Research Title

The role of short term insurance in the Zimbabwean informal sector sustainability.

A dissertation submitted to the Insurance Institute of Zimbabwe in fulfilment of the dissertation requirements for the Fellowship Program.

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DEDICATION

This research project is dedicated to my wife and our lovely children.

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Firstly, I am grateful to God Almighty the one above all, who has always been there in my endeavours in life including this study and for giving me grace, patience, wisdom, knowledge and understanding.

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May the Lord God Almighty richly bless you all in your endeavours.

ABSTRACT

This study analyses the role that can be played by short term insurance sector in the informal sector in Zimbabwe sustainability. In particular, the study sought to identify the risks faced by the informal sector, determine the levels of insurance use to manage these risks, examine challenges faced by the informal sector in using insurance to manage risks and recommend non insurance solutions. Primary Data was collected from a sample of 1090 informal business owners and their employees. Through use of questionnaires and interviews. Collected data was analysed and findings presented using tables, pie charts and graphs. The study concluded that the insurable risks faced by the informal sector were fire, theft, business interruption, liability losses and motor vehicle accidents. The research also concluded that the perceived key benefits of insurance to their businesses were protection against damage of goods by fire, theft of stock, damage of stock by water or rain, motor vehicle accident liability and recovery of losses caused through business interruption. The study recommends insurers that the role of insurance in the informal sector may be enhanced through awareness campaigns, shortening of the claims process and adoption of micro insurance.

Table of Contents

LIST OF TABLES

LIST OF FIGURES

	Description	Page Number

DEFINITION OF KEY TERMS

Sustainability - is a business approach to creating long-term value by taking into consideration how a given organization operates in the ecological, social and economic environment.

Insurance - is a contract whereby one person, the insurer, promises and undertakes, in exchange for consideration of a set or assessed amount of money (called a premium), to make a payment to either the insured or a third-party if a specified event occurs, also known as occurrences.

Non- life insurance refers to the insurance of goods and properties

Chapter 1   : BACKGROUND TO THE STUDY

1.1   Introduction

The purpose of this study is to investigate the role of short term insurance in the informal sector. Presented in this chapter is the background to the study, research problem, research objectives and research questions underlying the study and the delimitation of the study. In addition, the chapter outlines the significance of the study justifying the importance of the research to both theory and practice. An overview of the subsequent chapters is also presented herein.

1.2   Background of Study

The effect of increased urbanization has been, and continues to be, a fundamental change in the socio-economic environment of human activities, through new forms of employment, economic activity and lifestyle. The informal sector has become ingrained in the urban development matrix of Harare, although it continues to experience all sorts of challenges. Gitau (2015) state that informal sector consists of various activities which range from street vending to organised informal markets. According to the International Monetary Fund (IMF) (2020) Zimbabwe has the second largest informal sector in the world. The working paper titled, 'Shadow Economies around the World: What Did We Learn over the Last 20 years?' says more than 60% of the Zimbabwean economy is informal, second only to Bolivia's 62.3%.

The International Monetary Fund (IMF) (2020) further argues that in Zimbabwe, the informal sector is a major player in the economy as it contributes an estimated 48% of the Gross Domestic product (GDP) and an estimated 42% of the total national employment. In Harare alone, current statistics indicated that the informal sector contributes 58% of employment (Majaka, 2018). The informal sector in Harare manifest in the form of flea markets, social markets, home industries and guarded car parks. In Zimbabwe, the major informal economy hubs are Glenview area 8, Siyaso Magaba in Mbare, Gazaland and Mupedzanhamo.

According to Makanda (2013) informal workers face high levels of risks yet the majority are not covered by insurance. Masiyiwa (2014) suggest that increasingly, a number of countries are extending insurance to informal workers. The informal sector, just like any business activity, is exposed to a number of risks and vulnerabilities. Goods may be stolen, some of the goods are left in the open insecure places, machinery and stocks can be burnt by fire, vandalised or lost due to natural occurrence such as earthquakes (Abor and Akotey, 2011). In the event of

these taking place, informal businesses may be wiped out, and are usually left out to be remedied by government relief assistance programs, their savings may be few to resuscitate the once viable healthy businesses and banks usually deny them credit because they lack collateral (Van Rooyen and Malan, 2007).   There is no risk management in the informal sector and insurance act as a risk management tool to alleviate these problems to businesses. According to Webster (2005) insurance companies distribute financial risk amongst policyholders, and risk-based premiums incentivise individual policyholders to reduce risk which reduces the cost in the case of damage.

Abor and Akotey (2011) defines insurance as an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. Webster (2005) posits that insurance uses probability and the law of large numbers to determine the cost of insurance premiums it charges its clients based on various risk factors. Van Rooyen and Malan (2007) says that the rate must be sufficient for the company to pay claims in the future, pay its expenses, and make a reasonable profit, but not so much it turns away customers. According to Raik et al (2006) the role of insurance is its significance on the economy through mobilizing domestic savings and turning accumulated capital into productive investments. Raik (2006) further argues that insurance enables policyholders to mitigate loss, financial stability and promotes trade and commerce activities and these results into economic growth and development.

According to Matul *et al* (2013) insurance is broadly categorised into life and non-life insurance. And insurance companies are also classified as life and nonlife. Razavi *et al* (2012) postulates that insurance is categorized based on risk, type, and hazards. In life insurance, the subject matter of insurance is the life of a human being (Gitau, 2015). Geiss and Geiss (2015) says personal insurance includes insurance of human life which may suffer a loss due to death, accident, and disease where as general insurance includes property insurance and liability insurance. Matul et al (2013) says fire and marine insurances are strictly called property insurance and fire insurance covers the risk of fire. Raik etal (2006) says that in the absence of fire insurance, the fire waste will increase not only to the individual but to the society as well. The general Insurance also includes liability insurance whereby the insured is liable to pay the damage of property or to compensate for the loss of persona; injury or death (Feyer etal, 2011). Matul etal (2013) says the guarantee insurance covers the loss arising from dishonesty, disappearance, and disloyalty of the employees or second party. All these types of insurances apply to risk management in the informal sector businesses. Insurance plays an important role

in the sustainability of informal sector through improvement of savings, providing alternative risk management mechanisms and capital protection through security of capital assets. Despite the economic significance of insurance in the economy, most informal businesses in Zimbabwe have no insurance, insurance is usually purchased by formal businesses, and policies sold by insurance companies are usually targeted at formal business establishments (Makoshori, 2015).

 Kaiyo and Mabika (2018) reported that fire gutted about two thirds of the Glen View Area 8 Home Industry Complex along Willowvale Road in Harare yesterday, destroying property worth millions of dollars belonging to informal traders. Kaiyo further states that this was the third time the complex had been gutted by fire in the year 2018. Chidakwa (2019) reported that property and woodwork machinery worth millions of dollars were on the 4th of December 2019 destroyed by fire at Glen View Area 8 Home Industry Complex along Willowvale Road in Harare. This was the fourth time in 2019 that the fire had gutted the complex. The report further says that generators, compressors, chairs, beds, kitchen cupboards, lounge suites, tables and wardrobes were among the items destroyed that belonged to the informal traders.

Ruwende (2018) reported that an inferno reduced to shells six vehicles at an automotive workshop outside Siyaso informal complex in Magaba, Harare and brought to five the number of major fire incidences, which occurred in the country within a same week, in which property worth millions of dollars, have been destroyed in the informal workers settlements. In a Newsday newspaper titled, 'Mbare's Siyaso Gutted by Fire, Again', it was   reported that Mbare's Siyaso informal traders' market was damaged by fire on the 26th of July 2019. The fire is believed to have been caused by two informal workers who were smelting copper at a scrap yard near Magaba where the fire started from and spread rapidly. The report says the owner of the cars, Edmore Chabarwa said he was very devastated that his one functioning car had been burnt while five others were down and meant for breaking.

Rusare (2018) wrote that Informal traders must insure after property worth more than US$500 000 was reduced to ashes after a fire engulfed Bulawayo's biggest flea market, Unity Village. Traders were left counting their losses, with no source of survival. The reporter states that stakeholders have also raised the need for informal traders to invest in insurance business so that they have a back-up plan in times of such accidents. Insurance and Pension Commission (IPEC) said sudden catastrophes such as this point out the need for business insurance, especially among the informal sector. "It is certainly wise and advisable for the small-to-medium business owners there to seek out insurance so that their businesses and properties are

protected if such a calamity were to strike again," said IPEC public relations officer Lloyd Gumbo. It is against this background that the study seeks to investigate the role of insurance in the informal sector.

1.3   Problem Statement

There has been an upsurge in the cases of property losses amongst the informal sector which has left the stakeholders of the informal sector financially vulnerable. Insurance has been touted as an effective risk management tool for informal businesses that can bring business stability in the event of an economic loss. Through effective use of insurance, the informal sector may redeem their going concern fortunes in the event of economic loss occurrence. Informal businesses are poised to benefit from short term insurance through reduction of insolvency risk, loss experience stabilization, protection against unforeseen losses, strengthened balance sheets and improved profitability. The purpose of insurance is to pay claims upon insured's experiencing economic losses. Property damage is a cost to the economy and it heavily impacts the prospects of economic growth while shuttering the financial viability of the owner and the ability to restart the business after the loss.

1.4   Research Objectives

The research objectives of the study are outlined below

1.4.1 Primary Objective

To investigate the role of short term insurance in the Zimbabwean informal sector sustainability.

1.4.2 Secondary Objectives

i.   To identify the insurable risks currently faced by the informal sector.
ii.   To determine the level of insurance uptake in the informal sectors.
iii. To identify factors affecting uptake of insurance in the informal sector.
iv.   To assess the perceptions of insurance in the informal sector
v.   To recommend non-life insurance solutions to the informal sector.

