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PERCEPTIONS ON THE INFLUENCE OF MICROINSURANCE POLICIES ON HOUSEHOLD ECONOMIC STABILITY OF LOW INCOME EARNERS IN KIBERA

Elizabeth Wanjiku Cushny, Dr. Jesse Role and Dr. Daniel Bwonda



Strategy

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^{1*}Elizabeth Wanjiku Cushny

¹Post Graduate Student: University of Eastern Africa, Baraton

*Corresponding Author's Email: cushnye@gmail.com

²Dr. Jesse Role and ³Dr. Daniel Bwonda

Lecturers: University of Eastern Africa, Baraton

Abstract

Purpose: The purpose of this study was to investigate the perceptions on the influence of micro insurance policies on household economic stability of low income earners in Kibera.

Methodology: The study used a descriptive research design. A sample of 118 policyholders was selected using simple random sampling technique. Structured questionnaires were administered and descriptive analysis (frequency, percentages, mean and standard deviation) conducted. Chi-Square test was conducted on variables of interest.

Results: The study found that micro-insurance has financially impacted the lives of the low-income households, promoted equity and access to services such as healthcare, education, financial services among others, and has psychological effects of promoting peace of mind to the policyholders owing to financial independence.

Unique contribution to theory, practice and policy: Low-income earners in Kibera and elsewhere should subscribe for micro-insurance as it is the sure way of shielding themselves from risks and future uncertainty. This would ensure that their children conclude their education successfully; their family doesn't bear economic loss or medical expense in case of illness and disability. From the savings plan, they can also be assured of financial health irrespective of their career status. They can easily access credit depending on their sum assured as creditors increasingly accept insurance as collateral

Keywords: *Financial impact, micro insurance*

1.0 INTRODUCTION

1.1 Background of the Study

In September 2011, a fire broke out in Kenya's Sinai slums killing hundreds of its residents. It destroyed property worth millions and took away the livelihood of the rest of the slum dwellers. A few months later before the ashes of Sinai settled, in yet another slum another fire broke out and with it the lives of two children were snuffed out, property worth thousands destroyed and the livelihood and shelter of a few other hundred people reduced to ashes. And just as normalcy began to return again, the rainy season set in and before it was over the homes of many lay in heaps, their livelihoods forever destroyed. While this isolated cases are painful and life altering, they are not unique and are have been witnessed all through Kenya's history.

The lives of the poor and vulnerable not only in Kenya but in the rest of the world continue to be devastated by the greatest of human and natural catastrophes due to their already hazardous living and working conditions and sinking them into greater and irrecoverable abject poverty. As if the risks of human and natural disasters are not enough for them to contend with, they also face immense health issues stemming from the deplorable living and working conditions they have to contend with, unstable incomes (as they are mostly wage earners with no stable income and lack of excess capital to invest in side businesses that can generate a constant and dependable income), and high mortality rates. These risks upon materialization effectively send the poor household spiraling down the poverty line into severe abject poverty with no hope of return to some semblance of decency.

Although it is a relatively recent concept, micro-insurance is quite popular around the world. In many countries, micro-insurance models are already an integral part of the implementation process of a comprehensive social protection system (Jacquier, 2006). Indeed, according to Roth et al. (2007), only 23 of the 100 poorest countries in the world do not have micro-insurance programs. Despite this growth, among the 77 countries that do have such programs, only two have more than 21 providers (India and Mali), two have between 11 and 21 providers, and 73 have fewer than 11 providers (Roth, 2007).

In Central and South America, 7.8 million people (about 10% of the entire population) are covered by micro-insurance; the majority of these, 6.7 million people, are from Colombia and Peru (Roth, 2007). In Peru, most of the micro-insurance is conducted through credit unions and relates to life insurance (more than 3.3 million); in Colombia, most of the life insurance policies (2.5 million) are linked to an entity that also offers funeral insurance. In Africa, micro-insurance is quite limited, corresponding to a mere 4% (3.5 million) of all lives insured of the 100 poorest countries in the world. Moreover, approximately 1.6 million of those insured are living on less than US\$2 per day (Roth, 2007).

Most of the lives insured by micro-insurance in the 100 poorest countries come from Asia, which includes more than 67 million lives insured, approximately 58 million of whom live on less than US\$2 per day (Roth, 2007). The majority (more than 58 million) is concentrated in India (more than 30 million) and China (more than 28 million). Nevertheless, more than 97% of poor people in Asia do not have any kind of micro-insurance coverage (Roth, 2007).

53% of Kenyans have incomes between US\$ 2 and US\$ 10 per day¹, representing 10.8 million adults, categorizing them as poor according to PovCalNet, (2010). The introduction of micro-insurance is however the long awaited hope at the end of the tunnel. In exchange for a minimal premium split into smaller installments, micro-insurance promises to be the liberator of the vulnerable in society by breaking the cycle of poverty that binds them. In Kenya particularly, micro-insurance is being viewed as an important avenue through which to provide economic liberation to the impoverished and the often forgotten. The rolling out of micro-insurance products in Kenya is a great feat indeed considering majority of our population earns below two dollars a day (PovCalNet, 2010) and can neither afford basic healthcare nor does it have any excess capital to put aside for an additional income with which to free themselves from the bonds of poverty.

