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## **Willingness To Demand Taxi Micro-Insurance In Ghana**



## Abstract

Taxi drivers are major players in the Ghanaian economy because of the vital role they play in the provision of transport services. This is due to the absence of underground trains and scheduled buses. They are however generally poor and face a number of risks in their profession. Churchill (2006, p.12), defines micro-insurance as “the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.” Although enough evidence exists between the success of micro-insurance and poverty reduction in the informal sector (Akotey, Osei, & Gemegah, 2011; Churchill, 2007), taxi micro-insurance sales started declining three years after its introduction (Vanguard Management Report, 2010). Vanguard Management Report (2010, p.10) alleged that the decline started when the non-conventional factors were de-emphasized in the product offering. This study therefore, sought to investigate the correlation between these non-conventional factors and willingness to demand taxi micro-insurance. Existing studies (Giesbert, 2008; Akotey et al., 2011) on micro-insurance did not look at the association of the non-conventional factors with willingness to demand taxi micro-insurance. This study fills this gap. This study adopted a quantitative approach that investigated the correlation between the dependent and independent variables as used by similar studies such as Giesbert (2008) and Akotey et al (2011). The population of the study consists of unionized taxi drivers in Ghana made of 5,000 taxi unions. A stratified sample of 200 taxi unions was drawn from the population of 5,000 taxi unions. Cross-sectional primary data was collected using structured questionnaire. The micro-insurance demand model used by similar studies such as Akotey et al. (2011) and Giesbert (2008) was also adapted. For the analysis, descriptive statistics were used to summarize the data and inference statistics were ran using the Probit Model. This study identifies premium flexibility, income, price of related goods and expectation of future price changes as conventional micro-insurance demand factors which are positively related to the willingness to demand taxi micro-insurance in Ghana. Furthermore: prompt claim payment, benefits when no loss occurs, aggregators and branded tailored products were each identified as non-conventional factors which are positively related to the demand for taxi micro-insurance in Ghana. The study recommends that insurers should settle claims promptly, incorporate monthly premium payment into their product offering and adopt innovative aggregators such mobile network providers as distribution networks. The study also advised government to explore tax incentives to stimulate greater demand for micro-insurance. The study contributed to existing literature by advocating that the meaning of premium flexibility should be changed to ease of payment.