RESEARCH ARTICLE

INSURANCE AND SOLVING OF SOCIAL PROBLEMS IN NIGERIA

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ARTICLE DETAILS

ABSTRACT

Countries faced with social challenges devise several means of tackling these problems of which the use of insurance is one of such. Moreover, the main difference between the developed and the developing nations lies more in that the developed nations have fashioned out means of timely solving the problems than the developing ones especially through the use of insurance. Insurance in no small ways have been used by the USA, Britain, Germany and a host of others to solves some of these social problems. Insurance companies on the other hand have provided Corporate Social Responsibilities' products to the citizens of these countries. These is not the case in developing countries including Nigeria. This study examined the impacts of insurance in explaining social challenges in Nigeria, taking into cognisance the impact of insurance on social problems in the country. This simple research design was adopted from the qualitative perspective. This involves the use of research instruments to collect primary data from the target respondents which consist of mainly insurance staff working in the Lagos Island area of Lagos State, Nigeria. The population of the study is infinite since the research is on social problems that affects the majority of Nigerian over 220 million citizens. Hence, the researcher had to adopt convenient sampling method to selected few people for the study. A total of 350 copies of questionnaires were administered with 343 copies completed and return to the researcher. Analysis based on research questions reveals that there is relationship between the impacts of insurance on the reduction of social challenges in Nigeria. This by implication is that if there are more insurance operations in the country there will be reduction of social challenges. Also, insurance companies should embark on those activities that could help the government reduce social challenges in the country. Insurance has advanced in a way that apart from its application to pure risks, it could also be used to solve social problems which could either be fundamental or speculative risks. The study has empirically shown that insurance impacts on social challenges in the country and there is a significant relationship between the use of insurance and the solving of social problems which could be effectively be adopted in the country in solving or bring some forms of reliefs to families that are victims of kidnapping, terrorism, rape among others.

KEYWORDS

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Introduction

Social problems are some of those challenges that members of the popular encounter in the process of living together in the society. Social problems encompass a wide range of issues, including terrorism, unemployment, gun violence, poverty, employee theft, kidnapping, robbery, rape, armed robbery, low mortality rate, gangsterism, cultism, Human Immuno Virus and Acquired Immune Deficiency Syndrome (HIV/AIDS), war, inflation, immorality, corruption, and more (Aborisade, 2017; Lufkin, 2017). These problems affect every aspect of society, including the family, economy, politics, education, and religion. Over time, various factors have contributed to the prevalence of social problems in each society. These factors are often linked to governmental actions at all levels, global influences through international relations, and individual behaviors. The impact of these social problems on individuals and society as a whole is significant and cannot be overlooked.

In this regard, social challenges, from the ordinary perspective, could be attributed to the common problems which members of the society face in their day-to-day activities, and which demand solutions from the individuals and societies too. More so that they are those conditions or behaviours that have negative consequences at both personal and work level. Social challenges, therefore, arise from the societal problems which mankind faces daily. These could manifest in such events as untimely deaths, accidents brought on by inadequate infrastructures, poor growth in the economy, high rate of unemployment, high child mortality rate, road accidents as a result of either bad roads or poor maintenance of the roads, among other challenges. These challenges if not properly managed lead to general instability in the society. Although most of the social problems may fall within the realm of fundamental and speculative risks. Fundamental and speculative risks are not insurable in insurance (Ofuya, 2013; Onyeka, 2023, and Duru, 2024). However, there are some changes within the insurance parlance that if the risks are fortuitous such risks whether fundamental or speculative should be insurable (Asaria and Miah, 2021). In this sense, the use of insurance would greatly aid in resolving societal issues.

It is pertinent to note that some countries that faced with social challenges have devise several means of tackling these problems of which the use of insurance is one of them. Moreover, the main difference between the developed and the developing nations lies more in that the developed nations have fashioned out means of timely solving the problems than the developing ones especially through the use of insurance. Insurance in no small ways have been used by the USA, Britain, Germany and a host of others to solves some of these social problems. Insurance companies on the other hand have provided Corporate Social Responsibilities' products to the citizens of these countries. These is not the case in developing countries including Nigeria. This study looks at how insurance helps Nigerians solve social problems while also considering how insurance affects social issues in the nation.

Literature Review

Obileye & Aborisade (2020) argued that there have been many arguments among scholars on the concept of social problem within and outside the management sciences. They posited that the basis of the arguments was on what should or should not constitute a social problem. These arguments on social problems could be subjective in nature or objective as a whole (Eitzen, Baca-Zinn & Smith, 2014). For this purpose, therefore, a social problem can be best described as the interpretation giving to it by individual members of the society and society at large. Regardless of whether the data involved are substantial or not, the subjective nature of a social problem is simply the view of individual members on what affects them (Eitzen, Baca-Zinn & Smith, 2014). Social problems are essentially the circumstances that impact people and cause them to feel regretful about who they are and the society in which they live, respectively.

