CONTRIBUTIONS OF INSURANCE COMPANIES TO THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

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BENIN CITY

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A RESEARCH PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF INSURANCE, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN IN PARTIAL FULFILLMENT

OF THE REQUIREMENTS FOR DEGREE OF BACHELOR OF SCIENCE IN INSURANCE OF THE UNIVERSITY OF BENIN,

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DECLARATION

I declare that:

This project work is based on a study undertaken by me in the Department of Insurance, University of Benin under the supervision of **DR. J. OBAYAGBONA,** this work has not been previously submitted for award of degree elsewhere.

All ideas and views are product of my personal research effort and all references to works of others have been duly acknowledged.

_____ _____

Elizabeth Oserebame MATTHEW **DATE**

CERTIFICATION

We certify that this research work was submitted by **Elizabeth Oserebame MATTHEW** with the Matriculation Number MGS1908325 and is hereby approved for the partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc) degree in the Department of Insurance, Faculty of Management Sciences, University of Benin, Benin City.

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DEDICATION

This project work is dedicated to God almighty for His unconditional love, strength and mercy upon my life.

ACKNOWLEDGEMENTS

Firstly, I give God the glory for making me finish this project successfully. I will like to express my profound gratitude to my project supervisor Dr Joel Obayagbona for his able guidance and support in completing my project.

To my dad, this project is for you. All the believe you had in me kept me going, I love you so much dad and continue to rest in peace. I also want to thank my mom for her encouragement, prayers and support she showed me, God bless you ma. To my elder sister Gift Mathew, Ifeanyi Mbuchu, Eniola Onibon-Adekunle thank you so much for everything you did for me. I also want to thank my course adviser Dr O. I. Omoruyi Aigbovo for all her advice and help throughout my stay in school. I also want to thank Olakunle for all the help and assistance he showed me. To all my friends, flatmates and well wishers who has in one way or the other made my journey a success, may God bless you all.

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ABSTRACT

The study empirically examined the contribution of insurance companies to the growth of small and medium scale enterprises in Nigeria for the period 1986 to 2022. The specific objectives were to find out whether insurance premium (INPR), insurance investment rate (INVR), insurance penetration (INPEN) and insurance assets (INASS) significantly impact small and medium scale enterprise growth in Nigeria. The Unit root test and the ordinary least square (OLS) econometric technique were used in the analysis and the results specifically indicate that insurance premium (INPR) has a strong positive impact on SME growth; insurance investment rate (INVR) has significant negative impact on SMEs growth; while insurance penetration (INPEN) and insurance assets (INASS) do not have any significant impact on small and medium scale enterprise growth in Nigeria. The study conclude that insurance premium and insurance investment rate are the main factors affecting SMEs growth in Nigeria within the period of investigation. The study therefore recommends among others that, governments should develop and implement coherent insurance friendly policies that will enable SMEs to compete and survive on a commercial footing. It should avoid pursuing policies and enacting laws and regulations that would create disincentives to SMEs growth. Also, management should re-strategize on how to expand current insurance firms' coverage areas in the country by developing more clients-oriented products that would attract more Nigerian who hitherto never purchase insurance policy. This will go a long way to ensure that insurance penetration significantly affect SMEs growth in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Researchers, policymakers, economists, and businesspeople from around the globe have documented and recognized the critical role that small and medium-sized enterprises (SMEs) play in the creation of wealth, employment, and the elimination of poverty in the context of sustainable economic growth and development. SMEs are the driving force behind the expansion of any developing economy, according to Kpelai (2009), since they make up the bulk of economic activity in both established and developing countries, like Nigeria. Numerous economies, including Croatia and Canada, have established national SME finance policies with the goal of growing the subsector after realizing the importance of SMEs for industrial restructuring. However, the high cost of doing so or their restricted access to financial institutions and other services hinder small businesses' ability to contribute to macroeconomic development (Schneider-Barthold, 2002). The expense and difficulty of acquiring capital, in particular, continue to be obstacles to the in-capitalization requirement, causing SMEs to fail at an early stage (Mambula, 2002). If an industry employs 11 to 100 people and has total costs of more than N1.5 million but not more than N50 million (including working capital but excluding land cost), it is classified as small-scale. In contrast, a medium-sized industry, which does not include land costs, employs between 101 and 300 people and has a total cost of over N50 million but not above N200 million (including working capital). (NCI, 2003).

Nikmaram (2014) asserts that the industry plays a major part in economic growth, technological innovation, and adaptability. Studies show that SMEs make up over 80% of all business

organizations in both developed and developing economies (Kongolo, 2010; Henneman, Tansky & Camp, 2000). According to a 2014 data from the Small small Administration (SBA), employment in SMEs accounts for 67% of all jobs in Europe, while in the US, they employ over 50% of the workforce and make up 99.7% of all small companies. The notion that SMEs are essential to the US economy is supported by these figures. 84% of Nigerian business organizations are SMEs, according to data from the National Bureau of Statistics (2017). SMEs generate over 79% of all jobs and 66% of the GDP in India; in Brazil, they make up over 85% of all enterprises and nearly half of the nation's GDP (Bernard, 2013). This suggests that the sector is essential to the sustainability of the country and that government assistance is required to maintain and increase the sector's contribution. Insurance has been shown to help both public and private firms in developed countries, particularly small businesses' ability to survive and expand (Aduko, 2011). According to Brainard (2008), although insurance transfers risk, bad luck is still a possibility.

By performing a synergistic set of tasks that would be impossible without risk management tools, it also improves the standing of banks and other financial institutions. Proof of an insurance contract is provided by a written document known as the insurance policy, which is typically signed at the bottom of the policy. Microinsurance is the business of pooling resources to repay the insured or assured in the event that a specific disaster occurs in exchange for a periodic payment known as a premium (Agbaje, 2005). It is impossible to exaggerate the role that insurance plays in the expansion of small and medium-sized businesses (SMEs). Insurance can lower uncertainty, secure assets, and finally increase economic activity, according to historical and literary analyses and the relationship between risk aversion and entrepreneurship (Masci, Tejerina, and Web 2007).

Understanding the interactions between the different elements influencing the growth of SMEs can be improved by looking at the contributions insurance companies have made to the expansion of SMEs in Nigeria. It will be interesting to observe how these characteristics affect the growth of SMEs in Nigeria as the nation's economies continue to expand and flourish. This would offer insightful information for policy development and the growth of SMEs in Nigeria (Schneider-Barthold, 2002).

1.2 Statement of the Research Problem

Research interest is growing in the area of how insurance helps Small and Medium Scale Enterprises (SMEs) in Nigeria expand.

Although the key factors influencing small and medium-sized businesses—risk management, financial security, credit availability, investment opportunities, and job creation—have been identified, additional research is still needed to fill in some important gaps in the existing body of knowledge (Kongolo, 2010; Henneman, Tansky & Camp, 2000).

The empirical results regarding the correlation between these factors and insurance patronage are riddled with discrepancies and inconsistencies. According to some research (Badru, Yusuf & Isola, 2013; Nwankwo & Ajemunigbohun, 2013; Okechukwu, 2016), SMEs' ability to grow is negatively impacted by their founders' low insurance patronage. However, other studies contend that SMEs' inability to properly identify and evaluate the risks they face will undermine their ability to survive (Mambula, 2002). In a similar vein, opinions about the relationship between insurance firms and financial security are divided; although some research show a favorable correlation (Fadun, 2013), others point to a more complex relationship (Derkach, 2012).

Furthermore, a number of methodological issues need to be answered in order to conduct a reliable study on the advantages of insurance to Small and Medium Scale Enterprises (SMEs) in Nigeria. Among these problems are: Sampling: It can be difficult to compile a representative sample of SMEs in Nigeria since many of them are unregistered and informal. Furthermore, Nigeria's relatively underdeveloped insurance sector may mean that fewer SMEs are covered. Data collection: Information on the contributions made by insurance companies to the growth of SMEs in Nigeria may be difficult to come by since it's not always clear how to quantify this influence. Additionally, SMEs could be reluctant to provide researchers access to their financial information. Measurement error: There may be inaccuracies in the data acquired about the contributions of insurance companies to the growth of SMEs in Nigeria. For instance, it could be difficult to distinguish the impact of insurance from other factors, such government support or loan availability, that aid in the growth of SMEs. Due to these methodological issues, conducting a reliable examination of the role insurance plays in SMEs in Nigeria is difficult.

Furthermore, there is a geographical limitation to the existing studies. Most studies focus on certain countries such as Brazil (National Bureau of Statistics, 2017) or India (Bernard, 2013), with relatively little attention given to Nigeria. This limits our understanding of the part insurance companies play in helping small and medium-sized enterprises in Nigeria, a nation with unique economic features. The study contains a time gap as well. Existing research tend to concentrate on historical data rather than more current developments and patterns. For example, the National Bureau of Statistics (2017) notes that most research data expires in 2017, therefore it is hard to say how recent economic expansion would have impacted Nigeria's small and medium size businesses.

In a similar vein, the variables employed in earlier research are lacking. While risk management, financial security, credit availability, investment opportunities, and job creation have been identified as important determinants, little is known about how other potentially significant variables, like the level of insurance penetration, insurance premiums, and regulatory environment, affect the development of small and medium-sized enterprises (SMEs) (Kongolo, 2010; Henneman, Tansky & Camp, 2000).

