MARKETING MOTOR INSURANCE POLICY AND ECONOMIC GROWTH IN NIGERIA

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Abstract
This of this study is to examine: marketing motor insurance policy and its effect on the Nigeria economy using times series data for the period 1980-2020 sourced from CBN statistical bulletin and NAICOM. The Error Correction Model (ECM) technique was adopted. The study's findings demonstrated that revenue from auto insurance had a statistically significant, beneficial effect on Nigeria's GDP growth. It was also determined through this analysis that insurance investment has a positive, significant effect on economic growth in Nigeria, while motor vehicle insurance claims, as a component of measuring insurance activities in Nigeria, had a negative effect. Based on these results, the study concludes that companies have two options for responding to a surplus in demand. Either prices should be raised, hopefully reducing demand, or investments should be increased to meet that demand. The majority of insurance firms would rather increase their market share and earnings than slow down their expansion as a result of investor fatigue. Based on the results of this research, the National Insurance Commission (NAICOM) is urged to enforce the mandatory group life insurance policy in the workplace and take legal action against companies that ignore this regulation. Prudence dictates that reforms be maintained that foster growth in the financial sector, particularly the life insurance industry, which has the potential to serve as a captive source of long-term financing option for the economy. The insurance business in Nigeria needs the help of the National Insurance Commission (NAICOM) to become more open and productive. This would significantly reduce the barriers that prevent Nigerian people and businesses from purchasing life insurance.
Keywords*:* Insurance claims, Motor insurance, Marketing policy, Risk

1.1 Introduction

There has been a tremendous increase in the number of automobiles on Nigeria's roadways over the past decade, and with that increase has come an increase in the frequency of accidents, injuries, and deaths caused by those cars. The growth and development of Nigeria rely heavily on the savings, investments, and industry expansion made possible by insurance investments.

Insurance firms will increase their expenditure as the economy grows and more money is generated from vehicle insurance, either via premiums or payments. If a company experiences an excess of demand, it may either lower prices or increase production. Prices might be raised in the hopes that demand would fall, or new investments could be made to fill the shortfall. Rather than restrict expansion due to investor weariness, most insurance companies would rather expand market share and profitability.

In order to achieve a healthy insurance market and long-term economic growth, a stable macroeconomic environment is required. The insurance industry is highly attuned to macroeconomic trends. Financial irresponsibility has been a recurring theme in Nigeria's macroeconomic policies during the past decade, contributing to high inflation, wild fluctuations in the currency rate, and protracted spells of negative real interest rates. Insurance rates might go up or companies could become unable to pay claims if the economy worsens (Isimoya&Akindipe, 2022).Even though motorists agree that insurance firms' rates are fair, many nevertheless choose not to buy coverage. One likely explanation is the prevalence of "fake insurance paper," which drivers provide to law enforcement in order to avoid a traffic stop and subsequent search. The public has an unfavourable impression of insurance companies and feels that they will not aid them in a time of need, thus they are more likely to pay for these bogus insurance documents than to use a third party.With an expected 40 million cars on Nigerian roads by 2020, implementation may bring additional challenges, such as an increase in the accident rate. The Nigerian auto insurance market must adapt to these shifting demographics and attitudes or risk losing customers and market share (Nwagbara, 2017).

Although Nigeria's population is growing, the country is still lagging behind the rest of the world economically. The Nigerian insurance market is the 65th largest in the world and the sixth largest in Africa, with a GDP per capita of $1,050 and a Human Development Index of 0.453. Research (Sigma, 2005; UNDP, 2003) shows that 0.70 percent of her GDP goes towards insurance premiums, and that $4.3 of her GDP is insured each person.While criticising the dismal state of insurance policy marketing in Nigeria, Osoka (2008) points out that many insurance marketers conflate selling with marketing. Unlike sales, which is concerned with selling agreed-upon goods, marketing is concerned with learning what customers want and need so as to supply it. Therefore, it is just as important in this context to have an understanding of what customers desire. to marketing as the bone, tendon, and ligament of insurance companies, without which no movement would be possible. When compared to the driving culture of other countries, navigating the highways in Nigeria is not an enjoyable experience. This could be because of the vicarious liability protections provided by auto insurance.