However, Spector & Kitsuse (2017) contended that sociology does not and has never provided a sufficient definition of social problems, nor has there ever been a sociology of social problems. It is understandable, therefore, that the term "social problem" has, according to Spector & Kitsuse (2017), served less as the focal point of theory and research on a particular subject matter and

more as a checklist for imparting sociological knowledge to undergraduates. According to Vaghefi (2023), it refers to the various issues that have a detrimental impact on a society's values, social structure, and general well-being. He went on to say that global problems like poverty, relocation, and terrorism are all part of social problems. Social problems are those that affect a group of individuals in the society, as opposed to personal difficulties or natural calamities. Social issues can arise in a particular nation or have an impact on the global community. Accordingly, social problems are those that have an impact on society's peace, stability, safety, or independence (Vaghefi, 2023).

In any economy, insurance is crucial to the financial intermediation process. IFRS (2023) states that insurance contracts incorporate elements of a service contract and a financial instrument. In addition, Insurance is a method people use to manage risk; by purchasing an insurance product, they are securing protection against potential financial losses that could arise in the future. If the insured event occurs, the insurance company compensates the insured or a designated beneficiary for the loss resulting from the insured event. As Onyeka (23: p. 8) explains, an insurance contract is "a contract under which one party (the issuer) takes on significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) negatively impacts the policyholder." (Chilekezi, 2017). According to Outreville (1998), a legal definition of insurance that can be found in numerous insurance legislation is as follows: An insurance contract is an agreement whereby one party, the insurer, agrees to pay another party, the policyholder or a third party, a premium or assessment, in the event that the event for which the contract is intended occurs.

This results in the promotion of social insurance. Murphy (2022) claims that although social insurance may not seem like a recognizable term, the majority of people are aware of its offerings. Social insurance policies are financed by citizens and handled by the government. They serve the community during periods of financial instability brought on by age, disability, or financial difficulty. According to Murphy (2022), social insurance programs are financed by the

individuals who utilize them. For example, an examination of an average pay check should include deductions for Social Security, Medicare, and unemployment. These deductions contribute to the pool of benefits that form a safety net for retirement or in the event of hardship or illness because social insurance is a universally funded financial safety net managed by the government. Social insurance programs include Medicare, Social Security, and unemployment insurance, among others. In addition, a growing number of insurers have made the commitment to engage in socially responsible investing, which entails selecting or rejecting investments based on particular moral standards like the UN Principles for Responsible Investment (PRI) (Schanz, 2022). According to Schanz (2022), insurance plays a crucial role in risk-taking and investing. It does this by supporting financial stability and "peace of mind" for individuals, households, and businesses; stabilizing, enhancing, or even replacing social security programs; facilitating trade and commerce; mobilizing savings based on long-term offerings; and fostering the capacity of societies to deal with risk and prevent losses more effectively.

Research Methodology

This simple research design was adopted from the quantitative perspective. This involves the use of research instruments to collect primary data from the target respondents which consist of mainly insurance staff working in the Lagos Island area of Lagos State, Nigeria. The population of the study is infinite since the research is on social problems that affects the majority of Nigerian over 220 million citizens. The Statistical Package for Social Sciences (SPSS) was employed to test the hypotheses. As Chandler (2012) describes, SPSS is a robust system for data analysis that can process data from nearly any type of file and use it to produce tabulated reports, charts, and plots of distributions and trends, as well as descriptive statistics and complex statistical analyses. The researcher used a convenient sampling method to select a small group of participants for the study. A total of 350 questionnaires were distributed, and 343 were completed and returned to the

researcher. The respondents self-administered the questionnaire copies in their varied natural environments. We chose to use SPSS as our technique of data analysis because it is more suitable for quantitative data analysis, and as the majority of the data we obtained came from questionnaires, SPSS is a better tool for analysing this kind of data.

Data Presentation and Analysis

The analysed data from the primary data are presented below.

Table 1: Descriptive Statistics of Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
IAT	343	3	5	3.90	.614	.094
RSC	343	2	4	3.78	.425	-.940
BIT	343	3	5	3.89	.359	.103
Valid N (Listwise)	343					.094

Source: Researchers field survey, 2023

Where: IAT: Insurance as Tool; **RSC: Reduction in Social Challenges**; **BTI:** Benefits to Insurers

Descriptive statistics presented in table 1 revealed that average risk insurance contribution as a tool for social challenges is 3.90, standard deviation is .614, minimum and maximum values are 3 and 5 respectively; reduction in social challenges for mean, standard deviation, minimum and maximum value are 3.78, .425, 2 and 4 respectively; benefits to insurance companies that added to reduction of social challenges for mean is 3.89, standard deviation is .359, minimum and maximum values are 3 and 5 respectively; data skewness explain the normality of the variable used, which shows that all the variable fall within the range under the standard normal curve of ±1.96.

Analysis base on Research Question 1

To what extents are the impacts of insurance in the solving social challenges in Nigeria?