The micro-insurance packages introduced in Kenya cover various risks including basic health care, livestock, destruction of property through natural disasters (and man-made disasters too but with many conditions) disability and death. The micro-insurance package that has now been in the market for three years has accomplished a lot in the field of agriculture, the field in which it was first piloted. Hundreds of farmers in Nyahururu and Nyandarua districts received settlements for failed rains that resulted in drought. Furthermore, many more have benefited from the death and disability settlements that allowed them to receive lump sum payments upon the deaths of the policy holders who in most cases were also the bread-earners of the households.

1.2 Statement of the Problem

Kenya is a country faced with an increasing social and financial gap between the rich and the poor. The larger majority of its population has no access to health care and faces an increasing risk of sinking further into poverty should disaster of any magnitude strike. This study intends to give evidence that indeed micro-insurance is positively impacting the lives of low-income households in Kenya by raising their standards of living financially through empowering them to fend for themselves, have access to healthcare services and ensuring a secured future through education of their children which in the long-run also ensures freedom from poverty for their future generations. This freedom from poverty is a one of the means through which overall economic and political stability can be achieved in Kenya. A population gripped by poverty and hopelessness is a ticking time bomb should there arise any political upheaval. The study was, therefore, intended to ascertain the impact of micro-insurance on low income households in Kenya.

1.3 Objectives of the Study

1. To identify the financial impact of micro-insurance on low-income Kibera on the policy holder and the community
2. To identify the role played by micro-insurance in guaranteeing access to services and promoting equity
3. To identify micro insurance's contribution towards promoting peace of mind and as such encouraging investment in business and education

2.0 LITERATURE REVIEW

2.1 Social Protection

Social protection is internationally recognized as a human right. However, it has not been sufficiently provided for by the governments of most developing countries and vulnerable people are often unable to improve their socio-economic situation; they are reluctant and most often unable to invest excess income into business or education. Wealthy households can afford to buy all kinds of private insurance, civil servants are usually entitled to tax-funded pensions (NSSF) and highly subsidized medical treatment (NHIF) while workers in low income households in the informal sector rely on, and often benefit from, support from relatives and neighbors. In addition, there is the new upsurge of self-help groups (referred to as “Chamaas”) organized to help their members with soft loans, help during burials, weddings and other major life stages. While such non-formalized social protection schemes are of considerable importance for their members, they remain limited in terms of their scope and scale (Deblon, 2010; Loewe 2010).

It is often the case that such schemes are insufficiently reliable because they are based on moral obligations and goodwill rather than on formal obligation. There is no mechanism that allows for members to enforce the provision of benefits in the event of default, and these schemes are also often susceptible to economic stress say for example should the country experience inflation as was witnessed in Kenya's 2011-2012 financial year with inflation raising to an alarming 19% from a previous 12% (Central Bank of Kenya, 2012). Microinsurance is one potentially effective instrument for overcoming this situation. Its ultimate goal is to reduce the vulnerability of people living on low incomes by enabling them to manage risks more efficiently. It is thus a social protection instrument, which should not be overlooked when developing social policy strategies.

In understanding the need for social protection and its provision by micro-insurance, it is important to clearly define it. To do so, the author of the thesis applies various risks that fall under the social protection scope e.g., decline in the income for a person or household (e.g. unemployment), rise in expenditure (e.g. inflation), illness, death or disability. The existence of these outlined risks and the lack of preparedness for these risks leads to vulnerability that the household will suffer significantly should the risk occur. Poor households are more vulnerable and more exposed to higher risks due to their hazardous living and working conditions. Furthermore, they have fewer or no assets that can be sold off to offset expenses incurred during an emergency such as sudden disability or death, or to diversify their sources of income (e.g.,

from wages or a salary to income from a business), or to offer as security for a loan (Loewe,2005; Eisen, 2000). Social protection therefore serves three key functions which are: prevention, promotion and promotion.

2.2 Financial Protection

Financial protection occurs when micro-insurance protects low-income households from using inefficient coping mechanisms in response to shocks and stress such as depleting savings and additional supplies of food and livestock, selling valuable and sometimes income-generating possessions such as a bicycle used for boda-boda transportation, borrowing at high interest rates (as most often they borrow from loan sharks who take advantage of their desperation to hike prices and give high interest rates or take up emergency loans which also come with high interest rates), adjusting labor supply through working in unhealthy and life-threatening circumstances sometimes for even twenty hours a day, altering purchasing and consumption patterns of important items such as medication (especially for the HIV+ who as recently witnessed in Kibera sell their ARV medication) and withdrawing children from school to generate the resources necessary to handle the shocks involved.

As such, micro-insurance is primarily aimed at preventing undesirable events from exacerbating and entrenching policyholders' poverty (Morduch, 1995). Besides reducing reactive measures taken by households in crisis, the financial protection provided by micro-insurance allows individuals to make decisions that improve their incomes and standards of living. These include choices related to buying assets such as jikos for small road side businesses, bicycles for boda-boda transportation or seeds for an uncertain planting season as they are more likely to make these kinds of capital decisions, when the financial repercussions of losing or breaking them are mitigated (Syngenta Foundation).