Literature Review

2.1Theoretical framework

2.1.1 The Attitude Marketing Theory of Perspective

The attitudinal perspective suggests that evaluating the majority's exposure and behaviour towards general insurance practices is crucial for the successful adoption of development insurance in a challenging context. The KABP survey is a widely recognised research methodology that plays a crucial role in effectively implementing attitude shifts. The KABP acronym encompasses knowledge, attitudes, behaviours, and practices. Once implemented, this survey will provide insights into the level of knowledge possessed by the average community member with regards to development insurance and other forms of insurance. Insights into individuals' perspectives and behaviours pertaining to insurance and insurance investments can be derived from the aforementioned survey. An evaluation will also be conducted on the existing

protocols within the insurance sector. All of these efforts will contribute to the dissemination of information regarding the novel concept of development insurance. The fundamental goal of the attitudinal cum KABP model is to change the perspectives and actions of those who feel disengaged from the insurance industry's economic structure. The cultural norms theory of communication is an additional theoretical assumption that can aid in comprehending the concept of development insurance.

2.3 Empirical Review

According to Fadun and Silwimba (2023), insurance plays an important part in the expansion of the economy. This paper examines the role that the insurance industry had in the expansion of the Nigerian economy. In this study, an ex-post facto design was applied, and data from 1992–2019 were collected for the year time series. Gross domestic product (GDP) and insurance premiums (both life and non-life) served as the dependent and independent variables, respectively, in this investigation. According to the findings of the long-run co-integration analysis, the non-life premium (NLP) has a positive influence on GDP. According to the coefficient, a 5.63 percentage point rise in GDP may be attributed to a percentage point rise in NLP. According to the findings of the long-run co-integration analysis, life premium (LP) has a positive influence on GDP. Additionally, the co-efficient demonstrates that a percentage rise in LP leads to a 4.25 percentage point increase in GDP. The findings indicated that the insurance industry makes a sizable and favourable contribution to the expansion of the economy. It suggests that the premiums paid for insurance (both life and non-life) have a considerable and beneficial effect on the expansion of the economy in Nigeria. According to the findings, insurance likely makes a constructive contribution to the economic activities of a nation and helps to foster economic growth. The government ought to come up with and put into action economic policies that would boost activities related to insurance, ensure that statutory insurance is in place, and promote good corporate governance.

Okeke and Nwafor, (2022) conducted research into the economic impact that inflation and interest rate have had on the life annuity industry in Nigeria. As such, this was a secondary research study, and an ex-post facto research strategy was utilised for its construction. The years 2010 to 2020's worth of data came from the CBN statistics bulletin, as well as publications from PENCOM and NAICOM. In the beginning, the Phillips-Perrons statistical approach and the Johansen co-integration test were employed to conduct the stationarity test. After that, the ordinary least square (OLS) statistical method was utilised to do the data analysis. The following may be deduced from the findings of the various tests of hypotheses: The steadily increasing rate of inflation in Nigeria has not been a substantial obstacle for the life annuity industry. To sum up, in order to increase life annuity market penetration in Nigeria, insurance companies should aggressively create awareness about the significance of life annuity, enhance the available actuarial skills, design and market life annuity products that meet the needs and aspirations of Nigerians, and pay benefits to retirees and policyholders in a timely manner. They should also improve the available actuarial skills. If these things are done, then life insurance firms will be in a better position to collect a decent percentage of the approximately 10 trillion naira pension money that is now being managed as life annuity premium.

