

INSURANCE LITERACY AND RISK APPETITE: EVIDENCE FROM SELECTED SMALL AND MEDIUM- SIZED ENTERPRISES IN LAGOS, NIGERIA

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Abstract

The economic loss that possibly occurred from the inactions of individuals may be resultant effects due to lack of insurance literacy in their personal financing decisions. However, insurance decisions that rest upon the level of risk acceptability of an individual SMEs is usually expressed in the course of attaining a high level of personal financial satisfaction. Therefore, this study examined the relationships between insurance literacy, and risk appetites, with specific reference to SME operators/owners in Lagos, Nigeria. The study adopted a cross-sectional survey research design. Thus, the single-stage cluster sampling method was adopted in the questionnaire distribution and collection processes. A structured questionnaire was employed for data gathering. A total of 386 copies of the questionnaire were distributed, of which

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273 were found usable which represented a 71% response rate. The data procedural technique employed were simple frequency percentages and the multivariate regression method. The results show that all other determinants of insurance literacy except for insurance behaviour have positive relationships with SMEs' risk appetites in Lagos, Nigeria. This study recommended that insurance education, as a field of study, should be taken as seriously as possible so that it can help develop the peoples' minds psychologically and sociologically to get attracted to insurance in order to manage their future. More so, insurance providers in Nigeria should attempt to make the business of insurance lovable and affordable to SMEs' operators/owners in a bid to shapen their behavioural risk attitudes.

Keywords: *insurance literacy; risk appetites; rational choice theory; SMEs; Nigeria.*

JEL Classification: M04, M19

1.0. Introduction

Small and medium sized enterprises (SMEs) are recognised as agents of economic growth and development for every nation of the world (Ajemunigbohun, Isimoya, & Elegunde, 2020; Dayour, Adongo, & Kimbu, 2020; Ledwin & Watson, 2019). Previous studies (such as Adeosun, & Shittu, 2019; Ayyagari, Demirguc-Kunt, & Maksimovic, 2011; Chodokufa, 2016) agreed to the assertion that not less than 95 percent of enterprises which were SMEs are accountable for 60 percent private-related sector opportunities. They argued that the participatory share of SMEs in terms of businesses and work-related opportunities within African continent to stand approximately around 90 percent and 50 percent respectively. These opportunities can be largely coordinated if the various risks associated with these businesses are well-managed.

Risk is prevalent, and its permeates every aspect of human endeavour. It is a formidable force in the search for human and business survival (Adeyele & Osemene, 2018; Al Qubtan, Gan, Abd. Hadi, Abdul Jalil & Rambeli, 2021; Zoghi, 2017). According to Ibiwoye, Mojekwu, and Dansu (2020), major factors confronting SMEs' growths and developments are embedded in the numerous risks impinging their performance in the economic space. Ajemunigbohun and Adeoye (2018) pinpointed at proper risk management techniques, among categories of businesses at both small and medium levels, as inadequate. Earlier

study of Mensah (2004) stated institutional and legal instruments that ought to boost risk management among SMEs operators as thus lacking. Membula (2002) as cited in Ajemunigbohun and Adeoye (2018) aligned the incapacities of SMEs' operators to inadequate risk management education and knowledge; for which insurance is necessary. Dorfman, Ferguson and Ferguson (2006) opine that a lack of well-designed insurance literacy as well as thorough bred teachers for this specialised area will invariably hinder students who intend to obtain a degree in this discipline from doing so. Similarly, business organisations requesting for skilled personnel in risk management and insurance field would not be able to fill up such vacancy.

However, Insurance is depicted as an enterprise support of historical importance to trading activities and any other business entities (Aniete, Uba, & Odou, 2019). According to Skipper and Klein (2000), as cited in Aduloju and Ajemunigbohun (2017), insurance is said to provide vital contributions for economic growth, such as promoting financial stability; substituting for and complementing government security programme; fast-tracking trading; ensuring that risk is handled more efficaciously; and inspiring loss mitigation. Insurance is one of the most complex pecuniary products which consumers will demand whiling living. Insurance is purchased to safeguard against risks of life, property, health, liability for property damage or individual bodily injuries sustained. According to Tennyson (2011b), informed consumption decisions require individual consumers to select a suitable level of coverage to comprehend policy terms and conditions, juxtapose services and financial wellbeing of competing insurers, and have an understanding of their level of risk acceptance under the contract of insurance.