1.5   Research Questions

1.5.1 Primary Research Question

What role can be played by short term insurance sector in the informal sector in Zimbabwe sustainability?

1.5.2 Secondary Research Questions

   i.   What are the insurable risks faced by the informal sector?
  ii.   What is the level of insurance uptake in the informal sectors?
 iii.   What are the factors affecting uptake of insurance in the informal sector?
  iv.   What are the perceptions of insurance in the informal sector
   v.   What are non-life insurance solutions to the informal sector?

1.6   Assumptions of the Study

The non-life insurance is a key determinant of informal sector Sustainability. Study respondents will answer truthfully the questions that will be asked in the questionnaires.

1.7   Ethics Statement

The ethical integrity of this study will be maintained by the researcher through submission of the completed questionnaires electronically, directly to the researcher. On completion of the study, none of the individual scores will be provided to the organisations participating in the study, only the overall results pertaining to the informal sector. The names of the participating organisations will also not be released to maintain their confidentiality

1.8   Justification of the study

This research will benefit short term insurers through growth of their underwriting book in the untapped business from the informal sector. Secondly, the outcomes of this research study will help the short term insurers to underwrite profitable risks in the informal sector. Additionally, the study seeks to fill an academic gap as no similar study has been done before in Zimbabwe, therefore, academics can use it as reference for future studies. The study shall also benefit the informal sector through improved risk management provided by insurance. Finally, the study research is so valuable to the student since it helps in improving research skills.

1.9   Scope of the Study

The study will primarily focus the role of short term insurance in the Zimbabwean informal sector sustainability. The study will be limited to informal traders located at Magaba. A pragmatic research approach using an exploratory research design will be adopted whereby a survey will be carried out to gather the data from the informal business owners and workers of the selected informal business owners. The participants for the study will be purposively sampled. A mixed method approach will be used to collect both qualitative and quantitative data.

1.10   Limitations of the study

The limitations to the progress of the research will be time and holding of sensitive information. Time was very limited resource especially to the researcher who is a full time employed worker and hence has to make time for this research in order to be successful. This research also faced limitation of informal workers holding sensitive information as it was specializing on their grey areas of risk management.

1.11   Organisation of the study

The rest of the study will be organised as follows: Chapter 2 will provide both theoretical and empirical review of literature, chapter 3 focuses on the research methodology used; chapter 4 focuses on presentation and analysis of findings and chapter 5 will summarise and conclude the study.

1.12   Conclusion

This chapter looked at the background of the study before defining the problem that the research seeks to answer. This chapter also outlined the research objectives and the research questions that this research should look into. An outline that will be followed through was also detailed in this chapter under organisation of the study. The following chapter will be focused on literature review of past authors concerning the subject matter.

Chapter 2 : LITERATURE REVIEW

2.1 Introduction

This chapter presents review of past literatures undertaken by various authors pertaining to the subject understudy. The sources used includes the surveys and statistical presentation by the government, books, internet, magazines, newspapers and company publications. It assists the reader in understanding views of the study from other authors' point of view.

2.2 Theoretical Review

This section provides a theoretical review of literature that influences the study.

2.2.1 Role of insurance

Insurance is a contract whereby one person, the insurer, promises and undertakes, in exchange for consideration of a set or assessed amount of money (called a premium), to make a payment to either the insured or a third-party if a specified event occurs, also known as occurrences (Iwami,1995). In other words, it is a contract to pay money in return for a promise from an insurance company to pay for a loss you or a third party sustain. The policy is the contract and defines the coverage that is the conditions and circumstances under which the insured will be financially compensated. Banks (2004) states that contracts of insurance are governed by the principles of indemnity, that is, insurance exist to cover losses not to generate speculative profit. Indemnity means that the party insured is entitled to be compensated for such loss as is occasioned by the perils insured against, in precise accordance with the principles and terms of the contract of insurance (Fischer,1981). The insured should to be restored back to the position he/she was prior to the loss. Insurance offers financial protection from known risks occurring or exposed within a stated period and thus making it a risk-sharing arrangement (Leppert et al, cited in Ackah and Owusu 2012)

The role of insurance includes things such as promoting risk reduction, promoting financial stability and economic growth, advancing the development of financial services, spreading risks, insurance promotes risk reduction or spread risk amongst a larger pool of insureds (Iwami,1995).

2.2.2 Informal sector

Informal economies have been defined as economic activity not included in a nation's data on gross domestic product, and not subject to formal contracts, licensing, and taxation. These businesses generally rely on indigenous resources, small-scale operations, and unregulated and competitive markets (Feyer et al , 2011). In addition, skills may be obtained outside the formal educational system. Nissim (2010) suggest that in order to simplify the concept, most often the informal economy refers to owner/operator businesses of the urban poor, unskilled or semiskilled workers, and the chronic unemployed. By definition, these workers and entrepreneurs are on the fringe of, if no side, social and fiscal legality.

Geisler (2004) says work in the informal economy is often characterized by small or undefined work places, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology. According to Gupta (2014) workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection.

2.2.3 Types of the informal sector

Hopkins (2009) says the informal sector covers a wide range of labour market activities that combine two groups of different nature. Hussels et al (2016) posits that on the one hand, the informal sector is formed by the coping behaviour of individuals and families in economic environment where earning opportunities are scarce and on the other hand, the informal sector is a product of rational behaviour of entrepreneurs that desire to escape state regulations.

According to Hopkins (2009) the two types of informal sector activities can be described as follows:

Coping strategies (survival activities): These include casual jobs, temporary jobs, unpaid jobs, subsistence agriculture, multiple job holding;

Unofficial earning strategies (illegality in business): (1) Unofficial business activities: tax evasion, avoidance of labour regulation and other government or institutional regulations, no registration of the company; and (2) underground activities: crime, corruption - activities not registered by statistical offices.

In Zimbabwe most of the informal trading falls under coping strategies category and as exemplified by Mukoshori (2013) who states that informal businesses in Zimbabwe generally rely on indigenous resources, small-scale operations, and unregulated and competitive markets and skills are generally obtained outside the formal educational system. Insurance because of its legality requirement can only be applied to the coping strategies type of informal sector.

2.3   Informal sector vulnerabilities and risks

According to Dercon (2005), the word vulnerability actually has been used in a variety of related but different meanings in several studies that in general related to "a sense of insecurity, of potential harm people must feel wary of – something bad may happen and spell ruin." In his research, Dercon describes vulnerability "as the existence and the extent of a threat of poverty and destitution; the danger that a socially unacceptable level of well-being may materialise". Vulnerability has been defined as the "diminished capacity of an individual or group to anticipate, cope with, resist, and recover from the impact of natural and/or man-made disaster" (IFRC, 2006). The World Bank defines vulnerability as "the probability or risk today of being in poverty or to fall into deeper poverty in the future". Thus the informal sector.

According to Banks (2004) Risk on the other hand is the potential for loss, damage or destruction of an asset as a result of a threat exploiting a vulnerability. Informal sector is exposed to a number of risks which include theft of property and stock, damage of property and stock by perils such as fire, floods and or confiscation of stock by authorities. The informal sector is also exposed to legal claims arising in connection with their business. Further, informal sector may suffer losses due to business interruptions which is a disturbance made to the business' normal daily operations which results in it failing to meet the normal profits and revenue (Iwami,1995)..

2.3.1 Property Losses

Samman etal (2016) says property losses stem from physical damage to property that is loss of use of property, criminal activity and criminal activity. According to Sen, Östlin and George (2007) property losses can be caused by many common perils, such as fire, windstorm, lightning and vandalism. Sieverding (2011) says to cope effectively with the possibility of physical damage to property, the business owner should consider more than just damage to or destruction of a building. Contents may be even more susceptible. Manufacturers might lose raw materials and finished goods, and merchants, valuable inventories and fixtures. Samarth

(2014) suggests that any business might lose valuable accounting records, making it difficult to bill or collect from customers. Vital machinery or equipment may become inoperable, and, if replacements can't be found and installed immediately, the business may even be forced to temporarily shut down.

2.3.2 Criminal Activity

Small businesses may also be susceptible to crimes. Tessier (2013) says burglary and robbery are obvious perils, but so are employee theft, embezzlement and forgery. Merchants, in particular, may need protection against losses caused by forged checks or unauthorized use of credit cards (Sieverding, 2011).

2.3.3 Business Interruption Losses

Thornt etal (2003) says insurance provides money for repairing or rebuilding property damaged as a direct result of fire but most policies do not cover indirect losses, such as income that is lost while the business is interrupted for repairs. According to Ubwuz (2012) a special kind of insurance covers indirect losses that occur when a direct loss forces a temporary interruption of business. Ulrichs (2016) says business interruption insurance reimburses policyholders for the difference between normal income and the income earned during the enforced shutdown period. Not only is income reduced or cut off completely during such interruptions, but many business expenses continue, such as taxes, loan payments, and salaries to key employees, interest, depreciation and utilities. Thornt etal (2003) says without income to pay these expenses, the business is forced to dip into reserves.

Sinha etal (2007) says one can lose the use of your business property for reasons other than physical damage. Loss of use essentially refers to business interruption losses. That is, following material damage to property or external events such as disruption to utility supply one can lose use of property resulting in consequential /financial losses. A government agency can close a manufacturer for violating health and safety regulations (Sieverding, 2011). The local health department can close a restaurant because of unsanitary conditions. These are normally uninsurable losses unless caused by an insured peril.

2.3.4 Liability Losses

UN Women (2015) says every business faces exposure to liability losses. A business may become legally liable for bodily injury suffered by another person or persons, or for damage to or destruction of the property of others. Vanek *et al* (2014) this liability may be the result of a court decision in a lawsuit charging negligence, statutory provisions and violation of contract provisions. A business may be held liable for injuries or other losses suffered by a member of the general public as the result of the firm's negligence or fault (Van Ginneken, 2003). Example is of a defective product that causes injury to its user or an improper installation of a product that causes injury to a customer.