Table 2: Relationship Between Impacts of Insurance and Solving Social Challenges in Nigeria

S/N	Item Statement	SA (%)	A (%)	U (%)	D (%)	SD (%)
1	You are aware of role of insurance in societies.	76(22)	86(25)	73(21)	61(18)	47(14)
2	Insurance has poor impacts on social challenges in the country.	92(27)	110(32)	90(26)	51(15)	
3	Your company involves in solving social problems in Nigeria.	107(31)	96(28)	77(23)	63(18)	
4	Solving of social challenges is one of the functions of insurance companies	99(29)	114(34)	88(26)	33(11)	

Source: Researchers field survey, 2024

Table 2 revealed that 47% of the respondents agreed that they are aware of insurance in the society, 21% of the respondents are undecided, while the remaining 32% disagreed to this statement. 59% of the respondents agreed that Poor impact on the solving of societal challenges, 26% are undecided, while the remaining 15% of the respondents disagreed to this statement as far as this research is concern. In addition to this, 59% of the respondents agreed that company introduces measures to reduce poor social challenges, 23% of the respondent are undecided about this statement, while the remaining 18% disagreed with this statement. Furthermore, the table revealed that 63% of the respondents agreed that solving of societal problems is one of the function of insurance companies, 26% are undecided and while the remaining 11% of the respondents disagreed to this statement. This implies that there is relationship between insurance and the solving of societal challenges in Nigeria.

Research Question 2: Are there any significant relationships between insurance penetration and the social challenges in Nigeria?

Table 3: Significant Relationship between Insurance Penetration and the Social Challenges in Nigeria

S/N	Item Statement	SA (%)	A (%)	U (%)	D (%)	SD (%)
1	There is a significant relationship between insurance penetration and the solving of social challenges.	116(34)	107(31)	75(22)	45(13)	
2	Solving of societal challenges will increase insurance penetration.	113(33)	73(21)	83(24)	42(12)	32(10)

3	Societal challenges could help insurance companies to more people to buy insurance.	72(21)	126(37)	75(22)	44(13)	26(7)
4	Social challenges is often not solvable by insurance companies.	62(18)	71(21)	93(27)	91(27)	26(7)
5	Poor social challenges will be much for insurance to serve as tool for solving.	103(30)	104(31)	90(26)	46(13)	

Source: Researchers field survey, 2024

Table 3 revealed that 65% of the respondents agreed that there is a significant relationship between insurance participating in solving of social problems and insurance penetration in Nigeria, 22% of the respondents are undecided, while the remaining 13% disagreed to this statement. 54% of the respondents agreed that solving of societal challenges by insurance companies will help increase insurance penetration, 24% of these respondents are undecided, while the remaining 22% disagreed as far as this study is concern. In addition to this objective, 58% of the respondents agreed that insurance companies solving societal problems will make more people to buy insurance products, while 22% are undecided and the remaining 20% of this respondent disagreed to this statement. 39% agreed that solving of societal problem will be much for insurance companies to solve, 27% are undecided, while the remaining 34% of this respondent disagreed with this statement. More so, 61% of the respondents agreed that social challenges could be much for insurance companies to solved, 26% are undecided, while the remaining 13% of the respondents disagreed to this. This implies that insurance companies cannot solve social problems.

Analysis of Data

Table 4: Summary of Correlation Analysis Establish the Relationship between the Identified Risk Exposures and Profitable Underwriting of Insurance Firms.

	Correlations	RISK EXPOSURE	PROFITABLE UNDERWRITING
INSURANCE IMPACT	Pearson Correlation	1	.995**
	Sig. (2-tailed)		.000
	N	343	343

SOCIAL CHALLENGES	Pearson Correlation	.995**	1
	Sig. (2-tailed)	.000	
	N	343	343

Source: Researchers field survey, 2024

Table 4 presents a summary of correlation analysis that establishes that insurance impacts positively in reduction of social challenges in Nigeria. Table 2 revealed a positive Correlation between impact of insurance and social challenges with correlation coefficient of 0.995 which implies that there is strongly positive linearly correlation which is also significant between insurance and reduction of social challenges in Nigeria. The finding implies that when there is increment or improvement in the reduction of social challenges with an increase of insurance operations in the country.

Findings

Analysis based on research questions reveals that there is relationship between the impacts of insurance on the reduction of social challenges in Nigeria. This by implication is that if there are more insurance operations in the country there will be reduction of social challenges. Also, insurance companies should embark on those activities that could help the government reduce social challenges in the country. This could be by way of corporate social responsibility activities within their neighbourhood among others.

Conclusions

Insurance has advanced in a way that apart from its application to pure risks, it could also be used to solve social problems which could either be fundamental or speculative risks. The study has empirically shown that insurance impacts on social challenges in the country and there is a significant relationship between the use of insurance and the solving of social problems which could be effectively be adopted in the country in solving or bring some forms of reliefs to families that are victims of kidnapping, terrorism, rape among others. There is need for insurance companies to do more through coming up with more solutions on these problems through designing covers for such risks as the case of kidnapping insurance which is sold in the Kenyan market. This will no doubt bring succour to affected families and relieves to the

Nigerian society at large. The government, on its part, should come up with programmes to encourage insurance companies to design this covers for the benefits of Nigerians as the case may be.

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