Risk appetite is perceived by many organisations as a fascinating subject leading to theoretical discussions but often failed to embrace it while making their daily decisions (Adeyele & Omorokunwa, 2017). The basis for making important decisions in an organisation hinge upon its objectives and strategy to achieving goals. SMEs and large enterprises are exposed to many perils that lead to their early shutdown. So, to avert business shutdown, the managers of these entities must decide in advance on the scope of operation to pursue their business objectives (Thamaka, Dickason, & Ferreira-Schenk, 2021). This scope of operation defines their risk appetite, although there is no general consensus of what the concept implies. It all depends on the context in which the term is considered, and in some cases, it means how much the organization's drivers intend to relate with a particular organisation while at the same time restricting their relationship with another company of similar line of business. The concept is also defined as total level of risk to be accepted by a financial institution with a

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view to achieving its strategic objectives (Epetmehin, 2013; Hudakova, Masar, Luskova, & Patak, 2018; Thamaka et al., 2021).

2.0. Conceptual and Theoretical review

2.1. Conceptual Review

The insurance literacy is an assemblage of measurements comprising insurance attitude, insurance behaviour, insurance knowledge, and insurance confidence. These measuring instruments were adapted from the financial literacy measurements, hence not too many studies had been conducted in this area.

Financial literacy is continuously gaining attention from divergent quarters, be it government, professionals, financial services industries, and academia. Hence it plays crucial dominance in consumers' financial judgments relating to areas including savings, investment, retirement, debt management, and insurance (Beck, & Garris, 2019; Lin, Bruhn, & William, 2019; Refera, Dhaliwal, & Kaur, 2016; Tennyson, 2011b). In contradiction to the above submission on the greater attention given so far to financial literacy, Driver, Brimble, Freudenberg, and Hunt (2018) submitted that little studies were conducted about insurance literacy, particularly in terms of a detailed evaluation of the comparison between life and non-life types of insurance covers. Investment and Financial Services Association (2010), as cited in Lin et al. (2019), contends that households could experience acute fiduciary situations during severe injury or the demise of an income earner. Globally, consumers are confronted with detailed information regarding financial products (Kubitza, Hofmann, & Steinorth, 2019). This is the case of insurance products as replicated in some studies (Fairer Finance, 2018; Kramer, 2016; Lusardi & Mitchell, 2014). However, research on the nexus between financial literacy and insurance demand has been minimal. Although financially literate consumers are most often confronted with highly complicate insurance agreements in reality (Kubitza et al., 2019).

A recent research finding of Lin et al. (2019) maintained that financial literacy is not necessarily a replica of insurance literacy; which corroborated the earlier study of Huston (2010) as cited in Sanjeeva and Hongbing (2019), stating that only 31% of all studies conducted around financial education, financial capability, and financial literacy considered issues or areas related to insurance and risk management. Earlier submission of Tennyson (2011a) opines that the relatively low level of consumers' insurance literacy and its significant variation is concerning demographic features. Sanjeeva and Hongbing (2019) identify

insurance education as the core process leading to insurance literacy. Thus it mentions that its fundamental goal is to achieve behavioural changes, which is aimed at greater acceptance and improved utilisation of insurance products to accomplish consumers' financial wellness.

According to Sanjeewa, Hongbing and Lin (2019), insurance literacy is delineated as an anthology of knowledge, cognitive competence, behaviours, and specific external factors, enabling consumers' desirable attributes. They reiterated that any aptly developed program to enlighten consumers regarding alternative risk management mechanisms, insurance value, and identified circumstances of auspicious policy consequences could enhance consumers' insurance literacy. There exists an argument that persons with high level of insurance literacy possibly wield active and sensible influence in pondering the appropriateness of individual insurance protection or ask for expert understanding concerning its effect (Lin et al., 2019). More so, past studies (such as Diver et al., 2018. Core data, 2014; Tennyson, 2011b) came up with the understanding that life insurance seems extremely expensive, complex to apprehend, and difficult to procure than the non-life insurance cover. They commented that people often procure motor vehicle insurance as their safest measure; thereby, fail to insure themselves and their households against injuries, disability, or death.