According to Isimoya and Akindipe (2022), marine and aviation facilities transport a significant proportion of the world's trade in terms of both volume and value. The proportions of world trade carried by these facilities are higher in emerging nations, which also contribute to the creation of millions of jobs. The claim is the most significant point of engagement between the insured and the insurer in the marine and aviation sectors. Claims are the lifeblood of the viability of insurance, thus they are also the most significant point of interaction between the insured and the insurer. In this study, a comparison was made between the amount of claims paid out and the total gross premium income in Nigeria's marine and aviation insurance markets between 2011 and 2021. The annual reports and digest of the Nigerian Insurers Association (NIA) were combed through in order to glean information on gross premium income and gross claims paid for the time period in question. It was discovered that there is no substantial connection between the total amount of gross premium revenue and the total amount of gross claims payment for marine and aviation insurance.

Uche and Anoka, (2018) conducted research into the effects of inflation on insurance claims in Nigeria over the course of the years 1981-2016 using data obtained from CBN and used ARDL as the analytical tool. The study finds that a high rate of inflation has a detrimental impact on returns of insurance claims in the short term in Nigeria, but it has an increasingly insignificant impact in the long run. Additionally, insurance claims are subject to a proportional and statistically significant effect based on the exchange rate. This study comes to the conclusion that there is a link between insurance claims and inflation in Nigeria on a long run basis and recommended that insurers should also establish a higher level of coverage based on the initial face value of an insurance policy and a maximum inflation adjustment, as recommended by this study.

Afolabi (2018) used descriptive statistics and multiple regression techniques to investigate how the influence of claims payments had on profitability in the Nigerian insurance industry from 2011 to 2016. The research focused on marine and aviation insurance and looked at the period from 2011 to 2016. The profitability of an insurance company is a major factor in determining whether or not it will be able to pay claims in a timely manner. According to the findings, the expense ratio (ER) is directly related to profitability (ROA), however the loss ratio (LR) and net claims (NC) are only indirectly related to profitability (ROA). It also indicates that a large improvement in loss ratio may be achieved by reducing net claims.

According to the findings of Yusuf and Dansu (2018), there is a correlation between the amount of money spent on claims and a company's profitability in the Nigerian non-life insurance market. As part of the research project, two linear regression models were developed and put to use to provide forecasts on forthcoming industry happenings. The compilation of these statistics utilised the financial records of ten (10) different insurance companies and covered the years 2002 through 2011. The coefficient of determination (R2), the standard error test, the analysis of variance (F), the test of correlation (T), and the method of multiple linear regression were all utilised in the process of evaluating this data. In addition, the ordinary least square regression was also utilised. In addition to that, we looked at two other hypotheses.

Ajemunigbohun and Oreshile (2014) carried out a research in Nigeria with the purpose of alerting drivers and insurance practitioners to risk occurrences, drivers' risk attitudes, and the need for motor insurance. As a result of this, the researchers have researched the large effect that motorists' risk attitude has on the occurrence of risk, and they have also investigated the strong correlation that exists between motorists' risk attitude and the requirement to carry auto insurance. The research was conducted using a survey design known as cross-sectional, and it was carried out in the United States. The site of the research was determined to be the Lagos Metropolitan Area. The research looked at data from the period beginning in December 2012 and continuing through February of 2014. In the study, data were collected through the use of a structured questionnaire in addition to the method of stratified random sampling, which was utilised to collect samples. The 270 people who answered the survey were included in the sample, which meant that they were representative of the whole population. These persons were hired as drivers for private, commercial, and company-owned cars, and they were sourced from six distinct Local Government Council Areas located inside the state of Lagos. For the purpose of this specific inquiry, statistical analysis in the form of the Kolmogorov-Smirnov test and multiple regressions were carried out. Results: Throughout the course of this investigation, we looked into two different opportunities. According to the results of the study, there is a high association between the constructions that have gotten a relatively insignificant amount of attention. That is, drivers' risk mindset, the incidence of risk, and the need for auto insurance.

