses and account for between fifty to sixty per cent of employment (Hill, 2004). In Europe, the Netherlands SMEs account for 95% or more of total business establishments. Recent studies from Sub-Saharan Africa confirm the importance of the informal SMEs sector as a contributor to the creation of productive employment and poverty alleviation. In the South African Development Community (SADC) region, the SMEs in the informal sector alone account for an estimated sixty percent of Gross National Product (Kiiru, 2004).

It is observed that although Micro Small and Medium Enterprises (MSMEs) are extremely important in helping a large number of very poor people become less poor, they are characterised by high mortalities due to the uncertain socio-economic and policy environments that they operate in and inaccessibility to financial services insurance included (Kilonzo, B. 2002). He adds that they are vulnerable to events that lead to catastrophic financial ruin and is a risk that the economically disadvantaged in developing countries especially face everyday. When a family member falls ill, or worse, passes away prematurely or when a fire strikes and a whole business is wiped out, families without financial risk protection are forced to deal with severe financial hardships that result from these events.

1.1.1 Insurance services

Fire insurance is a form of property insurance which protects people from the costs incurred by fires. When a structure is covered by fire insurance, the insurance policy will pay out in the event that the structure is damaged or destroyed by fire. Some standard property insurance policies include fire insurance in their coverage, while in other cases; fire insurance may need to be purchased separately. Property owners should check with their insurance companies if they are not sure whether or not fire insurance is part of their policies, and if fire insurance is not included, it should be purchased (Zartman, 2008).

Depending on the terms of the policy, fire insurance may pay out the actual value of the property after the fire, or it may pay out the replacement value. In a replacement value policy, the structure will be replaced in the event of a fire, whether it has depreciated or appreciated: in other words, if homeowners purchase a home and the value increases, as long as it is covered by a replacement value policy, the
actual cash value policy covers the structure, less depreciation. Most accounts come with coverage limits which may need to be adjusted as property values rise and fall (Ketchman, 2009).

Depending on the terms of the policy, the contents of the home as well as the structure may be covered in the event of a fire. Some policies also provide a living allowance which allows the victims of a fire to rent temporary housing while their homes are repaired. These clauses in an insurance policy typically cause the policy to become more expensive, since they will represent additional costs to the insurance company in the event of a fire. However, they can be extremely useful if a fire occurs (Darrach, 2008).

1.1.2 Small and Medium Enterprises

The small and medium enterprises (SMEs) play an important role in the Kenyan Economy. According to Longenecker et’al. (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation. According to Amyx, L. (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone. As with many developing countries, there is limited research and scholarly studies about the SME sector in Kenya. The 1999 National Baseline Survey conducted by Central Bureau of Statistics, ICEG and K-Rep Holdings provides the most recent comprehensive picture of SMEs in Kenya. Mead, (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of micro and small enterprise sector. When the state of the macro economy is less favourable, by contrast, the opportunities for profitable employment expansion in SMEs are limited. This is true especially for those SMEs that have linkages to larger enterprises and the economy at large. Given this scenario, an understanding of the dynamics of SMEs is necessary not only for the development of support programmes for SMEs, but also for the growth of the economy as a whole. Given the importance of small businesses to the Kenyan economy and the exposure to risks owing to their location, there was need to conduct an empirical enquiry to investigate the challenges SMEs in Nairobi face and how they manage those challenges. The study targeted those enterprises within the Central Business District in Nairobi City.
as been poor in combating with fire and the private companies have been known to be more prepared to combat fire than the municipal council in Nairobi County. G4S Fire and Rescue Services in Kenya responded, along with other emergency services, to the devastating 2009 Nakumatt supermarket fire in downtown Nairobi in which 30 people died and many more were reported missing. Many bodies were charred beyond recognition. With its fire services well established and in demand in Kenya’s capital, G4S has extended the service to other parts of the country, including Kiambu and Thika. Recently, for example, it has invested £116,000 in fire emergency rescue services in Mombasa and other neighboring cities (Gollier, 2003). This investment will enable the dedicated teams to provide the community with a wide range of responses to emergencies, including fire brigade, ambulance evacuation, fire equipment training and risk assessment.

However, fire has been destroying properties in Nairobi. Fire insurance is an insurance that is used to cover damage to a property caused by fire. Fire insurance is a specialized form of insurance beyond property insurance, and is designed to cover the cost of replacement, reconstruction or repair beyond what is covered by the property insurance policy. Policies cover damage to the building itself, and may also cover damage to nearby structures, personal property and expenses associated with not being able to live in or use the property if it is damaged.

1.2 Statement of the problem

Though SMES contribution to the economy is high, this may be reduced due to the fire incidence increases in the city. In the recent past there has been high prevalence of fire incidences in Nairobi County. Despite the existence of SMEs in Nairobi central district for over ten years now, the majority seem to have exhibited high mortality, slow or no growth. According to GoK, (2005), SMEs have high mortality rates due to hazards vulnerability, capital and skill constraints and most of them do not survive for over 3 years making it difficult for them to graduate into medium and large scale enterprises. GoK (2005) observes that access to financial services such as credit has been a major constraint to SMEs development in Kenya but fails to address access to insurance services which would reduce their vulnerability.

Most studies have noted that majority of the SMEs in Kenya and in particular in Nairobi are not yet insured. For instance a study done by Onyango n 2009 noted that only 26 per cent of the small and medium businesses in Nairobi are insured. A further, the Kenya Ministry of Finance puts the proportion
4% (GoK, 2005). Additionally, according to Mwangi B. (2006), only 29.3% of SMEs are insured against fire. Nevertheless, the factors that contribute to low fire insurance partaking among the small and medium enterprises in Nairobi have not yet been documented. Thus in order to structure any appropriate intervention that would increase access to fire insurance for SMEs, the first step is to document the reasons for their poor uptake of insurance. This study tried to assess factors related to fire insurance on SMEs in Nairobi County.

1.4 Research questions

This study sought to answer the following questions:

i. What is the extent of knowledge on business on Insurance among SME Owners in NCBD - Nairobi County?

ii. What is the attitude and perceived benefits by business owners (SMEs) towards fire insurance in NCBD - Nairobi County?

iii. What are the factors that affect decision makers in SME business in NCBD - Nairobi County in accessing Fire insurance services?

iv. To what extent have SMEs benefited from fire insurance?

1.3 Objectives of the study

1.3.1 General objectives of the study

The general objective of the study was to examine factors that influence decision to insure small and medium enterprises against fire in Nairobi Central Business District.

1.3.2 Specific objectives of the study

The specific objectives of the study were:

i. To establish the level of knowledge on Fire Insurance among SME owners in NCBD - Nairobi County.

ii. To assess the attitude towards fire insurance on business (SMEs) in NCBD - Nairobi County.

iii. To determine the magnitude of perceived benefits of fire insurance in NCBD - Nairobi County.

iv. To examine factors that affect decision to insure SMEs against fire disaster in NCBD - Nairobi County.
1.5 Importance of the Study

The study highlighted the constraints SMEs in Nairobi Central Business District face in accessing insurance services and its impact on business growth in the area. It would help stakeholders in the SMEs sector understand the factors hindering access to insurance in the area and their impact on the enterprises growth. This is important in informing policy interventions aimed at enhancing the growth of SMEs. To researchers and academicians, the study would provide a basis for further research studies on accessing to insurance services or growth of SMEs.

1.6 Scope of the study

The scope of this study involved establishing the level on fire insurance among SMEs owners. This also included assessing the attitude towards fire insurance on business, determining the magnitude of perceived benefits of fire insurance and examining the factors that affect decision to insure SMEs against fire insurance. This study was done in Nairobi Business Central District. The area was chosen because it is one of the most vibrant in Nairobi and a major source of employment where many SMEs have emerged. Many financial institutions have invested significant finance to the growth of SMEs in the area but services related to insurance are either unavailable or inaccessible. Owing to factors which this study wished to evaluate, SMEs in the area have little or no access to insurance services and thus have exhibited high mortality rates especially when calamity strikes.

In specific objective one, the independent variable was knowledge on fire insurance. This was measured through level of education against gender for owners of SMEs, awareness of existence of fire insurance policies in the market, knowledge on what the fire insurance covers and which insurance companies in the country offer fire insurance covers in the country. The second specific objective assessed attitude towards fire insurance on business as a factor. In specific objective three, the variables included benefits of fire insurance and the magnitude of these perceived benefits such as lack of confidence in the insurance companies. Finally, in specific objective four, the variables included all the factors which were mentioned by the respondents to affect their decision to insure against fire insurance such as start up capital, accessibility to credit facilities, education both by the Insurance Agents and business owners, as well as business owners level of education, performance of SMEs and business duration (how long the SME has been in operation).
The chapter reviews the various literatures that are related to the objectives study and sentiments of various authorities in the area of study. It also contains the theoretical and conceptual framework to the study.

