



The Strategic  
**JOURNAL of Business & Change**  
MANAGEMENT

ISSN 2312-9492 (Online), ISSN 2414-8970 (Print)



[www.strategicjournals.com](http://www.strategicjournals.com)

Volume 4 Issue 2, Article 60

**DETERMINANTS OF UPTAKE OF INSURANCE SERVICES AMONG SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY, KENYA**

**JOHN MWANGI KAMARA, DR. MORONGE MAKORI**

**DETERMINANTS OF UPTAKE OF INSURANCE SERVICES AMONG SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY, KENYA**

**John Mwangi Kamara<sup>1</sup>, Dr. Moronge Makori<sup>2</sup>**

<sup>1</sup>Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya

<sup>2</sup>Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya

**Accepted: June 2, 2017**

**ABSTRACT**

*Though SMEs contribution to the economy is high and important, this may be affected adversely by accidents, tragedies and natural calamities. In the recent past, there has been a high prevalence of fires and floods in Nairobi City County. Despite the existence of SME's in Nairobi County for a long period now, the majority seem to have exhibited high mortality, slow or no growth. The study intended to establish the determinants of uptake of insurance services among the SMEs in Nairobi city county, Kenya. The population of the study consisted of 100 SMEs in Gikomba Market. Proportionate stratified random sampling was employed to collect data from the SMEs to actualize the objectives of this research. Information was collected by use of a questionnaire which consisted of both open and closed ended questions. Data was edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation for final analysis. Data was analyzed using SPSS version 22 and Ms. Excel. It was notable that there existed strong positive relationship between the independent variables and dependent variable. The study recommended a need for the management supports the managerial skills for the managers and employees to facilitate uptake of insurance services in the businesses. The entrepreneurial culture should be good in the businesses. Before the entrepreneur enter in the run of the business should have adequate experience to understand the need of the uptake of the insurance services. From the findings of the study, it was revealed that own capital or saving was the most source of funding of the uptake of insurance services in Nairobi City Count. The study was a milestone for further research in the field of uptake of insurance services in Africa and particularly in Kenya. The findings demonstrated the important factors to uptake of insurance services to include; access to finance and access to business information services. The current study should therefore be expanded further in future in order to determine the effect of strategic legal framework on uptake of insurance services. Existing literature indicates that as a future avenue of research, there was need to undertake similar research in other areas in Kenya and other countries in order to establish whether the explored factors can be generalized to affect uptake of insurance services.*

**Key Words:** Access to Finance, Access to Business, Insurance Services, SMEs

## INTRODUCTION

Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated growth and rapid industrialization have been achieved. Koech (2011). Micro and Small Enterprises (MSEs) have been recognized as socio-economic and political development catalysts in both developed and developing economies. Mwangi(2011). Maalu, et. al. (1999) discussed the role of Micro and Small Enterprises in the economy of Kenya and noted the important role it has played and continues to play. In addition to employment creation and income generation, the study noted other important roles in the economy such as production of goods and services and development skills.

A study by Cooper (2012) on the impact of micro-finance services on the growth of SMEs in Kenya found a strong positive relationship between micro-finance services and growth of SMEs. The Kenya Government's commitment to foster the growth of MSEs emerged as one of the key strategies in a 1986 report. It was reinforced as a priority in a 1989 report, a document that set out the mechanisms for removing constraints to growth of MSE sector. In 1992, the government published the MSE policy report.

Globally, Small and Medium Enterprises (SME's) make up 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 (SMEs) are extremely important in helping a large number of very poor people more empowered financially, they are characterized by high mortalities due to the uncertain socio-economic and policy environments that they operate in and inaccessibility to financial

services, insurance included. Recent studies from Sub-Saharan Africa confirm the importance of the informal SME 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).

In Kenya, the lenders generally accepted definition of an SME is a business with six to fifty employees or with annual revenue below Ksh. 50 million. Kihuro ( 2012). The small and medium Enterprises (SME's) play an important role in the Kenyan Economy. According to the Economic survey (2006) the sector contributed over 50% of new jobs in 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation. Kenya National Bureau of statistics (2009). According to Koech (2011) the factors affecting growth were capital markets, cost of operations, access to capital, collateral requirements, information access, capital management and cost of registration. Further; capital market, cost and capital access had the highest contribution to constraining SMEs growth into large businesses.

### Statement of the Problem

Though SMEs contribution to the economy is high and important, this may be affected adversely by accidents, tragedies and natural calamities. In the recent past, there has been a high prevalence of fires and floods in Nairobi County. Despite the existence of SME's in Nairobi County for a long period now, the majority seem to have exhibited high mortality, slow or no growth. According to GoK (2005) SMEs have high mortality rates due to vulnerability to hazards, 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. Further, the Kenyan Ministry of Finance puts the proportion of SMEs insured in Nairobi as only 29.3% (GoK, 2005). Additionally, according to Mwangi B. (2006), only 18.8% of the SMEs in Nairobi are insured against fire. Nevertheless, the influences of insurance partaking among the small and medium enterprises in Nairobi have not yet been documented. It is against this background that the study intended to establish the determinants of uptake of insurance services among the SMEs in Nairobi city county, Kenya.