2.4 Characteristics of insurable risks

Holton (2004) suggests that a risk that conforms to the norms and specifications of the insurance policy in such a way that the criterion for insurance is fulfilled is called insurable risk. According to Medina and Schneider (2014) there are various essential conditions that need to be fulfilled before acceptance of insurability of any risk. Holton (2004) says a risk may not be termed as insurable if it is immeasurable, very large, certain or not definable. Below is a review of some characteristics of insurance risks.

2.4.1 Fortuitous

The occurrence of the event must be entirely accidental as far as the insured is concerned (Geiss and Geiss, 2015). It is not possible to insure against an event which will definitely occur, since it involves no uncertainty of loss and therefore no transfer of risk would be taking place. Holton (2014) argues that this would rule out inevitable events such as damage caused by wear and tear and depreciation. Any damage or loss inflicted on purpose by the insured would also be ruled out. Purposeful acts by other people would not automatically be ruled out, provided that they were entirely fortuitous as far as the insured was concerned.

2.4.2 Financial value

The risk to be insured must result in a loss which is capable of being measured in financial terms. According to Gitau (2015) in the case of property loss or damage, this is easy to see. Hussels and Zurbruegg (2015) suggests that the monetary value of property loss can be established and, subject to the terms of the insurance policy, compensation can be provided.

The exact value of the loss will not be known at the outset, but only after the event has occurred. All material damage to, or theft of, property would fall into this category. According to Nissim (2020) in life insurance, the level of financial compensation is agreed on at the beginning of a contract and it is impossible to place values on the life of a wife, husband or child, but the estimated financial sum assured can be determined at the commencement of the insurance.

2.4.3 Insurable interest

Insurance and Pension Commission of Zimbabwe (2010) states that insurable interest can be defined as the right to insure arising out of legally recognised financial interest which a person has in the subject matter of insurance. According to Naik, Morgan and Wright (2014) a legally recognised financial interest is a financial interest that is recognised under the common law or statute. Thus, a person whose financial interest in the subject matter of insurance is not recognised by the law does not have insurable interest. For example, a thief could not insure the goods he stole because he does not have a legally recognised financial interest in the goods. In essence, there must be a recognisable relationship between the insured and the financial loss; if not, the insurers would not pay the compensation to the loss or damage borne by the insured.

2.4.4 Homogeneous exposures

Ranson etal (2006) posits that in the absence of a large number of homogeneous exposures, the task to calculate insurance premium is much more difficult. Razavi et al (2012) further asserts that the benefits of the law of large numbers disappear and the calculation of required premiums becomes more of a 'guesstimate' than a mathematical calculation. With these cases, the insurers may or may not be accurate in the setting of a premium, but inevitably will want to protect themselves by charging a premium which should cover even the worst case.

2.4.5 Pure risks

Pure risk is a class of risk that cannot be controlled by humans and has only one possible outcome if it occurs. (Sabates-Wheeler and Kabeer, 2003). Insurance is concerned with pure risks only because most pure risks are more easily predictable (Sabates-Wheeler, and Feldman, 2011). On the other hand, speculative risks are less predictable and therefore generally uninsurable.

According to Naik etal (2006) speculative risks are normally taken in the hope of some gain and the provision of insurance may act as a distinct disincentive to effort. For example, if it were possible to insure the profit that a person hoped to gain from an enterprise, then there would be little incentive for some people to do anything to generate the profit. No personal effort to secure the profit would still result in profit, because the policy would pay up in the event that no profit was generated (Sabates-Wheeler, and Feldman, 2011).

Naik etal (2006) suggests that the pure risk consequences of speculative risks are certainly insurable, but not the speculative risk itself. Take as an example the marketing of a new line of clothing. The risk that the new line will sell or not is clearly a speculative one. It is a risk knowingly entered into in the hope of financial gain.

2.4.6 Particular risks

Particular risk is a risk that affects particular individuals, such as robbery or vandalism (Sabates-Wheeler and Kabeer, 2003). It refers to those future outcomes that we can partially control. It arises from individual decisions to, for instance, drive a motor vehicle, to own property or even to cross a road (Sabates-Wheeler and Feldman, 2011). We can say that those fundamental risks which arise out of the nature of society itself are usually not insurable. This would include war, changing customs, inflation and terrorism.

2.4.7 Not against public policy

According to Samarth (2014) it is a common principle in law that contracts must not be contrary to what society would consider to be the right and moral thing to do. Contracts to kill people are unacceptable, as are contracts to inflict damage on the property of people, or steal from them. Samman et al (2016) posits that it would be unacceptable to insure against the risk of a criminal venture going wrong. For example, society would not accept the idea that thieves could affect a policy which would pay them the expected gain from, if they were caught by the police and therefore unable to complete the deed.

According to Samman etal (2016) the essence of insurance is to act as a risk transfer mechanism and thus provide financial compensation for loss. Insurance does not remove the risk, but it does endeavour to provide financial protection against the consequences.

2.5 Factors affecting uptake of insurance in the informal sector

There are many factors affecting uptake of non-life insurance in the informal sector and they can be grouped into economic factors, socio-cultural and political and regulatory factors. These challenges are reviewed below.

2.5.1 Economic factors

- **Price of the product**

Price is the amount of that has to be paid to acquire a given product (Commons, 2000).The law of demand states that, other factors being constant (cetris peribus), price and quantity demand of any in a consumer's purchasing power resulting from a change in real income. This change can be the result of a rise in wages etc., or because existing income is freed up by a decrease or increase in the price of a good that money is being spent on. There is a positive relationship between levels of income and demand for insurance such that in the event of the levels of income having been increased so does the levels of demand since insurance will have become more affordable (Feyer,Lester, and Rocha, 2011). Therefore, the higher the income the more disposable income consumers have to spend on services like insurance and the lower the income the less consumption of services. Chatterjee (2012) supports that income levels have a positive impact on the levels of demand for insurance products.

- **Inflation**

Mazviona (2014) states that the economic challenges experienced in the country brought about the diminishing levels in the uptake of insurance products as an after effect of the hyper inflationary environment in which the industry was operating in. Sinha etal (2007) posits that this hyperinflation destroyed into the insureds' commitments and even disintegrated the cover that was there before inflation. This indicates a negative relationship between inflation and the demand for insurance as confirmed by the above source. This has been further shown by the decrease of the rate of growth of gross premium written in Zimbabwean during the multi-currency regime supporting the fact that demand for insurance is negatively related to inflation.

- **Market Concentration**

In economics market concentration is a function of the number of firms and their respective shares of the total production in a market. Market concentration quantifies the level of rivalry

in a business sector. According to Mukayami (2016) a high index is associated or rather implies that there will be low insurer concentration in a particular area which means that there will be less competition and also less demand for insurance products. The existence of competition forces insurance premiums to go down and hence lead to an increase in the demand for insurance. High demand should lead to high competition but the opposite may occur (Treerattapun, 2011). Parkand (2011) suggests that high market competition forces prices down thereby making insurance more affordable. On the other hand, lack of competition leaves the insurance sector under a monopolistic insurer who may deliver low quality and costly insurance products thereby reducing the demand for insurance. Therefore, it can be concluded that market competition has a positive relationship to the uptake of insurance.

2.5.2 Political, regulatory and legal factors

A study by Levine (1999) suggested that legal environments that provide good investor protection tend to encourage a higher degree of financial intermediation, as well as economic growth. The study tested the significance of legal and political variables, usually measured from constructed indices. Countries with better creditor rights, more rigorous law enforcement and better accounting information tend to have more highly developed financial intermediaries (Levineet al . 2000). This is mostly important to the insurance industry where consumers can beat risk of opportunistic behaviour by insurance companies. For instance, this could include companies denying paying claims, or alternatively reducing the investment returns due on a policy. It is argued that a legal system which places a greater emphasis on the efficient payment of debts to creditors, as opposed to a system which provides debtors with protection from creditors will improve the value of an insurance contract to a policyholder, thereby increasing demand for insurance (Beck and Webb, cited in Hussels et.al, 2005).Moreover, an effective legal system that is able to identify and enforce property rights will enable the indemnity principle of insurance with policyholders being able to prove ownership of an asset and insurance companies being able to pursue negligent third parties for losses created against their policyholders. Esho et al. cited in Hussels et al . (2005) point out that there is a solid positive connection between the protection of property rights and general insurance consumption. Park and Lemaire (2011) supports that there is a positive relationship between the protection of property rights and insurance consumption.

2.5.3 Socio-cultural factors

- **Culture**

Insurance is a product that is valued individually by its consumer. Hofstede (1995) stated that the level of insurance within an economy depends on the national culture and the willingness of individuals to use insurance as a means of dealing with risk. The demand for insurance in a country may be affected by the unique culture of the country to the extent that culture affects the degree of risk aversion (Douglas and Wildavsky, 1982). Esho et al . (2004) agrees that risk aversion has a significant impact on demand for property and casualty insurance. Mazviona (2014) highlights that the demand for insurance is predominantly unaffected by social variables. Park etal cited in Mazviona (2014), who neglects to recognize that national culture significantly affects insurance inescapability in a particular country, uphold this. Therefore, individuals can conclude it from the viewpoints that culture has an impact on the level of demand for insurance depending on risk aversion.

- **Individualism**

Individualism measures the degree to which people in a country prefer to act as individuals rather than as members of groups (Park and Lemaire, 2011). The more individualistic people in a specific country are, the more protection by way of insurance they tend to purchase to secure their riches as they depend less on family or depend less on other individuals. Insurance consumption of a country is positively related to its level of individualism (Treerattanapun, 2011).