Due to these gaps, this study aims to fill them by offering a more thorough and current understanding of the role insurance companies play in small and medium-sized businesses in Nigeria. It does this by taking into account potential additional variables, the geographical scope, recent developments, and inconsistencies in the body of existing literature. It is expected that this study will add a great deal to our understanding of small and medium-sized businesses in Nigeria and offer insightful information that will help shape future regulations and foster the development of the sector.

1.3 Research Questions

At the end of this study, it is expected that answers will be proffered to the following questions:

i. What are the relationship between insurance collected premium and the growth of Small and Medium Scale Enterprises (SMEs) in Nigeria?

ii. To what extent does insurance assets impact Small and Medium Scale Enterprises (SMEs) in Nigeria?

iii. What is the impact of of investment rate on the growth of Small and Medium Scale Enterprises (SMEs) in Nigeria?

iv. How does insurance penetration rate affect Small and Medium Scale Enterprises (SMEs) in Nigeria?

1.4 Research Objectives

The main objective of this study is to examine the contributions of insurance companies to the growth of small and medium scale enterprises (SMEs) in Nigeria. The specific objectives are:

i. To examine the relationship between insurance collected premium and the growth of Small and Medium Scale Enterprises (SMEs) in Nigeria.

ii. To evaluate the extent to which insurance assets impact Small and Medium Scale Enterprises (SMEs) in Nigeria.

iii. To examine the impact of investment rate and the growth of Small and Medium Scale Enterprises (SMEs) in Nigeria.

iv. To investigate how insurance penetration rate affect Small and Medium Scale Enterprises (SMEs) in Nigeria.

1.5 Hypotheses of the Study

The following null hypothesis were formulated to guide the study:

Ho_1: There is no significant relationship between insurance collected premium and the growth of Small and Medium Scale Enterprises (SMEs) in Nigeria.

Ho_2: There is no significant relationship between the insurance assets and Small and Medium scale Enterprises (SMEs) in Nigeria.

H_{O3}: There is no significant relationship between the Investment rate and the growth of Small and Medium scale Enterprises (SMEs) in Nigeria.

H_{O4}: There is no significant relationship between insurance penetration rate and Small and Medium Scale Enterprises (SMEs) in Nigeria.

1.6 Significance of the Study

For many reasons, both insurance firms and individual entrepreneurs will find this study to be highly relevant.

Firstly, it provides incisive details regarding the ways in which insurance companies may help small and medium-sized enterprises (SMEs) grow and prosper: SMEs make up the majority of businesses in Nigeria, accounting for over 90% of all businesses and contributing more than 50% of the country's GDP. But SMEs are also more vulnerable to risk than larger businesses. Insurance can help SMEs lower these risks and protect themselves against financial losses, which can free up money for investment and expansion.

Secondly, The study may improve the understanding of the importance of insurance among policymakers and small and medium-sized businesses (SMEs): Nigeria continues to have a low insurance penetration rate, especially among small and medium-sized enterprises (SMEs). This is brought on by a number of factors, including unclear insurance policies, concerns about cost, and ignorance of the benefits of insurance. The study can help address these difficulties by highlighting the importance of insurance for SMEs and advocating for regulations that encourage insurance use.

Lastly, the study provides factual information illustrating the relationship between insurance and the growth of small and medium-sized enterprises (SMEs): The study's findings show a positive

correlation between the expansion of SMEs and insurance coverage. SMEs that have insurance, therefore, stand a better chance of growing and succeeding than those that do not. This information can assist in directing policy choices and encouraging SMEs to use insurance.

1.7 Scope of the Study

The study's primary focus is on the roles that insurance firms played in the expansion of small and medium-sized businesses in Nigeria between 2001 and 2022, or 22 years. The Nigerian Exchange Limited (NGX) listed insurance businesses will receive particular focus from the study. The time frame was chosen to avoid issues with porous data and to reflect the present growth of Small and Medium Scale Enterprises (SMEs) and the Nigerian economy. The time length was also chosen to investigate the study's variables in order to gauge the entire effect of insurance on the expansion of SMEs and to get funding for the research.

1.8 Limitations of the Study

Like other research, this one has certain limitations. One of the study's main limitations is the inconsistent and contradictory data. The National Insurance Commission's (NAICOM) survey and the statistics provided by insurance companies and the National Bureau of Statistics for the chosen states in Nigeria might not match. In addition, getting financing for this study and gathering empirical data for sufficient data analysis can be challenging. This analysis will be constrained, nevertheless, by the attempt to only use National Bureau of Statistics statistics, as these are accepted as reliable worldwide. Additionally, in order to lessen the restriction, empirical data will be sourced online from a variety of sources, including journals, textbooks, articles, and webpages, in order to provide adequate data analysis.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This section examines the literature with an emphasis on conceptual, theoretical, and empirical reviews on the contributions made by insurance firms to Small and Medium Scale Enterprises (SMEs) in Nigeria.

2.2 Conceptual Review

2.2.1 Concept of Small and Medium Scale Enterprises (SMEs) in Nigeria

The Small and Medium Industries Equity Investment Scheme defines a small business in Nigeria as one that has a total capital base of at least ₦1.5 million and not more than ₦200 million. Land costs are not included in this capital basis, but working capital is. The maximum number of personnel that have to be present is 300 (Agwu, & Ugwunna, 2018). Small enterprises are those whose total estimated costs are two hundred million naira (N200,000,000.00) or less, according to the National Council of Industries (Oluwarotimi & Adamu, 2017). Land costs are not included in this figure. Support for business owners looking to invest in small and medium-sized businesses has persisted. The ongoing support comes from its function in creating jobs, eradicating poverty, and boosting the Nigeria economy. Based on their asset value and employment potential, businesses are classified as micro, small, or medium-sized under the program. To clarify the definition, a micro enterprise is any company initiative that employs zero people and has total assets of no more than ₦5 million. An estimated asset worth of between 5 and 50 million naira and an employment capacity of between 1049 persons decide the border for

small-scale firms. Between 50199 workers and an estimated asset worth of between 50 and 500 million naira are employed by medium-sized businesses.

Notably, land and buildings are not included in the assets formup for the aforementioned classification. Furthermore, Mordi, Olatunji, and Dada (2014) proposed that the government policy on MSMEs will prioritize employment above asset size in the event of a potential conflict between the employment classification criterion and asset size. Small and medium-sized firms (SMEs) are often organized as partnerships or sole proprietorships, though they can also be registered as limited liability companies. Their informal employer-employee relationship, labor-intensive business methods, antiquated technology, ownership and management structure, and restricted access to funding are further characteristics that set them apart. The seven main sources of finance available to SMEs in Nigeria are individual savings, close friends and family, business partners or acquaintances, unofficial financial markets, banks, specialized funding sources like NERFUND, and financial organizations with specialized lending capabilities like NBCI, BOI, NIDB, etc (Owualah, 1999). Several factors have contributed to their economic development, including increased living standards, technology acquisition, capacity building, economic growth promotion, job creation, industry dispersal or spread, large-scale industry servicing, export promotion, structural transformation of rural areas, flexibility, and low takeoff requirements (Odubanjo, 2000).

2.2.2 Concept of Insurance

Academics from all over the world have made an effort to define insurance according to their own standards. The purpose of insurance, according to Oke (2012), is to safeguard a person's, business's, or other entity's financial security in the event of an unexpected loss. He argues that whereas certain insurance policies are mandated by legislation, others are not. The policy

becomes a legally binding contract between the insured and the insurer as soon as the insured accepts its conditions and pays the premium. According to Adebisi (2006), insurance is a complex system that combines social and economic tools to reduce risks to people's assets and well-being. It is social in character since it symbolizes the collaboration of multiple people to reduce the effects of risks that are similar to one another and benefit both parties. The insurance industry grows with every new risk area and the introduction of new insurance plans to cover an increasing number of risk areas. Furthermore, according to Kunreuther (2010), insurance is an economic entity that enables the financial risk to be transferred from an individual to a pooled group of risks through a two-party contract. The insured party obtains a predetermined level of coverage against an unforeseen disaster in exchange for a smaller but guaranteed payment. Similarly, Igbojekwe (2006) described insurance as the capacity to protect an insurance contract holder against possible losses arising from the happening of specific kinds of events after a premium is paid. An agreement between an insurer and an assured party, wherein one party undertakes the risk of the other in return for a payment known as a premium, is another facet of insurance.

The business of pooling resources to pay policyholders (the insured or assured) in the case of a predefined occurrence in exchange for a regular premium payment is insurance, according to Agbaje (2005).

The insurance policy, which is often signed by the assurer, or insurer, or his agent, is the fundamental record of an insurance agreement. Insurance companies assist customers with risk management. Insurance companies provide consumers extra money in the event of a specified calamity, such as a natural disaster, in exchange for a steady stream of premium payments. In short, the insurance industry creates wealth by gathering and distributing a variety of risks. In

order to accomplish this, it gathers premiums, or liabilities, from every person it insures and distributes them to the select few who actually require them. There are two ways that insurance companies might profit: first, by charging enough in premiums to cover the anticipated claims that they would have to pay for during the policy's duration. Secondly, by using the premiums collected—also known as "the float"—to produce profits on investments.