### **Objectives of the Study**

The general purpose of this study was to examine the determinants of uptake of insurance services among the SMEs in Nairobi City County, Kenya. The specific objectives were:-

- Examine influence of access to finance on the uptake of insurance services among the SMEs in Nairobi City County, Kenya
- Determine influence of access to business information services on the uptake of insurance services among the SMEs in Nairobi City County, Kenya

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Agency Theory**

Institutional capacity can be well explained by the agency theory. Agency theory asserts that, one of the key activities for boards is monitoring management on behalf of shareholders and that effective monitoring can improve a firm's performance by reducing agency costs (Amy & Thomas, 2003). Boyd (1990) states that the monitoring function of boards is also referred to as the control role (Boyd, 1990). According to Amy & Thomas (2003), the institutions mandated to take care of the organization function refers directly to the responsibility of directors to monitor managers on behalf of shareholders. The theoretical underpinning of the board's monitoring function is derived from agency theory, which describes the potential for conflicts of interest that arise from the separation of ownership and control in organizations. In

agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen and Meckling, 1976).

Agency theorists see the primary function of boards as to act in the interest of shareholders (Bainbridge, 1993). Amy & Thomas (2003) contend that a director's monitoring function is to monitor the CEO, monitor strategy implementation, planning a successor of the CEO and evaluating and rewarding the top managers.

#### **Financial Literacy Theory**

Financial literacy theory argues that the behaviour of people with a high level of financial literacy might depend on the prevalence of two thinking styles

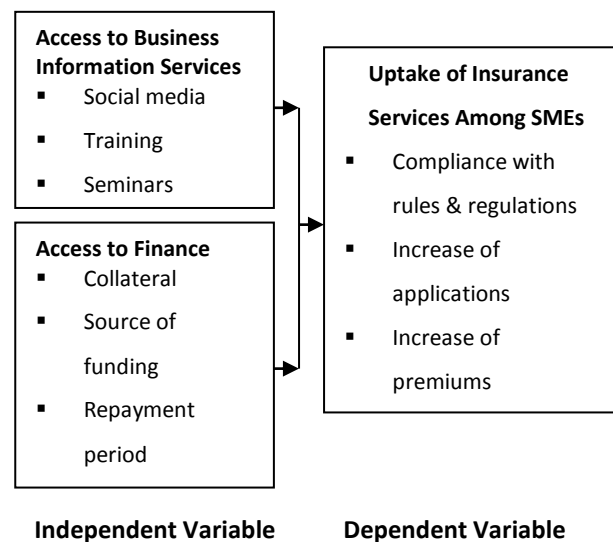
according to dual-process theories: intuition and cognition. Dual-process theories embrace the idea that decisions can be driven by both intuitive and cognitive process. Dual process theories have been applied to several fields, including reasoning and social cognition (Evans 2008). Financial literacy covers the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (Atkinson and Messy, 2005).

Financial literacy empowers investors by educating them to acquire relevant knowledge and skills in financial management. Financial knowledge helps to overcome most difficulties in advanced credit markets. Financial literacy allows the investors to encounter difficult financial times, through strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance. More importantly, financial literacy enhances decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. Financial literacy leads to more effective use of financial products and services, greater control of one's financial future and reduced vulnerability to overzealous retailers.

Financially literate investors are able to create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Investors are able to evaluate and compare financial products such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions (Miller et al 2009). Greenspan

(2002) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility. The theory relates to the influence of access to finance on growth of SMEs in Kenya.

### Conceptual Framework



**Figure 1: Conceptual Framework**

### Access to Finance

Credit is viewed as more than just another resource such as labor, land, equipment and raw materials (Rahji, 2000). One of the reasons for the decline in the contribution of SMEs to the economy is lack of a formal national credit policy and lack of credit institutions which can assist entrepreneurs. Credit access helps to expand business size and production. (Olagunju, 2000) affirmed that credit facilities as well as the use of enterprise capital and labor resources accelerate the adoption process and expand the scale of enterprise. Most MSE are likely to have less access to financial capital from

inheritances or more typically from capital accumulated in house ownership or from personal savings. Due to their limited savings entrepreneurs face notably greater challenges to obtain credit resulting in them missing business opportunities. It is important therefore that MSEs need to be aware of the full range of finance options available in Kenya would help to: (i) identify key MSE finance needs; (ii) understand the range of finance products available and how to access them; and (iii) identify suppliers of finance to meet the identified needs.

### **Access to business information Services**

Strengthening of access to business information services through the national agricultural support system has been advocated as a strategy for increasing agricultural production in Sub-Saharan Africa by governments in the region and by international development agencies (Evenson and Mwangi, 1998). In addition, investments in information and communication technologies have significantly improved the efficiency of agribusiness marketing systems in Africa (Haggblade, 2011). Marketing is important success function for SMEs that is facilitated by market access. Information plays a key role in market access and is the main core of any marketing system. Market access in developing countries is a major challenge to small businesses due to market imperfections that can be attributed to lack of market information, lack of linkages between the actors in the supply chain, distortions or absence of input and output markets, high transaction cost and high presence of trade intermediaries. Different strategies exist for improving market access of which the use of ICT is one. Strategies that enhance market access greatly impacts on the performance of small enterprises (Shepherd, 2007).

Potential benefits of ICT to SMEs include enhancing efficiency, reducing costs and broadening the

market both locally and globally, empowering SMEs to participate in the knowledge economy by facilitating connectivity; helping to create and deliver products and services on a global scale and providing access to new markets (Chyau, 2005). ICT can significantly impact the market –oriented dimensions of products and services (Ritchie & Bridley, 2005).

### **Empirical Review**

Studies carried out in the United Kingdom 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 businesses are kept running in the event that their key personnel who are usually the owners are unavailable due to one reason or another (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 with a 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 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 by the business owners mainly on the need to strengthen

their risk-taking ability and long-term sustenance of their enterprises 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 Mwangi(2011). Maalu, et. al. (1999) discussed the role of Micro and Small Enterprises in the economy of Kenya and noted the important role it has played and continues to play. In addition to the employment creation and income generation, the study noted other important roles in the economy such as production of goods and services and development skills.