An earlier submission of Kahneman and Tvesky (1984), as cited in Driver et al. (2018), averred that the decision making processes, in behavioural finance literature, can be encompassed with biases and irrational outcomes. Purchase decisions about insurance, according to Teraveinen-Goff (2019), make no difference; hence overconfidence is evident. He further mentioned that when people are overconfident and highly optimistic, there is a high tendency not to evaluate their risk properly, which might plunge them into other risk-prone situations. Thus, they are unlikely to purchase any preventive techniques such as insurance, safeguard from risk, most especially high severe situation, and frequent low situation. However, constructive arguments have been raised in the past, as to those factors influencing insurance purchase to include absence of trust concerning insurance providers (Feinman, 2010); high level premiums (Kelly & Vu, 2010; Pullis, 2010); not acknowledging the exigency of insurance (Laury, McInnes, & Swarthout, 2009).

However, Capuano and Ramsey (2011b) stipulate other related factors concerning literacy as influencing insurance demand to include lack of dexterity in risk assessment and complexity of insurance policies of any kind. Driver et al. (2018) stress that the desire to purchase insurance may not be affected by loss

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severity, but the potential loss frequency. They buttressed their claim that people can make payment for safeguarding themselves against high-probability risk even when severities of risks are low (e.g., non-life insurance situations). At the same time, they protect themselves against low-probability risks but with high-level financial severity (e.g. life insurance covers). Fairer Finance (2018) delineate several circumstances whereby individual persons are oblivious of the particular risks insured. It reiterates that illiteracy concerning insurance contracts is premised upon inadequate financial response to a possible loss situation.

Kubitza et al. (2019) restate that low financially literate individuals are unclear of high contract complexity in deciding available information. They buttressed that financially illiterate individuals alter insurance decisions relating to wherever they are faced with the contract's complexity. They maintain that if people are less prudent, the contract's complexity reduces their demand for insurance. According to Lee (2012) and Doherty and Eckles (2011), behavioural bias of financially illiterate people often creates unnecessary doubt concerning the terms of an insurance contract. They restated that with complexities of contract statements and languages, cognitive competences and knowledge imperfection of insurance conditional terms blur individual's notion about the contract payout. This, according to Lee (2012), is said to be connected with the level of individual risk awareness. Arguably, the possible dangers encapsulating low-level financial literacy become clear where non-existence of risk awareness culminates in inadequate insurance protection among susceptible individuals in the society.

Risk awareness, according to Insurance Europe (2017), is seen as a core component of financial literacy, particularly from insurance perspective. Bauhoff, Carman, and Wuppermann (2013) state that several individual consumers wield a low level of risk awareness and are thus devoid of the required knowledge of insurance products and providers of insurance services. By so doing, financial literacy raises knowledge and gives access to people to make suitable choices when pondering on how to procure sufficient insurance cover. Kubitza et al. (2019) comment that financial literacy and risk awareness provide people with a better knowledge of insurance products' core characteristics. To this end, they said it expands individual choice scope and permits them to make informed decisions when choosing the insurance products that meet their needs and expectations optimally. Kwadwo and Kwasi (2016) maintain that sound and effectual risk awareness assist individual consumers to evolve the requisite understanding, knowledge, and confidence to assess and better comprehend the required policies,

knowing where to seek information when required, and to make decisive judgments concerning their safety and that of their households via proactive risk control techniques such as insurance cover.

