

# FACTORS AFFECTING THE PATRONAGE OF INSURANCE SERVICES IN BORNO STATE, NIGERIA

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## ABSTRACT

*The study investigated into the factors affecting the patronage of insurance services in Borno state. A sample of four hundred was drawn from the population using quota sampling techniques. Tables, simple percentage and mean were used for data analysis. The result of the study indicated that lack of trust and confidence on insurance institutions, low educational background, low level of income, ignorance of different types of insurance services among others are the factors affecting patronage of insurance services in Borno state. It was recommended that strong and dynamic marketing strategy will help to reposition insurance industries enhance the patronage of the general public if they want to improve their productivity in this current economic meltdown.*

**Keywords:** *Insurance, patronage, Borno State*

## INTRODUCTION

The concept of insurance services is not a new phenomenon to the inhabitants of the north eastern part of Nigeria. This is because of the nature of the extended family unit and communal practices in the areas. For instance an individual or group in the community may suffer loss either through theft, flood disasters, farm destruction by pest or flood, fire disaster, death, accident or any form of loss. The immediate extended family and or some members of the community who are friends or neighbors will quickly come in to sympathize and support the person by way of gifts and personal donation in order to help reduce the suffering. This action could better be described as a traditional way of indemnity, which is restoring or putting back the insured in the position he was before suffering a loss. This role was gradually taken over by insurance industry in our modern society.

Nigeria insurance industry is where product of insurers are traded or transacted. It involves the buying and selling of intangible product of the insurers by the insured. Osoka (1993) and Pritcheet, Schmit, Deorpinghaus and Atheam (1996) also in their individual studies highlighted the role of insurance industry as not only providing payment to individual in the event of unexpected losses, but also introducing security

in personal and business pursuits and stability, providing social and welfare services which include easy access to medical health and also serves as bedrock of economic development of a nation.

However, despite the role played by insurance industry to individuals, businesses and economic development of the nation, it was discovered that people have poor attitude towards ownership and patronage of insurance policies. Brown (1993), Oniwinde (1996), and Garba (2008) while Atmanand (2003) and Omar (2007) in their study of life insurance identified poverty, low per capita income, lack of trust and confidence of insurance institution and lack of knowledge of insurance as being responsible for the poor patronages. The limitation to these studies is that their research were based on only life insurance, they did not look at the whole insurance services provided by the insurance industries. And this will lead us to the question as to why this low patronage to insurance services? What are the factors responsible for poor attitude of people towards ownership and patronage of insurance services? These are the questions this study seeks to investigate with the view of making recommendations so that insurance industries would use it to reposition itself in the present economic meltdown, so that individual or group will enjoy the maximum benefits of insurance services and also for the country's growth and development.

## **MATERIALS AND METHODS**

Maiduguri has long been the dominant city in the north eastern Nigeria and its location close to the republics of Chad, Niger and Cameroon gives it an increasing international significance, as center of commerce, transport, education, religion and administration (Maxlock, 1976). Within the country it is bordered by Yobe state and Jigawa state in North West and Gombe in the west and Adamawa State in the south. The city is located at latitude  $11^{\circ}51'$  north and longitude  $13^{\circ}5'$  east and it stands some 370.1 meters above sea level. The 2006 census gave the population as 521,492 with 290,449 male and 231,043 female (NPC, 2007).

Primary data were obtained through the use of research questionnaire designed and administered on 400 respondents in Maiduguri metropolis who are expected to patronize insurance services. Quota sampling technique (determined by the demographic characteristics of the respondent as shown on Table 2) was used. While secondary data were obtained from textbooks, journals and newspapers. The respondents rated the questionnaire items on a four point scale indicating the extent to which they agree or disagree with the content of each item. The rating scale was assigned values of 4, 3, 2 and 1 in order to correspond with the responses of agree, strongly agree, disagree and strongly disagree. Tables, simple percentage and mean were used to analyze the data.

In order to decide for each item in the questionnaire each mean response was interpreted in terms of lower and upper limit of the scale, whereby any item having 2.50 and above was accepted as agree while items rated below 2.50 were considered disagree as shown on the Table 1 below.

**Table 1:** Upper lower rating scale limit

Response categories	lower limit	upper limit
Strongly agree	3.50	4.49
Agree	2.50	3.49
Disagree	1.50	2.49
Strongly disagree	0.50	1.49

## RESULTS AND DISCUSSION

Table 2 results reveal the demographic characteristics of the respondents which gave a basis for the quota sampling techniques used for the research. About 50% of the respondents age range from 41 years and above while those with HND and first degree educational qualification with a percentage score of 34% forms the majority of the respondents. 73% are gainfully employed. While those that have property that can be insured are about 77% and about 26% of the respondents obtained insurance policies because of their type of profession. The implication of this demographic characteristic is that, given adequate marketing strategy by the insurance industry many will patronize the insurance services.