A study by Cooper (2012) on the impact of micro-finance services on the growth of SMEs in Kenya found a strong positive relationship between micro-finance services and growth of SMEs. The Kenya Government's commitment to foster the growth of MSEs emerged as one of the key strategies in a 1986 report. It was reinforced as a priority in another 1989 report, a document that set out the mechanisms for removing constraints to growth of MSE sector. In 1992, the government published the MSE policy report.

## **RESEARCH METHODOLOGY**

This study employed was a descriptive research design. The target population under the study was 100 MSEs in Gikomba market. Stratified random sampling was used, whereby all the MSEs in Gikomba market had an equal chance of being selected. The study used questionnaires to collect primary data from the respondents as research tools (Kothari, 2005). Young, (2009) points out that, questionnaires are appropriate for studies since they collect information that is not directly

observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. Quantitative data was analyzed by employing descriptive statistics and inferential analysis using Statistical Package for Social Science (SPSS) Version 22.

## **DATA ANALYSIS, FINDINGS AND INTERPRETATIONS**

The study targeted a sample size of 100 respondents from which 70 filled in and returned the questionnaires making a response rate of 70%.

The research sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender. The study found that majority of the respondent 52.45%, were males whereas 47.55% of the respondent were females; this is an indication that both genders were involved in this study. On period of service, the study revealed that most of the respondents 35% had worked with the organization for duration of 5-10 years, 40% had worked with the organization for a period 10-15 years and 25% worked for a period of 15 to 20 years. This implied that majority of the respondents had worked with the organization for a considerable period of time and thus they were in a position to give credible information relating to this study.

The study requested the respondents to indicate their age category. From the research findings, the study revealed that most of the respondents 44% were aged between 30 to 39 years, 36% of the respondents were aged between 20 to 29 years, 15% were aged between 40 to 49 years whereas 5% of the respondents were aged 50 years and above. The study requested the respondent to indicate the members of their family who were running independent business before them. From the research findings, the study revealed that most of the respondents as shown by 45% parents were

running independent business before them, 15% of the respondents cited uncle/ aunt, 20% of the respondents posited brother/sister, whereas 10% of the respondents indicated grandparent and none respectively. The study requested the respondent to indicate the number of employees in their enterprises. From the research findings, the study revealed that most of the respondents 45% of the respondents had 1-5 employees, 35% of the respondents indicated that they employed 6-10 employees, 15% posited to have employed 11-25 employees, 5 % stated to have employed 25-50 employees in their enterprises. This implies that most of MSEs under study in Nairobi County had less than 50 employees.

#### **Access to Finance**

The study sought to assess the influence of access to finance on uptake of insurance services among SMEs in Kenya. It was of paramount importance that MSEs were aware of the full range of insurance options available to them. This enabled them to understand the range of insurance products available and how to access them as well as identify suppliers of finance to meet the identified needs.

The research sought to establish from the respondents on source of funding to establish their business in the study area. The research findings were as shown in **Error! Reference source not found.**6. The study findings established that most of the respondents (29%) cited to have own capital / savings as source of funding to establish the enterprises, 23% cited they had sourced from bank loans, 21% from Chama or SACCOS, 19% to have sourced funds from loans from family/colleagues/friends and 8% cited to have sourced funds from grants/government programmes to start their businesses. MSEs that have internal financial resources or access to external sources of finance have a higher chance of engaging in innovative activities than those that do

not. The relationship between the use of external finance in particular, and the extent of firm innovation is significant and positive.

The research sought to establish from the respondents on the intention of source of funding to establish their business in the study area. The study findings found out that most of the respondents (33%) indicated to have used the funds for developing new product and service, 25% indicated to buy machinery or equipment, 23% cited building and land acquisition, 19% indicated would have used the funds as the working capital or operating capital for example for the purchase of the inventory for the business. Access to funds to make new products or improve existing, or acquire new, machinery and equipment was important to every firm, because as argued by Hall and Khan (2002), together with skilled workers, capital goods are crucial for successful implementation and operation of a new invention.

The study sought to establish from the respondents on factors that impeded them to access to funding to establish their business in the study area. It was found out that most of the respondents (30%) indicated to have faced the problem of sourcing funding due to lack of collateral, 25% indicated lack of knowledge about lending sources, 23% cited rules, procedures and regulations on public financial management, 17% indicated transaction costs and 5% cited distance to lending institutions and 5% due to lack of accounting records business plan as impediments for sourcing funds from the financiers.

The lack of collateral, lack of knowledge about lending sources, transaction costs and rules and procedures associated with public financial management are the major obstacles that hinder entrepreneurs from sourcing funds for establishing manufacturing MSEs in Nairobi County. The findings of the study are in agreement with Stevenson &



stone (2005) who revealed that the problem of access to collateral and knowledge of lending financiers to entrepreneurs is the hindering factor to the growth of businesses in many developing countries.

The research sought to establish from the respondents on the level of satisfaction of financial products and services available for MSEs in Kenya. It was revealed that most of the respondents (35%) of the respondents were neutral, 23% were dissatisfied and satisfied, 14% were dissatisfied whereas 5% cited to have been satisfied with the financial products and services for MSEs in Kenya. This study showed that the financial products and services available for MSEs in Kenya are neither good or bad to meet the satisfaction of the entrepreneurs of Nairobi county.

