

Factors Impacting on the Acceptance Level of Insurance Policies by Small and Medium Enterprises in Sri Lanka

ABSTRACT

Aim: The focus of this study is to provide an insight into the acceptance level of insurance policies by Small and Medium Enterprises (SMEs) in Sri Lanka.

Study design: Quantitative research strategy was incorporated into the study.

Place and Duration of Study: Owners, managers and employees of SMEs were identified as respondents for this study, between June 2020 and July 2021.

Methodology: This study was conducted based on Primary Data gathered by distributing questionnaires. Sample profile is tested through frequency analysis. To evaluate the goodness of data, the reliability and validity of the measurement items are utilized. Here factor analysis, average variance extracted, Cronbach's alpha values and discriminant validity are tested. The multiple regression analysis is utilized to determine whether Lack of awareness, High premium cost and paperwork, Experience and beliefs, Low-Income level, Lack of knowledge, Lack of relationship between SMEs and Insurance company affect the acceptance level of insurance by SMEs in Sri Lanka.

Results: The overall results of the hypothesis of the study are presented based on multiple regression analysis. Sig. (p) values of Lack of Awareness ($p = .010$), Experience and Beliefs ($p = .002$), Low Income Level ($p = .000$) and Lack of Knowledge ($p = .000$). The findings revealed that Lack of Awareness, Experience and beliefs, Low-income level and Lack of knowledge of SMEs have a significant impact on the acceptance level of insurance policies by SMEs.

Conclusion: Lack of Awareness, Experience and beliefs, Low-Income level and Lack of knowledge have caused to inhibit acceptance level of insurance policies by SMEs. In designing insurance plans for SMEs, these factors should be taken into account by Insurance providers.

Keywords: SMEs, Insurance, Acceptance Level, Sri Lanka.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) play an important role in almost all the countries throughout the world, particularly in developing nations like Sri Lanka. The common truth is that most of the large corporations in the world were SMEs in its inception. Currently there is no specific way of defining a SME, since it varies according to the level of development in the country and the strength of the economy (Wanjiru, 2011).

According to Sri Lanka's Ministry of Industry and Commerce, 2012, SMEs account for more than 80% of all enterprises in the country. SMEs contribute to 45% of employment within the country and 52% of the Sri Lanka's GDP (Madurapperuma, Thilakerathne and Manawadu, 2016). SMEs are recognized by the Sri Lankan government as a driving force for economic growth, rural development, reduction of unemployment and poverty.

However, behind this significant role of SMEs to the country they continuously face high risks that affects the survival of their business due to the low legal awareness of SMEs to protect themselves and their businesses with insurance (Mulhadi and Azam, 2019).

It is evident that majority of SMEs do not survive for more than a decade after its formation, whereas others try to remain afloat (Dayour, Adongo & Kimbu, 2020). Inability to effectively manage risks is the fundamental variable that hinder the progress of SMEs. SMEs risk management is impacted by general skepticism about insurers' prompt payment of claims, lack of insurance expertise, reliance on friends and family and personal saving against uncertainties instead of insurance (Dayour et al., 2020).

Thus, SMEs are the greatest opportunity existing in Sri Lanka to boost our domestic economic growth in terms of regional development, employment generation and poverty reduction. According to the Development Bureau, State Ministry of Youth Affairs 80% of the SMEs in Western province fail during the first five years after starting their operations (Kumarasinghe, 2017). This is mostly due to the difficulty of SMEs to secure finance because of the high level of risk and insufficient level of return associated with the industry.

SMEs are reluctant to apply for insurance because they lack funds necessary to acquire the insurance to cover their bases and sometimes, they are not aware of what they need to be insured (Jadi, Manab and Ahmad, 2014). On the other hand, there are no or inadequate insurance cover to protect the business. This might cause the owner to shut down its business, forcing individuals to give up their source of income and employment (Chodokufa, 2009).