Similarly, micro-insurance is believed to encourage "households to allocate resources to more profitable ends (which were previously excluded for being too risky)" (Morduch, 1995). For example, in the absence of agricultural insurance, farmers hedge against uncertainty by planting a variety of crops that can survive diverse weather conditions. Therefore, if particularly poor weather ruins a portion of the harvest during the growing season, farmers will still be in a position to sell or consume. While this arrangement protects them from growing a single crop that fails completely or falling victim to a collapse in commodity prices, it also prevents farmers from growing more of the most high-value items or from achieving economies of scale in purchasing crop inputs– circumstances which micro-insurance is supposed to alleviate (Syngenta Foundation).

In this context, labor is thought to be another allocable resource, with low-income households engaging in several income-generating activities to manage uncertainty in the absence of insurance. Therefore, if flour prices increase or rains make the roads impassable, for example, bakers and boda-boda drivers can rely upon other lines of work. While these arrangements are appropriate if risks are unmitigated, they prevent people from maximizing their incomes and

productive output and therefore present another medium through which micro-insurance can impact clients (Dercon, 2010).

According to Ralf et al., 2010, out-of-pocket (OOP) and catastrophic spending expenditures incurred by non-policy holders often has a deep negative financial impact on them. This is well illustrated during times of catastrophes whether natural or man-made when already the poor and vulnerable victims have to part with more money for transportation, hospitalization and medication not to mention bribery. OOP costs exclude the value of opportunities (like paid labor) forgone while accessing insurance cover. OOP expenditure becomes catastrophic when it absorbs a considerable amount of annual household income (often defined as 10 per cent) (There is some debate on what parameters most accurately capture catastrophic expenditure: researchers for the World Health Organization, for example, define catastrophic costs as exceeding 40 per cent of a household's "capacity to pay", which in turn constitutes total household income minus subsistence expenditure (Xu, 2003)

While frequently used in the context of expensive hospitalization, this measure is applicable to all insurable risks, including death, disability, theft and disasters. When micro-insurance absorbs the costs of these events, it reduces or avoids the incidence and depth of the resulting outlays and accompanying descent of households into (deeper) poverty (Jütting, 2004).

Health micro-insurance generally refunds the costs of medical treatment to policyholders, irrespective of their income or assets. That means that for any given package the insurer expects to spend on average the same amount on the benefits provided to all policyholders. This therefore means that it cannot sell the package to low-income clients at a lower price than that for high-income clients. At best, it can offer poor clients a slimmed-down package that does not cover certain illnesses, excludes very expensive medical treatments or is restricted to a certain maximum annual amount. Insurance is most effective when it covers very high expenditure: typically, many policyholders can provide for small expenses through their own savings. Nevertheless, for low-income clients a limited- benefits package that refunds at least some healthcare costs (e.g. only inpatient services) can still help in the absence of social health insurance schemes (CIC Insurance web page).

Three of the well-documented ways that low-income people raise funds to afford the OOP expenses following adverse events are selling assets, depleting savings and borrowing (Townsend, 1998). While selling assets, particularly productive ones, reduces future income and/or consumption, each of these techniques further slows households' progress out of poverty and lowers their ability to absorb future uninsured shocks and can perpetuate these problems across generations if the loan cannot be repaid easily or quickly. By enabling policyholders to mitigate the effects of unfortunate events without resorting to these practices, micro-insurance is believed to protect their assets and savings. Schemes that provide cashless claims arrangements instead of reimbursing the insured are believed to be more effective in this respect because they eliminate the need to pay out a lump sum before the insurance reimburses the cost of the service (Ralf Radermacher, Heidi McGowan and Stefan Dercon, 2010).

Since just two studies out of those so far examined by the author have analyzed microinsurance's impact on raising funds, it is hard to provide a conclusive answer. Aggarwal's (2010) investigation of India's Yeshasvini scheme (one of India's founding micro-insurance) found that subscribers borrowed approximately 30 to 36 per cent less to finance medical surgery than their uninsured counterparts. With the inclusion of asset sales, Yeshasvini's lower-income policyholders were additionally determined to borrow and sell at a statistically significant 61 per cent less to fund their use of primary health care. Similarly, an assessment of a Filipino typhoon re-housing scheme by Morsink et al. (2012) found that it mitigated the extent to which policyholders pursued coping strategies that included selling assets and exhausting savings after typhoons damaged their homes.

Adverse events and the need to raise funds to meet related OOP expenditure can affect households' amounts of income and consumption in several ways. Many shocks, such as the illness or death of breadwinners or income-generating livestock, the theft or breakdown of capital assets and the destruction wrought by disasters such as the recent Sinai Fire Disaster in Nairobi's Pipeline estate, can curtail earnings while imposing the twin challenges of both coping with the expense of the events in question and continuing to meet on-going household needs. Under these circumstances, low-income people take a range of undesirable actions such as eating less or less nutritious food.