The research sought to establish from the respondents to rank priority of information sought by the study. The results revealed that majority of the respondents (50%) indicated accessing finance as the priority, 35% cited developing new product and 15% of the respondents indicated employing skills as a priority. This infers that accessing finance is a priority for the entrepreneurs of MSE in Nairobi County. The findings of the study corroborates with Stevenson & stone (2005) who stated that the problem of finance(budget) to entrepreneurs is the greatest hindrance factor to the growth of businesses in many developing countries.

### **Access to Business Information Services**

The respondents were asked to indicate the social media network sites they used for accessing information on insurance services. From the study findings 16% of the respondents used face book, 11% stated to use twitter , 8% of the respondents indicated Instagram, 12% stated to use mysite, 12% stated to use Google + , 11% of the respondents indicated YouTube, 4% of the respondents indicated Skype, 7% stated LinkedIn and 17% of the

respondents indicated MySpace. This indicated that the entrepreneurs were trying to use the available social networks to ensure there was market accessibility of their products. ICT transforms traditional firm transactions and creates new market places by altering the process by which transactions take place, creating new products and services and by creating new markets in time, space and information that did not previously exist (Hanna, 2010). The power of ICT enables business networking within and between enterprises and geographical regions to grow. This in turn provides a platform for the exchange of experiences, options and opportunities for mutual cooperation and technology transfer (GOK, 2006).

The respondents were requested to indicate the reasons for the business intension to use the social media network sites in relation to access insurance services. 55% of the respondents indicated for building and land acquisition, 10% stated to recruit sales representatives, 9% stated to develop new product and service. This indicates social media networks played an important role on enhancement of market accessibility of MSEs Products. The study findings were in agreement with literature review by Hanna(2010) who observed that the power of ICT enables business networking within and between enterprises and geographical regions to grow. This in turn provides a platform for the exchange of experiences, options and opportunities for mutual cooperation and technology transfer (Shepherd, 2007). Potential benefits of ICT to SMEs include enhancing efficiency, reducing costs and broadening the market both locally and globally, empowering SMEs to participate in the knowledge economy by facilitating connectivity; helping to create and deliver products and services on a global scale and providing access to new markets (Chyau, 2005).

The respondents were kindly requested to indicate the reasons for not accessing the insurance services in relation to ICT from the findings. 22% of the respondents stated that it was due to lack of ICT training, 15% stated due to ICT transaction costs, 16% indicated as a result of distance to the ICT networks, 12% stated as a result of rules and procedures associated with public financial management and 10% stated as a result of lack of knowledge about marketing through ICT sites. This infers that lack of training on use of ICT is an impediment for the MSEs not accessing the market for their products in the study area. On the other hand, Information and Communication Technology (ICT) is identified as an enabler of other sectors, (GOK, 2007) presenting enormous opportunities for SMEs to improve market access. ICT is an indispensable tool in the highly globalised, knowledge economy. ICT can improve market access by facilitating communication with customers, competitive positioning, enable information acquisition and production of quality products, generation of market information, reduction in logistic costs, facilitating access to global markets, facilitating market research, networking, market transactions and market identification.

Further, the study asked the respondents' to indicate whether they were satisfied with accessing the insurance services through ICT services available for Micro and Small Enterprises in the study area. 35% indicated that they were satisfied, 25% stated that they were not very satisfied and 23% stated that they were very dissatisfied. This indicated that accessing the market through ICT was important for the MSEs in the study area. The study findings were in agreement with literature review by Mutula & Van Brakel (2006) noted that ICTs applications in MSEs, especially the internet, have not been satisfactorily applied in developing countries. On the other hand, Information and Communication

Technology (ICT) is identified as an enabler of other sectors, (GOK, 2007) presenting enormous opportunities for SMEs to improve market access. ICT was an indispensable tool in the highly globalised, knowledge economy. Market access constraints facing SMEs include; poor quality products, lack of knowledge to explore niche markets, limited resources to promote their products and poor market research.

### **Uptake of Insurance Services**

On the extent to which, respondents were asked to indicate the extent to which the indicators that determined uptake of insurance services. The data was collected from the different indicators of the variable uptake of insurance services which was ordinal categorical. The data was therefore presented in frequency tables with the median being used as the appropriate measure of central tendency. The results were presented in Table 4.9. The first indicator for the dependent variable required to know what the level uptake of insurance services was compliance with rules and regulations was, 0% of the respondents had 0-20%, 3% had 20-30%, 11% had 30-40%, 17% had 40-50%, 69% had had over 50%. The modal class is of the respondents who had over 50% compliance. The mode was found to be 5 which imply that on average the level of compliance with rules and regulations is over 50%.

The next indicator required the respondents to increase of the level of number of applications by the organization, 3% of the respondents had 0-20%, 3% had 20-30%, 14% had 30-40%, 26% had 40-50%, 49% had over 50%. The modal class is of the respondents who had over 50%. The mode was found to be 5 which imply that on average increase of the level of applications in the organization was by over 50%. When the respondents were asked what the increase of the level of applications was,

0% of the respondents 0-20%, 3% had 20-30%, 3% had 30-40%, 34% had 40-50%, 60% had over 50%. The modal class is of the respondents who had over 50% increase of the level of applications. The mode was found to be 5 which imply that on average the increase of the level of applications in the organization is over 50%.

Finally, the respondents were asked what the increase of premiums was, 0% of the respondents 0-20%, 3% had 20-30%, 20% had 30-40%, 43% had 40-50%, 34% had over 50%. The modal class is of the respondents who had between 40-50% achieving goals and objectives. The mode was found to be 4 which imply that on average the level of the increase of premiums is between 40-50%.