The main objective of the study is to investigate the acceptance level of insurance policies by SMEs in Sri Lanka.

This study aims at achieving the following specific objectives:

1. To examine the major factors which impact on the acceptance level of insurance policies by SME's owners/managers.
2. To examine whether the identified factors impact on the acceptance level of insurance policies by SME's owners/managers.

This study provides an understanding about the need for insurance policies focused on SMEs and provides an understanding about the relationship between insurance policies and alleviation of business risk.

The findings of this study prove that SMEs could be a good sector and a good market segment for insurance sector. Further, the potential entrepreneurs who are reluctant to enter into SMEs could be encouraged to embark on new SMEs as they enable to mitigate the risks which were there earlier by introducing new insurance policies on SMEs.

2. LITERATURE REVIEW

2.1. Theoretical Framework

2.1.1.Small and Medium Enterprises (SMEs)

The definition of SMEs differs from country to country, region to region and sometimes within the same nation.

Bolton Committee of 1971 was the first and foremost organization to offer a comprehensive definition of SME. This committee defined SME as "a firm is regarded as small if it meets the following three criteria, such as, it has relatively small share of the markets place, owners manage it in a personalized way management structure, it does not form part of a large enterprise" (Mulhadi & Azam, 2019).

A small industry is defined by the Industrial Development Board of Sri Lanka (IDB) as foundation with a capital investment in plant and machinery of less than Rs.4 million and by the Central Bank of Sri Lanka, 1998 as a company with fewer than 50 workers (Rassool & Dissanayake, 2019).

This study has used the parameters of the Ministry of Industry and Commerce's National Policy Framework for SME Development in Sri Lanka, 2015. Accordingly, small enterprises are defined as enterprises with 11-50 employees or an annual turnover of Rs.16-250 million whereas the medium size companies having 51-300 employees or with an annual turnover of Rs.251-750 million. Micro enterprises have less than 10 employees or an annual turnover less than Rs.15 million (Rassool and Dissanayake, 2019).

SMEs may also need to consider purchasing insurance to protect themselves from the consequences of unanticipated risks. On the other hand, there are many small businesses that are usually underinsured. That is because, they may not have the financial capability to purchase the whole package of insurance that is necessary to cover all their bases at first. Second, they may not be aware of the importance of insurance. As a result, insurance firms have developed a variety of small business insurance packages (Jadi et al., 2014).

2.1.2. Insurance

Insurance can be defined as the pooling of unintentional losses by transferring such risks to insurers, who undertake to compensate the insured for such losses, give other pecuniary benefits in the event of their occurrence, or to render services associated with the risk (Adeoye, 2018).

The growth and expansion of SMEs in Sri Lanka are constrained by problems arising from product and factor market and regulatory system they are operating. Some of the causes for SMEs to fail in Sri Lanka may include lack of access to finance, physical infrastructure, technology, regulatory framework, access to markets (Kumarasinghe, 2017). Existence of insurance policies might help to safeguard businesses from aforesaid unexpected occurrences.

Adeoye (2018) has mentioned that the acceptance of insurance service heavily dependent on consumer's contentment with the increased financial security obtained by shifting the risk of loss to the insurer.

2.1.3. Insurance products on SMEs

Different and dynamic needs and requirements of SMEs when compared to large enterprises have led insurance companies not to have one policy to fit all SMEs. Chiat (2006) stated that a SME does need to be insured against all possible risks, instead should have policy that is tailor made to suit their business' unique needs. The relationship that insurance company and SMEs have established provides a clearer understanding whether insurance companies have addressed the reasons for the failure of SMEs to purchase insurance policies.

In Sri Lanka there are 28 insurance companies by the end of 2019, out of which only 9 insurance companies are registered in the Colombo Stock Exchange by 2019 (Central Bank Annual Report, 2019). But only a few companies are engaged in providing insurance services to SMEs.