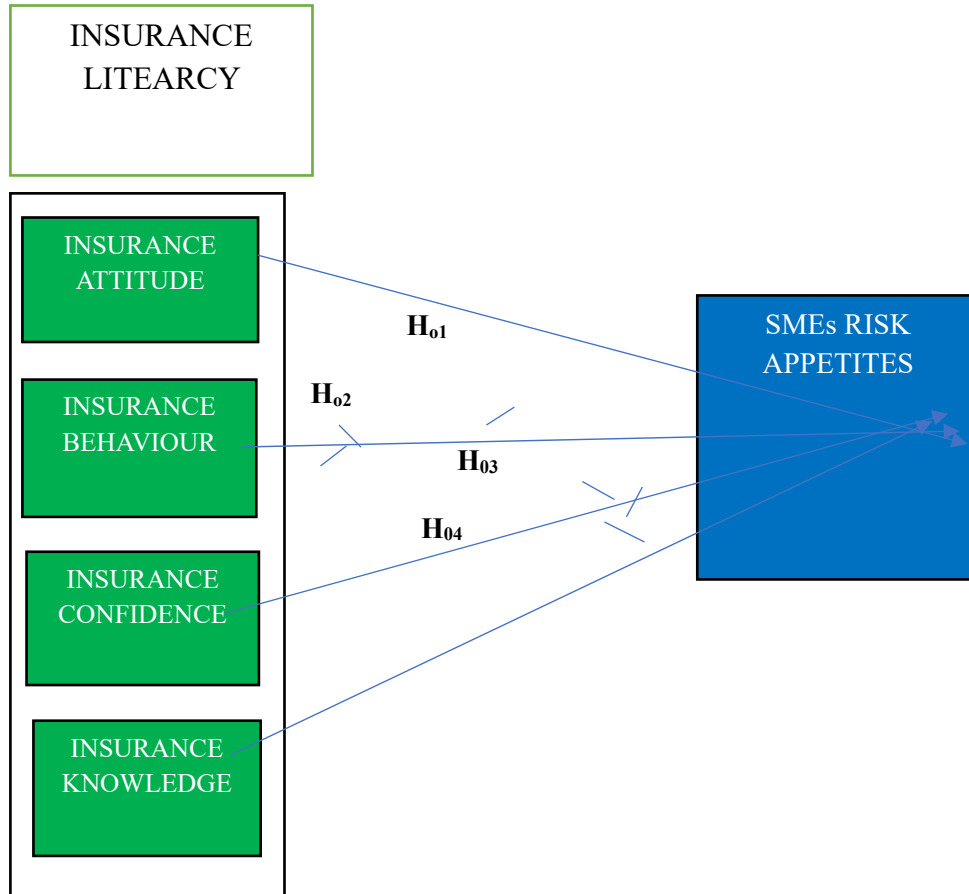


Figure 2.1

Source: Developed by the Researchers (2021)

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2.2. Theoretical Review

The rational choice theory assumes the literacy of an individual agents in the accuracy of information acquired towards his/her needs. The precision of the information is in relation to products prices, earning capacities, and desired consumption level. However, changes in an agent's earnings with relative to prices inform his/her rationality towards such product (Clarke, 2016). This theory further pointed at the anticipated desire of an economic agent towards outcomes of all possible alternatives and choices toward their potential ability and desire (Scott, 2000). It is presumed under this theory that individuals are risk averse in relation to insurance prices, and also, rational in their desire for insurance literacy in the event of losses (Kunreuther & Pauly, 2005). The maxim suffices that lower insurance literacy denies an economic agent the appetite for risk (Du, Feng, & Hennessy, 2014). At the point, where an insurer has less confidence an individual risk appetite the purchase of insurance, as scientific remedy to approaching potential loss exposure in their numerous business activities, or where the insurer perceives that an individual or SMEs operator will not be willing to approach its risk acceptability with insurance technique, which probably changes their attitudinal disposition. However, due to doubt concerning the future of an individual SMEs operator or owner, insurance choices are not usually made based on utility alone but on a consideration of the behavioural pattern of an individual agent (Richter, Schiller, & Schlesinger, 2014). This theory explains the individual SMEs operator's willing to approach its risk acceptability level with necessary insurance policy, and how their risk appetite could probably be supported with appreciable level of insurance literacy.

3.0. Methods

A survey design was adopted in the study. The design assisted in the planning and implementation of a desired instrument for real-life scenario (Creswell & Creswell, 2018). The study adopted structured questionnaire in its data gathering. This instrument helped for time adequacy, survey representation, and simplicity of response (Cooper & Schindler, 2014). In a survey study by Ibiwoye, Mojekwu, and Dansu (2020), approximately 11,663 registered Small and medium businesses operated in Lagos State. For the purpose of data gathering exercise, single stage cluster sampling was employed in ten local council areas of the state. This sampling method was advantageous in terms of time management and inexpensiveness (Wilson, 2014). The study adopted construct, logical, and

criterion-related validity in the accuracy of survey items placed on the instrument. The test of the instrument reliability produced Cronbach alpha of 0.734, 0.715, 0.700, 0.883 and 0.682 for insurance attitude, insurance behaviour, insurance confidence, insurance knowledge and risk appetites respectively. The statistical outcomes met the expected criterion for excellent internal consistency. Two-hundred and seventy-three sample size was adopted out of the 386 generated sample from the Taro Yamane's (1967) formula as cited in Taherdoost (2016), as given as:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{11,668}{1 + 11,666 (0.05)^2} = 386$$

The data procedure adopted was the multivariate statistical technique. Conclusively, five Likert scaling measurements of 'strongly agree' 'agree', 'indifferent', 'disagree', and 'strongly disagree' were adopted.