2.1.2 SMEs and Insurance Companies: A Global Perspective

Globalization has necessitated the need for a more global perspective, since South Africa is not operating in a vacuum. To create a better understanding on SMEs and insurance companies a global perspective is needed. The nature of the relationship that other countries have established between the two sectors helps to provide a clearer understanding of the relationship that can exist between SMEs and insurance companies.

In Australia, the rate of Small and Medium business failure is reduced by the business having insurance covers. With modern business insurance, the policyholder should be better off. Cover is available and is often taken with reinstatement conditions. In layman’s terms, this means, 'new for old'. Therefore, the business suffering the loss will be compensated, not for the written down or market value of their building, machinery and plant, and other contents, but rather the cost of replacing the item with new property (Manning and Allan 2004).

The monetary value and benefit to the business owner can be substantially different. After the loss, the business may have all new assets. These assets are often more efficient or require less maintenance than the property destroyed. Subject to adequate cover, the major benefit of course is that the business does not have to refinance to purchase the new property when it is lost as the 'new for old' cover provides the additional funds to meet these costs (Manning and Allan 2004).

The modern insurance policy goes further since it provides an additional cover under the extra costs of Reinstatement Memorandum. This cover protects the policy holder from the additional costs incurred to bring the premises, and any plant and equipment up to the standards required by the current building, local government, environmental protection agencies, worker cover, fire brigade or state and federal government regulations. The benefit of the modern insurance policy in Australia does not stop at the property loss which is referred to as the material damage cover. It also covers the loss of profit sustained
With this cover providing significant additional benefits, the business assets, although damaged, should be able to be put back with no financial loss to the business owner. In fact, on paper, the business should be better off with buildings and equipment upgraded to modern equipment. The reality is that some businesses survive the fire or loss and some businesses do not.

Looking at the way that the Australian government has supported the small business sector and the insurance industry through the legislation, the South African government can do the same. This perspective actually shows that a relationship between SMEs and insurance companies can have an improved relationship where both parties can benefit.

Studies were also carried out in the United Kingdom that illustrate that it is possible for a business relationship to be forged between SMEs and insurance companies. Most SMEs have a tendency not to insure their businesses which becomes a problem. They need to ensure that their business is kept running in the event that their key personnel who is usually the owner of the business is unavailable due to one reason or another (Thorpe 2004).

In the survey, managers were asked to rank the top three types of insurance, again key person and director's or partner's share protection came in at the bottom of the list. As with individual insurance, companies just do not perceive this insurance as important, given their other protection and business needs. However, although the respondents do not perceive key personnel insurance to be as important to their company, they do recognize the importance of the key person to their company. Therefore, businesses are aware of the risk to their ability to continue trading should they lose a key person for a length of time. However, they do not rank the insurance that would help their business continue through these troubled times, as important (Thorpe 2004).

A small number of insurers in the United Kingdom are starting to discount premiums and or recommending that their clients prepare a Business Continuity Plan (Walsh 2003). In his paper on the role of loss adjusters and claims preparers, Thorpe (2004) does make the point that many large corporations pre agree the loss adjuster before the event. This arrangement is not available to SMEs. This is because short term insurance companies do not view small businesses as their major profitable clients. It could also be due to the fact that the amount of business interaction with small business is at a minimal level.
A business relationship between SMEs and insurance companies is possible even within an African context. In Nigeria, the collapse of several promising SMEs and other businesses in the business landscape in the last four decades has been attributed to lack of awareness of by the business owners mainly on the need to strengthen their risk-taking ability and long-term sustenance of their enterprise through adequate and appropriate insurance coverage for their investment (Saghana 2009). In an article called, “Nigeria: Cornerstone Seeks Growth of SMEs Through Insurance Support” Saghana mentions that SMEs in Nigeria can benefit a lot from the different types of insurance products that are being offered by insurance companies. Such as Group Life insurance, Keyman Assurance, Critical Illness Benefits, Income Protection and Credit Line Assurance. The Managing Director of the Life Division of Cornerstone Insurance Plc, an insurance company in Nigeria, during a Business Day, advised that SMEs should not deprive themselves of many benefits from insurance. These benefits include provision of long-term funds and strengthening of their risk taking ability; provision of credit-linked insurance to support SMEs growth.

SMEs should not deprive themselves of job creation, risk transfer and indemnification, enhanced productivity through insurance-backed risk and avoidance of bankruptcies. The main aim of the Business Day function was to advise business leaders to embrace insurance, especially tailor-made insurance solutions and other financial cushion that could sustain businesses in the long-run (Saghana 2009).

It is of great importance that insurance companies do way with the misconception and myth that have been woven around insurance. The trust in the insurance industry in Nigeria is understandably low because of the negative perception of insurers. However, things have changed for the better in the last two years. Insurance companies are now promptly settling genuine claims and deploying technology to enhance service delivery (Saghana 2009).

2.1.3 SMEs Insurance, the Perspectives
Studies conducted in Australia showed that the rate of Small and Medium business failure was reduced by the business having insurance covers. With modern business insurance, the policyholder was better off. Cover was available with reinstatement conditions. In layman’s terms, this meant “new for old.” Therefore, the business suffering the loss had compensation, not for the written down or market value of
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The modern insurance policy went further to provide an additional cover under the extra costs of reinstatement memorandum. This cover protected policy holders from additional costs incurred to build the premises, and any plant and equipment up to the standards required by the current building, local government, environmental protection agencies, worker cover, fire brigade or state and federal government regulations. The benefit of the modern insurance policy in Australia did not stop at the property loss which was referred to as the material damage cover.

It also covered the loss of profit sustained by the business. This is known as Business Interruption, Consequential Loss or loss or profits insurance (Manning and Allan, 2004). With this cover providing significant additional benefits, the business assets, although damaged, should be able to be put back with no financial loss to the business owner. In fact, on paper, the business should be better off with buildings and equipment upgraded to modern equipment. The reality is that some businesses survive the fire or loss and some businesses do not.

However, a survey of SMEs by the Insurance Council (Woolcott, 2008) revealed the following: the survey found that 25.6% of small businesses do not have any form of general insurance; Sole traders have the highest rate of non-insurance with 40.0% of those sampled indicating they had no general insurance; Small businesses with 1-4 employees and 5-10 employees both had a rate of non-insurance around 21.0% while small businesses with 11-19 employees had the lowest rate of non-insurance at 16.7%.

Studies were also carried out in the United Kingdom that illustrated that it was possible for a business relationship to be forged between SMEs and insurance companies. Most SMEs had a tendency not to insure their businesses which became a problem. They needed to ensure that their business was kept running in the event that their key personnel who were usually the owner of the business was unavailable due to one reason or another (Thorpe, 2004).
The review of the theory undertaken showed that there was little or no research undertaken on insurance companies and SMEs, with past research predominantly concentrating on large organizations. Manning (2004), in his research entitled "Strategic Management of Crises in Small and Medium Businesses," provided a model for the management of crisis particularly for SMEs. The Crisis management Model for SMEs was aimed at assisting owners or managers of SMEs to minimize the risk associated with losses caused by disasters. This model addressed the need for adequate insurance cover by SMEs and the need for business recovery plans for SMEs.

The model aimed at assisting SMEs on how to manage their business in times of crisis. A research conducted into the business protection market aimed at what the level of insurance businesses hold, what types of insurance they believed were important and what insurable risk would have the largest impact on their business, should it occur. The findings from the research highlighted the need for protection in whatever type of business. Business relationships were valuable long-term assets of a company. It was necessary to invest in such relationships and to manage this investment to ensure their repeat businesses. Getting a customer or a supplier to come back over and over again was a challenge for businesses that operated in a competitive environment. Trust, which was an important informal safe-guard, was developed on the basis of personal contacts and confidence in performance. In such a close relationship fluid communications and information flows were essential for implementing long-lasting relationships (Claro, 2004). This substantiated the need for a business relationship between SMEs and insurance companies, as a relationship of that nature could be beneficial for both parties involved. In business-to-business relationships, firms usually customize products and services more than in business to customer relationships. For that reason, prices were seldom standardized, and calculated for each customer individually.

A business relationship between SMEs and insurance companies was possible to enhance security and business continuity. In Nigeria, there was the collapse of several promising SMEs and other business concerns in the business landscape in the past four decades. This had been attributed to lack of awareness of business owners. The need to strengthen their risk-taking ability and long-term sustenance of their enterprise through adequate and appropriate insurance coverage for their investment was evident (Saghana, 2009).

Insurance provides one of the most important means for small firms to transfer business risks. A sound insurance program was imperative for the proper protection of a small business. Many small firms
carried insufficient insurance protection. This was a fact that the entrepreneur often came to realize only after a major loss (Longenecker et al. 2003).

A review of United Kingdom and Australia showed evidence of insurance and its prospects to the entrepreneurs and other stakeholders; despite the discouraging revelations in Australia (Woolcott, 2008). The case of Nigeria was a replica of the situation in Ghana. As such, the need to let SMEs and insurance companies appreciate the relevance to develop closer business relationships to enhance economic development through the management of insurable risks was supreme. The absence of appropriate insurance for transferable business risks caused a lot of SMEs to fold up due to no compensation or inadequate compensation in Ghana and the developing economies.