Financial institutions may be willing to lend to SMEs if they have insurance, and collateral requirements may be reduced. Furthermore, insurance relieves capital for productive investment in SMEs. Insurance allows SMEs to reallocate funds that would have otherwise been required to reserve for potential shocks to invest in advanced technologies, product innovation, and subsequently in revenue generating activities by enabling them to pay for risk protection in small installments in the form of regular premiums.

2.2. Empirical Review

In the studies of Chodokufa (2009) mentioned that past researchers have predominantly concentrated on large organizations and have merely neglected in exploring on insurance companies and SMEs.

The acceptance of insurance service leads to increased demand. This demand is greatly impacted by the consumer's contentment with the increased financial security obtained by shifting the risk of loss to the insurer (Ismaila, Ajemunigbohun and Feyisayo, 2016).

The report by Jadi et al., (2014) also added that, SMEs are not that much into insurance due to lack of risk awareness among small enterprises. Simultaneously, most of the nations around the world have comparable concerns raised on SMEs, such as non-compliance and insufficient insurance coverage.

Pathak and Ahamad (2018) discovered high premium costs discourage people from using insurance as a catastrophe planning strategy, insurance uptake hampered by perception of reliance on government assistance in the aftermath of floods, the mistrust built in SMEs on insurance companies due to prolonged time taken to compensate losses and unawareness on policies available on the market act as deterrents.

The majority of Ghana's informal sector firms and individuals refuse to get insurance, believing that God would protect them from any dangers. Also, it added that premium flexibility, income level insurance knowledge or financial literacy, expectancies and age of the firm and nodal agency will affect the demand for insurance among SMEs (Musah & Duker, 2020).

Akinradewo, Aigbavboa and Ngwenya (2019) concluded in their study that SMEs confront the difficulty of having leadership with little or no insurance policy knowledge, resulting in a lack of understanding of how to effectively limit risk or obtain the greatest insurance policy coverage.

By considering the literature mentioned, several factors have been considered for this study as the factors that hinders the purchase of insurance covers by owners or managers operating in SME sector.

2.3. Factors inhibiting the purchase of Insurance by SMEs:

- High premium cost and paperwork

The amount to be paid in monthly installments for an insurance policy is known as the insurance premium (Wanjiru, 2011). The insurance provider determines this premium based on the severity of the incidence. According to the studies of Wanjiru (2011) it has been proven that SMEs does not have the required time and manpower to cope up with the high premium costs and paperwork.

- Experience and beliefs

According to Wanjiru (2011) SMEs have a negative attitude about insurance because of their prior experiences and views. As a result, many consumers believe that insurance firms merely collect premiums and never pay claims when they occur. This is mostly due to the complications that the victims had while filing their claims.

- Low income earned by SMEs

The demand for insurance service is limited because of the low level of income earned by SMEs Wanjiru (2011). According to his teachings, insurance leads to an extra cash requirement which does not promote development of SMEs as it reduces the business profitability significantly.

- Lack of knowledge to fully understand the policy document

Most small businesses are operated by experience and observation, according to Wanjiru (2011), with little or no formal training in management and insurance development. Furthermore, vast majority of people who own SMEs are regular people who lack expertise about insurance plans. Consequently, this has caused them to stay uninsured.

- Lack of awareness

As Chodokufa (2009) has stated, most of the services that are being offered to SMEs are not accessible by the SMEs in rural areas. And most of the SME owners are not aware of the existence or the role that insurance companies play. Adeoye (2018) mentioned that trust, publicity, dread of risk and choice of insurance products will affect insurance awareness.

- Lack of relationship between SMEs and Insurance Company

It is simpler for a firm to manage risks if it has an insurance policy and a solid working relationship with the insurer. An insurance provider must establish a solid rapport with

SMEs in order to serve them as clients (Wanjiru, 2011). As per Chodukofa (2009), it is simpler for insurance firms to determine the demands for insurance policies. Also, SMEs will realize that insurance companies are not after their money, but they are trying to protect them against any form of disruption that their business might encounter. Moreover, it will enable insurance providers to see SMEs as valuable investments rather than risks (Chodukofa, 2009).