**Table 2: Uptake of Insurance Services**

Statement	0%- 20%	20%- 30%	30%- 40%	40%- 50%	Over 50%	Mode
What is the level of compliance with rules and regulations?	0%	3%	11%	17%	69%	5
What is the level of increase of applications?	0%	3%	3%	34%	60%	5
What is the level of increase of premiums?	0%	3%	20%	43%	34%	4

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

From the findings of the study, it was revealed that own capital or saving was the most source of funding of the uptake of insurance services in Nairobi County, the financing was intended to develop New Product and service and buy machinery and equipment for developing new products in the MSEs in Nairobi county. It was noted that lack of collateral and lack of knowledge about lending sources mostly were the impediments that hindered entrepreneurs from securing funds from the financiers to acquire uptake insurance services in Nairobi City County. Majority of the respondents indicated that that they were not very satisfied on the range of insurance products and services available for SMEs in Kenya and ranked accessing finance as a priority on developing insurance products in MSEs in Nairobi county. Additionally, the study revealed that the variable statistically, strongly and significantly influenced uptake of insurance services positively at

5% level of significance as it had a positive relationship with the dependent variable. This infers that accessing finance play a key role in influencing uptake of insurance services in Nairobi City County. From the descriptive analysis, the study results revealed that majority of the respondents indicated the social media network sites they used for marketing their products face book, twitter, Instagram, mysite, Google + , YouTube, Skype, LinkedIn and MySpace. This indicates that the entrepreneurs were trying to use the available social networks to ensure there is market accessibility of their products. The study established that the business intension to use the social media network sites in relation to market accessibility of their products as for building and land acquisition, to recruit sales representatives and to develop new product and service. This indicates social media networks played an important role on enhancement of market accessibility of SMEs Products. The MSEs that were not able to access the markets in relation to ICT was due to lack of ICT training, transaction costs, distance to the ICT networks, rules and

procedures associated with public financial management and lack of knowledge about marketing through ICT sites. Further, the respondents' indicated that they were satisfied with uptake of insurance services through ICT services available for SMEs in the study area.

It was notable that there exist strong positive relationship between the independent variables (access to finance and access to business information services) and dependent variable (uptake of insurance services). This therefore means that other factors not studied in this research contribute to uptake of insurance services. This implied that these variables were very significant therefore need to be considered in any effort to boost uptake of insurance services in the study area. The study therefore identifies the variables as critical determinants of uptake of insurance services.

### **Conclusions of the Study**

Based on the study findings, the study concluded that uptake of insurance services in Kenya was affected by access to finance and access to business information services being the major factors that mostly affected uptake of insurance services in Kenya.

Access to finance was the most important factor that affected uptake of insurance services. This implied that increasing levels of access to finance by a unit would increase the levels of uptake of insurance services. This showed that access to finance has a positive influence on uptake of insurance services.

Further, access to business information services was the second important factor that affect uptake of insurance services. The regression coefficients of the study showed that access to business

information services had a significant influence on uptake of insurance services. This implied that increasing levels of access to business information services by a unit would increase the levels of uptake of insurance services. This showed that access to business information services had a positive influence on uptake of insurance services.

### **Recommendations of the Study**

From the findings of the study, it was revealed that own capital or saving was the most source of funding of the uptake of insurance services in Nairobi City County, the financing was intended to develop New Product and service and buy machinery and equipment for developing new products in the SMEs in Nairobi county. It was noted that lack of collateral and lack of knowledge about lending sources mostly were the impediments that hindered entrepreneurs from securing funds from the financiers to support them to take insurance services.

The use of ICT especially on the social media network sites should be enhanced for improving the uptake of insurance services of the MSEs and there is need to offer training for the MSEs on ICT. This will boost uptake of insurance services and they should have knowledge on importance of access to business information services.

### **Recommendations for Further Studies**

The study is a milestone for further research in the field of uptake of insurance services in Africa and particularly in Kenya. The findings demonstrated the important factors to uptake of insurance services to include; access to finance and access to business information services. The current study should therefore be expanded further in future in order to determine the effect of strategic legal framework on uptake of insurance services. Existing literature indicates that as a future avenue of

research, there is need to undertake similar research in other areas in Kenya and other countries in order to establish whether the explored

factors can be generalized to affect uptake of insurance services.

## REFERENCES

- Abdullah, S. N. (2004). 'Board Composition, CEO Duality and Performance among Malaysian Listed Companies. *Corporate Governace*, Vol 4. No 4, 47-61.
- Aduda, K. and Kaane H. (2000). Technology policies and strategies. In Andrew Mullei and A. Bokea (Eds). *Micro and small enterprises in Kenya: agenda for improving the policy environment*. Nairobi: ICEG.
- African Development Bank (2013). *The State of Kenya's Private Sector, 2013*
- Ahmad, N.H. (2009). Dissecting behaviours associated with business failure: a qualitative study of MSE owners in Malaysia and Australia, *Asian Social Science*, Vol. 5 No. 9
- Amin, M.E. (2005). Social science research conception, methodology and analysis. Kampala, Makerere University Printer
- Atieno, R. (2009). Institutional Arrangements and the Performance of Micro and Small-Scale Clothing Enterprises in Kenya. *CSAE conference*
- Atkinson, A. and Messy, F. (2005), assessing financial literacy in 12 countries an OECD Pilot Exercise, Paris: *OECD Financial Affairs Division*.
- Axarloglou, K. (2004). New Products and Market Competition, *International Advances in Economic Research*, Vol. 10, Issue 3, pp. 226-234
- Baldwin, J. R. (1999). *Innovation, training and success. Research Paper, no. 137*. Analytical Studies Branch. Ottawa: Statistics Canada.
- Bell, R.M. (1984). Learning and the Accumulation of Industrial Technological Capability in Developing Countries, in: M. Fransman and K. King (eds) *Technological Capability in the Third World*. Basingstoke: Macmillan, pp. 187-209.
- Belliveau, P. Griffin, A and Somermeyer, S. (2002). *The PDMA Toolbook for New Product Development*, New York. New Product Development Association.
- Beltratti, A. (2005). The Complementary between Corporate Governance and Corporate Social Responsibility. *The Geneva papers*, 30, 373-386.
- 1065 - | *The Strategic Journal of Business & Change Management*. ISSN 2312-9492(Online) 2414-8970(Print). [www.strategicjournals.com](http://www.strategicjournals.com)