- **Masculinity**

It measures the extent to which a culture distributes its social roles clearly among its members. Masculine or manly societies value more male features like aggressiveness, competitiveness, success and status while feminine societies are more inclined to solidarity, modesty, caring and quality of life (Leng and Bothwell, 2010). Manly societies largely emphasize those values of wealth, material success, ambition and achievement, and feminine societies emphasize values such as benevolence, equality, caring for the weak and preserving the environment (Hofstede, 1991). Manly social orders may purchase more insurance to be more in control of the future

without bounds, a component that may exceed the more elevated amount of consideration in female social orders (Treerattanapun, 2011).

- **Uncertainty Avoidance**

Uncertainty avoidance index estimates the degree of tolerance for uncertainty. It measures the level of inclination for organized circumstances, with clear standards in the matter of how one ought to act .Cultures with higher UAI are less tolerant of ambiguity and unexpected situations, therefore their societies are structured with stricter rules for social behaviour, acting as planned in a very straightforward way. When things do not happen as expected, frustration and intolerance are visible. Societies with low UAI are more willing to accept risks, and their actions incline more towards innovativeness and entrepreneurial spirit.

- **Religion**

Zelizer (1979) notes that, historically, organized religion is in conflict with the concept of insurance. Some observant religious people believe that reliance on insurance to protect one's life or property results from distrust in God's protective care. For instance, Browne and Kim (1993) find Islamic beliefs decrease non-life insurance purchases by a greater margin. In some Muslim dominated countries, the religious beliefs inhibit those forms of insurance that facilitate speculation of future events, thereby discouraging growth of the insurance sector (Ansari, 2011).

- **Level of education**

Education is a demographic determinant relied upon to have a positive impact on the demand for insurance (Mukayami, 2016). The level of insurance within an economy depends on the willingness of individuals to use insurance as a means of dealing with risk. Outreville (1996) observes that education promotes an understanding of risk and hence aids insurance demand. This implies that the increase in the level of education of a country result in an increase in the demand for non-life insurance services. This is because individuals will be more enlightened of the insurance protection system. As indicated by Nduna (2013), the levels of education and health are decaying creating a reduction in the levels of demand for insurance products, which supports the suggestion by Chatterjee (2012) that education has a positive connotation with the demand for insurance. Education expands the consciousness of danger and threats to financial

related security furthermore individuals' comprehension of the advantages of insurance. For the non-life insurance industry, the suppositions join towards the possibility that education positively influences the demand for such products (Curak et al . cited in Treerattanapun, 2011). Park and Lemaire (2011) support the fact that as a country gets more educated so expands the level of demand for insurance, as the populace will be even more acknowledging of the advantages of insurance.

- **Types of occupation**

Kamau (2013) states that the kind of profession decides the likelihood of taking up insurance and that people in certain professions or occupations will probably take up insurance benefits hence, individuals in the informal sector have not held onto insurance as the capacity to pay premium amounts out if one takes up insurance as indicated. Betts (2004) cited to in Kamau (2013) states that families with higher salary levels have a higher shot of taking up insurance covers than people drawn from poor backgrounds did. The discoveries that individuals in some professions will probably uptake insurance is in accordance with Money and Mohan cited in Kamau (2013)who contended that people in professions like specialists, bankers and doctors were more informed about financial aspects than different occupations, for example, farming and henceforth an expansion in the uptake of insurance products.

- **Population**

As the population grows, there will be an increase in demand for goods and services. The more people are there, the more needs and wants are required to be satisfied. As suggested by Nakataand and Sawada (2007) the insurance products' functioning is based on the law of large numbers, so the population size is important: a greater population indicates a fairer premium and a growth in the aggregate insurance demand. In Zimbabwe, the population is young, growing and the demand for consumer goods and services including insurance is growing (Nduna, 2013)

2.6   Empirical Review

Akingbola (2011)) conducted a study in Nigeria about the role of insurance in the sustainability of non-formal sector and found that insurance can play a major role in the sustainability of the non-formal sector and also recommended that non-formal businesses owners and their staff

should be trained on various forms of risk that their business could be exposed to and how to manage such risks. Akingbola (2011) further recommended that the government regulating agency (SMEDAN) should ensure that small businesses take insurance coverage to ensure business continuity and that the government should establish a specialised micro insurance scheme or agency for the informal businesses, just like that of National Health Insurance Scheme (NHIS) or Nigerian Agricultural Insurance Corporation (NAIC), to enhance easy and cheaper accessibility to insurance products by non-formal business owners. The small business owners should continuously be sensitised on various insurance products and the importance of insurance coverage on business continuity.

However, Bourie *et al* (2011) did a similar study in Kenya where he recommended that insurance does not play any key role in the development and sustainability of the informal sector. Bourie *et al* (2011) argued that the informal businesses were characterised by non-barriers of entry and exit and thereby poising better alternative risk management mechanisms to the owners through switching of business trade. In the research the author also propounded that the informal sector usually operated on a shoe tight string budget which made it impossible for the non-formal businesses to afford financing for long term benefits.

Azende (2012) did a research on Risk management and Insurance of the non-formal businesses in Nigeria and found that the major challenges of insurance uptake were low levels of education, culture, cost, inflation and lack of advertisement by insurers.

2.7   Chapter Conclusion

This chapter looked over numerous literature works by other reliable authors and their view on the subject of employing short term insurance in the informal in the informal sector. The sources used within this literature review section were from journals, internet, newspapers and books.

Chapter 3 :

3.1 Introduction

This particular chapter will focus on research methodology used in the study. It consists of research philosophy, research approach, research design, targeted population, sample techniques, research instruments, type of and source of data, and reliability of the data.

3.2 Research paradigm

Research paradigms typically consists of positivist, interpretivist or critical paradigm (Chau, 1986: 601-632). The choice of research paradigm is influenced by the context of the researcher as well as factors related to the characteristics of the research problem, the researcher and the research environment (Trauth, 2009:3172). As a result of this thesis' research problem and the context of the researcher and his environment, the choice was made to conduct research using the interpretive and positivist research paradigms. The researcher used mixed research approach positivism and intepretivism research paradigm as it includes quantitative and qualitative approaches. Kinte (2015) defines research paradigm as a common belief as to how problems should be examined and addressed. Collins (2010) defined intepretivism as integrating individual experiences and interest into a study. Horton & Hunt (2007) defined positivism as information generated by sensory experience and interpreted through reason and logic. Through the use of mixed research approach the researcher will be able to acquire deeper understanding of the phenomenon under study thus quantitative findings present the scientific side of the research whereas the qualitative findings presented to the researcher deep insights of the research study.

3.3 Research Approach

Chetty (2016) defines research approach as a design and process that encompasses broad assumptions to detailed method of data collection, analysis and interpretations. The researcher engaged quantitative and qualitative research approaches, although quantitative method was the dominant being complemented by qualitative approach. The advantage of using both approaches is that they complement each other as far as research paradigms are concerned. Young (2007) defined qualitative research as a logical technique that involves collecting, and analysing non-numerical data in order to understand concepts, opinions and experiences. It can also be applied to generate new ideas, and get an in-depth analysis on a particular problem.

Stafford (2011) defined quantitative research as a process which involves the collection and analyzation of numerical data. It can be applied in order to come up with patterns, averages, and generalize results to a wider population. The researcher used quantitative research as most of the informal traders did not have time to sit down and have interviews. Qualitative research was used to gain information from the business owners.

3.4   Research Design

For the purpose of this study the researcher used case study design this was due to that the particular study on short term insurance cannot be dependent sorely on information from textbooks. Yin (2018) defined case study as a research method which involves a close analysis, and in-depth investigation about a current phenomenon. With the use of the case study the researcher managed to give a valid research, recommendations and conclusion. For this study a case was drawn from Magaba Siyaso informal traders.

3.5   Targeted Population

The population of the study refers to a collection of individuals or objects which are known to possess similar characteristics. In this study, it is an identifiable group which the researcher has chosen a portion to make inferences due to similar or common traits relating to the study at hand. The case understudy Magaba Siyaso informal market and it has 342 registered informal business owners and their 855 employees and as illustrated on the table below:

Table 3.1 Targeted Population

Category	Male	Female	Total
Business Owners	250	92	342
Employees	625	230	855
	875	**322**	**1197**

Source: Primary Data (2021)

3.6   Sample size

Smith (2013) defines sample size as a number of observations or replicates that were selected to include in the statistical sample. Yaro (1967) formulated the formula used:

n =   N

        1+N (e)2

Where N = total population

1 = Constant

e = error margin

$n = \quad 1197$

$\quad\quad 1+1197\ (0.05)2$

After calculating the sample size by substituting the figures in the formula the number of sample size of the population is 400 people.

Table 3.2 Sample Size

Category	Total
Business Owners	185
Employees	215
	400

Source: Primary Data (2021)

Therefore; the sample size will be 400 participants which is 33% of the total workforce.

3.7   Sampling methods

According to Moore (2009) sampling is the method of choosing an appropriate sample, or a typical fragment of a population in order to define integral key features of the whole population. The researcher used the simple random sampling method and purposive sampling method, the methods are distinctively in the probability and non-probability sampling methods. The researcher used these two sampling methods because they complement each other on the research paradigm and offer correct assumptions about the study population.

The simple random sampling method was opted by the researcher due to that the method engages all participants and offers an opportunity for selection where they can give their contribution. Sahai & Ageel (2000) alluded that simple random sampling is a technique which selects a group of participants for study from a larger group, the selection of individuals is by chance and each member of the population has equal opportunities for selection. The researcher opted for this method because it ensures that there is objectivity, and also encompasses the

option of removing bias from participants. The method paved way for the researcher to select participants from respectively businesses and on all racial and gender divide.