3. METHODOLOGY

3.1. Conceptual framework

The following conceptual framework (Figure 1) was developed by the researcher based on Wanjiru's study in 2011 with the purpose of answering the research questions of the study.

The conceptual framework consists of six dependent variables namely: Lack of awareness, High premium cost and paperwork, Experience and beliefs, low income earned by SMEs, Lack of knowledge to fully understand the policy document and lack of relationship between SMEs and insurance were taken from a study carried by Wanjiru (2011) and "Acceptance level of insurance policies by SMEs in Sri Lanka" is identified as the dependent variable in this study. The constructs of these variables have been comprehensively explained in the literature review by use of various empirical evidence.

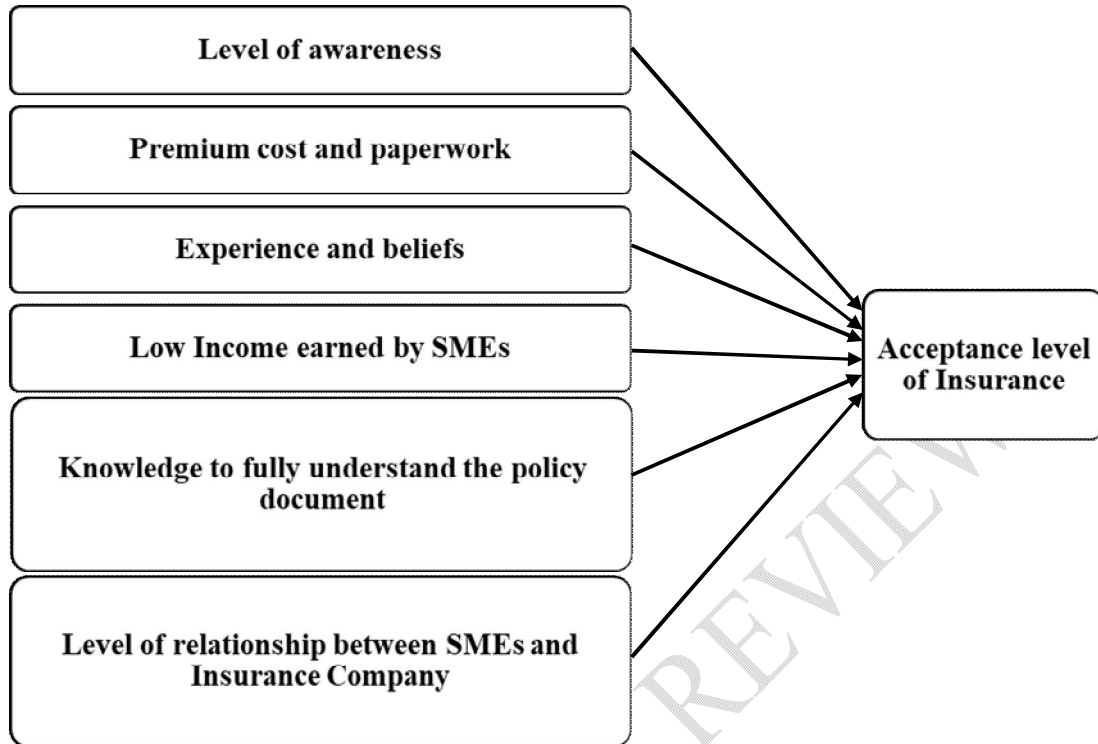


Fig. 1. Conceptual Framework

3.2. Hypothesis development

H1: Level of awareness has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.

H2: Premium cost and paperwork has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.

H3: Experience and beliefs has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.

H4: Low income earned by SMEs has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.

H5: Knowledge to fully understand the policy document has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.