3.1 Model specification

Multiple regression analysis with Ordinary Least Squares (OLS) econometric technique for data analysis was adopted in this study given that multiple regression analysis explains the linear relationship between two or more variables, one dependent variable and two or more explanatory variables. This study relied on time series secondary data spanning form 1980 to 2021 sourced from Central Bank of Nigeria Statistical Bulletin, 2021 edition. Data collected include real gross domestic product (RGDP) to measure economic growth or the performance of the Nigeria economy; incomes generated from motor vehicle insurance by insurance companies (IMVHI) insurance investment (INSINV) and motor vehicle insurance claims (MVHIC).

The mathematical form of the model is specified in a functional relationship as follows;

$$RGDP= f (MVHIC, IMHVI, INSINV) \quad 1$$

Equation 1 can be transformed as:

$$RGDP=\lambda_0 + \lambda_1 MVHIC + \lambda_2 IMVHI+ \lambda_3 INSINV + \varepsilon i \quad 2$$

Where: GDP = Real Gross Domestic Product; MVHI = Incomes generated from motor vehicle insurance by insurance companies; MVHIC = Motor vehicle insurance claims; INSINV = insurance investment

λ_0, λ_1, λ_2 and λ_3 = Parameters to be estimated; εi = Error term

The behavioural assumptions, the a priori, or the presumptive signs are stated as follows:

λ_1>0:This implies that motor vehicle insurance is expected to be positively related to the Nigeria economy as the premium from the insured are invested by the insurance companies.

λ_2>0: The presumptive signs of favourable motor vehicle insurance claims are expected to be positive to the Nigeria economy as revenues from claims are used to repurchase capital goods.

λ_3>0: The presumptive signs of favourable insurance investment are expected to be positive to the Nigeria economy.

4.1 Results and analysis

The vast majority of time series variables have been shown to be non-stationary in the research. Since most time series data are not stationary at level, a spurious regression occurs when there is actually no linear relationship between a dependent variable and an independent or a set of independent variables despite a high R-squared or adjusted R-squared and few statistically significant t-ratios. This may occur if the R-squared or corrected R-squared value is quite large. Since time series data was used in the model estimation process, this study's major goal is to explore its properties. The authors are particularly interested in the order of integration, whether or not the variables have unit roots, and whether or not the model is stationary. The Augmented Dickey-Fuller unit root test is performed to rule out the possibility of an incorrectly estimated regression.

Table 4.2: Augmented Dickey-Fuller Unit Root Test

Variable	Level	Prob.	First Difference	Prob.	Model	Order of integration
MVHI	-1.448927	0.8279	-3.986459**	0.0185	Trend & Intercept	I(1)
MVHIC	-3.477116	0.0572	-8.947208***	0.0000	Trend & Intercept	I(1)
INSINV	-2.343756	0.399	-5.329129***	0.0000	Trend & Intercept	I(1)
RGDP	-1.875448	0.6457	-6.583358***	0.0000	Trend & Intercept	I(1)
ECM(-1)	-5.737316	0.0000			None	I(0)

***Source*:**Eviews Output

The results of the ADF unit root test that were obtained are presented in table 1, and they reveal that none of the variables are stationary at level. On the other hand, MVHI and MVHIC become stationary at their first difference, while RGDP and INSINV are stationary both at level and at their first difference. This result suggests that the variables can be used for the analysis that was planned.

Table 4.3 Cointegration Rank Test

a. Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.708159	52.15078	25.87211	0.0000
At most 1	0.260885	10.27825	12.51798	0.1151

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

b. Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.708159	41.87253	19.38704	0.0000
At most 1	0.260885	10.27825	12.51798	0.1151

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

***Source*:** E-Views Output

Table 4.3 result for the variables integrated at the same order, specifically 1(1), suggests that there are no co-integrating equations at a significance level of 5%. Additionally, the Max-Eigen value test suggests the absence of a cointegrating equation.