2.1.4 Historical Development of Kenya’s Insurance Sector

The concept of insurance and particularly the social insurance programme dealing with socio-economic problems has been around Africa for a long time where members of a community pooled together resources to create a social insurance fund. The premiums ranged from material to moral support or other payments in kind. From the fund, drawings were made out to support the few unfortunate members exposed to perils. However, the history of the development of commercial insurance in Kenya is closely related to the historical emancipation of Kenya as a nation (Amyrx, L. 2005).

With the conquest of Kenya as a British colony complete, settlers initiated various economic activities, particularly farming, and extraction of agricultural products. These substantial investments needed some form of protection against various risk exposures. British insurers saw an opportunity in this, and established agency offices to service the colony’s insurance needs. Prosperity in the colony soon justified expansion of these agencies to branch networks with more autonomy, and expertise to service the growing insurance needs. By independence in 1963, most branches had been transformed to fully-fledged insurance companies (Amyrx, L. 2005).

In the forty years since independence, Kenya’s insurance industry has flourished, and by 2002 had 41 registered insurers, 15 transacting general insurance business, 2 transacting life business, while 24 were composite insurers—transacting both life and general insurances (National Baseline Survey, 2008). Kenya’s insurance industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region, (Common Market for Eastern and Southern Africa). The industry employs over 10,000 people, underwrites well over €300m premiums, and pays
Despite this growth in the insurance sector, the sector has largely failed to attract SMEs. The policy and regulatory framework has no provisions pertaining to micro insurance and current initiatives are either conducted within the existing general policy and regulatory environment of mainstream insurance or informally from existing regulation. Distribution channels remains a major challenge because institutions like MFIs, SACCOs which are currently involved in offering micro insurance are not allowed to provide insurance services or become brokers or agents in micro insurance (Wanjohi and Mugure, 2008). Support structures needed for effective delivery of micro insurance services are lacking most critical been reinsurance services which are meant to expand capacity of the underwriters. The insurance companies are generally ignorant of customers' insurance needs and are thus unable to match customer perceptions with expectations. Alongside the industry has failed to address the issue of price and the mode of payment with the current regulation of cash and carry worsening the situation rendering the perception that insurance is a service for the rich. The industry has also failed to educate the people with many consumers in the informal sector lacking an understanding on the principles of insurance.

In Kenya, the insurance industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority. According to PWC, in 2007, there were 43 insurance companies and 2 locally incorporated reinsurance companies licensed to operate in Kenya. Of the licensed insurance companies, 20 were general insurers, 7 long term insurers and 15 were composite (both life and general) insurers. In addition, there were 201 licensed brokers, 21 medical insurance providers (MIPS), 2,665 insurance agents, 23 loss adjusters, 1 claims settling agent, 8 risk managers, 213 loss assessors/investigators and 8 risk managers in 2007.

Short term business continues to dominate the Kenyan market with its premiums making approximately 70% of the of gross written premium (including deposit administration contributions) in 2007.

2.1.5 SME Insurance

Low income persons operate in risky environments, vulnerability to numerous perils, including, illness, agricultural losses, accidental death and disability, loss of property due to theft or fire etc. They are more vulnerable and are least able to cope when a crisis does occur (Stone et al., 2003). This vulnerability together with the low income reinforces each other in an escalating downward spiral. Not only does
exposure to these risks result in substantial financial losses, but vulnerable entrepreneurs also suffer from the ongoing uncertainty about whether and when a loss might occur. Because of this perpetual apprehension they are less likely to invest more in their businesses. Although they have informal ways of managing risks the strategies generally provide insufficient protection and also reduce on income generation, for example spreading of resources in many areas.

Micro insurance therefore, is the protection of small businesses against specific perils in exchange for a premium proportionate to the likelihood and the cost of risk involved. No owner of a small to medium sized enterprise likes paying for insurance; it’s an expensive, regular outgoing of hard earned money, for which there are no immediate results. The constant references to protection are also enough to make one wonder whether SME insurance companies actually hire people to go around smashing companies up in the hope that it will scare other businesses into paying up. The truth is that, although it may feel like one is being robbed at the time, SME insurance companies are genuinely there to help someone. Think about it this way; as a small company, any damage to buildings or stock no matter how accidental or unfortunate is going to have a major impact on one’s finances (Omuyitsi, 2003). There is no way to predict that a fire is going to wipe out all the stock! Many a company can (and has) gone under due to nothing more than bad luck. The role of the SME insurance company is to bail a business out when misfortune strikes, by paying for the damages and giving the business an opportunity to rebuild a second chance that one may not otherwise have (Mwindi, 2004). Any accidental damage to stock, trade content and buildings will be paid for, as will damage that occurs as the result of fire or vandalism and losses due to events outside of one’s control. Twenty car pileups are never nice things, but they somehow seem even worse when it’s ones goods littering the motorway.

SME insurance can also cover employer liability in the event of employees injuring themselves; something that seems to be becoming ever more common as judges continue to dish out massive sums at employment tribunals. Of course, it may be that one never suffers any business misfortune, all the employees remain happy and healthy all year round and shipping companies never mess up the order but, in reality, is that a risk one can really afford to take? When one consider the amount of situations that SME insurance companies will protect the business from, it really doesn’t seem too much to ask that one fork up a bit of money for their trouble. After all, how else does one think they can possibly afford to help someone out when things go wrong?

Investing in SME insurance won’t mean the business wind up paying for coverage one don’t want either; SME insurance is very flexible, to the extent that one can even decide how much of the stock the
business want to cover. Whatever one does cover will then be protected in the events of flood, fire and theft—three very common and often devastating scenarios. If someone only has a couple of boxes of paper and a stapler in the stockroom, the potential for flood damage is rather slim (King and McGrath, 2002). If, however, has a pub with thousands of pounds of stock in the basement and no pub insurance; a flood could totally ruin the business! As if that wasn’t enough protection for most small to medium sized enterprises; SME insurance will also cover against the theft of cash stored on site and any loss of profits caused by major business interruptions (King and McGrath, 2002).

Total SME insurance coverage will protect business from just about any realistic eventuality. As many small to medium sized enterprises are family-run businesses, this offers a peace of mind that one won’t find through CCTV installations.

2.2 Theoretical Framework

This study will be informed or guided by the sociological theories which pay attention to personal traits, motives and incentives of individuals and conclude that entrepreneurs have a strong need for achievement (Hill, G. 2004). The need for achievement will cause entrepreneurs to have high drives to achieve. They set ambitious targets which challenge them and are often not happy with a single unit plan to grow the business. McClelland in the need achievement theory argues that people with a high need for achievement seek to excel and thus tend to avoid both low-risk and high risk situations (Atkinson & McClelland, 1953). In some cases, entrepreneurs are so keen to succeed that they grow and expand before the operation is ready and the appropriate controls are in place (USAID, 2003). The need for achievement will be the driving force for the entrepreneurs with or without skills. (Bokea, Bondo and Mutiso, 2003) suggests that an internal locus of control even if it fails to distinguish the successful entrepreneur from the unsuccessful one is a determinant in the success of entrepreneurs.

Success is a relative that can be measured differently in different contexts. If success is measured in relation to fulfillment of goals and objectives of a particular entrepreneur, self-employed people could also be classified as successful if their business generates continuously a satisfactory level of living.

In addition, the growth of SMEs is influenced by entrepreneurial skills. These are skills which enable one to operate the business successfully. Possession of these skills can ensure entry and success of SMEs (Mwangi, 2006). Access to insurance services can create stable informal institutions with more
Rational Choice Theory is an approach used by social scientists to understand human behavior. The approach has long been the dominant paradigm in economics, but in recent decades it has become more widely used in other disciplines such as Sociology, Political Science, and Anthropology. This spread of the rational choice approach beyond conventional economic issues is discussed by Becker (1976), Radnitzky and Bernholz (1987), Hogarth and Reder (1987), Swedberg (1990), and Green and Shapiro (1996).

On the other side, (Hechter M. 1997) argues that the rational choice theory is inherently a multilevel enterprise. At lower level, its model contains assumptions about individual cognitive capacities and values, among other things. For example, it describes how a person is subject to a given social structure at time 1 will behave at time 2 on the basis of these assumptions. This would mean that the rational choice theory would assume that SMEs owners at time 1 would probably behave differently in terms of insuring their SMEs with time 2.

Nevertheless, Rational Choice Theory generally begins with consideration of the choice behavior of one or more individual decision-making units Ŭ which in basic economics are most often consumers and/or firms. In this case, the decision making unit is the SMEs. The rational choice theorist often presumes that the individual decision-making unit in question is ŸtypicalŠ or ŸrepresentativeŠ of some larger group such as buyers or sellers in a particular market. Once individual behavior is established, the analysis generally moves on to examine how individual choices interact to produce outcomes.