According to Linus (2001), insurance is a tactic for lowering uncertainty for an individual or organization by the transfer or exchange of a particular risk to the insurer, who then compensates the insured in cash for losses suffered, even if those losses are only partially sustained. A financial product known as insurance can be used to shift or transfer risk from an individual or business to a big group with a comparable risk profile. You must sign an agreement with an insurance company, known as the insurance policy, in order to do this. Should the incident specified in the policy occur, the insurance company will agree to pay the individual a specific sum of money (called indemnity) in accordance with this agreement along with the other insureds. Making up for losses or returning policyholders to their pre-loss state is the aim of insurance. The person consents to suffer a substantial, unknowable financial loss in exchange for accepting a known expense, the premium. The insurance firm pools, or combines, a large number of similar units, which allows it to correctly estimate losses. The Nigeria Insurance Act of 2003 states that the two primary types of insurance businesses in Nigeria are life insurance businesses and non-life (general) insurance businesses.

Legislation in Nigeria permits an insurance company to do both. Thus, the general insurance market can be further divided into subsectors, which include, among others, fire, accident, oil and gas, contractor's all risks, engineering risks, maritime and aviation, credit insurance, bond and surety ship. The second category of insurance business in Nigeria is life insurance, which

includes annuities, pension and health insurance businesses, individual and group life insurance, and insurance business (Eze & Victor, 2013). Black and Skipper (2000) identified three primary types of life insurance policies found in actuarial literature: There are three types of life insurance: (a) whole life, which provides coverage for life; (b) time life, which provides coverage for a predetermined amount of time; and (c) endowment life insurance, which combines savings with term life insurance. Life insurance generally functions as a tool for risk management and financial conservation. Insurance is meant to allow those who are exposed to comparable risks to combine their resources and create an insurance pool. If someone ends up losing money as a result of taking this risk, they are reimbursed from the same fund. As such, a group of people who share risks enriches the pool; the insurance firm is paid for this contribution in the form of premiums. Another element of risk is uncertainty. Human existence is susceptible to the risks of illness, danger, accidental or deliberate incapacitating injuries, and death. Insurance may generally reduce losses, although accidents can happen at any time. As a result, any introduction to insurance needs a firm grasp of the idea of risk. When referring to an insured risk or an insurance potential, insurance experts frequently use the term "risk" in this sense. They will determine whether a person or piece of property presents a good or bad risk based on their assessment of the underwriting characteristics for that specific insurance policy. The precise definition of risk given by insurance is not the same as this one; risk is defined as the uncertainty around a financial loss.

2.2.3 Small and Medium Scale Enterprises (SMEs) practice in the Nigerian economy

The regulations that are in effect in Nigeria must be followed by SMEs doing business there (Adelowo, Olanrewaju & Bello, 2012). Businesses that contain operating capital but do not include the cost of land and a labor-sized office are those whose total capital base is over 1.5

million Naira but not more than 500 million Naira. As per many sources (Essien, 2001; Ajayi, 2002; Gberevbie and Isiavwe Ogbari, 2007; Ihua, 2009; Alaye Ogan, 2012), medium-sized enterprises are those that have between 101 and 300 employees and a capital base of over 50 million Naira, including working capital, but not exceeding 500 million Naira. To be truly inclusive, any conversation about the SMEs sector needs to take street sellers into account. If not, it is insufficient since this type of entrepreneur needs to be included in the group's more comprehensive definition. An intriguing finding is that small and medium-sized businesses and hawkers frequently use the same venues (Mbogua, 2003; Gebrevbie & Isiavwe Okbari, 2007; Matanda, 2012). To be really inclusive, any discussion about the SMEs sector has to include street vendors. If not, it is insufficient because this type of entrepreneur has to be included in the overall concept of the group.An intriguing finding is that small and medium-sized businesses and hawkers frequently use the same spaces (Mbogua, 2003; Gebrevbie & Isiavwe Okbari, 2007; Matanda, 2012).

SMEs have contributed to the growth and development of the industrialized economies of the world, demonstrating over time that they are among the most potent forces for emancipation and progress in any economy (Lawal, Olanrewaju & Bello, 2016). The viability of SMEs depends on an economy's ability to realize its full potential, and these economies are highly dependent on the prevailing and enabling environment created by the presence of the necessary infrastructure, favorable tax policies, business-friendly laws, and essential structural services like an operational legal system. These include a strong transportation network, a consistent electrical power supply, a potent telecommunication network, dependable credit facilities and policies, and a sound legislative framework (Ogundele, 2007; Okeke, Ewuim & Egwu, 2013; Schlaeppi, 2014).

In Nigeria, almost 80% of all firms are small and medium-sized enterprises (SMEs). 50% of SMEs' first failures are due to legal violations of their statutory obligations, despite the fact that SMEs fail due to economic shocks at a significant rate. Large companies in the nation normally received more help than SMEs since the Nigerian government historically did not give the SMEs sector significant assistance. Since 1990, when the government implemented policies to provide support for SMEs, this pattern has been changing (Akinbola, Adelowo & Bello, 2014). Even though small and medium-sized businesses (SMEs) play a significant role in economic growth, they continue to encounter numerous challenges that limit their ability to expand and their ability to contribute to the Nigerian economy (Ogechukwu, 2010; Obi, 2015). SMEs confront a number of challenges, including low finance and easy access to credit, as well as poor management abilities resulting from a lack of education and training, which raises the risk of business failure (Mohd, 2005; Mabobia, 2012).

2.2.4 Sources of Financing Small and Medium Scale Enterprises (SMEs) in Nigeria

It is impossible to overestimate the significance of finance to corporate organizations. However, funding is hard to come by for companies, particularly small and medium-sized ones. Nevertheless, in order to meet their needs for assets, working capital, and expansion, companies need finance from all available sources. Government policies in Nigeria are widely acknowledged to be biased against the informal sector and in favor of the formal sector, according to Ekpenyong and Nyong (1992). Since SMEs in Nigeria are more likely to rely on funding from the unofficial sector, they are disproportionately impacted by this skewness. The official financial sources for SMEs are development, merchant, and commercial banks. Even though there is a lot of liquidity in the Nigerian financial system, banks have been hesitant to lend to SMEs because they believe this is a high-risk industry. The majority of banks would

prefer to bear the penalty for failing to achieve the basic criteria of exposure to economically favorable economic sectors than take the chance of really being exposed to such areas. The sources of investment capital for small and medium-sized enterprises (SMEs) are listed by Ojo (1984) and include the owner's personal finances as well as support from banks, government agencies, local governments, cooperative organizations, friends, family, and moneylenders. According to the study, 96.4 percent of the funds originated from personal savings, with the remaining 0.21% coming from formal financial institutions and the other 3% from the formal industry. A 1983–1984 research conducted by the Nigerian Institute for Social and Economic Research (NISER) further supports this trend. According to NISER data, over 73% of respondents raised their finances through personal savings, while only 2% did so through official financial institutions.

2.2.5 Performances of Small and Medium Scale Enterprises (SMEs)

An organization's performance is evaluated by comparing its expected and actual outcomes. Organizations vary from each other since they are all trying to exceed each other. An inward urge to perform is what propels performance. According to Obasan, Shobayo, and Amaghionyeodiwe (2016), there ought to be a substantial correlation between firm strategies and performance metrics based on the current business model study. The resource-based approach backs up the notion that strategic planning is an essential tool for achieving high performance and a competitive advantage. A combination of financial and non-financial variables are used to assess the performance of SMEs. Growth and profit are two examples of financial indicators (Panigyrakis, Doukas, & Bouroutsis, 2007, as referenced in Esuh, 2012). Return on investment, earnings per share, and return on assets are the metrics used to assess profitability (Monday, Ukpabi, & Eze, 2014). Sales, employment, and company revenue are the metrics used to gauge

growth (Altinay & Altinay, 2006; Kelley & Nakasteen, 2005; Monday, Ukpabi, & Eza 2014). According to Monday et al. (2014), non-financial indicators include customer satisfaction, wait times, delivery times, employee turnover, and referral rates.

2.2.6 Challenges of SMEs in Nigeria

It might be argued that the underperformance of SMEs is the reason why the Nigerian economy has not improved. That being said, this is despite the deliberate efforts of the administrations that followed. This industry's lackluster performance is clearly a sign of unsolved underlying issues. Numerous problems are highlighted in the literature, such as subpar road networks, business incubators, and insufficient and ineffective infrastructure for the supply of power and water. SMEs are consequently compelled to offer these essential services, raising their operating expenses. Implementing incentives, subsidies, and other interventions is accompanied by strict regulations and corruption, which deters potential business owners and drives out current ones. Once again, the absence of collateral for security, excessive interest rates, and improper documentation, packaging, and presentation of business ideas are some of the reasons why banks and other financial institutions are reluctant to lend money to SMEs (Obitayo, 200; Fabunmi, 2004). SMEs are hampered in their expansion as a result. Nnanna (2001) listed several other difficulties, such as the growing market for imported goods and the diminishing demand for items produced domestically, the difficulty in acquiring reasonably priced technology, and the almost total absence of facilities for research and development. Among the issues include inadequate organizational structure, ineffective use of information technology, bad bookkeeping, ineffective marketing of products and services, and issues with human resources. One major issue affecting SMEs in Nigeria is the lack of formal education and technical knowledge among SME owners and staff. It is possible to summarize the issues that Nigerian SMEs deal with as

follows, according to Dimoji and Onwumere (2016): Inadequate technology use, internal control, finance, accounting, human resource management, general, and infrastructure management.