The researcher used the purposive sampling method due to that in this method the sample was selected to meet the requirements and initiative of the study. Kish (1995) defined purposive sampling as a method which permits the researcher to make personal conclusions when selecting members of population to participate in the study. The researcher selected employees and business owners due to the fact that they understand and have an appreciation of the study at hand.

3.8   Data Collection

The researcher used both the primary and secondary instruments for data collection due to that they supplement each other in unravelling research issues. The primary data is going to be collected through use of questionnaires and interviews. Aryal (2020) defines primary data as data which is collected first-hand by the researcher and that secondary data as information already produced and published by others.

3.9   Data collection procedure

Firstly, the researcher obtained permission to carry out the research from the Insurance Institute of Zimbabwe. The authorization letter obtained was shown as proof to carry out the research to each respondents who were interviewed or given a questionnaire. After getting the authorisation letter, the researcher determined the eligible population and notified them of a day they were going to be interviewed and given questionnaires for the research. .

3.10   Research Instruments

The researcher employed questionnaires and interviews to collect data. Both methods were used in order to avoid bias and counter flaws which emanate from engaging only one research instrument. According to Mcneill (1990) data collecting techniques include interviews and questionnaires which the researcher can use.

3.10.1 Questionnaires

A questionnaire is a set of printed or written questions with a choice of answers, devised for the purposes of a survey or statistical study (Aryal, 2020). The study employed the use of questionnaires due to that they cover a large geographical area and less costly in administering. The questionnaires design outlay will reflect the variables of the study at hand. Masden (2011) outlined that questionnaires give direction and boundaries to the study at hand as it narrows the

questions to be on point. The questionnaire comprised of four sections, which are, demographic, risk exposures to the informal sector, challenges faced in the uptake of non-life insurance by the informal sector, non-life insurance solutions to the informal sector. The fourth section then comprises of responses from the respondents on the view on benefits of non-life insurance to the informal sector. The researcher did the distribution and collection of the questionnaires in order to avoid mollifying of information. The researcher travelled to the Magaba Siyaso market in Mbare Harare. The researcher distributed 1197 questionnaires to the informal business owners and the employees.

3.10.2 Interviews

Polak and Green (2016) define interviews as a structured conversation where one participant asks questions and the other gives answers. The research engaged the use of interviews in order to get more in-depth information or to supplement responses from questionnaires. The interviews assisted to give clarity on the topic under study. The researcher used interviews due to their nature of allowing follow-up questions and face to face interactions.

3.11 Data presentations and analysis

The researcher used graphs and tables in order to present the quantitative and qualitative data for clarity and easy presentation. Mcnutt (2019) defines that in data presentation, tables, graphs and other display items are the quickest to present large amounts of complex information. In order to establish the validity of the questionnaire, Cronbach co-efficient alpha, a measure of internal consistency was applied to determine the reliability of the questionnaire. In order to analyse the interviews to be conducted the interview was first submitted to underwriting technocrats to check for validity.

3.12 Data reliability and validity

In order to maintain data reliability and validity the researcher conducted a test run to determine if the questions where clear and to ensure confidentiality. In order to determine the validity of the questionnaire, the researcher first submitted the instrument insurance certified practitioners and academia's to validate the instrument whilst checking for necessary corrections. The reviewers examined the research instrument on the basis of validity of its content and if it was in line with the theory and research.

3.13   Chapter Summary

In this chapter research philosophy, approach and design, target population, sample and sampling techniques, description of instruments used in data collection, limitations, reliability, validity, ethical consideration and the techniques used in data analysis were discussed. The following chapter will investigate and discuss the findings. The data collected will be presented in graphs, pie charts and tables for clear and straightforward presentation.

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Chapter 4 : DATA PRESENTATION, ANALYSIS AND INTREPETATION OF FINDINGS

4.1 Introduction

The purpose of the research is to investigate the role of short term insurance in the Zimbabwean informal sector sustainability. The researcher used case study design of the Magaba Siyaso informal hub this was due to that the particular study on short term insurance cannot be dependent sorely on information from textbooks. The purpose of chapter four is to analyse and present obtained data from primary and secondary sources in the way of tables and charts to give a clear picture of the findings. This chapter starts by presenting and analysing the demographic section of the questionnaire and there after each objective separately.

4.2 Response Rate Analysis

Table 4.1 Response rate

	Business Owners	Informal Sector employees	Total
Sent Questions	342	855	1197
Response	300	790	1090
Non response	42	65	107
Response Rate	88%	92%	91%

Source: Primary Data (2021)

The researcher distributed one thousand one hundred and ninety-seven (1197) questionnaires to informal workers that were made up of three hundred and forty two (42) informal business owners and eight hundred and fifty five (855) informal workers who worked for them. One thousand and ninety (1090) of the questionnaires were returned fully completed thus giving a total response rate of 91%. The researcher also scheduled 10 interviews and all the interviews were conducted as planned. According to Mugenda and Mugenda (2003) a response rate of 50% in an academic research study is considered sufficient for analysing, interpreting and reporting of subject matter. The response rate achieved was therefore considered adequate for answering the questions raised under the research study.

4.3   Profile of respondents

This section presents the profile of respondents. Respondents were asked to indicate background information regarding gender, level of formal qualification and work experience. The questionnaire survey was targeted respondents who had experience in then informal sector. The aim of this section was to get a better understanding of the targeted profile.

4.3.1   Gender

The gender of the respondents was keen on getting views of each gender. The respondents were therefore required to indicate what their gender was. The findings of the research shown in Table below.

Table 4.2 Gender of Respondents

Gender	Frequency	Percent
Male	640	59
Female	450	41
Total	**1090**	**100**

Source: Research data, (2021)

The findings from the research study showed that the majority of the respondents 640 (59%) were of the male gender while 450 (41%) were of the female gender. The research study revealed that the difference was marginal; hence it is safe to conclude that the findings presented reflected a balanced view of both genders. On the other hand, these findings may suggest that slightly more males are employed in the informal trade.

Table 4.3 Gender of Participants

Gender	Frequency	Percent
Male	6	60
Female	4	40
Total	**10**	**100**

Source: Research data, (2021)

The findings from the research study showed that the majority of the respondents 6 (60%) were of the male gender while 40 (40%) were of the female gender. The research study revealed that the difference was marginal; hence it is safe to conclude that the findings presented reflected a balanced view of both genders. On the other hand, these findings may suggest that slightly more males are employed in the informal trade.

4.3.2 Level of Education
Table 4.4 Level of Education

Level of Education	Frequency	Percent
O' Level	536	49%
Certificate	48	5%
Diploma	306	28%
Post Graduate Degree	200	18%
Other	0	0%
Total	1090	100%

Source: Research Data (2021)

The researcher also made efforts to find out from the respondents their level of education. This was essential because the researcher had to have a better understanding of the respondents under study on their cognitive ability.

The findings from the research study showed that the majority of the respondents 49% (536) had Ordinary Level certificate as their highest level qualification, 28% (306) of the respondents had diplomas as their highest level of qualification, 18% (200) of the respondent held post graduates of various degrees and a handful of 5% (48) held certificates as their highest level of qualification. The results obtained may mean that most of the people in the informal sector hold formal qualifications and also suggest that because of increasing unemployment in the formal sector there has been influx of graduates working in the informal sector. The level of respondents' intellectual capacity was necessary in making sure that the questionnaires were answered with less intellectual bias.

4.3.3 Work Experience
Table 4.5 Experience of the Respondents

Age	Frequency	Percent
1-5 years	203	19%
6-10 years	542	50%
11-15years	345	31%
Total	1090	

Source: Research Data (2021)

The researcher also made efforts to find out from the respondents what experience did the respondents had in working in the informal sector. This was essential because the researcher had to have a better understanding of the respondents under study on how they knew the risk exposures and mitigation in the informal sector.

The findings from the research study indicated that the majority of the respondents 50% (542) had 6 – 10 years' work experience in the informal sector, 31% (345) of the respondents had more than 10 years' experience working in the informal sector and only 19% (203) had less than five years' experience in the informal sector. The results obtained may mean that most of the people in the informal sector have been there since the time of dollarization and its flexibility to economic changes and pressures makes it a viable and sustainable source of income.

4.4   Findings of the study

This section presents the findings of the study. The findings of the study are organised according to the research objectives and they are presented below.

4.4.1   Identify the insurable risks faced by the informal sector

The study sought to identify the insurable risks faced by the informal sector. The respondents were asked to select amongst a list of risk exposures in which they were exposed and the risks exposures were, property losses, property physical damage, and property loss of use, theft, business interruption, liability losses and motor vehicle accidents. The respondents were also asked to list any of other their risks exposure. The participants from the interviews were also asked of current risks they faced in the informal sector.