Berger, A. N., Saunders, A., Scalise, J.M. and Udell, G.F. (1998). The effects of bank mergers and acquisitions on small business lending. *Journal of Financial Economics*, 50, 187-229.

Bernard, R. B. and Ryan, G. W. (2010). *Analysing qualitative data*. Thousand Oaks: Sage

Bianchi M., Campodall'orto S., Frattini F. and Vercesi P. (2010). Enabling open innovation in small- and medium-sized enterprises: how to find alternative applications for your technologies, *R and D Management*, 40 (4), pp. 414-431.

BIS and NESTA (2011). Annual Innovation Report 2010. London, *UK Department for Business Innovation and Skills and National Endowment for Sc., Techn. And the Arts*

Blackman, J.A. (2003). Entrepreneurs: Interrelationship between their characteristics values, expectations, management practices and SMEs performance. A Research submitted to the University of Griffith, Gold Coast campus, School of Business, Department of management, in partial fulfilment of the requirements for the degree of Doctors of Philosophy.

Booz, Allen, and Hamilton. (1982). *New product management for the 1980's*. New York: Booz, Allen and Hamilton, Inc.

Capital Markets Authority (2010). Capital Raising Opportunities for SMES: The Development of Micro- Cap Securities Markets in Kenya. Nairobi.

Chigunta, F. (2001). *Understanding Exclusion and Creating Value: A look at youth livelihoods in informal settlements in Zambia: Study Report II*. Oxford: OUP.

Churchill, N.C. (2000). The six key phases of company growth, in Birley, S. and Muzyka, D. (Eds), *Mastering Entrepreneurship*, FT Prentice Hall, Harlow

Cooper, A. C. (1986). Entrepreneurship and high technology. In Sexton, D. L., Smilor, R. W. (eds.), *The art and science of entrepreneurship*, Ballinger, Cambridge, MA, 153-168.

Cooper, D.R., and Schindler, P.S. (2003). *Business Research Methods*. (8th ed.). Boston:

Cooper, R. (2001). *Winning at new products: Accelerating the process from idea to launch* (3<sup>rd</sup> Ed.). Massachusetts: Perseus Publishing

Covin, J.G. and Slevin, D.P. (1998). Adherence to plans, risk taking, and environment as predictors of firm growth. *The Journal of High Technology Management Research*, Vol. 9 No. 2, pp. 207-37.

Cronbach, L.J. (1951) Coefficient alpha and the internal structure of tests, *Psychometrika* 16, 297–334.

Cull, R., Demirgüç-Kunt A, and Murdoch J. (2007). Financial performance and outreach: A global analysis of leading micro banks. *Economic Journal* 117(517): F107-F133.

Damanpour, F. (1996). Organizational complexity and innovation: developing and testing multiple contingency models. *Management Science*, 42 (5): 693-716.

Davidson, P. (1995). *Determinants of entrepreneurial Intention*. Italy: RENT IX workshop, Workshop in Entrepreneurship Research. Piacenza, Italy. November 23 – 24.

David, S. and Nigel, C. (2001) Making Sense of Information: a New Role for the Marketing Researcher? *Marketing Intelligence and Planning*. **19** (4): 263-273.

Day, J. (2000). The value and importance of the small firm to the world economy. *European Journal of Marketing*, 34(9/10): 1033-1037

De Toni, A., & Nassimbeni, G. (2003). Small and Medium District Enterprises and the New Product Development Challenge. *International Journal of Operations & Production Management*. Vol. 23, Issue 6, pp. 678-697

De Vrande V., De Jong J., Vanhaverbeke W. and De Rochemont M. (2009). Open innovation in SMEs: Trends, motives and management challenges, *Technovation*, 29 (6/7)

Duysters, G., van Weele, A.J., Wynstra, F., & van Echtelt, F.E. (2008). Managing Supplier Involvement in New Product Development, *The Journal of Product Innovation Management*, Vol.25, pp. 180-201

Dyer, Jeffrey H. and Harbir Singh (1998). The Relational View: Cooperative Strategy and Sources of Inter organizational Competitive Advantage, *Academy of Management Review*, 23(4), 660–79.

Evans, J. St. B. T. (2008). Dual-processing accounts of reasoning, judgment and social cognition. *Annual Review of Psychology*, 59, 255-278.

Fatoki, O. and Garwe, D. (2010). Obstacles to the Growth of New SMEs in South Africa: A Principal Component Analysis Approach. *African Journal of Business Management*, Vol. 4(5), pp. 729-730 - 738.

Gibbert, M., Leibold M. and Probst, G. (2002). Five Styles of Customer Knowledge Management, and How Smart Companies Use Them to Create Value. *European Management Journal*, Vol. 20, No. 5, pp. 459 – 469

Gorman, G., Hanlon, D., and King, W. (1997). Some research perspectives on entrepreneurship education, enterprise education and education for small business management: a ten-year literature review, *International Small Business Journal*. 15(3), 56-79.