Rational choice analysis generally begins with the premise that some agent, or group of agents, is [are] maximizing utility Ÿ that is, choosing the preferred alternative. This is only part of the story, however. Another important element of the choice process is the presence of constraints. The presence of constraints makes choice necessary, and one virtue of rational choice theory is that it makes the trade-offs between alternative choices very explicit. A typical constraint in a simple one-period consumer choice problem is the budget constraint, which says that the consumer cannot spend more than her income.
This research study sought to evaluate the impact of insurance services on the growth of micro and small enterprises in Nairobi Central Business District. The independent variables of this study will be insurance education, performance of SMEs, Business duration and credit. This study will therefore seek to establish the influence of the independent variables on the dependent variables which will be affordability and decision to insure SMEs against fire.

The effects of independent variables will be mediated by intervening variables which include:

- Knowledge of insurance cover, affordability, Perceived Risks as well as perceived Benefits.

Figure 2.1: Conceptual framework

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Intervening Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
</table>
3.1 Introduction

This chapter discusses the research design and methodology of the study. It then proceeds to explain the study design, target population, sample design, data collection procedures, instruments used and the data analysis methods.

3.2 Research Design

A research design according to Kothari (2004) is a conceptual structure within which research would be conducted aimed at providing for the collection of relevant evidence with minimal expenditure of effort, time and money. Creswell W. John (2009) defines research designs as plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. The study used survey research design which according to Easter (2008) is aimed at establishing relationships between variables and concepts. And to assess whether there were prior assumptions and hypotheses regarding the nature of these relationships. In addition, this study adopted a mixed methods research that combines both the qualitative and quantitative research methods in data collection, analysis and presentation. Bryman and Bell (2007) indicate that mixed method research is used as simple shorthand to stand for research that integrates quantitative and qualitative research within a single project.

3.3 Target Population

According to Mugenda and Mugenda (1999), target population in social research is the specific population about which information is desired. A population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. Nevertheless, the target population should have the observable characteristics from which the researcher intends to draw
3.4 Sample and Sampling Procedure

3.4.1 Sampling Frame
The sampling frame describes the list of all population units from which the sample is selected. In this study, the sampling frame was the list of all registered SMEs in Nairobi CBD. The sampling frame was obtained from the Nairobi City Council offices at City Hall.

3.4.2 Sample Size
The researcher used stratified random sampling method. The stratification was based on the nature of the SMEs. The SMEs fell into four categories as follows: pharmaceuticals, food and beverages, commercial and trade and services. The four categories have a total 1000 SMEs in Nairobi CBD as shown in Table 1. According to Mugenda and Mugenda (2003) a sample size of between 10 percent and 30 percent is a good representation of the target population. Based on the above, the researcher used a sample size of 10 percent which is sufficient. This resulted to a sample size of 100 SMEs operating in the Nairobi Central Business District. The specific distribution of the sample size by strata is shown in Table 1 below:

<table>
<thead>
<tr>
<th>Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial and Trade</td>
<td>220</td>
</tr>
<tr>
<td>Service</td>
<td>280</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>100</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>400</td>
</tr>
<tr>
<td>Total</td>
<td>1000</td>
</tr>
</tbody>
</table>

Table 1: Target Population and Sample Size
3.4 Sampling Technique

Since an updated sampling frame existed, the research team used systematic sampling method to select the specific SMEs which were included in the surveys. The selection of the SMEs in each stratum was selected before the teams went to the field and was done by the researcher.

3.5 Data collection Instruments and Data Collection Procedures

Since this study employed the mixed method approach, quantitative data collected using questionnaires developed by the researcher as the main data collection instrument and observation to verify some of the gathered primary data. The qualitative data was collected using an interview schedule which was also developed by the researcher. Sekaran (2003) notes because almost all data collection methods have some biases associated with them, collecting data through multi-methods and from multiple sources lends rigor to research. In addition, observation was employed where necessary to confirm details given by the respondents in the questionnaire.

3.6 Pilot-Testing

According to Mugenda and Mugenda (2003) the accuracy of data to be collected largely depends on the data collection instruments in terms of validity and reliability. Validity as noted by Robinson (2002) is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. Reliability refers to a measure of the degree to which research instruments yield consistent results after every repeated trial; (Mugenda & Mugenda, 2003). In this study, validity and reliability were ensured by pre-testing the questionnaire with a selected sample from the sampling frame. The selected sample for piloting was not used in the actual study. The pre-test was conducted by both the researcher assisted by the research assistant to enhance clarity of the questionnaires. The data collected from the pilot survey was analyzed to establish the reliability coefficient. If the reliability coefficient was found to be more than 0.7 then the instrument was classified as reliable otherwise, necessary adjustment to the tool were made to ensure reliability.
The quantitative data collected was sorted, coded and entered into the Statistical Software for Social Scientists (SPSS) and data cleaning followed before the analysis begins. The research used descriptive statistics to describe the data. In descriptive statistics, measures of central tendencies and frequency distribution were generated. In addition, the researcher used correlation and chi-square analysis to describe the relationships that exists. On the other hand qualitative data was summarized into themes which were deduced. The results were presented using charts, graphs and frequency tables.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction
This chapter presents the findings of the study. The study aimed at assessing the factors that influence decision to insure small and medium enterprises against fire in Nairobi County. In particular, the study sought to establish the level of knowledge on fire insurance among the SMEs owners, also the study aimed at assessing the attitude towards fire insurance on SMEs. In addition, the study sought to determine the magnitude of perceived benefits of fire insurance. Finally, the study sought to examine the factors that affect decision to insure SMEs against fire disaster in Nairobi County. The results are presented in both tabular and graphical formats.

4.2 Response Rate
This study targeted 100 SMEs owners in the Nairobi Central Business District. Encouragingly, all the targeted 100 SMEs owners responded to the survey which translates to a response rate of 100 percent which was high and above the 70 percent response rate threshold recommended by Nancy, K. teal. al, (2009). The high response rate was attributed to the dedication of the data collection team under the tight supervision of the researcher. The data collection was done by four teams of two enumerators, who worked on 29th and 30th April, 2013 which were Monday and Tuesday respectively. The two days for data collection were selected in that the businesses in the NCBD were found to be 98 percent operational on weekdays; this is according to Otieno (2012). In addition, to the questionnaires, the study targeted also 10 key informants who were perceived to hold key information that would help beef up the findings of the study. All the 10 targeted key informants responded to the study and this translated to a 100 percent response rate.
characteristics of the SMEs owners who were interviewed in the survey. These characteristics include: gender, education level and age category.

4.3.1 Gender Distribution
In total, the study showed that among the SMEs owners who were interviewed, 64 percent of them were males while 36 percent were females. This implies that majority of the SMEs owners were male, though the proportion of female owned SMEs was also quite encouraging. This is presented in Figure 1 below:

**Figure 1: Gender Distribution**

4.3.2 Age Distribution
On age distribution, the results of the study showed that 59 percent of the SMEs owners interviewed were aged between 30 and 39 years, 17 percent were aged between 40 and 49 years, 14 percent were aged below 30 years and 10 percent were aged 50 years and above (see Figure 2). This means that overall; the SMEs who were aged below 40 years were 73 percent of the total sampled SMEs which implies that majority of the SMEs owners were relatively youthful.
4.3.3 Distribution by Education

The results of the study showed that 65 percent of the SMEs owners possessed college education, 32 percent of them had secondary education while only 3 percent of them had primary education (See Figure 3). Further, of those with college education, only 43 percent had university education. The results imply that majority of the SMEs owners were well educated since over 65 percent of them had college education and thus the fire insurance agencies should develop strategies for convincing the owners to insure their businesses.

**Figure 2: Distribution by level of education**

![Bar chart showing age distribution with 59% under 30 years, 14% 30-39 years, 17% 40-49 years, and 10% 50 years and over.]

![Pie chart showing education distribution with 65% college education, 32% secondary education, and 3% primary education.]

![Bar chart showing level of education distribution with 59% college education, 17% 40-49 years, 3% 30-39 years, and 10% 50 years and over.]

52.5 percent of the SMEs owners interviewed were males aged between 30 and 39 years, 52.8 percent were females aged between 30 and 39 years. Additionally, 15.6 percent of the male SMEs owners were aged between 40 and 49 years while 19.4 percent of the SMEs owners were females aged between 40 and 49 years as shown in Table 1 below. In general, the results show that majority of the SMEs owners were males aged between 30 and 39 years.