4.0. Results and Discussion

The study adopted multivariate method to test the relationship between the constructs with the intervention of the Statistical Package for Social Sciences (SPSS) version 22.0. In presenting the estimated model coefficients, the calculation obtained from the descriptive statistics and multiple regression model is given as:

4.1. Descriptive Analysis of Research Variables

4.1.1 Insurance Attitude

In Table 4.1.1, The respondents responded to the various items, wherein 77.6 percent expressed their agreement in terms of '*when it comes to making a financial investment like insurance, I prefer it as safety to risk*', 15.8 percent disagreed; then, 6.6 percent indifferent. For '*the amount of return from insurance has nothing to do with my willingness to take risk*', while respondents expressed 68.5 percent in support, 6.2 percent were in disagreement with it, then, 25.3 percent were indecisive. As for '*I am happy with any financial investment like insurance as long as the risk is minimal*', 78.7 percent of the entire respondents displayed their agreement, 3.3 percent were indecisive, and 18.0 percent disagreed. For '*I do not agree with the idea that greater risk leads to a higher rate of return from*

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insurance', while 28.6 percent agreed, 2.2 percent disagreed. Then, 69.2 percent expressed their indecision. The result of the descriptive statistics on insurance attitude clearly show that all the respondents have similar opinions about all the subject matters as indicated in their mean and standard deviation scores.

Table 4.1.1. Insurance Attitude

Variables	Scale Level					Mean	Std Dev.
	SD	D	U	A	SA		
	1	2	3	4	5		
When it comes to making a financial investment like insurance, I prefer it as safety to risk	2.6	13.2	6.6	66.3	11.3	3.71	.925
The amount of return from insurance has nothing to do with my willingness to take risk	4.4	1.8	25.3	60.8	7.7	3.66	.826
I am happy with any financial investment like insurance as long as the risk is minimal	2.6	15.4	3.3	71.4	7.3	3.66	.916
I do not agree with the idea that greater risk leads to a higher rate of return from insurance	0.7	1.5	69.2	25.3	3.3	3.29	.588

Source: Field Survey, 2021

4.1.2. Insurance Behaviour

In Table 4.1.2, The respondents responded to the various items, wherein 57.8 percent expressed their agreement in terms of '*I usually have control over my budget (like buying insurance) for the major spending of the year*', 16.5 percent indifferent and 25.7 percent disenchanted. For '*before taking any financial decision like insurance, I would consider my options multiple times*', while respondents expressed 49.8 percent in support, 25.3 percent were in disagreement with it, then, 24.9 percent were indecisive. As for '*I have never spent my income on buying financial product like insurance*', while 34.7 percent of the entire respondents

displayed their agreement, 17.6 percent were indecisive, and 47.7 percent disagreed. For ‘*I have no plan for how to handle financial risk through insurance compared to other people*’, while 54.3 percent agreed, 32.9 percent disagreed, and only 12.8 percent undecided. The result of the descriptive statistics on insurance behaviour clearly show that all the respondents have similar opinions about all the subject matters as indicated in their mean and standard deviation scores.

Table 4.1.2. Insurance Behaviour

Variables	Scale Level					Mean	Std Dev.
	SD	D	U	A	SA		
	1	2	3	4	5		
I usually have control over my budget (like buying insurance) for the major spending of the year	15.4	10.3	16.5	55.6	2.2	3.19	1.154
Before taking any financial decision like insurance, I would consider my options multiple times	1.5	23.8	24.9	48.4	1.4	3.25	.884
I have never spent my income on buying financial product like insurance	11.4	36.3	17.6	31.1	3.7	2.79	1.112
I have no plan for how to handle financial risk through insurance compared to other people	5.1	27.8	12.8	53.5	0.8	3.17	1.011