Table 4.4: Error Correction Model (ECM) Result

Dependent Variable: LOG(RGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.471356	0.145453	58.24100	0.0000
LOG(MVHI)	0.328850	0.041060	8.009017	0.0000
LOG(MVHIC)	-0.138287	0.050589	-2.733559	0.0106
LOG(INSINV)	0.090262	0.009452	9.549395	0.0000
ECM(-1)	-0.225405	0.017925	-12.57477	0.0000

R-squared	0.876316	Mean dependent var	10.32580
Adjusted R-squared	0.863521	S.D. dependent var	0.525868
S.E. of regression	0.194272	Akaike info criterion	-0.325903
Sum squared resid	1.094506	Schwarz criterion	-0.144508
Log likelihood	9.377396	Hannan-Quinn criter.	-0.264869
F-statistic	68.48938	Durbin-Watson stat	1.533007
Prob(F-statistic)	0.000000		

***Source*:** E-Views Output

Table 3 presents the results of a study into the effects of selling motor insurance policies on GDP growth in Nigeria. The results reveal that MVHI income has a positive and statistically significant impact on GDP growth, with a coefficient of 0.328. It also demonstrates that, with all else being equal, a one-unit shift in MVHI results in a 0.328-unit shift in RGDP with a t-statistic of 8.009 and a probability value of 0.000. This indicates that auto insurance premiums have a statistically significant, positive effect on Nigeria's GDP growth. This is so because the effect is large enough to be statistically significant. Therefore, we reject the null hypothesis in favour of the alternative, which contends that statistical significance does not significantly affect economic growth in Nigeria.

Motor vehicle insurance claims, a proxy for insurance activity in Nigeria, were found to have a negative effect on GDP growth; the coefficients for this relationship totaled -0.138, the absolute t-statistics value was 2.733, and the probability that this effect would occur was 0.016. This was found by contrasting the absolute value of the t statistic with the coefficients. Therefore, insurance claims for motor vehicles—a part of the broader insurance activity measurement—have a statistically significant, negative impact on Nigeria's economic growth.

Insurance investment was also found to significantly and positively affect Nigeria's economic expansion. Table 4.4 shows that a one-unit increase in INSINV leads to a 0.0902 percentage point decline in real gross domestic product (RGDP). The t-statistic for a coefficient of this size is 9.5493, indicating a significant probability of 0.0000. Therefore, we should reject the null hypothesis and embrace the alternative, as insurance investment does not significantly affect economic growth in Nigeria.