By reducing the financial burden of shocks, micro-insurance aims to enable policyholders to maintain their incomes and standards of living in times of crisis. Microinsurance can also stabilize, and in some instance even increase, subscribers' incomes and subsequent consumption in other ways. If cover improves members' health or the productivity of livestock or equipment, for example, through better access to health or veterinary care or information on optimal maintenance, the people, animals or products in question might be capable of producing more or higher quality goods and services (Dercon, 2010).

2.3 Access to Services

Microinsurance is believed to have several basic effects in terms of access to services. Foremost among these is improving policyholders' and beneficiaries' ability to obtain covered benefits quickly and cost-effectively, which in turn theoretically increases service utilization rates (Microinsurance Compendium, 2011). Second, for health-related cover, higher utilization rates mean potentially better health outcomes, an important achievement given that healthier people can work longer hours, get higher salaries, enjoy increased immunity and more easily acquire human capital through learning.

Third, health micro-insurers often contract with, or otherwise encourage policyholders to use, modern medical providers, which are further believed to bolster health outcomes by enabling them to bypass traditional, religious and "quack" healers. Since microinsurers sometimes negotiate service standards with selected providers in advance, place customer advocates in hospitals, build new facilities and employ skilled personnel for their clients' use, they are similarly assumed to facilitate the provision of higher-quality care (Dercon, 2010).

Additionally, by improving low-income people's access to these services, micro-insurance is also thought to increase equality both spatially, and between economic and gender groups (spatial equality relates to service accessibility by people in different distances from the points of service provision). For example, people living closer to a hospital have easier access and thus higher utilization rates than those living far away; spatial inequality (Xu, 2008). By incentivizing the most distant clients with lower premiums, transportation subsidies and telemedicine (among others), micro-insurance schemes can correct these imbalances and promote more consistent utilization across geographic regions. For example, minimizing waiting times for and increasing utilization rates of veterinary services are key aspects of livestock policies (Aggarwal, 2010).

2.4 Psychological Effects

Psychologically, micro-insurance is perceived to promote increased peace of mind and individual empowerment just as regular insurance does. Regarding peace of mind, for example, micro-insurance can be seen to alleviate fear and stress by increasing members' sense of security about the future (Microinsurance Compendium, 2011).

2.5 Community Impact

Microinsurance also impacts the community in which it operates in through job creation, investment, infrastructural and regulatory changes and financial literacy.

3.0 RESEARCH METHODOLOGY

The study used a descriptive research design. A sample of 118 policyholders was selected using simple random sampling technique. Structured questionnaires were administered and descriptive analysis (frequency, percentages, mean and standard deviation) conducted. Chi-Square test was conducted on variables of interest.

4.0 PRESENTATION OF FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Financial Impact of Micro insurance

4.1.1 Children would not be forced out of school should parent die or become disabled

The study sought to establish the level to which the respondents agreed with the statement that their children will not be forced out of school in case they died, got disabled or lost their job.. The results indicate that 48.2% agreed while a further 18.2% strongly agreed with the statement, bringing to a total of 66.4% of those who generally agreed. However, 22.7% of the respondents disagreed and 1.8% strongly disagreed. A total 3.29 mean further strengthened the implication that Microinsurance cushions the children of low-income earners from being sent out of school should the policyholder die, become disabled or unemployed.

The findings agree with those in Murdoch (1995) who noted that micro-insurance protects policyholders from financial consequences of various risks, including illness and the financially

incapacitating consequences of death such as withdrawing children from school to generate the resources necessary to handle the shocks involved.

4.1.2 Policy provides Funeral Cover

The respondents were required to state the level of agreement on whether their policy provides them with a funeral cover. The findings showed that 69.1% of the respondents agreed, 5.5% strongly agreed, 11.8% disagreed while 1.8% strongly disagreed. A high percentage rate of 74.6% and strong mean of 3.65 therefore depicts that the respondents' policies have funeral cover. Similarly, Roth (2007) findings acknowledge the fact that micro-insurance has evolved to include funeral cover.

4.1.3 Funeral Policy cover Extends to other family members

The study sought to establish the level of the respondents' agreement or otherwise on whether the funeral cover extends to the policyholders' family and besides themselves. Results showed that 68.2% of the respondents agreed with the statement, 11.8% neither agreed nor disagreed, 17.3% disagreed and 1.8% strongly disagreed. This depicts that a majority 70% with a total mean of 3.49 had funeral covers for the family and self. Anja (2010) states that funeral expenses are too burdensome for the bereaved family including: transportation of the body to the ancestral land, the coffin and food for mourners for the duration of the mourning period. Thus, insurance companies and hearse service providers have invented ways of offering insurance-type products to pay for funeral expenses.

4.1.4 Policy Covers the Cost of Prosthetics

The study sought to determine whether the respondents' policy covers the cost of prosthetics should they become disabled. Results shows that 46.4% of the respondents agreed with the statement, 13.6% strongly agreed, 19.1% disagreed while 20.9% were neutral. Thus, for a majority 60%, their policy covered the cost of prosthetics should they become disabled. A mean of 3.55 and standard deviation of .955 further strengthen this. Loewe (2005) contends that poor households are more vulnerable and predisposed to higher risks of becoming disabled due to their hazardous living and working conditions. Loewe, thus, findings advocates for insurance covers meet cost of such illnesses.