H6: Level of relationship between SMEs and Insurance company has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.

3.3. Research Design

This study has employed a quantitative approach to investigate the determinants that hinders the purchase of insurance by SMEs. Within the quantitative approach, the study utilizes explanatory research design. The nature of the cause-and-effect relationship between the variables is explained using an explanatory method.

In order to conduct a survey for this study, a standard questionnaire was created. Questionnaire was developed to measure the variables identified under the conceptual framework. This study used cross-sectional design, in which questionnaires were distributed among SMEs in different parts of the country and data was gathered all at once.

Thus, the entire questionnaire for this study lists out a total of 55 questions. It was classified under 3 main sections. Section A comprised of Background Information (9 questions), Section B with reference to the Independent Variables (36 questions), Section C with reference to the Dependent Variable (10 questions). The items were measured on an itemized rating scale (five-point Likert-scale) with end points of 'Not at all' and 'Very high'.

3.4. Population and Sampling

This study is focused only from the SMEs perspective. Owners and managers who are running SMEs in Sri Lanka were identified as the unit of analysis under this study. The population comprises all SMEs operating in Sri Lanka. According to the last Economic Census carried out in 2013/2014, it is estimated that there are 1,019,681 business firms operating in Sri Lanka and statistics show that 71,126 are small scale establishments and 10,405 are medium scale enterprises.

385 SMEs conducting business activities were recruited for this study from predetermined districts, sectors of business, number of employees engaged in the business, number of years on business, annual turnover, availability of insurance, type of insurance and the coverage of insurance on SMEs within Sri Lanka. More emphasis was given for SMEs in the Colombo area, since Colombo is the market hub in the country where most of the businesses are carried out (Weerasingha, 2015).

The purposive sampling approach, which falls under the non-probability sampling category was used to choose sample units for this work. This sampling approach was employed since this study targets on collecting data from SMEs operating in Sri Lanka identified based on predetermined criteria which was provided under Ministry of Industry and Commerce's National Policy Framework for SME Development in Sri Lanka, 2015.

3.5. Data Analysis Methods

The sample profile is measured using frequency analysis. To evaluate the goodness of data, the reliability and validity measurement items are used. Here factor analysis, construct reliability, average variance extracted, Cronbach's alpha values and discriminant validity are examined. In order to test the hypothesis, multiple regression analysis is used. The multiple regression analysis is utilized to determine whether lack of awareness, high premium cost and paperwork, experience and beliefs, low-income level, lack of knowledge, lack of relationship between SMEs and Insurance company affect the acceptance level of insurance by SMEs in Sri Lanka. The statistical package for Social Science software version 21.0 was utilized.

4. RESULTS AND DISCUSSION

4.1. Response and Sample Profile

The survey was conducted using 385 SMEs in Sri Lanka. A self-administered questionnaire was distributed among 420 SMEs in Sri Lanka out of which 385 SMEs responded. This shows 92% response rate. The assisted to gather background information on the selected SME.

Out of the 385 respondents, most of the respondents were from Colombo district which is 78% of the total respondents. The study sample depicted twenty-nine (7.5%) respondents from Galle, thirty-two (8.3%) from Kandy and twenty-three (6%) respondents from Gampaha.

On sector wise, there were ninety-two (23.9%) SMEs who were into Food business, hundred and twelve (29.1%) SMEs were into Apparel sector, eight seven (22.6%) were into Personal Care, ninety-one (23.6%) SMEs were on Jewelry sector and three (8%) represented the other option.

Based on number of years on business, 1-5 years represented hundred and ninety-five (50.6%) SMEs, hundred and eighty-six (48.3%) representing 5-10 years and four (1%) SMEs showing 10-15 years on business.

Based on the annual turnover, SMEs earning Rs.100, 000- 1 million shows three hundred and seventy-two (96.6%) of the sample. Rs.1million – Rs.16 million representing ten (2.6%) and Rs.16 million – 30 million depicted three (8%) of the sample.

