

## Article Title

### **Insurance uptake among small and medium-sized tourism and hospitality enterprises in a resource-scarce environment**

## Citation

**By Dayour, Frederick; Adongo, Charles A.; Kimbu, Albert N.. In Tourism Management Perspectives.**

## Abstract

Small and medium-sized tourism and hospitality enterprises (SMTHEs) are often susceptible to various hazards, which result in risk concerns. Insurance is recognised as one of the risk management strategies, but evidence indicates that insurance uptake among SMTHEs has been low. Yet, researchers have hardly researched into the factors that influence insurance uptake among SMTHEs. Two-hundred and fifty (250) respondents were selected using a multi-stage sampling technique. Confirmatory factor analysis, multivariate logit and probit regression techniques were used to determine factors underlying SMTHEs' insurance uptake. Risk concerns, the firm's characteristics, the perceived benefits of insurance and other informal risk coping mechanisms, as well as insurance service provision concerns were identified as determinants of insurance uptake. This is one of the first papers to offer a holistic understanding of the factors influencing SMTHEs' insurance subscription in a resource-scarce destination of Sub-Saharan Africa.

## Summary

The study established various concerns and perceptions that affect insurance uptake by SMTHEs such as perceived risks, perceived benefits, scheme related factors and other coping mechanisms. Thus, there is a need for insurance companies in Ghana and other sub-Saharan African countries to design bespoke insurance packages and marketing campaigns to address such perceptions and concerns. Likewise, it is necessary for insurers to specifically target restaurants, artisans and non-owner managers because of their reluctance towards insurance uptake. For instance, while promotional packages or tailored packages may be relevant to these sub-sectors, more sensitisation is required to let non-owner managers appreciate the need to insure their businesses against likely volatilities in the industry.

The study also revealed that the demand for insurance among SMTHEs was positively influenced by the perceived usefulness of insurance covers, that is, 1) insurance providing compensation for losses, 2) helping to revamp businesses and 3) contributing to business security. It is, therefore, encouraged that education/sensitization is continued in this regard to enable many businesses to take advantage of insurance.

Furthermore, the cost of premiums appeared as an inhibitor to insurance uptake by SMTHEs. Hence, insurers in the region could aim at developing tailored packages that would suit the needs of SMTHEs at affordable premiums. If insurers can target SMTHEs as groups, they could reduce administrative costs and hence reduce premiums. Also, the incorporation of flexible payment terms for premiums as well as advice on risks control could reduce the severity of losses associated with disasters hence help keep premiums from soaring.

Finally, the reliance on personal savings and support from family, kin and friends as a means of financing businesses should be noted as an unsustainable coping mechanism by SMTHEs. This is because it can incapacitate businesses during disasters especially when savings are not enough to absorb a shock. Therefore, the possible risk associated with such an indigenous savings culture could be buffered using suitable insurance covers by SMTHEs.