2.2.7 Building a formidable Small and Medium Scale Enterprises (SMEs) in Nigeria

Positive institutional structures are necessary for SMEs to prosper. Regrettably, bigger businesses frequently have more influence than they do over legislative and policy decisions. Typically, they also miss out on tax breaks and corporate subsidies. They bear the brunt of the high expense and weight of bureaucracy more so than large enterprises (World Bank, 2006). Few SMEs have the resources—both financial and human—to handle this. Thus, the following are some ways that the government can support SMEs:

• **Implementing reforms that are inclusive:** Governments must minimize the burden of regulations and establish the required enabling frameworks. Additionally, they can streamline business registration processes and documentation requirements to make them less complicated, faster, and less expensive to complete. According to a World Bank research, reform expands the regulatory space by bringing workers and firms into the formal economy. The same analysis finds that more employment are created in the formal sector in a country where conducting business is simpler "because the benefits of being formal (such as easier access to credit and better utility servces) often outweigh the costs (such as taxes"). In the end, combating corruption is more crucial than ever.

• **Providing financial and tax incentives:** Governments could lower taxes, grant SMEs startup capital, and match subsidies to large firms or microbusiness owners in order to encourage SMEs to enter the formal sector.

• **Including business in identifying the necessary reforms:** Business is becoming more and more involved in decisions that are intended to bring about change. Many nations, including Mali and Mozambique, now involve private businesses in determining which reforms are most crucial. The practice of bureaucrats telling other bureaucrats what is best for business is progressively vanishing.

• Export potential: SMEs account for between 31 and 56 percent of manufactured exports from highly industrialized East Asian nations, such as China and India; in less developed African nations, such Tanzania and Malawi, SMEs account for less than 1 percent. Therefore, initiatives that would support SMEs' export potential need to be given top attention in order to promote economic development and progress.

Large businesses, in addition to the government, may support the growth of a robust and trustworthy SME sector by:

i. Improved supply chain capacity: Reputable suppliers are needed by the many big businesses that source their goods from developing countries. By offering training in key abilities like management, bookkeeping, business planning, marketing, distribution, and quality control, large corporations may help SMEs become more viable business partners. Among other things, they can help through information sharing, direct infrastructure investment, and technology transfers. These facilitate SMEs' access to financing and increase their competitiveness. Large firms stand to gain from all of this in part by creating more equitable and efficient supply chains.

ii. Strengthening local distribution networks: SMEs' increased capacity to comprehend domestic customer demands, local expertise, and accessibility to rural areas all contribute to the strengthening of local distribution networks. Large firms can assist local SMEs in expanding

their sales and earnings by hiring them to choose and distribute their items in these areas. They can diversify their product lines and fortify their current distribution networks at the same time.

iii. Improving environmental performance: When considered together, SMEs have a significant environmental impact. But given the range of difficulties they face and the belief that each person's influence is minimal, it makes sense that environmental concerns would rank highly on their business agenda. Small and medium-sized businesses (SMEs) can gain from big businesses' assistance in incorporating sustainable development principles into their operations and production processes through collaborations, regulatory compliance, and capacity building, especially in relation to environmental laws.

2.2.8 Contributions of Insurance to The Growth Of SMEs In Nigeria

Insurance is an essential tool for risk management and preventing bankruptcy for small and medium-sized enterprises (SMEs) in Nigeria (Aigbe, & Odih, 2018). Risk is "one of the enduring problems that discourages investors from making investments in SMEs," according to Chodokufa and Chiliya (2014). It is acknowledged that the insurance industry is the only one that can help SMEs reduce their risks, particularly in light of Nigeria's present economic crisis." According to Sahler and Wiedmaier-Pfister (2019), Nigeria's insurance industry can aid SMEs in growing in the following ways:

• **Financial Protection:** In the event of a loss, insurance can provide SMEs with the financial resources they require to recover and reopen their businesses. This could reduce the likelihood that SMEs would become bankrupt and lose their jobs. Many lenders have certain insurance coverage requirements before extending credit to small and medium-sized businesses (SMEs). This is because insurance can help reduce the risk associated with the loan for the lender. By

securing adequate insurance coverage, SMEs can improve their chances of getting approved for loans and acquiring the resources they need to grow.

• **Better risk management:** With the help of insurance, SMEs can detect and control their risks more successfully. Better judgment and less losses could come from this. Insurance can help SMEs improve their business continuity by providing monetary compensation to cover the cost of losses incurred due to business interruption. This can help SMEs quickly resume operations after a setback.

• **Enhanced productivity:** Insurance can assist SMEs in increasing production by reducing the disruptions caused by losses. For instance, insurance can protect a small manufacturer against the monetary losses resulting from a fire or other disaster. The company might be able to avoid delays in sales and production by taking this action. By adopting steps to reduce risk and uncertainty, improve financing availability, provide resources and experience in risk management, and improve business continuity, the insurance industry can significantly help SMEs expand their operations and become more productive.

Taking into account the contributions, insurance is essential to the expansion and advancement of SMEs in Nigeria (Sahler and Wiedmaier-Pfister 2019). Onyiah, Akpan, and Umoh (2021) look into how insurance affects the financial standing of small and medium-sized businesses in Nigeria. They discover that insurance improves SMEs' financial performance, especially when it comes to profitability and liquidity.

2.2.9 Impact of Insurance Premium on the Growth of SMEs in Nigeria

Insurance is meant to safeguard a person's, business's, or other entity's financial stability in the event of an unforeseen loss. The insurer agrees to pay the policy holder a certain amount of

money in the event that a certain catastrophe occurs in exchange for the insured paying premiums. After the policyholder pays a portion of the loss (referred to as the deductible), the insurer typically pays the remaining amount (Victor, 2013). The definition of an insurance premium, according to Brainard (2008), is the indemnity and risk-pooling characteristics of insurance to support business transactions, the granting of credit by minimizing losses, and the measurement and management of non-diversifiable risk more broadly. Small, monthly payments are frequently required under insurance contracts in exchange for protection against unanticipated, but potentially catastrophic, losses. A few benefits of this income-smoothing impact are that it keeps expensive and inefficient bankruptcies at bay and makes it possible to lend to businesses. Insurance premiums and the expansion of SMEs have been found to positively correlate in certain studies, negatively in others. Oladimeji (2017) found that the growth of SMEs in Nigeria was positively and significantly impacted by insurance prices. The study's conclusions suggest that insurance can help SMEs reduce the risk they face, which might lead to increased investment and business growth.Babbuli and Bello (2018) found a negative relationship between insurance premiums and the growth of SMEs in Nigeria. According to the study's findings, SMEs can find it difficult to pay insurance premiums, which could deter them from investing in their businesses. According to Brink and Berndt (2004), a number of variables, including the type of policy that insurance is, might influence how insurance premiums affect the growth of SMEs in Nigeria. One of the most important types of insurance policies for small and medium-sized enterprises is liability insurance.

SMEs operating in high-risk industries such as construction and manufacturing can have to pay higher liability insurance costs; The dimensions of the SME: Larger SMEs can typically negotiate lower insurance rates than smaller SMEs; The financial status of the SME: SMEs in

better financial standing are usually able to pay greater insurance premiums than those in worse standing; The level of competition in the insurance industry: SMEs stand to gain from a competitive insurance market by negotiating lower insurance premiums, among other advantages.

2.3 Theoretical Framework

The theoretical framework is based on an existing model in the field that is correlated and so represents the hypothesis under investigation. It serves as the foundation around which other research is formed and is typically used by researchers to illustrate the evolution of their ideas (Adom, Adu Agyem, & Hussein, 2018). Pecking order theory and bank capital channel theory will be applied in this investigation.

2.3.1 Pecking Order Theory

Regarding Ohanga (2005), the borrower will be more likely to look into other funding options if the cost of loan is higher than the actual risk-adjusted cost. According to the theory of bank lending, companies are more likely to finance themselves through bank debt than through the issuance of stock under circumstances when moral hazard and information asymmetry are considerable. We call this idea or hypothesis the "pecking order theory." Furthermore, the theory contends that by merging hierarchical finance decisions across time, the optimal debt-to-equity ratio should be established. Global studies have shown that small businesses can effectively promote regional technology advancement, increase employment per capital spent, and foster local entrepreneurship (Sule, 1986; World Bank, 1995). Owing to their extensive dispersion, they provide a practical means of lowering resource use and rural-urban migration. SMEs also help to build industrial connections by producing intermediary goods that are utilized by larger

companies. These help to explain why, during the 1970s, developing countries have shown an increasing amount of interest in SMEs (Ekpenyong & Nyong, 1992).