### Table 2: Distribution of SMEs owners according to Age and Gender

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total (N)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30 Yrs</td>
<td>12.5</td>
<td>16.7</td>
<td>14</td>
<td>14.0</td>
</tr>
<tr>
<td>30 - 39 Yrs</td>
<td>62.5</td>
<td>52.8</td>
<td>59</td>
<td>59.0</td>
</tr>
<tr>
<td>40 - 49 Yrs</td>
<td>15.6</td>
<td>19.4</td>
<td>17</td>
<td>17.0</td>
</tr>
<tr>
<td>50+ Yrs</td>
<td>9.4</td>
<td>11.1</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Percent</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total (N)</strong></td>
<td>64</td>
<td>36</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Indeed 59 percent of both male and female owners are age 30-30 years. It can further be noted that 73 percent of all SME Owners are relatively young, aged below 40 years. Only 23 percent of all owners are above 40 years of age. The dominance of youthful owners in SMEs Ownership implies limited duration of business operation and savings, and perhaps a strong sense of business protection through fire insurance.

### 4.3.5 Age and Education Distribution

Overall 65 percent of the SMEs owners interviewed had college education of whom those aged 30 ÷ 39 years had the highest score of 78 percent. For owners with secondary education, those aged 40 ÷ 49 years had the highest representation of 53 percent. The results further show that majority of the SMEs owners who had college education were aged less than 40 years as shown in Table 3 below.

### Table 3: Distribution of SME owners according to Age and Education

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>College</th>
<th>N</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30 Yrs</td>
<td>7.1</td>
<td>42.9</td>
<td>50.0</td>
<td>14</td>
<td>100.0</td>
</tr>
<tr>
<td>30 - 39 Yrs</td>
<td>1.7</td>
<td>20.3</td>
<td>78.0</td>
<td>59</td>
<td>100.0</td>
</tr>
<tr>
<td>40 - 49 Yrs</td>
<td>5.9</td>
<td>52.9</td>
<td>41.2</td>
<td>17</td>
<td>100.0</td>
</tr>
<tr>
<td>50+ Yrs</td>
<td>-</td>
<td>50.0</td>
<td>50.0</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total (N)</strong></td>
<td>3</td>
<td>32</td>
<td>65</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Percent (%)</strong></td>
<td><strong>3.0</strong></td>
<td><strong>32.0</strong></td>
<td><strong>65.0</strong></td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>
are aged below 40 years and the fact that 65 percent of owners have college education, it is to be noted that SMEs tend to attract younger people who are relatively educated. On this account, they are expected to be knowledgeable about business risks and therefore the need for business protection particularly through insurance against fire.

4.3.6 Education and Gender Distribution

On the distribution of education by gender, the results show that 67.2 percent of the male SMEs owners had college education, while 61.1 percent of the females had the same level of education. Additionally, 29.7 percent of the males SMEs owners were secondary education leavers while 36.1 percent of the females had the same level of education. This implies that there male had higher education levels compared with their female counterparts, although the difference between the two is small. It will be of interest to see how the two compare or contrast on decision to insure their business(es) against fire.

Table 4: Distribution according to Education and Gender Distribution

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>N</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>3.1</td>
<td>2.8</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>29.7</td>
<td>36.1</td>
<td>32</td>
<td>32.0</td>
</tr>
<tr>
<td>College</td>
<td>67.2</td>
<td>61.1</td>
<td>65</td>
<td>65.0</td>
</tr>
<tr>
<td>Percent (%)</td>
<td>64.0</td>
<td>36.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (N)</td>
<td>64</td>
<td>36</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4 Business Related Information

This section presents the results of the business information. In particular, the section will present the business background information, the SMEs knowledge of fire insurance and also the attitude towards the fire insurance.

4.4.1 Distribution of Owners by Type of SMEs

According to the study, 40 percent of the SMEs sample food and beverages, 28 percent were services/Light manufacturing, 22 percent were commercial/trade while 10 percent were pharmaceuticals. The majority of the SMEs as shown in this study are beverages and foods.
### Table 5: Percent distribution according to type of SMEs

<table>
<thead>
<tr>
<th>Type of SMEs</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial / Trade</td>
<td>22</td>
<td>22%</td>
</tr>
<tr>
<td>Service / Light</td>
<td>28</td>
<td>28%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>40</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### 4.4.2. Distribution by SMEs according to Owners Gender

According to the results of the study, the proportion of male owned SMEs in the commercial and trade sector was 68 percent which was higher compared with the proportion of female in the same sector which was 32 percent. On the services sector, 71 percent of the SMEs were owned by males while 29 percent were owned by female. The difference was quite high in the pharmaceutical sector where the proportion of males owned SMEs was 80 percent and that of female was 20 percent. On the food and beverages sector, the proportion of SMEs owned by males was 53 percent while that of female was 48 percent. In general, the proportion of SMEs owned by male was high across the entire sector as compared with the proportion of SMEs owned by female.

![Figure 3: Distribution of SMEs according to Owners Gender](image_url)
SMEs included in the study were aged between 6 and 10 years, 33 percent were over 10 years old, 23 percent were aged between 2 and 5 years while 2 percent were less than 1 year old. In general, over 75 percent of the SMEs in the survey had been operational for over 5 years.

**Figure 4: Age of the SMEs**

Indeed 25 percent of SMEs owners had young businesses of five or fewer years while 75 percent had operated their businesses for more than five years, with 33 percent having operate their enterprises for more than ten years. It was shown earlier that 73 percent of SME owners were aged below 40 years and that 65 percent of all owners had college education. This would seem to imply that longer durations of business life are associated with not only young entrepreneurs, but also ones that are relatively more educated.

### 4.4.4 Financing of Start up Capital

On financing the startup capital, the results of this study show that 53 percent of the SMEs were started from funds obtained from saving that the owner had, 32 percent were started though funds received from credit while 15 percent reported that the source of their startup capital was friends and relatives. This implies that majority of the SMEs were started through finances obtained through saving. However, the credit was also found to have a say on the startup capital.
4.4.5 Nature of Business and Number of Employees
On the nature of the business, 57 percent of them were classified as medium enterprise while 43 percent were classified as small enterprise. Enterprises were classified as small enterprises if they had less than 11 employees and medium enterprises if they had more than 11 employees. See figure 7 below. In addition to the number of employees that the businesses had, the monthly turnover was also used to classify the business as either small enterprise or medium enterprise, where if the monthly turnover was 250,000 Kenya shillings and below then the business would be classified as small enterprise, otherwise the business would be classified as medium enterprise, if the turnover was over 250,000 Kenya shillings given this consideration, it was observed that 57 percent of the SMEs were in the category of medium enterprises while 43 percent of the SMEs were in the category of small enterprise.

Figure 6: Number of Employees

The results of the study showed that 32 percent of the SMEs sampled for the survey had between 11 and 20 employees, 27 percent had between 6 and 10 employees, 18 percent had between 20 and 50 employees while 16 percent had less than 5 employees and 7 percent had over 50 employees. This is an indication, that majority of the SMEs had over 10 employees and hence would be classified as medium
4.5. Business Fire Risk and Fire Insurance
When asked about the nearest fire station to the business, all the SMEs sampled reported that the distance was between 0 to 3 kilometers from where their businesses were. The fire station was identified as the Nairobi Fire Station which is located along the Tom Mboya Street.

On whether the businesses had encountered a fire incidence any time in the past, 95 percent reported that they had not encountered while 5 percent reported that they had. Among those that reported that they had encountered fire in the past, all reported that this was within the past 5 years.

4.5.1. Security measures in enterprises
On being asked to state the security measures taken to protect against fire the business owners reported as shown in the figure 8 below. The results showed that among the SMEs sampled in this survey, 83 percent of them had fire extinguishers, 27 percent had smoke detectors, 49 percent had security cameras/guards, 73 percent had fire alarms, and 33 percent had water sprinklers while only 2 percent had a bucket of sand. This according to the study, majority of the SMEs had fire extinguishers and 73 percent had fire alarms. Nevertheless, majority of the SMEs had no smoke detectors, or water sprinklers or even a bucket of sand.

Figure 7: Security Measures
Given that a large majority of SME owners had fire extinguishers (83 percent) while 73 percent had fire alarms, it is possible that some of these owners might wrongly construe these measures to be effective guarantees against fire outbreak. If this is the case, they would be less inclined to opt for fire insurance.

4.5.2. Knowledge of fire insurance and whether insured
When the SMEs owners were asked whether they knew that there exists fire insurance in Kenya, majority (96 percent) reported that they were aware that there existed fire insurance in Kenya, while 2 percent reported that they did not know that there existed fire insurance and another 2 percent were not sure of the existence of fire insurance. This result indicates that majority of the SMEs owners in Nairobi CBD have knowledge of fire insurance. Further, a key informant interview reviewed that majority of them were aware of the existence of fire insurance in the industry. Of most particular interest is that they went ahead and mentioned some of the insurance companies which do provide insurance services in the country and particularly on the area of fire insurance. Among the mentioned insurance companies were General Accident, Real Insurance, UAP Insurance and Jubilee Insurance.