Source: Field Survey, 2021

4.1.3. Insurance Confidence

In Table 4.1.3, The respondents responded to the various items, wherein 57.1 percent expressed their agreement in terms of ‘*I am afraid to making financial decisions like insurance no matter how good I think my decisions are*’, 14.7 percent indifferent, and 28.2 percent expressed their disagreement. For ‘*I am not*

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confident in planning my financial budget in buying insurance product for the year, while respondents expressed 46.1 percent in support, 45.1 percent were in disagreement with it, then, only 8.8 percent were indecisive. As for *'I do not feel confident making insurance decisions, even when I have the knowledge to do so'*, 56.8 percent of the entire respondents displayed their agreement, 22.0 percent were indecisive, and 21.2 percent disagreed. For *'I prefer consulting experts in managing my losses through purchase of insurance other than managing it myself'*, while 62.6 percent agreed, 31.5percent indecisive, and 5.9 percent disagreed. The result of the descriptive statistics on insurance confidence clearly show that all the respondents have similar opinions about all the subject matters as indicated in their mean and standard deviation scores.

Table 4.1.3. Insurance Confidence

Variables	Scale Level					Mean	Std Dev.
	SD	D	U	A	SA		
	1	2	3	4	5		
I am afraid to making financial decisions like insurance no matter how good I think my decisions are	0.7	27.5	14.7	55.7	1.4	3.30	.913
I am not confident in planning my financial budget in buying insurance product for the year	0.0	45.1	8.8	44.6	1.5	3.03	.979
I do not feel confident making insurance decisions, even when I have the knowledge to do so	2.2	19.0	22.0	50.9	5.9	3.39	.934
I prefer consulting experts in managing my losses through purchase of insurance other than managing it myself	1.5	4.4	31.5	52.4	10.2	3.66	.780

Source: Field Survey, 2021

4.1.4. Insurance Knowledge

In Table 4.1.4, The respondents responded to the various items, wherein 77.3 percent expressed their agreement in terms of ‘*I am more comfortable with living a life that does not involve high financial risk thereby buy insurance*’, 18.3 percent indifferent, and 4.4 percent in disagreement. For ‘*when making financial decision like insurance, I am being very careful*’, while respondents expressed 52.3 percent in support, 3.7 percent were in disagreement with it, then, 44.0 percent were indecisive. As for ‘*when it comes to financial spending like insurance, I am financially more conservative*’, 13.3 percent of the entire respondents displayed their agreement, 56.0 percent were indecisive, and 30.7 percent disagreed. For ‘*because I believe in luck, my understanding of a financial instrument like insurance is not necessary*’, while 13.2 percent agreed, 27.5 percent indifferent, and 59.3 percent disagreed. The result of the descriptive statistics on insurance knowledge clearly show that all the respondents have similar opinions about all the subject matters as indicated in their mean and standard deviation scores.

Table 4.1.4. Insurance Knowledge

Variables	Scale Level					Mean	Std Dev.
	SD	D	U	A	SA		
	1	2	3	4	5		
I am more comfortable with living a life that does not involve high financial risk thereby buy insurance	0.0	4.4	18.3	72.2	5.1	3.79	.585
When making financial decision like insurance, I am being very careful	1.5	2.2	44.0	50.2	2.1	3.49	.654
When it comes to financial spending like insurance, I am financially more conservative	0.7	30.0	56.0	11.7	1.6	2.83	.692
Because I believe in luck, my understanding of a financial instrument like insurance is not necessary	8.1	51.2	27.5	11.0	2.2	2.48	.875

Source: Field Survey, 2021

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4.1.5. Organisational Risk Appetite