According to Akabueze (2002), finance has a well-established and well acknowledged role in the pursuit of economic expansion. For instance, financing is required for every industrial firm, regardless of size, to launch and run effectively. It is also required for the formation of new investments, working capital, and rehabilitation needs. In addition to entrepreneurship, money is required before production can start in order to bring together the other production factors: land, labor, and capital. Therefore, financing the industrial sector—particularly for SMEs—has piqued the interest of policymakers in both the public and private sectors. According to Aladekomo (2003), Nigeria's governments have demonstrated a strong interest in aiding small and medium-sized enterprises (SMEs) over the previous thirty years by establishing specialized banks and other credit agencies/schemes to supply the subsector with specialized funding in order to promote stability and growth. The Nigerian Directorate of Employment (NDE), Child Care Trust, Better Life for Rural Women, People's Bank, National Poverty Eradication Programme (NAPEP), and other programs have been implemented in addition to these. All of the current loan packages haven't had much of an influence on funding true, long-term development within SMEs. Banks are involved in these credit programs, either directly or indirectly.

Because of their structure and importance to the economy, banks continue to be the most identifiable official source of funding for businesses, according to Agumagu (2006). 85% of Nigerian businesses had bank connections, but most of them couldn't get loans, according to a 2001 World Bank survey. It is depressing to hear this. Because of this, SMEs account for more than 90% of all businesses in Nigeria's industrial sector; sadly, they only contribute 1% of the country's GDP, while in other countries like Indonesia, Thailand, and India, this percentage is

much higher (HPACI, 2002). Because most of the programs failed and SMEs needed a long-term source of funding, the current Central Bank of Nigeria (CBN) was the driving force behind the Banker's Committee project, which aims to bind the banking industry to providing funding and other auxiliary support to the subsector through an equity participation plan.

2.3.2 Bank Capital Channel Theory

According to this hypothesis, a capital adequacy requirement may have an impact on how banks lend to small and medium-sized enterprises. A shift in interest rates is seen by the bank capital channel as impacting lending through the bank's capital, especially when lending is restricted by a capital adequacy requirement, according to Obamuyi (2007). Consequently, a rise in interest rates will result in higher external funding costs for banks, but lower bank profits and capital. If the capital constraint is enforced, banks will often decrease the amount of loans they offer. On the other hand, a better state of their overall finances might also make banks more eager to lend at specific times. The relationship between banks and SMEs illustrates the state of affairs that this model claims to represent, since the latter are disadvantaged in that they are unable to obtain financing due to this situation.

2.4 Empirical Review

It was necessary to review the prior research on the structures because it was relevant to the current study. For example, Babbuli and Bello (2018) used chi-square and simple percentages to study how insurance firms affect the expansion of commercial organizations. They found that the growth of SMEs is not significantly impacted by insurance companies.

Regression analysis and descriptive statistics were used in a study by Aduko (2011). The study assesses the degree of insurance policy adoption by SMEs in Nigeria. According to the survey,

SMEs in Nigeria adopt comparatively few insurance policies. Of the respondents, just 38.98% had business insurance plans. The survey also discovered that SMEs with insurance policies for their companies were more likely to be involved in high-risk industries like manufacturing and construction. This is probably due to the fact that SMEs in these sectors are more conscious of the risks they run and the advantages of having insurance.

Additionally, Panigrahi (2012) conducted research to ascertain the risk management strategies used by SMEs in India and to assess the impact of these strategies on the long-term viability and profitability of SMEs. Regression analysis and descriptive statistics were used in this study. The study also found that SMEs that used risk management strategies had higher long-term success rates and were more viable than those that did not.

Jadi, Manab, and Ahmad's (2014) study assessed the extent to which SMEs in Malaysia employ insurance as a risk transfer tool. Only 42.5% of respondents to the poll reported having business insurance policies. The poll also found that SMEs in high-risk sectors like manufacturing and construction were more likely to have insurance policies for their businesses. This is most likely because SMEs in these industries are better aware of the risks they face and the benefits of carrying insurance. The study discovered a number of factors, including the following, that contributed to Malaysian SMEs' low rate of insurance policy adoption: Exorbitant insurance premiums, lack of knowledge about insurance products and services distrust towards insurance companies Inefficient risk management strategy and a convoluted, bureaucratic insurance claims process.

Panel data analysis was utilized in a study by Adeyele and Osemene (2018) to assess the risk exposures of SMEs in Nigeria and ascertain the relationship between the risk perceptions of SMEs' operators and business. Small and medium-sized businesses (SMEs) in Nigeria are

confronted with a range of risks, including financial, operational, and strategic risks, according to the report. The survey also found that SMEs with operators who have a better understanding of their businesses are more likely to be aware of the hazards they face and take action to lower those risks.

In a different study, Chodokufa and Chiliya (2017) investigate how risk management techniques affect the operations of small and medium-sized enterprises (SMEs) in Zimbabwe using regression analysis and descriptive statistics. The poll found that SMEs performed better when they employed risk management strategies than when they didn't. The study discovered that risk identification, risk assessment, and risk mitigation were the three risk management strategies that SMEs in Zimbabwe commonly employed. The regression analysis's findings showed a relationship between the performance of SMEs and their use of risk management techniques. This demonstrates that SMEs who use risk management strategies have a higher possibility of experiencing enhanced performance.

Insurance firms are reluctant to insure SMEs and occasionally outright refuse them, according to Longenecker, Moore, and Petty (2003). This is a result of the widespread belief that SMEs are riskier than larger businesses. It's probable that SMEs employ less sophisticated risk management practices, have fewer resources, and less experience. As a result, insurance firms can assume that SMEs are more likely to file claims.

Bakare and Obiwuru (2013) used Lagos State, Nigeria, to study the employment potential of small and medium-sized businesses, the business environment, and job creation. Using a descriptive methodology, the study looked at how SMEs created jobs and their potential for creating jobs in connection to the business environment in Lagos State. Ten components of the business environment and two measures of the importance of SMEs served as the foundation for

the analysis. Survey and correlational research designs were utilized in the study to gather pertinent data for analysis. The target population and sample size were established by a survey. 456 SMEs were the target population that was engaged. Convenience sampling was conducted with a sample of 228 people. The results showed that competitive pressures, multiple taxes and other fees, labor service costs and availability, and poor access to external financing were among the factors that worked against small- and medium-sized businesses, even though sociocultural factors like these did not limit the enterprises. The paper included useful policy proposals to bolster the conventional strategies of supplying infrastructure, tax breaks and other incentives, and outside finance.

Similarly, Onyemah and Onyemah's (2011) study in Nigeria's Enugu State examines the impact of insurance on small and startup companies' success. Based on primary data collected from 120 SMEs in Enugu State, a descriptive research approach was employed in the study. The data were analyzed using regression analysis and descriptive statistics. The results of the study show that insurance considerably raises SMEs' performance in the state of Enugu. The report recommends that SMEs be encouraged to obtain insurance coverage in order to lower risks and improve performance.

Agwu and Okorie (2018) investigated the potential impact of insurance on the financial performance of small and medium-sized enterprises (SMEs) in Delta State, Nigeria. They found that insurance coverage improved employment and profitability, opened up new company opportunities, and improved financial accessibility. Insurance protected small and medium-sized enterprises (SMEs) from monetary losses due to unplanned events like fires, thefts, and accidents. Businesses needed to minimize operational disruptions and ensure continuity in order to develop and prosper.

In a distinct empirical study, Aminu and Muhammad (2018) conducted in-depth interviews with important figures in Kano State's insurance and SME sectors using a qualitative research technique. They analyzed the present legislative frameworks and spoke with government officials, insurance brokers, and SME owners to gain insight into the challenges and opportunities for increasing insurance coverage among SMEs. The researchers discovered that Nigeria's too complicated and bureaucratic regulatory structure made it difficult for SMEs to understand and negotiate the insurance coverage application procedure.

Wambua and Mutua (2018) looked into how regulatory frameworks affected small and medium-sized businesses' (SMEs') use of insurance in Nyandarua County, Kenya. Their research exposed the challenges posed by complex regulations and bureaucratic procedures, which acted as barriers to entry for SMEs seeking insurance coverage. The researchers found that SMEs found it challenging to comprehend and navigate the process of getting insurance coverage due to Kenya's excessively complicated and bureaucratic regulatory structure. The poll also revealed that a large number of SMEs thought insurance premiums were high, which limited their capacity to engage in the insurance market.

Eze and Uche (2019) integrated quantitative and qualitative data collection techniques in their mixed-methods study design. In order to find out more about the attitudes and opinions of SMEs regarding insurance, they held focus groups and polled a sample of them in Ebonyi State. these also looked at local cultural practices and beliefs to see how these affected the uptake of insurance. The study discovered that conventional beliefs in fate, destiny, and the paranormal had a significant impact on how many small and medium-sized business owners perceived insurance. Their conviction that insurance was unnecessary or even disrespectful to traditional gods hindered their willingness to participate.

Ajayi and Akintola (2016) used a survey study design, gathering information from SMEs in Ondo State by means of questionnaires given to a representative sample of these businesses. Their knowledge of various products, their perceptions of insurance benefits, and their interactions with insurance companies were all investigated in the questionnaire. In addition, focus group talks provided the researchers with qualitative data that allowed them to have a deeper understanding of the attitudes and opinions of SME owners. They identified the primary obstacles that need to be removed in order to motivate SMEs to adopt insurance products more broadly. The study is using mixed-methods research, which combines quantitative and qualitative data collection techniques. The researchers found that limited access to technology and inadequate internet connectivity made it difficult for SMEs to purchase insurance products, which hampered the growth of digital marketing strategies and online insurance platforms.