The study findings indicated that three hundred and seventy-five (97.4%) of the SMEs do not have an insurance cover. According to the sample taken to the study only ten (2.6%) SMEs had taken an insurance cover on their business.

Out of the SMEs who are having an insurance, three (0.8%) had Commercial Property Insurance cover, one (0.3%) has taken General Liability Insurance cover, five (1.3%)

have taken Workers' compensation Insurance and one (0.3%) SME has taken a Credit Insurance on their business.

The Coverage of Insurance taken on business was ranged from less than Rs.500, 000 to more than Rs.10 million. The sample indicated two (0.5%) SMEs having Rs.100, 000 – Rs.500, 000 insurance coverage, seven (1.8%) SMEs having Rs.500, 000 – Rs.1 million insurance coverage and there was one (0.3%) SME having Rs.1 million – Rs.10 million insurance cover.

Furthermore, when considering the period of the insurance cover the sample was ranged from less than five years to more than seven years. One (0.3%) SME represented 3-5 years, three (0.8%) SMEs represented 5-7 years and six (1.6%) SMEs represented more than 7 years.

4.2. Reliability analysis

The Cronbach's alpha shows questionnaire's general reliability and values between 0.7 and 0.8 are considered excellent for ability assessments (Chodokufa, 2009; Visser, Chodokufa, Amadi-Echendu, & Phillips, 2019).

Reliability testing was carried out on all questions on factors hindering the purchase of insurance by SMEs (Independent Variable) and on the acceptance level on insurance by SMEs (dependent variable) employing Cronbach's alpha and was found to conform with Cronbach's alpha which ensures the adequate reliability.

Table 1. Calculated Cronbach's Alpha values- Main Survey

Variable	Cronbach's Alpha Based on Standardized Items	Number of Items
Lack of Awareness	0.876	5
High Premium cost and paperwork	0.739	7
Experience and Beliefs	0.811	7
Low-income level	0.852	5

Lack of knowledge	0.803	7
Lack of relationship between insurance companies and SMEs	0.938	5
Acceptance Level of insurance by SMEs	0.898	10

Source: Survey Data

4.3. Factor analysis

The sampling adequacy of each variable measured using KMO (Kaiser Meyer Olkin) and Bartlett's Test reveals whether the data collected are measured by the items in the measure. The value of the variables was 0.60 or greater than 0.60, therefore it could be concluded that the sample size is adequate to check the validity of the variables of the study. KMO value of 0.60 or above shows good factor analysis (Vinayan, Jayashree, Marthandan, 2012). The P - value (Sig 0.00) indicates that there is a correlation between the items. Furthermore, the total variance explanation on all items is more than 50% which ensures the appropriateness of data on the measurement variables.

4.4. Mean Value calculation

Table 2 depicts the mean value calculation on all variables. Lack of Relationship between SMEs and Insurance companies shows the highest mean value.

Table 2. Mean and Standard Deviations

	Mean	Std. Deviation
MeanLA	1.6348	.62076
MeanHC	1.5394	.43729
MeanEB	1.5673	.44985
MeanLI	1.6068	.57160

MeanLK	1.5486	.44271
MeanLR	1.7990	.83217
MeanAcc	1.5803	.48264

Source: Survey Data

4.5. Correlation Analysis

Correlation analysis used to examine the strength of the relationship between independent variables revealed that correlations between Lack of Awareness, High Premium Cost and Paperwork, Experience and Beliefs, Low Income level, Lack of Knowledge, Lack of relationship between insurance companies and SMEs on Acceptance Level of Insurance by SMEs are statistically significant.