Table 3 shows the factors that affect the patronage of insurance services as indicated by respondents in terms of agree or disagree. It is obvious from item 1 that people are aware of the existence of insurance institutions in the state from the mean scale of 3.66 indicating people agreeing with the item. This result agrees with the findings of Brown (1993), Oniwinde (1996) and Garba (2008). That people are generally aware of the existence of insurance industries in this area, but choose not to patronize the services for some obvious reasons. Some of these reasons could be deduced from item 2, which has a mean scale of 1.73, showing people disagreement with the statement that people have trust and confidence in insurance industries. The implication of this finding is that so many people in Maiduguri do not trust insurance industries to the extent of them committing their finance to buy any policy. They will rather rely on their family members, friends and neighbors for support in case of unexpected loss.

Item 3 with a mean scale of 3.31 agree with the statement that people with higher education level tend to patronize insurance services than people with lower education. While result from item 4 disagrees with the statement that religion is a factor affecting the patronage of insurance services, item 5 and 6 with mean scale of 3.16 and 2.93 respectively agrees with the statement that low income level and ignorance about different insurance services in the state affects the patronage of insurance services. This result agrees with the studies of Atmanand (2003) and Omar (2007) that the lower the income level of people the lower their patronage of insurance services and also many people are ignorant about different services being offered by insurance industries.

Also results from the open ended question which permits respondent to specify other factors they feel in their own opinion affects the patronage of insurance services

indicated underemployment, professionalism lineage, ownership of property that can be insured and deceitful attitude of insurance industry when it comes to time of settlement should a loss occur. All of the factors revealed above are from the public point of view, but a further study testing the factors from insurance industry's respective will give opportunity for further study.

**Table 2:** Demographic characteristics of the respondent

Variations	Frequency	Percentage %
Age of respondent		
20-30	61	15
31-40	140	35
41 & above	199	50
Educational qualification		
Primary Education	10	3
Secondary/Religious	70	18
Diploma/NCE	85	21
HND/First Degree	137	34
2nd Degree	98	24
Employment data		
I am gainfully employed	290	73
I am underemployed	110	27
Real property ownership		
I have valuable property to insure	309	77
I don't have valuable property to ensure	93	23
Professionalism		
My profession insist on insurance	102	26
My profession does not insist on insurance	298	74

**Table 3:** Result of respondents on the factors affecting the patronage of insurance services in Maiduguri metropolis.

Factors	f	$\bar{x}$	Remarks
Generally people are aware of insurance institution in the state	400	3.66	Agree
People have trust and confidence in insurance industries and their service	400	1.73	Disagree
People with higher education level tend to patronize insurance service in Maiduguri	400	3.31	Agree
My religion is a factor that influence my decision in patronizing insurance services	400	2.15	Disagree
Low income level of people is affecting the patronage of insurance services	400	3.16	Agree
Ignorance about different insurances services is a factor affecting the patronage of insurance	400	2.93	Agree

**Source:** Field survey 2009

## CONCLUSION AND RECOMMENDATIONS

Based on the findings of the study it was discovered that there are numerous factors affecting the patronage of insurance services in Borno State. These factors range from lack of trust and confidence in insurance institution, low level of income, ignorance of different types of insurance services, high cost of insurance policies, underemployment to the type of professional lineage and those with real property ownership. It is obvious that these factors may have direct effect on the productivity of insurance industries in Borno State and Nigeria at large.

Therefore the following recommendations will help the insurance companies to cope and survive the present economic meltdown by improving its performance for the benefit of the nation:

- i. Marketing of insurance appears to have weakness, therefore the industry should develop a strong marketing strategy that will further stimulate and boost patronage of the general public to insurances services.
- ii. The industry should launch a massive campaign that will change people's perception about the institution. They should work hard on selling a good image about insurance industry to the general public through the mass media.
- iii. To redress the problem of lack of trust and confidence on insurance, the general public should be taught and educated on different insurance policies. Rules guiding the policies should be well explained to the customer and in the event of payment of premium or dividend; the industry should do so promptly otherwise they will continue to be seen as deceivers.
- iv. Apart from the recent capitalization of the insurance industries, government can boost public confidence by insuring that insurance industry adhere strictly to the rule of law, accountability and transparency in their dealing with the general public.
- v. The insurance companies should equally educate their customers on some safety measures commensurate with the type of insurance cover they undertake. This will help reduce the rate at which their customers suffer losses thus serving the insurance companies cost of indemnity.

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