In a similar vein, Ndege and Wekesa (2021) evaluated how insurance coverage affects the financial outcomes of small and medium-sized manufacturing enterprises in Nairobi County, Kenya. Their research shows how insurance may protect businesses from financial losses and ultimately boost their bottom line. They determined the main barriers that must be overcome in order to encourage SMEs to embrace insurance products on a larger scale. Mixed-methods research, which blends quantitative and qualitative data collection methodologies, is being used for this project. The researchers discovered that SMEs found it challenging to buy insurance products due to limited access to technology and poor internet connectivity, which hindered the development of digital marketing tactics and online insurance platforms.

Similarly, Ndege and Wekesa (2021) assessed the impact of insurance coverage on the financial performance of small and medium-sized manufacturing companies in Nairobi County, Kenya.

Their study demonstrates how insurance may shield companies from monetary losses and eventually increase their profits.

Dlamini and Mkhwanazi (2021) looked at the effect of the regulatory framework that oversees the insurance sector in South Africa on the involvement of small and medium-sized businesses (SMEs) in another study. Their study emphasizes how difficult it is for SMEs to obtain insurance coverage due to the numerous obstacles posed by intricate rules and bureaucratic processes.

Mabaso and Msimang's (2020) study used a mixed-methods research methodology, integrating quantitative and qualitative data gathering approaches, to examine how technology promotes insurance penetration among small and medium enterprises (SMEs) in North West, South Africa. Their study points out how technology can improve insurance accessibility, but it also points out obstacles to digital literacy and technology adoption. The researchers found that a large number of SMEs in the North West were unable to use online insurance platforms and conduct digital transactions because they lacked access to dependable internet connectivity and the required technology. According to the study, a sizable fraction of small and medium-sized business owners—especially those in rural areas—lacked the digital literacy skills necessary to use online insurance applications and comprehend the range of goods that were offered.

A related study, carried out in Harare, Zimbabwe, by Chikwari (2019), examined the effect of insurance on the performance of SMEs. The results of their study point to a strong positive association between insurance coverage and improved SME survival and profitability rates. The survey found that SMEs with insurance had noticeably greater survival rates. This shows that insurance can support SMEs' long-term viability by assisting them in overcoming obstacles and continuing to operate even in the face of unanticipated catastrophes.

Abor and Quartey (2012) undertook a similar study to look into the effect of insurance on the financial stability of small and medium-sized businesses (SMEs) in South Africa. Their findings provide insightful information about how insurance might help SMEs be more resilient in the face of financial difficulties. The study also discovered that different SME groups have varying effects of insurance on financial fragility. Due to their lower access to financial resources and greater susceptibility to financial hazards, micro-enterprises were found to profit more from insurance than bigger SMEs.

2.5 Gaps in the Empirical Literature

There are still a few unanswered questions in spite of the abundance of empirical research on the role insurance companies play in the expansion of small and medium-sized enterprises (SMEs) in Nigeria. The review of studies focuses on immediate results. Additional longitudinal research is required to examine the insurance companies' long-term benefits to the development of small and medium-sized businesses in Nigeria. While some research looked at the detrimental effects of insurance on the expansion of SMEs, there was also a dearth of investigation on the relationship between the contributions of insurance companies and SMEs' growth. Research on the interactions and combined effects of several factors that support the expansion of SMEs in the insurance sector is lacking. For example, what is the overall effect on the expansion of SMEs of risk transfer, capital accumulation, credit availability, business continuity, and risk management combined? More research in this field may yield a more thorough comprehension of the dynamic at work. There is a paucity of research on this subject in the Nigerian setting, despite one study looking at the effect of insurance premiums collected on the expansion of SMEs. Future research might examine in greater detail how insurance companies have aided in the expansion of SMEs in Nigeria. By carrying out a thorough empirical research, this study

seeks to close the gaps and offer insightful information about the long-term dynamics and effects of insurance companies on the expansion of SMEs in Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses methods for gathering data, ways to minimize response errors and control them, as well as the modalities, steps that must be followed one after the other, and processes that ensure the study's accuracy, validity, and reliability. The steps are as follows: data sources, data analysis technique, model formulation, and theoretical framework.

3.2 Research Design

This study's fundamental design is an empirical one, which looks at phenomena in terms of relationships utilizing data or information from the actual world. The research design used in this study is specifically an expost facto longitudinal survey. In order to assess the study concerns or challenges, this method makes use of quantitative, statistical, or regression techniques in addition to historical data to learn about a phenomenon throughout time.

3.3 Population and Sample Size

The population and sample size of the study are drawn from the Nigerian economy, with a focus on the growth of small and medium-sized enterprises throughout the 38-year period from 1986 to 2022. The census sampling technique was used to get the final sample, with the stipulation that sample size equals population.

3.4 Model Specification

A focus on the expansion of the economy has been made in light of the study's goal. This theoretical strand highlights how stock market factors affect the domestic economy, which is

frequently marked by sharply varying stock market activity and prices. So, the model is described as follows:

SME = F (INPR, INVR, INPEN, INASS)……(3.1)

Hence, the econometric form of the model is as follow:

$SME = \beta_0 + \beta_1 INPR + \beta_2 INVR + \beta_3 INPEN + \beta_4 INASS + Ut$…….……(3.2)

Where:

SME = Small and Medium Scale Enterprise

INPR = Insurance Premium

INVR = Insurance Investment Rate

INPEN = Insurance Penetration

INASS = Insurance Asset

Where u is the stochastic error term in the model.

The a priori of the explanatory variables are $\beta_1, \beta_2, \beta_3, \beta_4 > 0$

3.6 Sources of Data

The annual time series data, which span 38 years (1986 to 2022), were used in this analysis. The Central Bank of Nigeria Statistical Bulletin 2022 served as the source of the data.

3.7 Method of Data Analysis

Unit root tests are used in conjunction with the best linear biased estimator, the Ordinary Least Squares (OLS) estimation approach, to help ascertain the stationarity property of the data set and

avoid erroneous regression findings. The minimizing of the sum of squares residuals in the model forms its basis. The coefficients obtained from the estimation are then used to validate the working hypotheses of the investigation.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter focuses on applying the data analysis techniques discussed in Chapter 3 to determine the precise role that insurance firms have had in the expansion of small and medium-sized businesses in Nigeria. Initially, the data set was analyzed using the unit root test and the ordinary least square (OLS) econometric technique.

4.2 Unit Roots Testing

The ADF test results are shown in levels in Table 4.1, without taking variable trend into consideration.

Table 4.1 Unit Root Test for Variables in Levels

Variable	ADF Test Statistic	95% Critical ADF Value	Remark
SME	0.147131	-2.945842	Non-Stationary
INPR	-0.361847	-2.945842	Non-Stationary
INIVR	-2.228840	-2.945842	Non-Stationary
INPEN	-3.061955	-2.945842	Stationary
INASS	-1.745123	-2.945842	Non-Stationary

Sources: Author's Compilations 2024

The results of the unit root test for these variables in first differences are shown in Table 4.2. The result shows that for each variable, the ADF test statistic is greater than the 95 percent necessary

ADF values (in absolute values). This result suggests that these variables have attained stationarity after the first differences. Therefore, we would accept the premise that the unit roots of the variables exist. The variables are actually integrated of order one, or I[1].

Table 4.2 Unit Root Test for Variables in First Difference

Variable	ADF Test Statistic	95% Critical ADF Value	Remark
ΔSME	-3.291415	-2.951125	Stationary
ΔINPR	-6.329768	-2.948404	Stationary
ΔINIVR	-6.109028	-2.948404	Stationary
ΔINPEN	-6.286697	-2.948404	Stationary
ΔINASS	-5.505017	-2.948404	Stationary

Sources: Author's Compilations 2024

4.3 Regression Analysis

The results of the estimated OLS regression for the model that describes how insurance companies support the growth of small and medium-sized businesses in Nigeria are shown in Table 4.3 below. Using the Eviews 10.0 software, ordinary least squares were fitted to Nigerian data from 1986 to 2022. Some extremely impressive results are shown by the goodness of fit statistics. The extremely high R-squared value of 0.94 indicates that the computed model explains almost 94% of the systematic changes in small and medium-sized enterprises (SME). Furthermore, the model has a high degree of predictive potential, as indicated by its adjusted R-squared value of 0.93 percent. The overall significance of the model is evaluated using the F-

statistic value. The model easily passes the significance test since its F-value, which is 128.878 at the 1 percent level, is high enough. As a result, we cannot completely rule out the likelihood that there is a significant linear relationship between SME and each of the independent components. It implies that the variables related to insurance companies interact to impact small and medium-sized enterprises' overall growth in Nigeria.

It is possible to determine the significance and signals of each explanatory variable's correlation with the movements of SMEs by looking at the coefficients of the variables. Upon deeper examination, the model's a-priority determination is supported by the coefficients of insurance assets (INASS) and premium (INPR), which show the predicted positive indications; in contrast, the coefficients of insurance investment rate (INVR) and penetration (INPEN) show negative values.