4.6. Multiple Regression Analysis

The primary objective of this study is to identify the factors that affect the Acceptance level of Insurance by SMEs in Sri Lanka. The dependent variable is Acceptance level of Insurance by SMEs and independent variables are Lack of Awareness, High Premium Cost and Paperwork, Experience and Beliefs, Low Income level, Lack of Knowledge and Lack of relationship between Insurance companies and SMEs. Here the Multiple Regression Analysis is employed to determine whether Lack of Awareness, High Premium Cost and Paperwork, Experience and Beliefs, Low Income level, Lack of Knowledge and Lack of relationship between Insurance companies and SMEs make a significant influence on the Acceptance level of Insurance by SMEs in Sri Lanka. The results of the regression analysis are presented in Table 3.

Table 3: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.809 ^a	.654	.648	.28617	2.017

Source: Survey Data

As shown in the table 3, Model Summary shows that the Lack of Awareness, High Premium Cost and Paperwork, Experience and Beliefs, Low Income level, Lack of

Knowledge and Lack of relationship between Insurance companies and SMEs are positively related on Acceptance Level on Insurance by SMEs with a coefficient of $R = .809$. The value of R square was .654, which means all 64.18% of the variation in Acceptance Level of Insurance by SMEs (dependent variable) could be explained by Lack of Awareness, High Premium Cost and Paperwork, Experience and Beliefs, Low Income level, Lack of Knowledge and Lack of relationship between Insurance companies and SMEs.

Table 4: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	58.494	6	9.749	119.045	.000 ^b
Residual	30.956	378	.082		
Total	89.450	384			

a. Dependent Variable: MeanDPV

b. Predictors: (Constant), MeanLR, MeanHC, MeanLK, MeanLI, MeanEB, MeanLA

Source: Survey Data

As shown in the Table 4, when tested at 95% level of significance and 5% of margin of error, it is evident that the Lack of Awareness, High Premium Cost and Paperwork, Experience and Beliefs, Low Income level, Lack of Knowledge and Lack of relationship between Insurance companies and SMEs have a significant impact on the Acceptance Level of insurance by SMEs. This is exhibited from the P value of 0.000 in table 4, which shows the significance of the model.

Table 5: Coefficients^a

Model		Unstandardized		Standardized		
		Coefficients		t	Sig.	
		B	Std. Error			Beta
1	(Constant)	.103	.063		1.630	.104
	MeanLA	.102	.040	.132	2.589	.010
	MeanHC	.067	.041	.060	1.622	.106
	MeanEB	.152	.049	.142	3.083	.002
	MeanLI	.280	.042	.331	6.618	.000

MeanLK	.328	.050	.301	6.535	.000
MeanLR	.006	.022	.011	.288	.773

a. Dependent Variable: MeanDPV

Source: Survey Data

As shown in the table 5, Lack of Awareness ($p = .010$), Experience and Beliefs ($p = .002$), Low Income level ($p = .000$) and Lack of Knowledge ($p = .000$) have a significance influence on the Acceptance Level of insurance by SMEs. Hence, these factors are significant determinants in determining the Acceptance level of Insurance by SMEs. Among the factors, Lack of Income recorded the highest beta value (beta = .331), and Lack of Knowledge recorded the second highest beta value (beta = .301). Lack of Relationship has recorded the lowest beta value (beta = .011).

The overall results of the hypothesis of the study, was derived through multiple regression analysis.

Table 6: Hypothesis Results

Hypothesis	Result
H1: Level of awareness has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.	Supported
H2: Premium cost and paperwork has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.	Rejected
H3: Experience and beliefs has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.	Supported
H4: Low income earned by SMEs has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.	Supported
H5: Knowledge to fully understand the policy document has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.	Supported
H6: Level of relationship between SMEs and Insurance company has a significant influence on the acceptance level of Insurance by SMEs in Sri Lanka.	Rejected

Source: Survey Data

4.7. Discussion

This study discovered that low income earned by SMEs has the most significant influence on the acceptance level of insurance policies. Lack of awareness and experience and beliefs has also made positive influence on acceptance level of insurance policies by SMEs. High premium cost and paperwork and lack of relationship between SMEs and Insurance companies have been identified as the factors with least impact on acceptance level of insurance policies by SMEs.