4.1.5 Policy has enhanced respondents investments

The study sought to determine if the respondents' policy has enabled them to invest more e.g. in another business or in their children's education. The findings indicated that 31.8% of the respondents disagreed with the statement, 33.6% were neutral, 21.8% agreed and 10% strongly agreed. This implies that for most of the respondents, their policy neither facilitated nor hampered their investment other businesses nor children's education. This finding is contrary to Mamun's (2007) who established that micro-insurance covers act as alternative mechanisms to give the poor security to their investments.

4.1.6 Having a policy has enabled the respondents to cope from a tragedy

The respondents were asked to indicate their level of agreement on the statement that having a micro-insurance policy has enabled them cope from tragedy. The findings showed that 50% of the respondents agreed, 13.6% strongly agreed, 17.3% were neutral while 19.1% disagreed. A mean of 3.58 and standard deviation of .952 compounded with the 50% respondents that agreed implies that the micro-insurance policy generally enabled them cope with and from tragedy. This is in line with Jütting (2004) who found that micro-insurance absorbs the costs of undesirable and unpredicted events such as death, disability, theft and other disasters. He posited that micro-insurance reduces incidence and depth of the event consequences and descent of households into (deeper) poverty.

4.1.7 Policy prevented the policy holders from solely depending on the charity of friends when tragedy struck

The study sought answers to whether having a micro-insurance policy prevented the respondents from depending on the charity of their friends when tragedy struck. Results indicated that 26.4% of the respondents strongly agreed, 23.6% agreed, 18.2% were neutral while 31.8% disagree. This compounded with the mean of 3.45 and standard deviation of 1.193 depicts that micro-insurance policy reduces dependence on the charity from friends when tragedy struck.

4.1.8 Policy prevented policy holders from wholly depending on the charity of family members when tragedy struck

Further, answers as to whether having a micro-insurance policy prevented the respondents from depending on the charity of their extended family when tragedy struck was sought. Results showed that 26.4% of the respondents strongly agreed on the statement, 21.8% agreed, 35.5% disagreed while 16.4 were neutral. This along with the mean of 3.39 and standard deviation of 1.220 implies that there was a slight concurrence on micro-insurance policy prevented respondent from depending on charity from extended family. This could owe to the natural cohesion between the respondents and their family who generally support one another in times of tragedy. Murdoch (2006) states that micro-insurance helps to break the vulnerability jinx that plagues those in poverty. That is, earthquakes, floods, drought, disease, crime all tend to hit the poorest hardest.

4.1.9 Pulling children out of school to provide additional labor during a tragedy

On whether the respondents would have had to pull their children out of school to provide additional labor to cope with tragedy were they without micro-insurance policy, findings showed that 23.6% strongly agreed, 20% agreed, 36.4% disagreed and 19.1% were neutral. This along with a mean of 3.29 illustrates that the children of low income earners would be out of school and into child labour to cope with tragedy in the absence of insurance policies. PovCalNet (2010) established that among the poor, children are often pulled out of school as additional labor to ensure the family's survival in times of tragedy. Kabubo-Mariara (2007) also asserts that, with

micro-insurance, loss of breadwinner in the household does not lead to the descent of the household into even greater poverty.

4.1.10 Policy has increased enlightened in the areas of finance and insurance

The respondents were asked to indicate their level of agreement on the statement that having a micro-insurance policy has made them more enlightened on the areas of finance and insurance. The findings showed that 59.1% of the respondents agreed, 20.9% strongly agreed, 17.3% disagreed while 2.7% were neutral. This along with a mean of 3.84 and standard deviation of .984 means that the micro-insurance policy enlightens the low-income earners in the areas of finance and insurance. Likewise, Ahmed (2005) documents that micro-insurance providers increase overall financial literacy and nurture an insurance culture in their areas of operation. Microinsurance, thus, enables even uninsured people to develop an awareness and understanding of risk management tools and principles.

4.1.11 Policy prevented policy holders from selling assets to cope with a tragedy

The study sought to determine if the respondents' micro-insurance policy has prevented them from selling their assets to cope with a tragedy. The findings indicated that 40% of the respondents agreed, 20% strongly agreed, were neutral and strongly agreed with the statement. This implies that for most of the low income earners, micro-insurance policies prevented them from selling their assets during tragedy. Similarly, Reinhardt (2009) established that micro-insurance is means through which the poor amass a lump sum of savings through avenues such as long-term life insurance policy. They, thus, build assets and are shielded from personally and wholly incurring cost of tragedy or risks.

4.2 Micro-insurance Promoting Equity and Access to Services

4.2.1 Policy provides access to medical services

The study sought to establish the extent to which the respondents agreed with the statement that having micro-insurance policy gives them access to medical services. The findings revealed that 51.8% agreed while a further 19.1% strongly agreed, bringing to total of 70.9% of those who agreed with the statement. This implies that micro-insurance has played a positive role in guaranteeing access to medical services. Mamun (2007) established that there are different categories of micro-insurance policy cover and health cover is among the list.