Greenspan, A. (2002). Financial Literacy: A Tool for Economic Progress: *The Futurist*, Vol. 36, (4), 37- 41.

Griffin A. and Somermeyer S. (2007). *The PDMA Tool Book 3 for New Product Development*, John Wiley and Sons, Inc.

Gupta M.R. (2006). A measure theory tutorial (measure theory for dummies). *Technical report, Technical Report of the Dept. of Electrical Engineering*, University of Washington.

Hall, B. and B. Khan (2002), 'Adoption of New Technology', in *New Economy Handbook: Hall and Khan*.

Hausman, A. (2005). Innovativeness among small businesses: theory and propositions for future research. *Industrial Marketing Management*, 34, 773–782.

Hulley, S.B (2007). *Designing Clinical Research*. , p168-169

Johnson M.D. and Selnes F. (2004). Customer Portfolio Management: Toward a Dynamic Theory of Exchange Relationships. *Journal of Marketing*. Vol. 68 (April 2004), 1–17

Joppe, M. (2000). The Research Process. Retrieved February 25, 1998, from <http://www.ryerson.ca/~mjoppe/rp.htm>

Kenya Economic Report (2013). *Creating an Enabling Environment for Stimulating investment for Competitive and Sustainable Counties*. Kenya Institute for Public Policy Research Institute.

Kenya National Bureau of Statistics (2008). *Labour Force Analytical Report-Based on the Kenya Integrated Household Budget Survey (2005/2006)*. Nairobi: Gov. Printer.

Kenya National Bureau of Statistics (2014). *Economic Survey 2014*. The Government Printer, Nairobi: Survey, Nairobi: Kenya

Key, J. P. (1997). *Qualitative research*. Retrieved July 24, 2007, from <http://www.okstate.edu/ag/agedcm4h/academic/aged5980a/5980/newpage21.htm>

Kim, W.G. & Cha, Y. (2002). Antecedents and consequences of relationship quality in hotel industry. *Hospitality Management*, 21, 321-338.

KIPPRA and Ernst and Young (2008), MSMEs Baseline Survey Report. Nairobi: Kenya Institute for Public Policy Research and Analysis.

Kothari, C. R. (2009) *Research Methodology. Methods and Techniques*, 2<sup>nd</sup>Ed. New Age International Publishers, New Delhi

Kratzer J, Leenders R, Engelen JV (2005). Keeping Virtual R&D Teams Creative. *Industrial Research Institute, Inc.*, 1: 13-16.



Krueger, N. (1993). *Growing up entrepreneurial*. Atlanta: Academic Management Pro.

Lefort, F., & Urzúa F. (2008). Board independence, firm performance and ownership concentration: Evidence from Chile. *Journal of Business Research*, 61, 615-622.

Majumdar, K.S. 1997. The Impact of Size and Age on Firm-Level Performance: Some Evidence from India. *Review of Industrial Organisation*, 12: 231–241.

March-Chorda I., Gunasekaran A. and Illoria-Aramburo B. (2002). Product development process in Spanish SMEs: an empirical research. *Technovation*, 22 (5)

Marulis L.M. and Neuman S.B. (2010). The Effects of Vocabulary Intervention on Young Children's Word Learning: A Meta-Analysis, *Review of Educational Research*, Vol. 80, No. 3, pp. 300-335

Mbugua J.K., Mbugua S.N., Ogada, J.O. and Kariuki J.N. (2013). Factors Affecting the Growth of Micro and Small Enterprises: A Case of Tailoring and Dressmaking Enterprises in Eldoret. *International Journal of Business and Social Science* Vol. 4(5)

Mbugua S. K., Njeru A. and Ondabu I. T. (2014). Actors Affecting the Performance of Small and Micro Enterprises in Limuru Town Market of Kiambu County, Kenya. *International Journal of Scientific and Research Publications*, 4(12)

McClelland, D.C. (1961). *The achieving society*. Princeton, NJ: Van Nostrand.

McMahon, R.G.P. (2001). Deriving An Empirical Development Taxonomy for Manufacturing SMEs Using Data From Australia's Business Longitudinal Survey, *Small Business Economics*, Vol. 17 No. 3.

McMullan, W.E., Long, W.A., and Graham, J.B. (1986). Entrepreneurship education in the nineties. *Journal of Business Venturing*, 2(3), 261-275.

Meirovich, G. (2006). Quality of Design and Quality of Conformance: Contingency and Synergistic Approaches, *Total Quality Management and Business Excellence*, 17(2)

Miller, M. Godfrey N, Levesque, B. and Stark, E. (2009). The Case for Financial Literacy in Developing Countries: Promoting Access to Finance by Empowering Consumers. *World Bank, DFID, OECD, and CGAP joint note*, Washington, DC: World Bank

Miller, D., and P. H. Friesen (1982). Innovation in conservative and entrepreneurial firms: Two models of strategic momentum. *Strategic Management Journal*, 3, 1-25.

Millward H. and Lewis A (2005). Barriers to successful new product development within small manufacturing companies, *Journal of Small Business and Enterprise Development*, Vol. 12 No. 3 pp. 379-394

Ministry of Planning and National Development, Kenya (2007) *Kenya Vision 2030: A Competitive and Prosperous Kenya*, Nairobi, Government Printer

Moore, W.C., Petty, W.J., Palich, E.L and Longenecker, G.J. (2008). *Managing Small Business: An Entrepreneurial Emphasis*. 14 eds. USA: South Western Cengage Learning.

