Business Enterprise Development and Insurance: Lesson From The Publishing Business in Nigeria

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ABSTRACT

Small and Medium scale publishing enterprise, including publishing firms interact at different levels with their environment. This could bring about Uncertainty or accidental events which can quickly lead to unfavourable financial outlook. The study examines the significant relationship that exists between the growth and sustainability of business concern and the Nigeria insurance sector. The study, also examines how the insurance needs of a publisher is met. A Pearson coefficient of correlation analysis was used to test the relationship. The study reveals that the insurance sector provides adequate coverage to the loss producing risk exposures of publishing business enterprises. The study recommended that the government should put in place policies that makes insurance compulsory. The study, further recommended that the management of publishing firms should view the insurance sector as a prerequisite to growth and development.

Keywords: Small and Medium scale Enterprises, Entrepreneur, Insurance, Publishing companies. Publishers, Business Enterprise.

1. INTRODUCTION

All businesses are expose to high level of uncertainties in their internal and external environment, due to the occurrence of Risk, that is referred to as the probability of an adverse event occurring (Tasmin & Muazu, 2017). It is not possible for businesses to eliminate risk instead they have to manage them to ensure that they emerge successful (Ren, Yeo & Yingju, 2014). Entrepreneur therefore, need to involve in activities whose end game is minimization of exposure of the firm to risk occurrences. The taking up of insurance, avoidance of risky activities, among other practices, are some of the measures entrepreneur could get involved in (Frigo & Anderson, 2011). Business organisations including a publisher, purchase insurance cover for legal and contractual obligations, profit and loss/balance sheet protection and also for the protection of employee's assets or benefits (Belch, & Belch, 2019a).

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The insurance industry provides services in the form of security against general uncertainties which are likely to occur in everyday life, thereby resulting in liabilities that convert to a financial loss (Yinka & Akinlo, 2013).

The liability classes of insurance (compensation to injured employees) are usually made compulsory in some countries (Belch & Belch,2019b). various literature reviews show that reduction of uncertainty, assets protection, stimulus to entrepreneurship growth and economic activities are the major benefits of insurance. In most economy, the growth in economic activities are dependent on the development of the insurance sector. The availability of insurance products and high level of patronage, would create stronger companies, stability of the economy and greater employment opportunities. Business enterprises including publishers are less likely to collapses as major potential risk that cannot be retained are transferred/shifted to an insurer.

The following questions are to be addressed in the paper:

i. Do Publishers purchase insurance to manage risks in the Nigerian Publishing industry?
ii. Is insurance beneficial to Publishers in Nigeria?
iii. Does insurance (if purchased) enhance publishing operations in Nigeria?

2: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

1. Insurance and Risk Transfer

One of the major responses to risk available to an organisation is risk transfer, which normally takes place by way of insurance (Blunden & Thirlwell, 2010). The payment of a certain sum of money in the event of the occurrence of defined circumstance, is taking as the fundamental principle of insurance (Marshall, 2001). The first- party insurance requires insurance company to financially compensate an insured for losses suffered directly, this includes property-damage insurance while the third-party insurance which includes motor third-party and public/general liability, compensate other parties that suffers a loss caused directly by the activities of the insured first –party (Coyle, 2002; Gordon, 2003). The major advantages of insurance to business enterprises such as a publishing firm includes, the provision of financial compensation against an expected loss, reduction of uncertain hazard events occurrence, providing access to specialist services as part of the insurance premium (Arnold, 2019).
Difficulties in quantifying the financial costs, which most times leads to delay in obtaining settlement of an insurance is the main set-back of insurance to business enterprise including a publishing firm (Jarvin, 2009; Jemil et.al, 2010).