Findings indicated that lack of awareness by SMEs on insurance have prevented them from purchasing insurance policies that are being offered to them. This is in line with the findings of the Ajemunigbohun et al., (2018) that, there is a slightly positive relationship between insurance awareness and acceptance among small and medium enterprises. This contradicts the findings of Wanjiru (2011) study, that the lack of awareness does not prevent them from purchasing insurance. Jadi et al., (2014) added that small companies in Ghana are still subjected to hazards due to lack of understanding and confusion about the role of insurance as a risk transfer mechanism.

Also, findings revealed that experience and beliefs that were gained by SMEs throughout their business journey has led to hinder their acceptance to purchase insurance covers. This supports with the study of Jadi et al., (2014) inefficient insurance services such as claim delays caused by bureaucratic obstacles, insufficient compensation, exorbitant insurance premiums, misinterpretation of provisions and information asymmetry has been identified as main causes for the poor experience. This has led insurance to lost its allure and its ability to protect has been undermined.

Findings showed that lack of knowledge on insurance by SMEs have also mitigated them from purchasing insurance covers. This relates with the findings of Musah and Duker (2020) that there is a positive relationship in between knowledge on insurance by SMEs and demand for insurance by SMEs. Chodokufa (2009) in his study confirmed that degree of education and knowledge of insurance products had an impact on the purchase of an insurance policy by SME owners or managers. In the study of Musah and Duker (2020) it was reported that many people do not comprehend the idea of insurance and they believe that insurance is just for the wealthy, that is unnecessary or that is too expensive and unfair. Based on the above facts, it can be concluded that SME owners who are not familiar with insurance will be less likely to seek insurance.

When compared to large enterprises like multinational companies, SMEs earn less income from their business activities. This study has also revealed that demand for insurance policies is very much limited due to the low level of income earned by SMEs. This is in line with the findings of Musah and Duker (2020) where it was found that there

is a positive relationship with the level of income of SMEs and demand for insurance. Based on the above-mentioned justifications from prior research studies, it is expected that SMEs with high sales revenue would be able to buy insurance products than SMEs with lower sales revenue.

However, the findings of this study revealed that, lack of relationship and high premium cost and paper work do not affect on acceptance level of insurance by SMEs. This contradicts Wanjiru, (2011) findings who stated that premium cost and paper work and relationship in between SMEs and Insurance company significantly affect the acceptance level of insurance by SMEs. Also, it contradicts with the study of Chodokufa (2009) which claims that interactions between SMEs' owners or managers and insurance companies influence the degree of acceptance of insurance policies by SMEs.

5. CONCLUSION

SMEs are facing many risks behind their significant role. Despite the fact that insurance plays an important role in managing the risk, it is largely characterized due to the lack of legal understanding about the need of insuring oneself and one's organization. Insurance is essential for business owners to understand, and it should be acknowledged immediately from the outset. It is believed that as a result of this study, all SMEs' stakeholders would work with each other to increase the level of acceptance of insurance services. Insurance sector companies must consider the elements that drive the acceptance level of insurance by SMEs to guarantee that SMEs can use insurance to manage risk and safeguard their assets in an event of a disaster. As evidenced by the research, lack of awareness, experience and beliefs, low-income level and lack of knowledge that caused to inhibit acceptance level of insurance policies by SMEs. These factors should be taken into consideration by insurance companies in designing insurance policies for SMEs. This will make insurance more appealing and help to accomplish its objective of protecting SMEs. Finally, all SMEs must made aware of the need of having sufficient insurance coverage, as well as a clear understanding on the issues and have access to insurance industry experts. As a result, it can be inferred that insurance is an important risk transfer mechanism that all SMEs owners may use to safeguard their businesses and maintain the long-term viability of their operations.

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