Mugenda O.M. and Mugenda A.G. (2003). *Research Methods Quantitative and qualitative approaches*. Nairobi: Acts Press.

Munoz, J.M., (2010). *Contemporary Microenterprise: Concepts and Cases*. Cheltenham: Edward Edgar Publishing

Murphy, P. E. and Ben M. Enis M.E. (1986). Classifying Products Strategically. *Journal of Marketing*, 50 (July), 24–42.

Mwangi S.M. and Namusonge M J (2014). Influence of innovation on small and medium enterprise (SME) growth- a case of garment manufacturing industries in Nakuru County. *International Journal for Innovation Education and Research*. Vol.2-05

Nairobi City Council, Business licensing department. (2014). *Business list*. Retrieved from [http://www.nairobi.go.ke/index.php?option=com\\_contentandview=articleandid=158](http://www.nairobi.go.ke/index.php?option=com_contentandview=articleandid=158)

Ngechu. M. (2004). *Understanding the research process and methods. An introduction to research methods*. Acts Press, Nairobi.

Opera, F.O.(2000). *Entrepreneurship: Text and cases*. Enugu: Precision Publishers.

Parida V., Westerberg M. and Frishammar J. (2012). Inbound Open Innovation Activities in High-Tech SMEs: The Impact on Innovation Performance, *Journal of Small Business Management*, 50 (2), pp. 283-309.

Precup L, O'sullivan D, Cormican K, Dooley L (2006). Virtual team environment for collaborative research projects. *Int. J. Innovation Learn.*, 3: 77 - 94

Reekie, D. and Savitt R. (1982). Marketing Behaviour and Entrepreneurship: A Synthesis of Alderson and Austrian Economics. *European Journal of Marketing*, 16 (7), 55–66

Reinecke, G. (2002). *Small Enterprises, Big Challenges A Literature Review on the Impact of the Policy Environment on the Creation and Improvement of Jobs within Small Enterprises*. Geneva: ILO.

Republic of Kenya (2012). *Sessional Paper No. 14 of the year 2012, the Kenya Science, Technology and Innovation, STI ACT*

Reynolds, P.D., Hay, M and Camp, S.M. (1999). Global Entrepreneurship Monitor: Executive Report, Babson College, London Business School and the Kauffman *Centre for entrepreneurial leadership*.

Ritsila, J.J. (1999). Regional differences in environments for enterprises. *Entrepreneurship and Regional Development*, Vol. 11 No. 3, pp. 187-202.

Salavou H. and S. Lioukas (2003). Radical Product Innovations in SMEs: The Dominance of Entrepreneurial Orientation. *Creativity and Innovation Management* 12 (2), 94 -108

Sekaran, U. (2003). Research methods for business (4th ed.). Hoboken, NJ: John Wiley & Sons.

Shabbir, J. and Gupta, S. (2010): Estimation of the finite population mean in two phases sampling when auxiliary variables are attributes, *Hacet. Jour. Math. Stat.*, 39, 121–129.

Shen, X.X., Tan, K.C. and Xie, M. (2000). An integrated approach to innovative product development using Kano's model and QFD, *European Journal of Innovation Management*, 3(2): 91-99. DOI:10.1504/IJCAT.2006.010764

Stevenson, L. and St-Orge, A. (2005). *Support for growth oriented women entrepreneurs in Kenya*. Geneva: International Labour Organization.

Storey, D. (1995) .Understanding the Small Business Sector. London, Rourledge

Subrahmanya, B. Mathirajan M.H.M. and Krishnaswamy K.N. (2010).Importance of Technological Innovation for SME Growth – Evidence from India. Published as UNU-WIDER (*United Nations University - World Institute of Development Economics Research*) Working Paper No.2010/03

Thapa, A. (2007). Micro-enterprises and Household Income. *The Journal of Nepalese Business Studies*, 4(1):110-118. Vol. 5, No. 1, pp 110-118.

Ulrich, K.T. and Eppinger, S.D. (2011). *Product Design and Development*. McGraw-Hill.

Walstad, W. and Kourilsky, M.L. (1998). *Entrepreneurial Attitudes and knowledge of black youth*, *Entrepreneurship Theory and Practice*, 23(2), 5-18

Woldie, A., Leighton P., and Adesua, A. (2008). *On factors influencing small and medium enterprises (SMEs): an exploratory study of owner/manager and firm characteristics*, *Banks and Bank Systems*, Vol. 3(3)

Wright, M., Westhead, P. and Ucbasaran, D. (2007). Internationalization of Small and Medium-Sized Enterprises (SMEs) and international entrepreneurship: a critique and policy implications. *Regional Studies*, Vol. 41 No. 7, pp. 1-17.

Yamane, T. (1967). *Statistics: An Introductory Analysis*, 2<sup>nd</sup> Ed., New York: Harper and Row

Zeiler W and Savanovic P. (2009). A new way of design thinking based on integral c-k design methodology. *8<sup>th</sup> European Academy of Design Conference*

Zeng, SX, Xie, XM, Tam, CM (2010). Relationship between cooperation networks and innovation performance of SMEs. *Technovation*, 30(3), 181–194

Zheka, V. (2006). Corporate Governance and Firm's Efficiency in the Case of a Transitional Country, Ukraine. *Journal of Policy and Accountancy*, 2 (25), 143-157.

Zimmerer T.W and Scarborough, N.M. (2005). *Essentials of Entrepreneurship and Small Business management*, 4<sup>th</sup> Ed. Upper saddle River, NJ: Prentice Hall.