4.2.2 Policy provides a savings plan

The respondents were required to state the level of agreement on whether their micro-insurance policy provides them with a savings plan. Results showed that 48.2% of the respondents agreed, 17.3% strongly agreed, 13.6% disagreed while 20.9% were neutral. This depicts that the respondents' policies have saving plans. Reinhardt (2010) asserts that through products like long-term life insurance policy, the poor can amass a lump sum of savings.

4.2.3 Policy provides access to credit

The study sought answers as to whether the respondents' micro-insurance policy has given them access to credit. The findings showed that 48.2% of the respondents agreed, 11.8% strongly agreed, 12.7% disagreed while 27.3% were neutral. This depicts that the respondents' policies has enhanced access to credit. The findings reinforce Churchill's (2009) that micro-insurance unlock access to credit by covering some of the risks (e.g. drought, excess rain and livestock death) that a lender does not want to assume. Thus, in case of credit for businesses such as livestock rearing and farming, the poor households easily get credit.

4.2.4 Micro-insurance provides policy holders with a sense of equity

The study sought to determine whether the micro-insurance policy has provided the respondent with a sense of equity by accessing quality healthcare like other citizens. Results showed that 49.1% of the respondents agreed with the statement, 12.7% strongly agreed, 15.5% disagreed while 22.7% were neutral. Thus, for a majority, their policy cover promoted equity since it enabled access of quality healthcare like other citizens. Wagstaff (2009) states that well-designed micro-insurance policies address historic, economic, spatial, and gender disparities in the provision quality medical care.

4.2.5 Micro-insurance provides policy holders families with a sense of equity

The study sought answers to whether micro-insurance has provided the respondent with a sense of equity as their family can access quality healthcare like other citizens. Results indicated that 50% of the respondents agreed, 7.3% strongly agreed, 22.7% were neutral while 20% disagree. This depicts that micro-insurance policy has promoted equity as it enabled the low income earners' family to access at least quality hospitals. As stated earlier, this finding concurs with Wagstaff's (2009).

4.2.6: Policy improves in wholesome the of health of holders

The study sought to establish whether micro-insurance policy has improved their overall health due to access to healthcare. From the findings 51.8% of the respondents agreed with the statement, 7.3% strongly agreed, 21.8% were neutral while 19.1% disagree. This along with a mean of 3.47 and standard deviation of .885 depicts that micro-insurance policy has improved policyholders overall health thanks to access to healthcare. Dercon (2010) contends that micro-insurance improves members' health and productivity by getting better access to healthcare or information on optimal maintenance of health. Anagol (2009) reports positive outcome between micro-insurance and policyholders' health.

4.2.7 Micro-insurance has helped improve the overall health of policy holders families

The respondents were required to state the level of agreement on whether their micro-insurance policy has improved the overall health of their family due to access to healthcare. Results showed that 45.5% of the respondents agreed, 7.3% strongly agreed, 21.8% were neutral while 25.5% disagreed. This along with a mean of 3.35 and standard deviation of .943 depicts that micro-insurance policy has improved policyholders' family overall health owing to healthcare

access. Just as established by Dercon (2010), Microinsurance Compendium (2011) states that for health-related cover, higher utilization rates mean potentially better health outcomes.

4.2.8 Policy improves the quality of health care accessed by policy holders

The study sought to determine whether the quality of healthcare received by the respondents' family and themselves has been improved by their micro-insurance policy. Results indicated that 42.7% of the respondents agreed, 10.9% strongly agreed, 25.5% disagreed while 20.9% were neutral. A strong mean of 3.39 and standard deviation of .987 it can be depicted that the micro-insurance policy improved the quality of healthcare received by the respondents and their family. Aggarwal (2010) contends that micro-insurance reduces spatial, socio-economic and gender inequalities in access to quality healthcare as the insurers have lists of healthcare providers that serve their policyholders.

4.2.9 Policy enables policy holders to receive access to conventional medical treatment

To the question of whether micro-insurance has enabled the respondent to receive access to proper conventional medical treatment instead of going to quack clinics and relying on cheaper traditional medicine, the findings showed that , 39.1% of the respondents agreed with the statement, 22.7% strongly agreed, 20% were neutral and 18.2% disagreed. This along with a mean of 3.66 and a standard deviation of 1.025 depicts that micro-insurance policy has succeeded improving quality (proper conventional medical treatment) healthcare access by the policyholders. Similarly, Dercon (2010) established that microinsurance provides encourage policyholders to use, modern medical providers, as they bolster health outcomes unlike traditional, religious and "quack" healers. By using modern medical care, the insurer incurs lower cost.

4.2.10 Micro-insurance provides policy holders with access to immediate healthcare

The study sought to determine whether the micro-insurance policy allows them to go to hospital immediately they fall ill as compared to previously when they had to wait till they got money. Results indicated that 30.9% of the respondents agreed, 15.5% strongly agreed, 31.8% disagreed while 20.9% were neutral. Furthermore, there was a strong mean of 3.28. The findings depict that the micro-insurance policy slightly enabled the policyholders to access quick medical care should they fall ill. Likewise, Dercon (2010) established that insurers place customer in hospitals, which facilitate quick access to higher-quality health care. Aggarwal (2010) states that micro-insurance seeks to promote spatial equality whereby those residing far from health facility get access to healthcare. Besides, micro-insurance reduces the lengthy process of raising funds to seek medical care.