In Table 4.1.5, the organizational risk appetite items for which data was sought from the entire respondents *were owners' tendency to take risk, company's past risk experience, knowledge of business environment, incentives for risk taking, company's risk capacity, perceived riskiness, stakeholders' pressures, frequency of risk reporting, and company size*. The respondents responded to the various items, wherein 78.8 percent expressed their agreement in terms of *owners' tendency to take risk*, only 3.3 percent flaunted disagreement, while 17.9 declared their indecision. For the *company's past risk experience*, while respondents expressed 88.7 percent in support, 8.9 percent were in disagreement with it. Then, 2.4 were indifferent. As for *knowledge of business environment*, while 88.8 percent of the entire respondents displayed their agreement, 6.7 percent expressed their indecision, and 4.5 percent showed their displeasure. For *incentives for risk taking*, while 88.8 percent agreed, 4.3 percent indecisive, and 6.9 percent disagreed. For *company's risk capacity*, while 93.5 percent agreed, 6.5 percent disagreed. For the *perceived riskiness*, while respondents expressed 83.2 percent in support, 6.4 percent were in disagreement with it. Then, 10.4 were indifferent. As for *stakeholders' pressures*, while 86.6 percent of the entire respondents displayed their agreement, 8.9 percent expressed their indecision, and 4.5 percent showed their displeasure. For *frequency of risk reporting*, while 93.4 percent agreed, 2.2 percent indecisive, and 4.4 percent disagreed. For *company size*, while 90.4 percent agreed, 5.1 percent indecisive, and 4.5 percent disagreed. The result of the descriptive statistics on organizational risk appetite clearly show that all the respondents have similar opinions about all the subject matters as indicated in their mean and standard deviation scores.

From the results of the regression analysis presented above, it is clear that there is positive moderately relationship between insurance literacy and risk appetite. The model also shows the variations experienced by the dependent variable that could be explained by the independent variable (R square) which shows that insurance literacy is responsible for about 17.1% of variance in SMEs operators' risk appetite. This means that 82.9% of the risk appetite enjoyed by the insurance companies comes from other factors other than the predictor used in this model (insurance literacy). The generalisation of the results (Adjusted R square) indicates that true 13.5% of the variation in risk appetite is explained by insurance literacy metrics (*insurance attitude, insurance behaviour, insurance confidence, insurance knowledge*). This result is almost close to reality as the difference between R Square and Adjusted R Square is not high. The standard error fit, which is a measure of the precision of the model, shows how wrong the

statistical outcomes could be at 4% if one uses this model to make real life predictions. The above result is both statistically significant and insignificant as seen in the ANOVA table (p-value = 0.136, 0.000, 0.306, 0.963, 0.596) as they are less than and greater than the 0.05 confidence interval used in this study.

Table 4.1.5. Organisational Risk Appetite

Variables	Scale Level					Mean	Std Dev.
	SD	D	U	A	SA		
	1	2	3	4	5		
Owner's or operator's tendency to take risk influences our decision for risk tolerance	2.6	0.7	17.9	68.5	10.3	3.83	.718
Our company's past risk experience influence our decision to accept risk	6.7	2.2	2.4	38.3	50.4	4.23	1.081
The awareness and knowledge of our business environment influence our decision for risk tolerance	4.5	0.0	6.7	48.0	40.8	4.21	.916
Our management provides incentives for risk taking	2.2	4.7	4.3	43.6	45.2	4.25	.905
Our company risk capacity influences our desire for risk acceptance	2.2	4.3	0.0	38.7	54.8	4.39	.882
Perceived riskiness in our kind of business influence our decision for some level of risk tolerance	6.4	0.0	10.4	50.8	32.4	4.02	1.016
Other stakeholders' pressures influence our risk tolerance decision at times	4.5	0.0	8.9	36.3	50.3	4.28	.960
Frequency of risk reporting determines the amount and type of risk my organisation wishes to accept	2.2	2.2	2.2	28.5	64.9	4.51	.837
My company's size influences our risk tolerance level	0.0	4.5	5.1	22.9	67.5	4.54	.781

Source: Field Survey, 2021

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4.2. Hypothesis Testing

Table 4.2. Multiple Regression Results for Economic Factors vs. Insurance Buying Behaviour

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.413 ^a	.171	.135	3.97541	.171	51.434	4	269	.136
a. Predictors: (Constant), insurance attitude, insurance behaviour, insurance confidence, insurance knowledge									
ANOVA ^a									
Model		Sum of Squares		Df	Mean Square	F	Sig.		
1	Regression	812.862		1	812.862	51.434	.136 ^b		
	Residual	2291.560		272	15.804				
	Total	3104.422		273					
a. Dependent Variable: Risk appetite									
a. Predictors: (Constant), insurance attitude, insurance behaviour, insurance confidence, insurance knowledge									
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
		B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	11.875	1.682		7.060	.000	8.551	15.200	
	Insurance attitude	1.275	.120	.542	10.631	.000	1.038	1.511	
	Insurance behaviour	-.151	.147	.062	-1.026	.306	-.440	.139	
	Insurance confidence	.008	.176	.003	0.046	.963	-.339	.355	
	Insurance knowledge	.117	.220	.032	.531	.596	-.317	.551	
a. Dependent Variable: Risk appetite									

Source: Authors' computation, 2021

4.3. Discussion of Findings

From the empirical analysis conducted and the test of hypotheses carried out, this study confirmed the relationship between insurance literacy and risk appetite among SMEs operators/owners in Lagos State, Nigeria; with respect to the research objectives.