Fig 4.1 Insurable risks faced by the informal sector
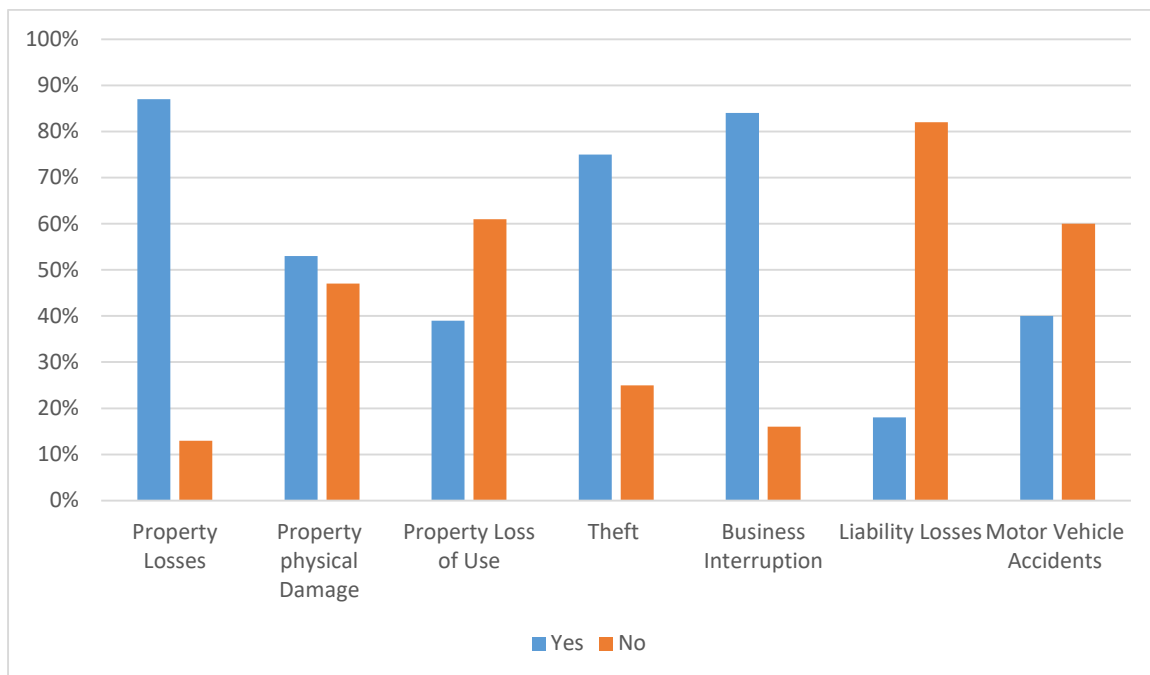
Source: Research Data (2021)

As illustrated from the diagram above, 87% of the respondents indicated that they were exposed to property losses to and 13% of the respondents answered that they were not exposed to the risk of property loss. The majority of the respondents were of the idea that their working stations needed to be insured mainly to the risks of fire and theft. The findings were congruent to what was aired by Makanda (2013) who posits that informal workers face high levels of risks yet the majority are not covered by insurance.

The 53% of the respondents regarded property physical damage as a risk that their business were exposed to. However, 47% of the respondents viewed their businesses as not exposed to any risk exposure of property damage. The majority of the respondent's view might be because of fire out breaks that usually take place in the informal sector stations and thereby resulting in damages to stocks and property. The varied views may be interpreted as caused by insignificance in use of cheap and well affordable tools in informal trade. The findings to this study agrees with what was reported by Kaiyo and Mabika (2018) that fire once gutted about two thirds of the Glen View Area 8 Home Industry Complex along Willowvale Road in Harare and destroyed property worth millions of dollars belonging to informal traders

The majority of the respondents 61% disagreed that their businesses were exposed to property loss of use whilst a hand full of the respondents 39% regarded property loss of use as a risk

exposure to their businesses. The majority view to question might have purported by the fact that the informal sector usually operates on a hand to mouth model were by any infrastructure is acquired and put to use simultaneously. The responses given supports what was propounded by Majaka (2018) that the sector in Harare manifest in the form of flea markets, social markets, home industries and guarded car parks and these setups requires less capital injection.

Theft was regarded by a majority of 75% of the respondents as a major risk exposure. Only 25% of the respondents regarded their businesses as not exposed to theft. The business who were exposed to theft was mainly because of unsecured working places and pilferage. The findings are congruent with what was postulated by Tessier (2013) who says that burglary and robbery are obvious perils, but so are employee theft, embezzlement and forgery in the informal sector.

84% of the respondents regarded business interruption as a risk that their businesses were exposed to whilst 16% regarded their businesses as not exposed to business interruption. Through the interviews it was noted that the informal businesses were interrupted through the covid-19 induced lockdowns, political riots, power outage and destruction of property. The findings to this question is supported by what was concluded by Ulrichs (2016) that business interruption insurance reimburses policyholders for the difference between normal income and the income earned during the enforced shutdown period. Not only is income reduced or cut off completely during such interruptions, but many business expenses continue, such as taxes, loan payments, and salaries to key employees.

82% of the respondents were of the view that their businesses were not exposed to liability losses whist 18% of the respondents viewed that their businesses as exposed to liability losses. The view of the majority in liability risk exposures may be influenced by the fact that most of the informal trading in Zimbabwe think they are not exposed to liability risk it's because there are no liability lawsuits in Zimbabwe, even large companies are not being sued. People of Zimbabwe are not litigious by nature, so the general populace is not aware of liability risk because they have never encountered it. But when it comes to things like theft, fires they can relate because they have seen or even experienced them. The informal traders are also known for poor ethics and not contractarians in regard to their work and responsibility to the performance of their products. Mukoshori (2013) states that informal businesses in Zimbabwe generally rely on indigenous resources, small-scale operations, and unregulated and competitive markets and skills are generally obtained outside the formal educational system.

Insurance because of its legality requirement can only be applied to the coping strategies type of informal sector.

Motor vehicle accidents were regarded as a risk exposure by the 60% of the respondents whilst 40% of the respondents noted that their businesses were not exposed. The varying difference in responses was due to the fact that those who did not drive did see it as a risk exposure. Ruwende (2018) reported that an inferno reduced to shells six vehicles at an automotive workshop outside Siyaso informal complex in Magaba causing destruction of property worth millions of dollars.

4.4.2 To determine the level of insurance uptake in the informal sectors

To answer this objective the respondents were asked if they had ever taken insurance policy or not. The question was further was further subdivided in which the respondents were further to highlight the type of policies they have based on their responses to the question. These policies were motor insurance, property insurance, goods in transit insurance and liability insurance.

Fig 4.2: Level of insurance uptake
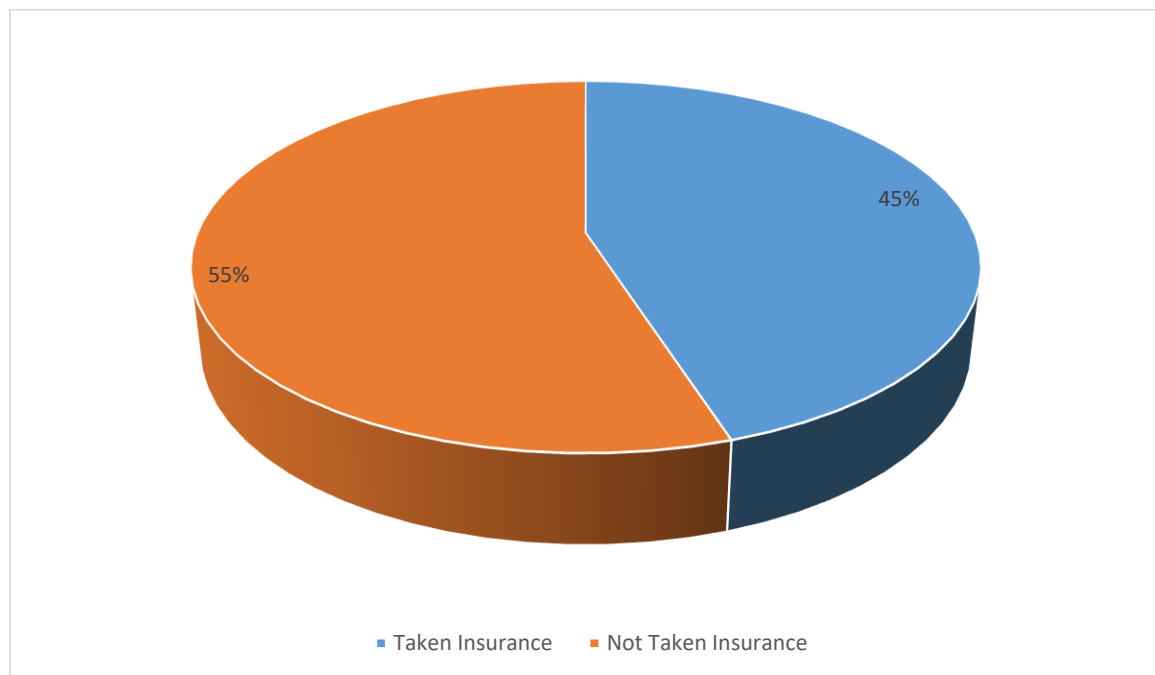
Source: Research Data (2021)

This question was asked to determine the level of insurance uptake in the informal sector. The findings showed that on 45% (491) of the respondents had previously taken an insurance policy whilst the majority of 55% (599) had never taken insurance policy. The results may mean that there is low insurance uptake in the informal sector. The results are supported by Mazviona

(2014) who states that many challenges faced in the uptake on non-life insurance in the informal sector and these challenges are grouped into economic factors, socio-cultural and political and regulatory factors.

Table 4.6: Insurance policy once taken

Insurance policy once taken	Frequency	Percent
Motor insurance	405	82%
Property insurance	87	18%
Goods in Transit insurance	4	1%
Liability insurance	0	0%
Other	33	7%

Source: Research Data (2021)

The question was asked to determine the type of the policies in which the respondents based their responses. Amongst the respondents that had once taken insurance, 82% of the respondents had based their response on motor insurance policy, 18% on property insurance, 1% on goods in transit insurance policy and 7% on other insurance policies that included health insurance, personal accident and life insurance. The findings shows that motor insurance policy is more dominant type of insurance being absorbed within the informal sector. These findings may suggest that there is more that needs to be done on growing other forms of insurance in the informal sector. These maybe achieved through awareness campaigns and promotions.

4.4.3 Factors affecting insurance uptake in the informal sector.

This question was probed in order to ascertain the factors that affect insurance uptake in the informal sector. A list of possible reasons was given in which respondents were required to tick possible reasons. The respondents were also requested to give other reasons if excluded from the listing of possible factors on why they were not buying insurance.

Table 4.7: Factors affecting insurance uptake in the informal sector.