4.3 Micro insurance's Psychological impact

The study sought to establish the extent to which the respondents agreed with the statement that the micro-insurance policy has helped alleviate the fear and stress about future should disaster strike. The findings revealed that 51.8% agreed while a further 18.2% strongly agreed, bringing to total of 70.0% of those who agreed with the statement resulting in a standard deviation of

3.59. This implies that micro-insurance has played a positive role in promoting peace of mind and as such encouraging investment in business and education. Similarly, Microinsurance Compendium (2011) state that micro-insurance alleviates fear and stress by increasing members' sense of security about the future. Burke (2008) states that through insurance, family to have a better future and increases chances of improving their future financial lives substantially. Through education cover, poor families have hope of overcoming poverty through academic liberation of their children.

4.3.1 Micro insurance has provided policy holders with peace of mind

The study sought to establish the extent to which the respondents agreed with the statement that micro-insurance policy has allowed them to have the peace of mind and provided them with the security to invest in something else. The findings revealed that 33.6% agreed while a further 17.3% strongly agreed, bringing to total of 50.9% of those who agreed with the statement resulting in a mean of 3.25. This implies that micro-insurance has marginally accorded to the policyholders' peace of mind and provided them with the security to invest in something else.

Tschirley (2008) asserts that micro-insurance covers such as agricultural insurance (not addressed in this thesis) ensures continuing sustainable farming techniques (such as fertilizers) and insurance of their crops in seasons of failed rains and harmful weather.

4.3.2 Policy empowers policy holders to assist others in the community

The study sought to establish the extent to which the respondents agreed with the statement that micro-insurance policy has enabled them to have some spare money to help others in the community in times of tragedy such as death. The findings revealed that 21.8% agreed while a further 10.9% strongly agreed, bringing to total of 32.7% of those who agreed with the statement. On the other hand, those who disagreed with the statement were 55.5% resulting in a mean of 2.88. This implies that micro-insurance has not enabled policyholders to have some spare money to help others in the community in times of tragedy. This could be based on the fact that micro-insurance's savings plan has low premiums and thus low pay outs that only cover the expenses of the policy holder and that the savings are not easily accessible money immediately after a tragedy.

4.3.3 Micro insurance's ability to improve the lives of the community

The study sought to establish whether micro-insurance improves the lives of others in the community. The findings showed that 70.0% of the respondents agreed while 17.3% strongly agreed. With a total of 87.3% of the respondents agreeing overall, micro-insurance improves the lives of others in the community resulting in a mean of 3.98. Just like the study's findings, Burke (2008) avers that micro-insurance provides lee way for the poor non-salaried households to leave poverty by providing insurance for their businesses and agricultural endeavors.

4.3.4 Improving the community's financial well-being through micro insurance

The study sought to establish the extent to which the respondents agreed with the statement that they believe their community would do better financially if everyone had a micro-insurance

cover. The findings revealed that 65.5% agreed while a further 19.1% strongly agreed, bringing to total of 84.6% of those who agreed with the statement resulting in a mean of 3.94. This implies that micro-insurance plays a positive role in promoting financial stability of community.

4.3.5 Micro-insurance assures policy holders of a decent burial

To the question on whether assurance of a descent and proper burial provided for by micro-insurance policy provides the respondent with a sense of security. Results showed that 32.7% of the respondents agreed, 30.9% were neutral while 27.3% of the respondents disagreed with the statement resulting in a mean of 3.24. Therefore, assurance of descent and proper burial provides the micro-insurance policyholders with security. Anja (2010) states that funerals, in many African societies, are culturally significant events. They involves coming together of the community (through welfare groups and Harambees) to contribute towards meeting the funeral costs. However, these informal mechanisms are insufficient to cover the costs associated with funerals, therefore, the need for insurance cover.

4.4 Microinsurance and Economic Stability of Low Income Earners

The study sought to determine the association between the micro-insurance, answer the research questions and test the hypothesis through Chi-square analysis. Chi-square tests the null hypothesis that there is no significant association between one ordinal factor and the other against the alternative hypothesis that there is a significant linear association between the two factors. The study's hypothesized that: Microinsurance has a significant impact on the lives of Kibera's low income households. Should the chi-square significance fall below a p-value of 0.05 ($\alpha = .05$), the null hypothesis is rejected depicting a significant association.

Research Question: How does micro-insurance financially impact the lives of Kibera's low-income households?

Table 1 presents the results on the association between micro-insurance policies and the ability of the policyholder to financially cope with tragedy of risks. A Pearson Chi-square value of 23.098 was established at $p = .001$ ($p < \alpha = 0.05$). Thus, the null hypothesis is rejected depicting a significant association. This depicts a significant association between micro-insurance and policyholders' ability to financially cope with tragedy of risks. Similarly, Collins (2009) established that insurance has both protective and productive roles. It protects the financial consequences of various risks such as illness and the financially incapacitating consequences of death.