The result shows that insurance literacy (comprising insurance attitude, insurance behaviour, insurance confidence, and insurance knowledge) has positive and moderate relationship with the risk appetite of SMEs owners/operators in Lagos State, Nigeria, thereby invalidating the null hypothesis and validating the alternate hypothesis. This result corroborates the findings of Epetimehin (2013), Joseph & Joshua (2011), and Philippe & Liliana (2016). While Philippe & Liliana (2016) suggest that insurance companies should calibrate shareholders' risk appetite levels and adopting such with the decision-making processes; Joseph & Joshua (2011) added that setting up risk policy documents and risk appetite levels by the insurers is a sign of good risk management system.

Ajemunigbohun et al (2020) pointed at economic variables as significant to insurance patronage, and thus a pedestal on major choices of their life; Dash (2018) had admitted that economic variables (such as income and prices of insurance) are core values in the behavioural disposition of insurance products.

5.0. Conclusion and Recommendations

From the empirical analyses conducted and the test of hypotheses carried out, this study has been able to address the research objectives. The results show that all other determinants of insurance literacy except for insurance behaviour have positive relationships with SME's risk appetites in Lagos, Nigeria. The findings show that insurance literacy is key to attracting high level risk appetite from SMEs operators as their attitude, shown in the result, towards insurance proved to be significant while other components in terms of their behaviour, confidence, and knowledge of insurance proved insignificant. This is an indication that that insurance providers haven't done enough in changing behavioural patterns of individuals, their level of confidence, and knowledge capacities with regards to insurance products. Therefore, insurance providers should in Nigeria should focus on insurance literacy metrics that will have greater effects on the risk appetite of SMEs owners/operators and other entrepreneurs or business-related industries.

Based on the justification adduced to in this study, the researchers recommended that insurance education, as a field of study, should be taken as

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seriously as possible so that it can help develop the peoples' minds psychologically and sociologically to get attracted to insurance in order to manage their future. More so, insurance providers in Nigeria should attempt to make the business of insurance lovable and affordable to SMEs' operators/owners in a bid to shapen their behavioural risk attitudes. The SMEs operators should try to shift their desire to managing the thrust of risk off to the insurance providers for adequate business, economic and financial security. Insurers are expected to provide special funds to financially support for uninsurable risks of the operators in a bid to enhance the value of insurance among businesses. It is also important that regulator roll out programmes in collaboration with insurance practitioners in order to ensure protection of individual consumers.

6.0. Contributions to Knowledge, Limitations, and Suggestions for Future Research

This study has been able to help in establishing a link between insurance literacy and SMEs' risk appetites, with the development of a conceptual model. Despite the recommendations highlighted, the study has some limitations. First, the study's findings are viewpoints of SMEs owners/operators in Lagos State. This is just a representation of the study population, which may affect the generalisation of the entire population. This means that the generalisation of the findings should be made with caution. Given this implication, similar studies should be carried out in other industries in Nigeria.

It is being suggested that further research works should place attention on behavioural attitudes of policyholders in Nigeria. Research work is thus encouraged to look at behavioural factors that can influence more preferences for insurance products in Nigeria. Lastly, future research work could direct attention at sociology and psychology of insurance.

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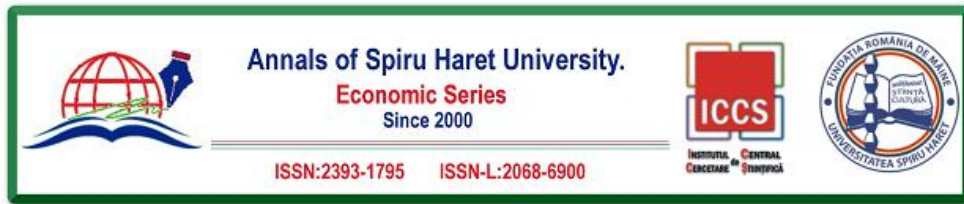
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