Figure 8: Reasons for Not Insuring Business

Despite 96 percent of the SMEs owner having knowledge of fire insurance, only 21 percent of the business owners had insured their business with 79 percent having no fire insurance. Among the 21 SMEs that were insured, the results showed that majority of the SMEs were insured by UAP Insurance, Jubilee Insurance and Real Insurance Companies and Aon Kenya Insurance Brokers. This result shows that majority of the SMEs businesses in Nairobi CBD are not insured. A discussion with the key informants showed that most of the SMEs owners are either reluctant to insure their business or are
In addition, among 79 percent of the SMEs who had not insured their businesses, they were asked to give reasons why they had not insured. Their responses were as shown in figure 9 above.

The key informant interviews done in Nairobi revealed that majority of the SMEs owners are aware of the existence of fire insurance in the Market. However, there was a strong feeling from the key informant that that majority of the SMEs owners were unwilling to insure their business. A further discussion with them reviewed that perception was a great hindrance to the SMEs owners insuring their businesses. According to the key informant, there existed a negative perception among the SMEs owners on the insurance industry as a whole. One Key informant was quoted as saying “most people fail to insure their businesses since they believe that insurance companies are thieves. They only talk nice to you when they convincing you to buy the insurance only for them to treat you harshly when there is a claim that needs to be settled. Why then should someone insure his/her business?” There was also a general agreement among the key informant who were interviewed that there was also a majority of the SMEs owners who felt that insuring their businesses and particularly against fire was not a priority they depend on God’s protection.

Among the SMEs that had not been insured against fire, majority (54 percent) attributed their failure of insuring their businesses on unwillingness and 47 percent attributed their failure to insur their businesses to lack of confidence with the Kenyan insurance companies. In addition, 42 percent attributed their failure to insure their businesses on low risk of fire in Nairobi CBD, 19 percent attributed their failure to insure their businesses on lack of funds. Only 4 percent of the business had not been insured due to lack of information. This result corresponds with the key informants’ interview which showed that majority of the SMEs owners were aware of fire insurance in Kenya, nevertheless, ignorance played a key role in failure to insure the business. Also during the key informants’ interview, it was noted that there was high rate of unwillingness to insure SMEs due to the low risk of fire in Nairobi CBD.

Further, the SMEs owners were asked whether they thought that the insurance in Kenya was affordable, and in response 85 percent reported that the insurance was costly while 15 percent reported that the insurance was not expensive. The results further showed that there was little confidence with the Kenyan insurance companies which also contributed to the failure of the SMEs insuring their businesses.

4.5.3 Response to Fire Outbreak
The SMEs owners were asked to indicate whether City Council of Nairobi (CCN) was responsive and equipped to handle fire outbreaks in Nairobi Central Business District. Among the SMEs owners who
responded, only 9 percent who reported that they strongly agreed that CCN was responsive, 12 percent agreed, while majority of the SMEs owners (45 percent) disagreed that the CCN was responsive and 34 percent strongly disagreed that CCN was responsive. The results indicate that 79 percent of the SMEs owners interviewed reported that the CCN was not responsive in case of fire outbreaks in Nairobi.

**Figure 9: Nairobi City Council Response to Fire Outbreaks**

- 9% Strongly Agree
- 12% Agree
- 45% Disagree
- 34% Strongly Disagree

![Chart showing response distribution](chart.png)

4.5.4. Perceptions and Rating of Insurance

This section presents the perceptions and ratings of insurance based on several statements which the respondents were asked. The section is sub segmented into two as follows: section related statements on insurance and section business in CBD and rating of insurance. The ratings of the statements would provide more insight on the insurance companies offering fire insurance to the SMEs in Kenya. The rating was as follows: **SD – Strongly Disagree, D – Disagree, N – Neutral, A – Agree and SA – Strongly Agree.** This was interpreted as follows: Strongly Disagree was interpreted as a rating of between 0 and 24%, Disagree was interpreted as a rating of between 25% and 49%, neutral was interpreted as a rating of 50%, agree was interpreted as a rating of between 51% and 75% while strongly agree was interpreted as a rating of between 76% and 100%.

a. Rated Statements on Insurance

The SMEs owners were asked to rank their opinion towards various statements related to fire insurance in Kenya, and in particular within Nairobi CBD (see Table 5 below). On the statement that businesses are insured due to business rivalry, 80 percent of the SMEs owners strongly disagreed with this statement, 12 percent disagreed, and 6 percent remained neutral while only 2
On the statement that businesses are insured to protect them against liability claims, 45 percent of the SMEs owners strongly disagreed with the statement, 25 percent disagreed, 18 percent remained neutral, and 10 percent agreed with the statement while 2 percent strongly agreed with the statement. This implies that majority (60 percent) of the SMEs owners interviewed disagreed that businesses are insured to protect them against liability claims.

**Table 6: Rating of Insurance by listed statements (in percentages)**

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses are insured due to business rivalry.</td>
<td>80</td>
<td>12</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Businesses are insured to protect them against liability claims.</td>
<td>45</td>
<td>25</td>
<td>18</td>
<td>10</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Businesses are not insured due to ignorance and negligence on the part of the owners.</td>
<td>3</td>
<td>19</td>
<td>15</td>
<td>33</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Businesses are insured to protect against risks and perils to property, hence insurance enable a sense of security and peace of mind.</td>
<td>1</td>
<td>5</td>
<td>10</td>
<td>39</td>
<td>45</td>
<td>100</td>
</tr>
<tr>
<td>Businesses in Nairobi Central Business District are insured to attract and retain employees.</td>
<td>94</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Businesses in Nairobi Central Business District are insured because businesses are not included in homeowner’s coverage.</td>
<td>72</td>
<td>21</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

The results of the study also showed that 3 percent of the SMEs owners interviewed strongly disagreed with the statement that businesses are not insured due to ignorance and negligence on the part of the owners, 19 percent disagreed, 15 percent remained neutral, while 33 percent agreed with the statement and 30 percent strongly agreed. This means that majority (63 percent) of the SMEs owners interviewed agreed that in Nairobi, businesses are not insured due to ignorance and negligence on the part of the owners. Further, the results show that only 1 percent of the SMEs owner interviewed that strongly disagreed that businesses are insured to protect against risks and perils to property, hence insurance enable a sense of security and peace of mind, 5 percent disagreed, 10 percent remained neutral, and 39 percent agreed with the statement while 45 percent strongly agreed. This means that over 84 percent of the SMEs owners agreed that business are insured to protect against risks and perils to property, hence insurance enable a sense of security and peace of mind.
that over 94 percent of the SMEs interviewed strongly disagreed that businesses in Nairobi CBD are insured to attract and retain employees. Finally, 93 percent of the SMEs owners interviewed in this study disagreed that businesses in Nairobi CBD are insured because businesses are not included in homeowner’s coverage.

b. Business in CBD and Rating of Insurance

The results of this study also showed that over 67 percent of the SMEs owners interviewed in Nairobi disagreed that businesses in Nairobi CBD are insured because coverage may be required by law. Further, 51 percent of the SMEs owners interviewed disagreed that businesses in Nairobi CBD are insured because coverage may be required under the terms of their contracts. The results also show that 60 percent of the SMEs owners interviewed disagreed that businesses in Nairobi CBD are insured because the owners want to acquire bank loans. According to the results of the study, 11 percent of the SMEs owners interviewed strongly disagreed that Kenyans do not see the need of insuring businesses, 14 percent disagreed, 2 percent remained neutral, while 43 percent agreed with the statement and 30 percent strongly disagreed with the statement. This implies that according to the SMEs owners, Kenyans do not see the need of insuring business and thus the low coverage of fire insurance among the SMEs in Nairobi CBD.

Table 7: Rating of Insurance among the SMEs in Nairobi CBD

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses in Nairobi Central Business District are insured because coverage may be required by law.</td>
<td>22</td>
<td>43</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Businesses in Nairobi Central Business District are insured because coverage may be required under the terms of your contracts.</td>
<td>15</td>
<td>36</td>
<td>24</td>
<td>12</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>Businesses in Nairobi Central Business District are insured because the owners want to acquire bank loans.</td>
<td>31</td>
<td>29</td>
<td>10</td>
<td>18</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>Kenyans do not see the need of insuring businesses</td>
<td>11</td>
<td>14</td>
<td>2</td>
<td>43</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Businesses that are insured in Nairobi Central Business District have done so due to external forces.</td>
<td>31</td>
<td>37</td>
<td>4</td>
<td>19</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>
The Kenyan private fire fighters companies are responsive to fire incidences in Nairobi (e.g., G4S).

The Kenyan security agents are responsive and equipped to handle fire incidences in Nairobi Central Business District.

Insurance allows solving of social problems, balance of payment that is favourable, equitable premiums, spread of risk, economic growth, promotes international trade, tax benefits, allows future planning and enhances business competition.

Insurance is an expense to businesses and should not be endorsed.