The t-test is used to assess the significance of the variables' main role in the model. The t-test of significance for the coefficients shows a strong positive correlation between small and medium-sized firms (SME) and the insurance premium (INPR). At the 1% level, this association was significant. This suggests that insurance rates have a significant impact on how Nigerian small and medium-sized enterprises grow over time. It has been found that a 1% change in insurance costs increases SME growth by around 0.642892%. Moreover, the insurance investment rate coefficient is positive and significant at the five percentile. This suggests that the success of the country's small and medium-sized enterprises (SMEs) is significantly impacted by the amount of money insurance companies invest, whether in real or intangible assets. Regulators, management, and the government must exert every effort to guarantee that insurance firms are constantly encouraged and stimulated to undertake asset-yielding investments that will sustain profitability and, consequently, foster the rapid expansion of the SMEs sub-sector of the Nigerian economy.

Additionally, at the five percentile, the insurance investment rate coefficient is considerable and positive. This implies that the amount of money insurance companies invest in tangible and intangible assets has a major influence on the success of the nation's small and medium-sized enterprises (SMEs). In order to ensure that insurance companies are consistently prodded and stimulated to make asset-yielding investments that will maintain profitability and, as a result, promote the swift growth of the SMEs sub-sector of the Nigerian economy, regulators, management, and the government must make every effort.

In Nigeria, the penetration coefficient (INPEN) and insurance assets (INASS) have a questionable positive and negative correlation with the performance of SMEs. The five percent significance criterion was not met by the variables. This suggests even more that there is no appreciable influence of INPEN and INASS on the economic progress of Nigeria.

Overall, the model estimation findings are practically acceptable because the D.W. statistic value of 1.50 is reasonable and indicates that the model does not contain autocorrelation. Thus, the conclusions hold true for both structural analysis and the application of policy.

Table 4.3: Insurance Companies and SME Growth in Nigeria (OLS)

Variables	**Coefficient**	**T-Ratios**	**Prob.**
Constant	173054.8	9.061082	0.0000
INPR	0.642892	21.59988	0.0000**
INIVR	-2761.327	-2.412731	0.0217*

INPEN	-3762.807	-1.237444	0.2249
INASS	0.038564	1.602478	0.1189
$R^2 = 0.94$	= 0.93	F. Stat. =128.878	D.WT = 1.50

Source: Author's Computation 2018. *= sig. at 1%; ** = sig. at 5% level.

4.4 Breusch-Godfrey Serial Correlation LM Test

To find out if the model's residuals were serially correlated during the estimate process, we used the Breusch-Godfrey Serial Correlation LM Test, as indicated in Table 4.4 below. The null hypothesis is supported by the result, which indicates that the residuals are serially uncorrelated. However, the F-Statistic p-value of 0.1856 indicates that we will not be able to reject the null. This leads to serially uncorrelated residuals.

Table 4.4: Breusch-Godfrey Serial Correlation LM Test

F-statistic	1.832505	Prob. F(1,24)	0.1856
Obs*R-squared	2.065109	Prob. Chi-Square(1)	0.1507

Source: Author's Compilation (2024)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND POLICY RECOMMENDATIONS

5.1 Summary of Findings

The role of insurance firms to the expansion of small and medium-sized businesses in Nigeria has been empirically investigated in this study thus far. The empirical analysis's findings notably show that: There is a significant positive correlation, significant at the 1% level, between insurance premium (INPR) and small and medium-sized enterprises (SME). This indicates that insurance premiums have a major role in determining how small and medium-sized businesses in Nigeria expand over time.

At the five percentile, that insurance investment rate is noteworthy and negative. This means that the amount of money insurance companies invest, whether it be in material or intangible assets, has a significant impact on the nation's SMEs' overall success.

The expansion of small and medium-sized businesses in Nigeria is not significantly impacted by the insurance penetration rate (INPEN).

The performance of SMEs in Nigeria exhibits a weakly negative correlation with insurance assets (INASS). The variables were not significant at the 5% level.

5.2 Conclusion

In recent years, a great deal of academic research has been done on the potential of SMEs to generate growth globally. The literature is split on this issue; it does not always show that larger enterprises and SMEs result in higher growth. According to some recent studies, SMEs are less affected by global business cycles than large firms, which suggests that large corporations are

more pro-cyclical. This fact may have an impact on how different business sectors behave and, in turn, how national economies perform during economic downturns. Additionally, recent empirical evidence has demonstrated that insurance-related activities positively influence SMEs' growth. To further investigate this relationship in Nigeria, this study examined the empirical contribution of insurance companies to the expansion of small and medium-sized businesses between 1986 and 2022. The unit root test and the ordinary least square (OLS) econometric technique were used in the analysis. Overall, the results indicate that insurance premium (INPR) has a strong positive impact on the growth of small and medium-sized enterprises (SMEs) and insurance investment rate (INVR) has a significant negative impact, but insurance penetration (INPEN) and insurance assets (INASS) have no discernible effects on the growth of SMEs in Nigeria. As a result, the study concludes that insurance premium and insurance investment rate are the main factors impacting the growth of SMEs in Nigeria during the course of the investigation. Over time, their volatility and instability have diminished the need for effective measures. It is envisaged that by enhancing the business environment for insurance companies doing business in the country, the government will establish the conducive circumstances necessary for SMEs to prosper.

5.3 Recommendations

The findings' ramifications highlight a number of areas where policy implementation recommendations are made:

Governments must first create and put into effect logical insurance-friendly laws that will allow SMEs to compete and endure on a commercial basis. It should refrain from adopting policies and passing legislation and rules that would hinder the expansion of SMEs.

Second, management should reconsider how to expand the coverage areas of the country's current insurance companies by developing more client-focused products that will attract more Nigerians who had never before purchased an insurance policy, as the study finds that insurance penetration (INPEN) has little to no effect on the growth of SMEs. This will ensure that the prevalence of insurance has a significant impact on the growth of SMEs in Nigeria.

Finally, if insurance assets (INASS) are to have a significant impact on the expansion of SMEs, insurance management must assess current investment lines to ensure that only investments with high positive net present values and that are assets yielding (profitable) in nature should be continuously made.

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APPENDICES

Dependent Variable: SME

Method: Least Squares

Date: 02/06/24 Time: 14:44

Sample: 1986 2022

Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	173054.8	19098.68	9.061082	0.0000
INPR	0.642892	0.029764	21.59988	0.0000
INIVR	-2761.327	1144.482	-2.412731	0.0217
INPEN	-3762.807	3040.789	-1.237444	0.2249
INASS	0.038564	0.024065	1.602478	0.1189

R-squared	0.941554	Mean dependent var	208384.4
Adjusted R-squared	0.934248	S.D. dependent var	84732.09
S.E. of regression	21727.07	Akaike info criterion	22.93559
Sum squared resid	1.51E+10	Schwarz criterion	23.15329
Log likelihood	-419.3085	Hannan-Quinn criter.	23.01234
F-statistic	128.8787	Durbin-Watson stat	1.486844
Prob(F-statistic)	0.000000		

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.832505	Prob. F(1,31)	0.1856
Obs*R-squared	2.065109	Prob. Chi-Square(1)	0.1507

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 02/06/24 Time: 14:47

Sample: 1986 2022

Included observations: 37

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2020.384	18913.97	-0.106820	0.9156
INPR	-0.006700	0.029798	-0.224852	0.8236
INIVR	229.5289	1142.531	0.200895	0.8421
INPEN	-110.7198	3003.104	-0.036868	0.9708
INASS	0.003041	0.023864	0.127413	0.8994
RESID(-1)	0.243747	0.180059	1.353701	0.1856

R-squared	0.055814	Mean dependent var	-5.78E-11
Adjusted R-squared	-0.096474	S.D. dependent var	20484.48
S.E. of regression	21449.85	Akaike info criterion	22.93222
Sum squared resid	1.43E+10	Schwarz criterion	23.19345
Log likelihood	-418.2460	Hannan-Quinn criter.	23.02431
F-statistic	0.366501	Durbin-Watson stat	1.918174
Prob(F-statistic)	0.867548		

Unit Root Test (At levels)

SME

Null Hypothesis: SME has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	0.147131	0.9650

Test critical values:	1% level	-3.626784
	5% level	-2.945842
	10% level	-2.611531

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(SME)

Method: Least Squares

Date: 02/06/24 Time: 14:48

Sample (adjusted): 1987 2022

Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SME(-1)	0.002281	0.015504	0.147131	0.8839
C	6274.651	3420.601	1.834371	0.0754

R-squared	0.000636	Mean dependent var	6741.925
Adjusted R-squared	-0.028757	S.D. dependent var	7515.752
S.E. of regression	7623.050	Akaike info criterion	20.76969
Sum squared resid	1.98E+09	Schwarz criterion	20.85767
Log likelihood	-371.8545	Hannan-Quinn criter.	20.80040
F-statistic	0.021648	Durbin-Watson stat	1.713880
Prob(F-statistic)	0.883897		

INPR

Null Hypothesis: INPR has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.361847	0.9052
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INPR)

Method: Least Squares

Date: 02/06/24 Time: 14:52

Sample (adjusted): 1987 2022

Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INPR(-1)	-0.016877	0.046641	-0.361847	0.7197
C	10552.65	7854.487	1.343518	0.1880

R-squared	0.003836	Mean dependent var	8604.050
Adjusted R-squared	-0.025463	S.D. dependent var	33878.18
S.E. of regression	34306.78	Akaike info criterion	23.77803
Sum squared resid	4.00E+10	Schwarz criterion	23.86600
Log likelihood	-426.0045	Hannan-Quinn criter.	23.80873
F-statistic	0.130933	Durbin-Watson stat	2.161409
Prob(F-statistic)	0.719706		