Table1: Microinsurance and Financially Cope With Risks

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.098 ^a	6	.001
Likelihood Ratio	19.851	6	.003
Linear-by-Linear Association	.450	1	.502
N of Valid Cases	110		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .55.

Table 2 presents the chi-square results on the association between micro-insurance and financial independence. That is, policyholders not depending on friends during tragedy. A chi-square value of 21.437 is obtained at $p = 0.002$ depicting a significant relationship between micro-insurance and financial independence. This result concurs with Sebstad's (2005) that the poor, with insurance cover, cope more efficiently and independently when they experience losses of whatever magnitude.

Table 2: Microinsurance and Financial Self-Dependence (Independence)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.437 ^a	6	.002
Likelihood Ratio	21.625	6	.001
Linear-by-Linear Association	1.463	1	.226
N of Valid Cases	110		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .73.

Research Question: To identify the role played by micro-insurance in guaranteeing access to services and promoting equity

Table 3 shows the association between micro-insurance, and equity and access quality healthcare. This was with the view of determining if micro-insurance leads to access to services and equity thereof. A Pearson chi-square value of 23.558 at significance value of $p = .001$. This depicts a significant association between micro-insurance, and equity and access quality healthcare thus rejecting the null hypothesis that micro-insurance does not play any role in guaranteeing access to services and promoting equity. Wagstaff (2009) states that micro-insurance corrects social injustice by according the marginalized and impoverished populations of low-income households equal opportunity at healthcare, education and a chance to invest in other capital.

Table 3: Microinsurance and Equity and Access Quality Healthcare

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.558 ^a	6	.001
Likelihood Ratio	26.145	6	.000
Linear-by-Linear Association	4.943	1	.026
N of Valid Cases	110		

a. 5 cells (41.7%) have expected count less than 5. The minimum expected count is .51.

4.5 Micro insurance's ability to provide access to credit

In Table 4 results on the association between micro-insurance and access to credit is presented. The results presents a chi-square value of 65.453 was established at $p < 0.001$. The $p < 0.05$ which depicts that micro-insurance influences policyholders' access to credit facilities and by large extension financial sectors and thus rejecting the null hypothesis that micro insurance does not provide equity and access to health care. As stated earlier, this findings is in concurrence to Wagstaff's (2009) who finds that micro-insurance corrects social injustice by guaranteeing equity in access to services.

Table 4: Microinsurance and Access to Credit

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	65.453 ^a	6	.000
Likelihood Ratio	73.422	6	.000
Linear-by-Linear Association	15.847	1	.000
N of Valid Cases	110		

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .47.

Research Question: To identify microinsurance's contribution towards promoting peace of mind and as such encouraging investment in business and education

The study sought to establish the association between micro-insurance and alleviation of fear or stress about the future. From Table 5, a Pearson Chi-Square test value of 8.543 was established at $p = 0.201$; thus, insignificant association. This depicts that micro-insurance has no association with policyholders' alleviation of fear or stress about the future and thus accepting the null hypothesis that micro-insurance does not promote peace of mind and thus encourage investment in business and education among policyholders. According to the Micro insurance Compendium (2011), micro-insurance promotes increased peace of mind and individual empowerment just as

regular insurance which increases policyholders' sense of security about the future. However, the study's findings show the contrary to the above.

Table 5: Microinsurance and Alleviation of Fear and Stress about the Future

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.543 ^a	6	.201
Likelihood Ratio	8.935	6	.177
Linear-by-Linear Association	.034	1	.855
N of Valid Cases	110		

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .04.

4.6 Micro insurance's provision of Peace of Mind and Security; Psychological impact

The study further sought to establish the association between micro-insurance and peace of mind and security. Table 6 shows a chi-square test value of 5.606 ($p = 0.469$). This depicts an insignificant association between micro-insurance and policyholders' peace of mind and security. On the contrary, Mamun (2007) micro-insurance assures policyholders of security to their investments.

Table 6: Microinsurance and Peace of Mind and Security

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.606 ^a	6	.469
Likelihood Ratio	7.068	6	.315
Linear-by-Linear Association	1.753	1	.185
N of Valid Cases	110		

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .22.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study concludes that micro-insurance has financially impacted the lives of the low-income households by guaranteeing educational continuity of the policyholders' children. The policy further shields the policyholders' from economic shock during tragedy or disasters such as death, diseases/illness, disability and loss of job. For example, the policies covers for funeral expenses of both the policyholder and their family cost of prosthetics from the disabled, education cover

for children. Besides, the micro-insurance policy guarantees access to credit and saving plans for the policyholder.

5.2 Recommendation

The study recommends that low-income earners in Kibera and elsewhere should subscribe for micro-insurance as it is the sure way of shielding themselves from risks and future uncertainty. This would ensure that their children conclude their education successfully; their family doesn't bear economic loss or medical expense in case of illness and disability. From the savings plan, they can also be assured of financial health irrespective of their career status. They can easily access credit depending on their sum assured as creditors increasingly accept insurance as collateral.

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