<table>
<thead>
<tr>
<th>Description</th>
<th>2</th>
<th>0</th>
<th>5</th>
<th>23</th>
<th>70</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Kenyan security agents are responsive and equipped to handle fire incidences in Nairobi Central Business District.</td>
<td>5</td>
<td>12</td>
<td>3</td>
<td>43</td>
<td>37</td>
<td>100</td>
</tr>
<tr>
<td>Insurance allows solving of social problems, balance of payment that is favourable, equitable premiums, spread of risk, economic growth, promotes international trade, tax benefits, allows future planning and enhances business competition</td>
<td>34</td>
<td>24</td>
<td>8</td>
<td>14</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>Insurance is an expense to businesses and should not be endorsed</td>
<td>27</td>
<td>30</td>
<td>7</td>
<td>19</td>
<td>17</td>
<td>100</td>
</tr>
</tbody>
</table>

The results of the study further showed that 31 percent of the SMEs owners interviewed strongly disagreed that businesses that are insured in Nairobi CBD have done so due to external forces, 37 percent disagreed, 4 percent remained neutral, 19 percent agreed with the statement while 9 percent strongly agreed. This means that majority (68 percent) of the SMEs owners interviewed disagreed that businesses that are insured in Nairobi CBD have done so due to external forces. In addition, 93 percent of the SMEs owners interviewed agreed that the Kenyan private fighter companies are responsive to fire incidences in Nairobi. On the other hand, 80 percent of the SMEs owners interviewed agreed that the Kenyan security agents are responsive and equipped to handle fire incidences in Nairobi CBD. Additionally, 58 percent of the SMEs owners interviewed disagreed that the insurance allows solving of social problems, balance of payment that is favorable, equitable, premiums, spread of risk, economic growth, promotes international trade, tax benefits, allows future planning and enhances business competition. Finally, 27 percent of the SMEs owners interviewed strongly disagreed that insurance is an expense to businesses and should not be endorsed, 30 percent disagreed, 7 percent remained neutral, 19 percent agreed with the statement while 17 percent strongly agreed with the statement. This implies that according to the majority (57 percent) of the SMEs owners interviewed they considered insurance being not an expense to business.
4.6 Factors Associated with Insuring of SMEs in Nairobi CBD

The study also sought to establish the factors associated with insuring the SMEs in the Nairobi CBD. Among the factors considered were the level of education of the SMEs owners, the age of the SMEs owners and the nature of the SMEs (whether small or medium enterprise). To determine the existence of any relationship the chi-square analysis was done. The table below presents the chi-square analysis results for the relationship between the level of education and insuring SMEs.

### 4.6.1. Education and Insurance of SMEs

The Table 8 below presents the relationship between the level of education and insuring of the SMEs. Insuring of the business was grouped into namely; the insured SMEs and the non-insured SMEs while the level of education was grouped into three namely; primary education, secondary education and the college education. According to the results of the study, among the SMEs which were insured by the time of the survey, none of them were owned by primary education holder, 16 percent were owned by secondary education holders while 24 percent were owned by the college education holder. This implies that majority of the SMEs which were insured were owned by the college education holders. In addition, 3 percent of the SMEs which had not been insured were owned by the primary education holders, 32 percent were owned by the secondary education holders while 65 percent of the non-insured SMEs were owned by the college education holders. This implies that majority of the SMEs which had not been insured were owned by the primary education holders. In addition, the study established that there was a significant relationship between the level of education and the decision to insure the business ($\chi^2=33.12, p=0.000$). This means that the higher the education of the SMEs owners the higher the chance of insuring the SMEs.
### Level of Education of SMEs owners and Insurance

<table>
<thead>
<tr>
<th>Education</th>
<th>Insured</th>
<th>Not Insured</th>
<th>Total</th>
<th>Chi-Square</th>
<th>df</th>
<th>P-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0 (0%)</td>
<td>3 (100%)</td>
<td>3 (3%)</td>
<td>33.12</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>Secondary</td>
<td>5 (16%)</td>
<td>27 (84%)</td>
<td>32 (32%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College</td>
<td>16 (24%)</td>
<td>49 (76%)</td>
<td>65 (65%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21 (21.0%)</td>
<td>79 (79.0%)</td>
<td>100 (100.0%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Significant at 1% level

It is surprising that only 24 percent of college educated SMEs owners had insured their businesses. As earlier noted (see figure 8), many of the insured owners include the 83 percent who have fire extinguishers and the 73 percent who have installed fire alarms. Perhaps these owners think that possession of these protective devices can effectively make up for fire insurance.
show the relationship that existed between the nature of the SMEs and the decision to insure the SMEs. According to the results, 9.3 percent of the small enterprises had been insured by the time of the survey while 90.7 percent had not been insured. This implies that majority (over 90 percent) of the small enterprises had not been insured. In addition, the results showed that 29.8 percent of the medium enterprises had been insured by the time of the survey while 70.2 percent had not been insured.

Additionally, the results show that there was a higher proportion of the medium enterprises insured (29.8 percent) compared to the small enterprises (9.3 percent) which had been insured. Further, the results of the chi-square analysis show that there was a significant relationship between the decision to insure the SMEs and the nature of the SMEs ($\chi^2=9.86$, $p=0.01$). This result implies that the medium enterprises were more likely to be insured when compared with the small enterprises.

### 4.6.3. Age of Enterprise Owners and Insurance

According to table 10 above, 14 percent of the SMEs which were owned by individuals less than 30 years had been insured while 86 percent of them had not been insured. In addition, out of the SMEs owned by individuals aged between 30 and 39 years were 8 percent were insured while 92 percent were not insured. Those SMEs that had been owned by individuals aged between 40 and 49 years, 35 percent were insured while 65 percent were not insured. Finally, those SMEs owned by individuals aged 50 and above years, 80 percent of them were insured while 20 percent were not insured. However, the results of the study showed that there is no significant relationship between the age of the individual and insuring of the SME ($\chi^2=1.91$, $p=0.112$)
Table 11: Cross Tabulation between Age of the SMEs Owners and the Insurance of the SMEs

<table>
<thead>
<tr>
<th>Age of Enterprise</th>
<th>Insured</th>
<th>Not Insured</th>
<th>Total</th>
<th>Chi-Square</th>
<th>df</th>
<th>P-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 Yrs</td>
<td>2 (14%)</td>
<td>12 (86%)</td>
<td>14%</td>
<td>1.91</td>
<td>3</td>
<td>0.112</td>
</tr>
<tr>
<td>30 – 39 Yrs</td>
<td>5 (8%)</td>
<td>54 (92%)</td>
<td>59%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 – 49 Yrs</td>
<td>6 (35%)</td>
<td>11 (65%)</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 and above</td>
<td>8 (80%)</td>
<td>2 (20%)</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21.0%</td>
<td>79.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.6.4. Age of Enterprise and Insurance
The results indicated in Table 11 below provides the nature of association between the age of the enterprise and whether the SMEs have been insured. According to the results, 18.2 percent of the SMEs which were more than 10 years of age had been insured while only 19.0 percent of the SMEs which had been operational for between 6 and 10 years were insured against fire. Additionally, the results show that there was no significant relationship between the age of the SME and insuring the SMEs were not related ($\chi^2=0.890$, $p=0.752$).
CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter presents the summary of the findings, the conclusion and the recommendation of the study. The study aimed at assessing the factors that influence decision to insure small and medium enterprises against fire in Nairobi County. In particular, the study sought to establish the level of knowledge on fire insurance among the SMEs owners, also the study aimed at assessing the attitude towards fire insurance on SMEs. In addition, the study sought to determine the magnitude of perceived benefits of fire insurance. Finally, the study sought to examine the factors that affect decision to insure SMEs against fire disaster in Nairobi County.

5.2 Summary of the Findings
The target sample for the study was 100 SMEs which was achieved and thus translating to a response rate of 100 percent. The results of the study showed that 64 percent of the SMEs owners were males while the 36 percent were females. The proportion of women was highest in the food and beverages which stood at 48 percent while it was least in the pharmaceuticals sector which stood at 20 percent. Male SMEs owners were in the majority across all the sectors but the difference was highest in the pharmaceutical sector where 80 percent were males while 20 percent were females. Nevertheless, the results show that there was almost equal proportion of gender on the food and beverages sector. On the education level, the results of the survey showed that 65 percent of the SMEs owners had college education, 32 percent had secondary education while only 3 percent had primary education.

The results of the study showed that majority (59 percent) of the SMEs owners were aged between 30 and 39 years. On the age of the business, over 42 percent of the sampled SMEs in Nairobi CBD were aged between 6 and 10 years. The study found that majority (53 percent) of the SMEs sampled had been started through savings that the SMEs owners had done. Other methods used by the SMEs owner to fund their start-up capital was credit (32 percent) and friends and/or relatives contributions (15 percent). It was also found that majority (40 percent) of the SMEs belonged to the food and beverages sector. Further, 57 percent of the SMEs sampled were small enterprises while 43 percent were medium enterprises. It was also found that 32 percent of the SMEs had between 11 and 20 employees while 27 percent had between 6 and 10 employees.
The SMEs had a turn-over of over Kenya shillings 250,000.00 while 35 percent had a monthly turnover of between Kenya shillings 100,001.00 and 250,000.00.