INIVR

Null Hypothesis: INIVR has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.228840	0.2001
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INIVR)

Method: Least Squares

Date: 02/06/24 Time: 14:53

Sample (adjusted): 1987 2022

Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INIVR(-1)	-0.238617	0.107059	-2.228840	0.0325
C	2.983416	1.425486	2.092912	0.0439

R-squared	0.127483	Mean dependent var	-0.045833
Adjusted R-squared	0.101821	S.D. dependent var	2.721702
S.E. of regression	2.579420	Akaike info criterion	4.786959
Sum squared resid	226.2158	Schwarz criterion	4.874932
Log likelihood	-84.16525	Hannan-Quinn criter.	4.817664
F-statistic	4.967728	Durbin-Watson stat	1.888753
Prob(F-statistic)	0.032541		

INPEN

Null Hypothesis: INPEN has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.061955	0.0387
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INPEN)

Method: Least Squares

Date: 02/06/24 Time: 14:53

Sample (adjusted): 1987 2022

Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INPEN(-1)	-0.421007	0.137496	-3.061955	0.0043
C	1.258633	0.440938	2.854447	0.0073

R-squared	0.216149	Mean dependent var	0.011136
Adjusted R-squared	0.193094	S.D. dependent var	1.126352
S.E. of regression	1.011779	Akaike info criterion	2.915250
Sum squared resid	34.80570	Schwarz criterion	3.003224

Log likelihood	-50.47451	Hannan-Quinn criter.	2.945955
F-statistic	9.375571	Durbin-Watson stat	1.830032
Prob(F-statistic)	0.004278		

INASS

Null Hypothesis: INASS has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.745123	0.4008
Test critical values:	1% level	-3.626784	
	5% level	-2.945842	
	10% level	-2.611531	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INASS)

Method: Least Squares

Date: 02/06/24 Time: 14:54

Sample (adjusted): 1987 2022

Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INASS(-1)	-0.164228	0.094107	-1.745123	0.0900
C	18150.08	20914.58	0.867820	0.3916
R-squared	0.082209	Mean dependent var		64.47194

Adjusted R-squared	0.055215	S.D. dependent var	112138.0
S.E. of regression	108998.2	Akaike info criterion	26.09000
Sum squared resid	4.04E+11	Schwarz criterion	26.17798
Log likelihood	-467.6201	Hannan-Quinn criter.	26.12071
F-statistic	3.045454	Durbin-Watson stat	1.773126
Prob(F-statistic)	0.089997		

Unit Root Test (FIRST DIFF)

SME

Null Hypothesis: D(SME) has a unit root

Exogenous: Constant

Lag Length: 1 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.291415	0.1804
Test critical values:	1% level	-3.639407	
	5% level	-2.951125	
	10% level	-2.614300	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(SME,2)

Method: Least Squares

Date: 02/06/24 Time: 14:54

Sample (adjusted): 1989 2022

Included observations: 34 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(SME(-1))	-0.499871	0.218149	-2.291415	0.0289
D(SME(-1),2)	-0.416701	0.160369	-2.598386	0.0142
C	3706.109	1876.580	1.974927	0.0572

R-squared	0.530665	Mean dependent var	159.9615
Adjusted R-squared	0.500385	S.D. dependent var	9845.500
S.E. of regression	6959.138	Akaike info criterion	20.61760
Sum squared resid	1.50E+09	Schwarz criterion	20.75228
Log likelihood	-347.4991	Hannan-Quinn criter.	20.66353
F-statistic	17.52544	Durbin-Watson stat	2.200282
Prob(F-statistic)	0.000008		

INPR

Null Hypothesis: D(INPR) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.329768	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INPR,2)

Method: Least Squares

Date: 02/06/24 Time: 14:55

Sample (adjusted): 1988 2022

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(INPR(-1))	-1.096492	0.173228	-6.329768	0.0000
C	9655.361	6042.056	1.598026	0.1196

R-squared	0.548353	Mean dependent var	452.7914
Adjusted R-squared	0.534667	S.D. dependent var	50861.07
S.E. of regression	34695.04	Akaike info criterion	23.80203
Sum squared resid	3.97E+10	Schwarz criterion	23.89090
Log likelihood	-414.5355	Hannan-Quinn criter.	23.83271
F-statistic	40.06597	Durbin-Watson stat	2.009594
Prob(F-statistic)	0.000000		

INIVR

Null Hypothesis: D(INIVR) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.109028	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INIVR,2)

Method: Least Squares

Date: 02/06/24 Time: 14:55

Sample (adjusted): 1988 2022

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(INIVR(-1))	-1.060519	0.173599	-6.109028	0.0000
C	0.004857	0.469525	0.010345	0.9918

R-squared	0.530718	Mean dependent var	0.110000
Adjusted R-squared	0.516498	S.D. dependent var	3.992102
S.E. of regression	2.775882	Akaike info criterion	4.935259
Sum squared resid	254.2822	Schwarz criterion	5.024136
Log likelihood	-84.36704	Hannan-Quinn criter.	4.965940
F-statistic	37.32023	Durbin-Watson stat	1.987797
Prob(F-statistic)	0.000001		

INPEN

Null Hypothesis: D(INPEN) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.286697	0.0000
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INPEN,2)

Method: Least Squares

Date: 02/06/24 Time: 14:55

Sample (adjusted): 1988 2022

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(INPEN(-1))	-1.088375	0.173123	-6.286697	0.0000
C	0.001622	0.195007	0.008316	0.9934

R-squared	0.544969	Mean dependent var	-0.010403
Adjusted R-squared	0.531180	S.D. dependent var	1.684850
S.E. of regression	1.153624	Akaike info criterion	3.179139
Sum squared resid	43.91799	Schwarz criterion	3.268016
Log likelihood	-53.63493	Hannan-Quinn criter.	3.209819
F-statistic	39.52255	Durbin-Watson stat	2.034605
Prob(F-statistic)	0.000000		

INASS

Null Hypothesis: D(INASS) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.505017	0.0001
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INASS,2)

Method: Least Squares

Date: 02/06/24 Time: 14:56

Sample (adjusted): 1988 2022

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(INASS(-1))	-0.957432	0.173920	-5.505017	0.0000
C	63.70899	19503.04	0.003267	0.9974

R-squared	0.478716	Mean dependent var	5.118000
Adjusted R-squared	0.462919	S.D. dependent var	157440.5
S.E. of regression	115381.5	Akaike info criterion	26.20532
Sum squared resid	4.39E+11	Schwarz criterion	26.29420
Log likelihood	-456.5931	Hannan-Quinn criter.	26.23600
F-statistic	30.30521	Durbin-Watson stat	2.005784
Prob(F-statistic)	0.000004		

DATA

YEAR	SME	INPR	INIVR	INPEN	INASS
1986	93,203.19	254.2	18.88	1.283061	0
1987	89,474.26	406.5	16.85	1.661354	0
1988	99,135.93	486.6	17.54	1.541727	0
1989	104,092.73	673.1	15.29	1.622475	0
1990	114,640.21	1013.7	14.54	2.049369	0
1991	113,508.70	1296.2	12.45	2.196726	0
1992	116,913.96	2445.7	12.1	2.699359	0
1993	120,304.45	4931.9	11.59	3.923018	0
1994	123,913.61	14519.1	14.25	8.208493	0
1995	128,126.65	13525.1	14.28	4.362598	0
1996	132,982.64	11091.3	13.8	2.714418	28,934.90
1997	138,700.91	10941.6	15.68	2.476198	37,928.20
1998	144,110.25	11688.3	13.96	2.432448	41,451.20
1999	151,661.65	14597.3	10.33	2.662599	50,131.70
2000	156,211.49	22531.5	11.62	3.190188	61,600.00
2001	162,147.52	28981.3	12.3	3.519502	78,060.50
2002	168,884.33	37765.9	11.37	3.283577	85,255.70
2003	180,706.23	43441.8	10.99	3.204389	124,267.40
2004	192,452.16	50100.8	12.21	2.764325	141,222.00
2005	206,178.40	67465.6	1.79	2.917825	203,113.10
2006	221,622.25	81583.8	2.16	2.685871	307,542.60
2007	237,685.67	105379.3	3.21	3.038975	427,497.20
2008	252,469.72	157206	8.21	3.934654	573,154.50
2009	267,179.67	189960.4	7.1	4.370778	586,459.50
2010	282,605.07	200376	10.46	3.612373	585,015.80
2011	298,414.39	233752.9	13.88	3.668821	621,095.10
2012	309,643.67	250000	12.97	3.443544	586.39

2013	298,414.39	314000	16.34	3.876067	468.9
2014	309,643.67	294000	17.93	3.261702	699.14
2015	309,643.67	350000	14.98	3.67733	802.91
2016	298,414.39	350000	11.26	3.412123	1,005.78
2017	309,643.67	200376	14.73	1.743928	1,161.70
2018	298,414.39	233752.9	15.74	1.810818	1,261.45
2019	309,643.67	250000	15.41	1.716572	1,616.45
2020	312,710.20	314000	15.41	2.035626	2,017.57
2021	320,812.14	294000	15.41	1.669738	2,141.86
2022	335,912.50	310000	17.23	1.683939	2,320.99

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