Reasons for not having insurance	SA	A	N	D	SD
Lack of awareness	37%	38%	2%	23%	0%
There are no insurance policies that meet my needs	0%	65%	0%	30%	5%
Insurance is too expensive	2%	40%	0%	8%	50%
Insurance companies cheat insured	0	55%	0%	40%	5%
Insurance companies do not pay claims	31%	46%	19%	4%	0%
Insurance companies do not pay claims in full.	26%	14%	36%	14%	10%
I do not understand how insurance operates	4%	56%	0%	10%	20%
Insurance is against my beliefs/culture	0%	0%	0%	100%	0%
I heard my colleagues and other people talk negatively about insurance	40%	18%	0%	12%	30%

Source: Research Data (2021)

Table 4.7 above outlines the responses that the research subjects gave in relation to how they viewed lack of awareness as a major impediment to the uptake of insurance. 23% of the respondents disagreed that lack of awareness was the cause of their failure to uptake insurance and on the other side 75% of the respondents agreed that they were not buying insurance as a result of lack of awareness. Only 2% of the respondents were indifferent about how awareness influenced their buying of insurance policies. This shows that more respondents to the questionnaire had varied experiences in the way they viewed lack of awareness as a factor in influencing their decision to buy insurance policies. These variances on the positive aspects may purport us to conclude that there is a need to of insurance companies to do aggressive advertising of insurance policies that mitigate risks in the operations of informal traders. Azende (2012) did a research on Risk management and Insurance of the non-formal businesses in Nigeria and found that the major challenges of insurance uptake were low levels was lack of advertisement by insurers.

The table 4.7 above also shows how the respondents viewed insurance policies in relation to how they met their risk management needs. A majority of 65% responded in agreement that insurance was not serving their current risk management needs. 35% of the respondents were of the view that insurance served their needs. The findings show that there is need for insurers to reengineer their insurance product offerings to suit or encompass the informal sector needs. These findings concur with what Matul *et al* (2013) posited that insurance companies need to move away from traditional insurance products and develop products that serve the current needs.

Table 4.4 above outlines the responses that the research subjects gave in relation to how they relayed poor claims settlement by insurers as a cause of low uptake of insurance. Only 4% of the respondents disagreed that poor claims settlement was the cause of their failure to buy insurance and however on the positive side 77% of the respondents agreed that they were not buying insurance as a result of failure of Insurance companies in honouring up genuine claims. Only 19% of the respondents were indifferent about how claims settlement process influenced their buying of insurance policies. This shows that the respondents to the questionnaire had varied experiences in the claims settlement process. The differences of views may lead us to conclude that those people with bad claims settlement experience may not be willing to buy insurance and vice versa. The purpose of insurance is to pay claims upon insured's experiencing economic losses. According to Levine (1999) insureds that experience poor claims settlement are not willing to buy insurance and this include companies denying paying claims, or alternatively reducing the investment returns due on a policy.

The respondents also gave their views on insurance costs as an impediment of acquiring insurance policies. 42% of respondents viewed high costs of insurance products as their reason of not buying insurance policies. 58% of the respondents disagreed that the cost of buying insurance was a reason for them failing to acquire insurance policies. The responses given in the positive side may suggests that the insurance costs should be minimised to enable affordability to the majority of the informal sector. The findings are congruent to what Hussels *et al* (2005) aver that conventional insurance is expensive to the majority and micro insurance is the new way to go in protecting the uninsured public.

The respondents also gave their views on understanding of insurance as a reason of not buying insurance policies. 60% of respondents cited misunderstanding of insurance as their reason of not buying insurance policies. 40% of the respondents disagreed that not understanding

insurance was their reason for failing to acquire insurance policies. The responses given in the positive side may suggests that there is need to make aware to the informal sector about insurance products that meet their needs. The findings are consistent to what was alluded by Rocha (2011) that most of financial products do not have ready buyers because the potential buyers are usually not enlightened of the products essence buy the sellers.

The respondents also gave their take on culture on its effect in buying insurance. 100% of the respondents revealed that insurance was not against their religious beliefs. The findings of the study revealed that culture is of no significant in influencing one to buy insurance. These findings go against with what was concluded by Mazviona (2014), that culture has an impact on the level of demand for insurance depending on risk aversion.

The table also shows how respondents' decision of buying insurance was influenced by negative hearsay from colleagues about buying insurance policy. 58% of the respondents cited that their buying decision of insurance was influenced by negative hearsay from colleagues about insurance. 42% of the respondents alluded that their buying decision of insurance was not influenced by negative hearsay from colleagues. This shows that there is public negative publicity about buying insurance and thereby creating information gap in the informal sector which requires advertising.

4.4.4 To assess the perceptions of insurance in the informal sector

The respondents noted that insurance benefited them through protection against damage of goods by fire, replacement of goods stolen, and indemnity of goods damaged by water or rain. Insurance also benefited the respondents through coverage for motor vehicle accident liabilities. Business interruption was also noted by the respondents as a major benefit of insurance. This was mainly because informal traders were interrupted by political and social activities happening in the country during their operations. The findings to this question are congruent with what was propounded by Banks (2004) that the role of insurance includes things such as promoting risk reduction, promoting financial stability and economic growth, advancing the development of financial services, spreading risks.

4.4.5 To recommend non-life insurance solutions to the informal sector.
Fig 4:3 Non-life insurance solutions to the informal sector.
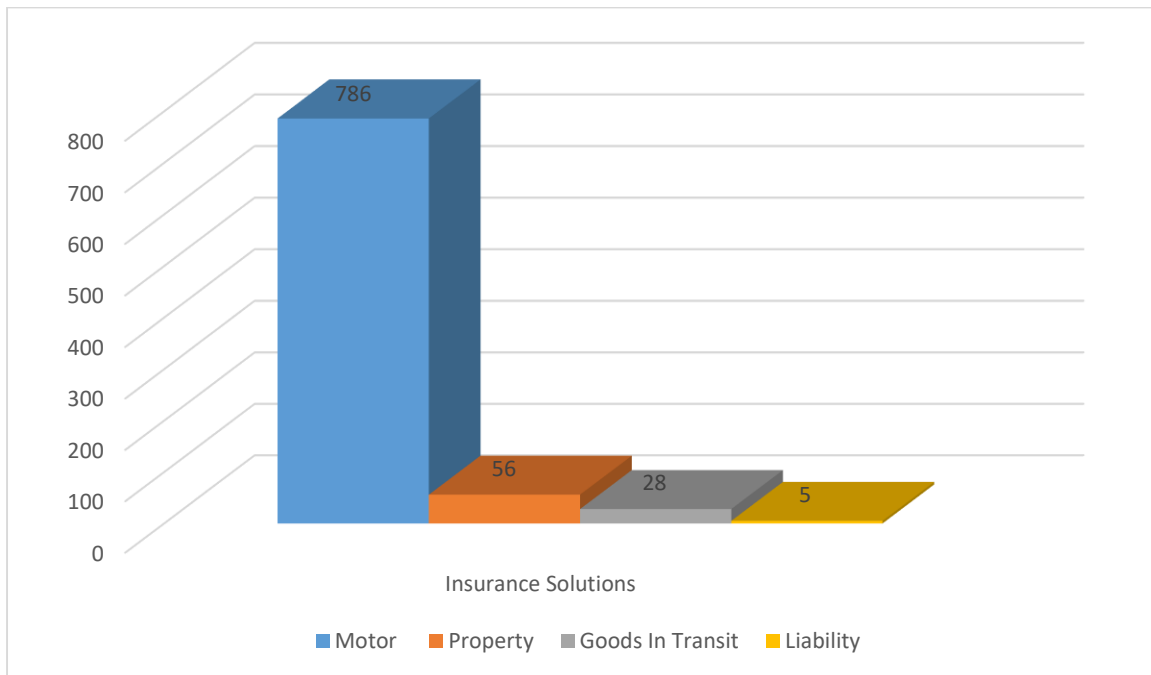

Fig 4.2 above relates to the responses obtained from the research subjects on their views towards policies that they were sure of mitigating risks that they were exposed to. A majority of 72% of the respondents all agreed that their businesses were exposed to motor vehicle loss and damage and therefore viewed motor insurance as a solution to their business. This view got a majority veto of respondents since all the respondents were are aware of motor insurance policy and its coverage benefits. Levine (1999) says the primary use of motor vehicle insurance is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could also arise from incidents in a vehicle.

5% of the respondents regarded property insurance as a solution to the risks that they were exposed to. The view was quite low due to the fact that most of the informal traders were renting their place of work from the local council and property protection was secondary amongst their goals. Also because of few incidents on record of property destruction it can be noted that property insurance was not a real need to mostly companies operating for survival. The view is however misguided because of lack of awareness of the insurance policy. According to Matul etal (2013) property Insurance indemnifies the owner or user of property for its loss, or the loss of its income producing ability, when the loss or damage is caused by a covered peril, such as fire or explosion.

About 3% of the respondents viewed Goods in Transit policy as a solution to their operations. The view was mainly because some participants were knowledgeable to the importance of the policy as their trades involved moving of goods. Majority of the respondents could not opine due to their lack of knowledge on the solution which was provided by the policy to their goods in transit risks. Chatterjee (2012) says Goods in Transit (GIT) insurance covers property against loss or damage while freight is in transit from one place to another, or being stored during a journey.

Only 1% of the respondents regarded liability insurance essential to their operations. The majority of the respondents were not aware of the policy and the conditions attached to it. This shows that insurers need to do awareness activities to the public on the essence of liability insurance policies. A business may become legally liable for bodily injury suffered by another person or persons, or for damage to or destruction of the property of others. Vanek etal (2014) says this liability may be the result of a court decision in a lawsuit charging negligence, statutory provisions and violation of contract provisions. A business may be held liable for injuries or other losses suffered by a member of the general public as the result of the firm's negligence or fault (Van Ginneken, 2003).