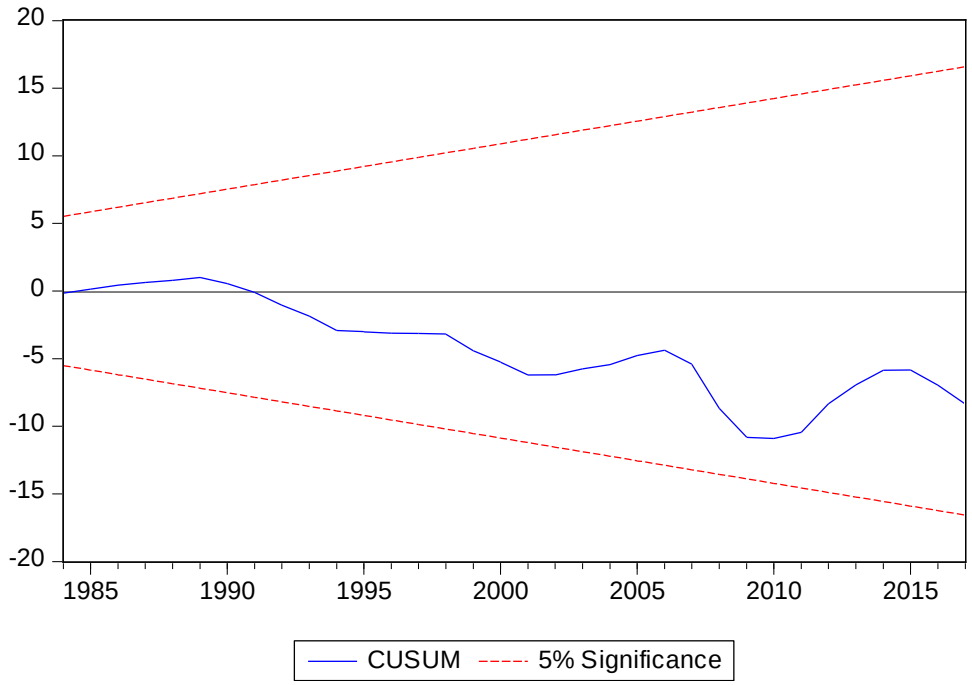
The adjusted R2 value was calculated to be 0.8635. This demonstrates that 86.35 percents of variations in economic growth (RGDP) can be attributed to motor vehicle insurance claims, income generated from motor insurance, and insurance investment, while the remaining 13.65 percents can be attributed to other extraneous factors, which are captured by the error term. This suggests that the remaining 13.65 percent of variations cannot be accounted for by the above mentioned causes. The absence of specification mistakes in the models suggests that this is the case. In terms of probability, we get a value of 0.000000 for the F-ratio, 87.63 for the R-squared, and 68.489 for the F-ratio. This is highly significant at the 5% level, lending credence to the inference that the model is good. The Durbin Watson (DW) statistics indicate that the model has a noticeable amount of autocorrelation or serial correlation at the 1.533 level.

The empirical research undertaken for this study revealed that motor vehicle insurance claim settlements in Nigeria (MVHIC) have a detrimental effect on real gross domestic product (RGDP) in Nigeria. However, insurance company profits and insurance investment from auto insurance have a major impact on Nigeria's economic development. Therefore, the insurance market activities in Nigeria played a crucial role in the growth of the economy due to the financial intermediation role they played in allocating savings, which in turn increased productivity, technical progress, and GDP growth. Similarly, insurance premiums have a positive and statistically significant effect on Nigeria's GDP growth rate. The absolute t-statistic and the

prob. value both provide credence to the idea that spending money on insurance has a large and positive impact on economic growth.

The results show that companies more likely to purchase property insurance are those with higher levels of debt or output that relies largely on physical assets, while those with higher levels of state ownership or the ability to carry forward tax losses are less likely to do so. The scale of an organisation has the opposite effect on demand, despite the fact that improvements in management, foreign ownership, and expansion options can all boost demand. Arena's (2006) and Ward and Zurbruegg's (2000) findings are in agreement with these studies.

Fig. 1 Stability Diagnostic Test



Source:Eview Output

The results of the Cumulative Sum of Recursive Residuals (CUSUM) test, which are displayed in figure 4.1, indicate that the model's parameters have remained substantially unchanged during the course of the study. This is proof given that the cumulative sum does not go beyond of the region that is contained inside the two crucial lines. We may thus draw the conclusion, based on the findings of the diagnostic test, that the error correction model that was provided is appropriately defined with the relevant variables.

5.1 Conclusion

This study concludes that the settlement of insurance claims for motor vehicles has a detrimental effect on economic growth in Nigeria based on the findings of the empirical research. However, insurance company profits from auto insurance and insurance investment play a major role in driving economic expansion in Nigeria. Similarly, insurance premiums have a positive and

statistically significant effect on Nigeria's GDP growth rate. The absolute t-statistic and the likelihood both corroborate the hypothesis that insurance expenditures significantly and favourably affect economic growth. This research suggests that restrictions on all-encompassing insurance plans should be lifted in order to better reflect actuarial marketing and pricing in relation to premium payments. To prevent financial loss, insurance products and policies must be promoted and sold based on the desire for security and the insurance product's or policy's ability to provide adequate financial protection against unforeseen losses. This is vital for the successful promotion and sale of insurance products and policies.

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