The results of the study found that among the SMEs sampled 95 percent of them had encountered at least one fire incidence in the past. On the fire security measures that have been put in place by the SMEs owners, the study established that fire extinguishers, fire alarms and security guards/cameras were the most common in that order. Further, 96 percent of the SMEs owners reported that they were aware of existence of fire insurance in Kenya. Nevertheless, it was established that only 21 percent of the SMEs in the Nairobi CBD were insured while majority (79 percent) of the SMEs are not insured. Among the SMEs which were not insured, it was noted that unwillingness to insure the business against fire was the leading cause for not insuring the SMEs (54 percent). In addition, 47 percent of the SMEs owners who had not insured their SMEs they attributed this to lack of confidence with the Kenyan insurance companies.

On fire response by the Nairobi City Council, majority (79 percent) of the SMEs owners interviewed disagreed that Nairobi City Council was responsive. Further, on the factors associated with insuring of the SMEs, the study found that there was a significant relationship between the level of education and insuring of the SMEs. It was found that higher education was highly associated with higher chances of insuring a business. In addition, the study found that the nature of the SME was also significantly associated with insuring SMEs. The study found that medium enterprises were more likely to be insured than small enterprises. Finally, the study found that the age of the SME owner was not associated with insuring SMEs.

5.3 Conclusion
Based on the above finding, the study concludes that there proportion of the SMEs insured in Nairobi CBD is quite low despite the high level of awareness of the existence of the fire insurance services. In addition, the study concludes that unwillingness to insure the business and the negative perception that the SMEs owners have against the insurance companies in Kenya are the leading causes of failure to insure the SMEs. Further, the study concludes that there was a significant association between the level of education and the decision to insure the SME. Additionally, the study established that the medium enterprises were more likely to be insured compared with the small enterprises.
5.4 Recommendations

5.4.1 Insurance Companies

The study found that majority of the SMEs in Nairobi CBD are not insured against fire and this was mainly attributed to ignorance. Thus based on the above finding, the study recommends that the insurance companies needs to develop and rebrand the fire insurance policy. This would help fight the ignorance found with the respondents on failure to insure their SMEs. The Insurance Companies need also to educate the SME Owners on the need to take insurance to protect their businesses, this would also assist the business owners to have a positive attitude towards insurance companies.

The study further recommends that the insurance companies explore the possibilities of designing a curriculum on fire insurance that can be integrated with the Kenya system of education and particularly at the secondary school level and recommend the same to the ministry of education. This would be a good avenue of creating awareness on the importance of the fire insurance against any business and would also help fight the ignorance noted with the SMEs owners. The Insurance Companies should create awareness on Insurance Premium Financing which should help business owners willing to take up insurance covers and do not have enough capital to be financed through arranging such agreements with the Banks for their clients including SME owners.

The study also recommends that the insurance companies need to come up with simple fire insurance education messages that can be used to educate the SMEs owners on the role of fire insurance in any given business. Further, the study recommends that the insurance companies needs also to strengthen their campaigns on fire insurance focusing on the SMEs owners. The insurance companies can corroborate with the local media in educating the SMEs on the importance of fire insurance.

Additionally, based on the findings of the survey, it is recommended that the general insurance companies in the country should review the insurance rates downwards. This would help in dealing with challenges identified by the survey where a number of SMEs fail to uptake the fire insurance services due to the high cost. This would also go along in encouraging more SMEs uptake the fire insurance policies.
Recommendations for Future Studies

This study sought to establish the factors that influence decision to insure SMEs against fire in Nairobi CBD. Nevertheless, the study recommends a further study be conducted to establish how the insurance companies in Kenya handle claims arising from fire incidences. The proposed study should help understand the waiting time that clients undergo once they have launched their claims, claims documentation required to facilitate settlement of such claims as claims play a major role in the insurance sector. This would help relate the findings of the proposed study to the results of this study since one of the key reasons for not insuring SMEs was found to be the negative attitude that SME owners have towards insurance companies.
References


GoK, (2005), Influence on micro-insurance on SME.


between financial structure and performance of micro and small enterprises in Nairobi.


A QUESTIONNAIRE TO COLLECT DATA TO ASSESS THE FACTORS THAT INFLUENCE DECISION TO INSURE SMALL AND MEDIUM ENTERPRISES AGAINST FIRE IN NCB- NAIROBI COUNTY

Instructions:
This questionnaire is intended to gather information to be used to assess the factors related to fire insurance of micro and small enterprises in Nairobi County. The information in this questionnaire will be kept as confidential information and will be used for the purpose of this research only.

SECTION A: GENERAL INFORMATION
1. What is your Gender
   Male □
   Female □

2. What is your level of education
   Primary School □
   Secondary School □
   College Education □

3. In what category is your age?
   Under 30 years □
   30-39 years □
   40-49 Years □
   50 years and over □

SECTION B: BUSINESS INFORMATION
1. How old is your business in years
   Less than 1 year □
   2 – 5 years □
   6 – 10 years □
   Over 10 years □

2. How did you fund your initial capital to start this business?
   Credit □
   Savings/Self □
   Friends / Relative □
   Others (Specify) ________________________

3. What is the type of business
   Commercial/Trade □
   Pharmaceutical □
   Service/Light Manufacturing □
   Food and Beverages □
   Others (Specify) ________________________

4. Is your business a Small or a Medium Enterprise
   Small Enterprise □
   Medium Enterprise □
b. Why do you think your business is a medium enterprise?
____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
6. How many employees does this business have?
   Less than 5 employees ☐
   6 - 10 employees ☐
   11 - 20 employees ☐
   20 - 50 employees ☐
   Over 50 Employees ☐

7. Kindly give an estimate of the monthly income that this business generates?
   Less than 20,000 shilling ☐
   Between 20,001 and 50,000 shillings ☐
   Between 50,001 and 100,000 shillings ☐
   Between 100,001 and 250,000 shillings ☐
   Over 250,000 shillings ☐

8. How far is the business from the nearest fire station?
   0-3 Kilometres ☐
   4-6 kilometres ☐
   7-9 kilometres ☐
   More than 10 kilometres ☐

9. Have you ever encountered fire in Nairobi Central Business District?
   Yes ☐
   No ☐

10. Do you have any of the following security measures to protect the property from fire?
    Fire extinguisher ☐
    Smoke indicator ☐
    Security cameras/guards ☐
    Fire alarm ☐
    Water sprinkler ☐
    Bucket of sand ☐
    Others (Specify) __________________________________________

11. Are you aware that fire insurance exists in Kenya?
    Yes ☐
    No ☐
    Not sure ☐

12. Is your business insured?
    Yes ☐
    No ☐

   (If yes continue; if no, move to Question 13)
14. What are the reasons for not insuring the businesses in Nairobi Central Business District?

- [ ] Lack of confidence with the Kenyan Insurance Companies (They fail/delay to pay claims)
- [ ] Lack of information on fire insurance
- [ ] Lack of funds
- [ ] Unwilling to insure the business against fire
- [ ] Low risk of fire in Nairobi Central Business District
- [ ] Others (Specify) ________________________________

15. Do you think the insurance in Kenya is affordable

Yes [ ]

No [ ]

16. City Council of Nairobi (CCN) is very responsive and equipped to handle fire outbreaks in Nairobi Central Business District. Do you agree or disagree with this statement

Strongly Agree [ ]
Agree [ ]
Disagree [ ]
Strongly Disagree [ ]

17. Kindly indicate the extent to which you agree or disagree with the following statements. Please circle appropriately. Only one response is required per statement

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Business District may be required acts.

- Businesses in Nairobi Central Business District are insured because the owners want to acquire bank loans.
- Businesses in Nairobi Central Business District are insured for external reasons.
- The Kenyan private fire fighter companies are responsive to fire incidences in Nairobi (e.g. G4S).
- The Kenyan security agents are responsive and equipped to handle fire incidences in Nairobi Central Business District.
- Insurance allows solving of social problems, balance of payment that is favourable, equitable premiums, spread of risk, economic growth, promotes international trade, tax benefits, allows future planning and enhances business competition.
- Insurance is an expense to businesses and should not be endorsed.

Thank you for using your time and taking part in this research by completing my questionnaire.
Appendix: Interview Schedule for Key Informants

1. According to you, do you think SMEs owners in NCBD i Nairobi County are aware of the fire insurance policies?

2. In your own understanding, what do you think prevents SMEs from insuring against fire in NCBD i Nairobi County?

3. Do you consider fire as a risk in your SMEs? Explain your response

4. In which areas in Nairobi Central Business District (Nairobi County) would you like to see changes in context of fire insurance and fire management?

5. What are the challenges on fire insurance faced by SMEs in Nairobi Central Business District? (Nairobi County) Please list them?

6. What factors would you consider when insuring you SMEs against fire?

7. Is there any other form of insurance that you think the SMEs should be insured against?