4.5   Chapter Summary

This chapter gave an outline of the questionnaire response rate, the findings from the questionnaires and interviews. Data was then analysed and presented in the form of chart, graphs and tables. It provided a gap-fill for the secondary research that had been undertaken. The primary research brought the subject into closer perspective and the respondents gave relevant and valuable information the role of short term insurance in the informal sector. The data was satisfactory to meet the objectives of the research and will enable the researcher to draw meaningful conclusions.

Chapter 5 : SUMMARY OF FINDINGS, CONLCUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher draws conclusions and recommendations about the goals of the research and thereby mapping the way forward in the investigation of the role of short term insurance in the Zimbabwean informal sector sustainability. In the last part of this research a guideline of assimilation of insurance solutions to the informal business is given.

5.2 Summary of findings

5.2.1 The study revealed that the main insurable risks faced by the informal sector are fire, theft and business interruption. These findings are in line with the findings of a study done by the other authors which showed that the informal sector was mostly vulnerable to fire and theft risks (Gitau, 2015).

5.2.2 The research also revealed there was low insurance uptake in the informal sector. Those who took insurance it was mainly for the mandatory Third Party insurance. The findings were congruent with what was ascertained by Mazviona (2014) who states that many challenges are faced in the uptake of non-life insurance in the informal sector and these challenges are grouped into economic factors, socio-cultural and political and regulatory factors.

5.2.3 The research established that lack of awareness is a major impediment to the uptake of insurance products by the informal sector. The research established that conclude that there is a need to of insurance companies to do aggressive advertising of insurance policies that mitigate risks in the operations of informal traders. Azende (2012) did a research on Risk management and Insurance of the non-formal businesses in Nigeria and found that the major challenges of insurance uptake were low levels was lack of advertisement by insurers and his research is in line with the findings of this research.

5.2.4 The research showed that the respondents perceived that insurance benefited the informal sector through protection against damage of goods by fire, replacement of goods stolen, and indemnity of goods damaged by water or rain. Insurance also benefited the respondents through coverage for motor vehicle accident liabilities. Business interruption was also noted by the respondents as a major benefit of insurance. The findings to this question are congruent with what was propounded by Banks (2004) that the role of insurance includes things

such as promoting risk reduction, promoting financial stability and economic growth, advancing the development of financial services, spreading risks.

5.2.5 The research noted that motor insurance, property insurance, goods in transit insurance and liability insurance were the most insurance products that fitted the informal traders risk solutions. Levine (1999) says the primary use of motor vehicle insurance is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could also arise from incidents in a vehicle. According to Matul etal (2013) property Insurance indemnifies the owner or user of property for its loss, or the loss of its income producing ability, when the loss or damage is caused by a covered peril, such as fire or explosion.

5.3   Conclusions

5.3.1   The research established that the insurable risks faced by the informal sector were property losses, property physical damage, and property loss of use, theft, business interruption, liability losses and motor vehicle accidents. There researcher also concluded that most of the informal workers were not aware that their risk exposures were insurable.

5.3.2   From the research it was concluded that key benefits of insurance to their businesses were protection against damage of goods by fire, theft of stock, damage of stock by water or rain, motor vehicle accident liability and recovery of losses caused through business interruption.

5.3.3 The research concluded that motor insurance, property insurance, goods in transit insurance and liability insurance were the top insurance products that provided risk solutions to the informal sector. It was also noted that the insurance solutions were confined to the level in which the informal traders understood.

5.3.4   The research concluded that the low levels of insurance uptake in the formal sector was mainly due to culture, lack of awareness, high cost of insurance, poor claims settlement, lack of understanding the product and peer discussions on how insurance companies failed to settle claims.

5.4   Recommendations

Recommendations Insurers

- **Awareness campaigns**

The study revealed that people in the informal sector lack knowledge about insurance, therefore it is recommended that insurance companies should embark on risk management awareness campaigns to the informal sector in order to educate them on insurance products that help the informal sector in their risk management. Awareness campaigns can be conducted through road shows and personal selling.

- **Micro insurance**

It was established from the research that conventional insurance was not affordable to the informal sector and therefore in order to capture the uninsured informal sector the insurers may need to develop micro insurance products that are affordable and tailor made to meet the risk management needs of the informal sector that is totally different from the traditional insurance product offerings designed to mitigate risks for formal corporates.

- **Shortening claims settlement period**

The insurers need to make the claims settlement process more efficient and make sure that it is shortened and allows the insured to be indemnified without any conning conditions. Claims settlement is the shopping gate for insurance companies and therefore good claims settlement process instils confidence in the potential clients.

Recommendations to the informal sector

- **Insure**

The study revealed that the main insurable risks faced by the informal sector are fire, theft and business interruption. It is therefore imperative for the informal sector to insure against such perils to safeguard their capital and ensure business sustainability.

Recommendations to the Insurance and Pensions Commission

- **Deregulate insurance for the informal sector**

The study revealed that the informal sector is usually made up of unregistered players and therefore do not qualify for most of the insurance products mainly because of its informal nature therefore laws should be crafted that insure financial inclusion of such sector.

5.5   Recommendations for further study

More research is needed to investigate the effectiveness of short term micro insurance in the Zimbabwean insurance sector. Previous researches have focused on micro life insurance and therefore this research recommends for more research in micro non-life insurance.

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Letter of Introduction

My name is Panganai Samuel Sanangurai, studying an IIZ Fellowship programme in conjunction with the National University of Science and Technology (NUST). As part of my studies, I am carrying out a research titled 'The *role of short term insurance in the Zimbabwean Informal Sector Sustainability*'. I would be glad if you may possibly help by answering the following questionnaire. All the information that you may provide will be used for academic purposes only and shall be treated with strict confidentiality.

Should you need clarity on the questionnaire and the research you can contact me on the following details:

Email Address: psanangurai@alliedinsurance.co.zw

Mobile Number: 0712401738

Instructions

1. Please respond by ticking [√] the appropriate box (es) where applicable and write in full in the spaces provided where spec

2. Do not write your name or contact details on this questionnaire

Thank you.

APPENDICES
Appendix 1: Questionnaire

Part One (Demographic information)

1. What level do fall in your trade? (Tick the relevant from below)

    (i) Business Owner [   ]

    (ii) Employee [   ]

2. How long have you been working at your work station? (tick appropriate)

    (i)   1-5 years

    (ii)   6-10 years

    (iii)   11-15years

3. Gender (tick appropriate)

4.   Male [ ]   Female [ ]

5. Age (tick appropriate)

    (i)   18-25 years [ ]

    (ii)   26-30 years [ ]

    (iii)   31-35 years [ ]

    (iv)   36-40 years [ ]

    (v)   41 years and above[ ]

6. Highest level of Education attained (tick appropriate)

     (i)   O' Level [ ]

     (ii)   Certificate [ ]

     (iii)   Diploma [ ]

     (iv)   Post Graduate Degree [ ]

     (v)   Other (indicate)………………………………………………………….

7. **Part Two (Risk exposures of the informal sector)**

Indicate which of the following risks is your business exposed? (tick appropriate)

Risk Exposures	Yes	No
Property Losses		
Property physical Damage		
Property Loss of Use		
Theft		
Business Interruption		
Liability Losses		
Motor Vehicle Accidents		

8. List any other risks you are exposed to below.

………………………………………………………………………………………………

Part Three (Benefits of non-life insurance to the informal sector)

9. Which of the following losses has your business suffered in the past? (Tick appropriate)

Security against risk and uncertainty.	
Brings comfort without fear of loss due to risk and uncertainty.	
It eases borrowing as it stands as security.	
None of the above	

10. In your opinion, what could be the benefits of non-life insurance to your business?

…………………………………………………………………………………………

Part Four (Level of Insurance uptake)

11. Do you have an insurance policy or have you ever taken insurance policy for your business?

Yes   [ ]   No [ ]

12. If your answer is yes to question 11, which of the following policies do you have or have taken in the past? (tick appropriate)

Non-life insurance solutions to the informal sector	Yes	No
Motor insurance		
Property insurance		
Goods in Transit insurance		
Liability insurance		

(Other (indicate)…………………………………………………….

13. If you answered NO to question 8, what are the reasons you do not have insurance? Rank the importance of the reasons given below

Indicate by ticking the appropriate response, where 1 = strongly disagree / 2 = disagree / 3 = not sure / 4 = agree / 5 strongly agree

Reasons for not having insurance	1	2	3	4	5
I am not aware of insurance					
There are no insurance policies that meet my needs					
Insurance is too expensive					
Insurance companies cheat insureds					
Insurance companies do not pay claims					
Insurance companies do not pay claims in full.					
I do not understand how insurance operates					
Insurance is against my beliefs/culture					
I heard my colleagues and other people talk negatively about insurance					

Other reasons…………………..

14. If you have insurance, have you ever made claims on your policy? (tick appropriate)

Yes [ ]   No [ ]

15. If your answer to question 14 above is yes, were you satisfied with how your claim was handled? (tick appropriate)

Yes [ ]   No [ ]

End of questions

Thank you for your participation.

Appendix 2: Interview Questions for Informal Trade Owners

Introduction

My name is Panganai Samuel Sanangurai, studying an IIZ Fellowship programme in conjunction with the National University of Science and Technology (NUST). As part of my studies, I am carrying out a research titled 'The *role of short term insurance in the Zimbabwean Informal Sector Sustainability*'. I would be glad if you may possibly help by responding to my interview questions. All the information that you may provide will be used for academic purposes only and shall be treated with strict confidentiality.

Interview Questions

1. What are the current risks faced by the informal sector?

2. Very few people in the informal sector purchase insurance. What are the reasons for low insurance uptake in the informal sectors?

3. What do you think should be done to improve the uptake of insurance products in the non-formal sector?

4. What do you think are the benefits of non-life insurance to the informal sector?

End of questions

Thank you for your participation