2. Publisher and Publishing Risk

The Cambridge English Dictionary defines Publishing as the business of making books, magazines, or newspapers available to the public. The Nigerian book publishing industry is one that is overlooked by many, probably because it is portrayed that Nigerians don't read. However, with the recent growth in book selling businesses either print or electronic, it is logical to say Nigerians read. Hence, the need to research on the various risk publishers are exposed to. The top 10 books and magazines publishing companies in Nigeria that are considered best in the country includes; Literamed publications Nigeria Limited, University Press Plc, Grace Springs

Africa Publishers, Cassava Republic, Evans Brothers (Nigeria Publisher) Limited, Book Craft Africa, Black Tower Publishers, Kachifo, Parresia Publishers Limited and The New Gong. Publishing is an essential facilitator of activities in the economy: therefore, risks that may affect the growth and development of the publishing sector should be effectively put under control. Insurance most effectively put under control, the financial liabilities that arises upon the occurrence of associated risks (Joe Solari,2021). A publisher needs insurance cover for legal and contractual obligations, balance sheet/profit and loss protection and also for employee benefits/protection of employee assets (Belch, & Belch, 2019a). A publishing company realizes that it has to buy employers' liability insurance and motor third-party insurance in relation to legal obligations. Also, it is a requirement placed on magazine distributors by the wholesalers that the company purchases libel and slander insurance. In order to protect the balance sheet and profit and loss account, the company needs to purchase property damage and business interruption insurance, together with credit risk insurance and goods in transit insurance. A publisher may decide to provide benefits to staff by way of life, critical illness and private medical insurance, as well as personal accident and travel insurance.

Table 1: Different types of Insurance available to a Publishing Business Concern

Legal and Contractual Obligations

- Employers' Liability – compensation to employees injured at work
- Public Liability – compensation to public or customers
- Product Liability – compensation for damage or injury
- Professional indemnity – compensation to client for negligent advice

Balance sheet/Profit and Loss Prevention

- Business Premises – damage to premises by adverse events
- Business Interruption – loss of profit and increase in cost of working
- Assets Protection – losses, such as:
    - Loss of cash
    - Goods in transit
    - Credit risk
    - Fidelity guarantee (staff dishonesty)
    - Machinery Breakdown (including computers)
- Motor Insurance – compensation following motor accident
- Loss of a Key Person – compensation on loss of key staff member

Employee Benefit/Protection of Employee Assets

- Life and Health – benefits to employees that can include:
    - Life cover
    - Critical illness cover
    - Income Protection
    - Private Medical costs
    - Permanent Health
    - Travel injury/losses
- Directors' and Officers' Liability – legal and compensation costs.

3. SCOPE, OBJECTIVE AND SIGNIFICANCE OF STUDY

The examination of insurance as a risk transfer mechanism for the management of risks associated with the Nigerian publishing industry is the major focus of the study. The specific objectives of the study are to:

i. Outline the benefits of insurance to publishing firms
ii. Identify publishing risks and the types of insurance policies purchased by publishers in Nigeria
iii. Examine insurance as a risk transfer mechanism.

The study is relevant to the existing body of knowledge. There has been no published study regarding the use and purchase of insurance to manage risks associated with the Nigerian publishing industry as reveals by the literature. The available studies on insurance focuses on individuals' attitudes towards insurance services, life insurance purchase and social health insurance schemes (Arodiogu, 2005; Omar, 2007; Yusuf, 2006; Yusuf et al, 2009). This study therefore intends to fill these gaps and also contribute to the existing knowledge relating to the use and purchase of insurance.

4. METHODOLOGY OF THE STUDY

The study made use of primary and secondary data. The primary data were collected through survey. Structured questionnaires were administered to participant through the internet (e-survey) as attachment to email to obtain quantitative data. The questionnaire is divided into 5 sections, containing 44 questions and a portion for respondents' additional comments. Of the 200 participants that the questionnaires were administered to, only 149 responded, representing 75% response rate. 85% of those that responded are directly involved in taking insurance decisions in their respective organisations. IBM SPSS V19 software was used to processed the survey, while a descriptive statistics data techniques was used to analyse the data and a Pearson coefficient of correlation was used to test the hypothesis. The coefficient of determination was also computed.

5. HYPOTHESIS STATEMENT

The above table have established the suitability of insurance as a financing mechanism in managing the various risk associated with a publishing firm. The following hypothesis are therefore presented by the study:

H_0: Insurance does not enhance business operations in the Publishing industry
H_1: Insurance enhances business operations in the Publishing industry

6. FINDINGS AND DISCUSSIONS

1. Purchase of Insurance Policies by Publishers

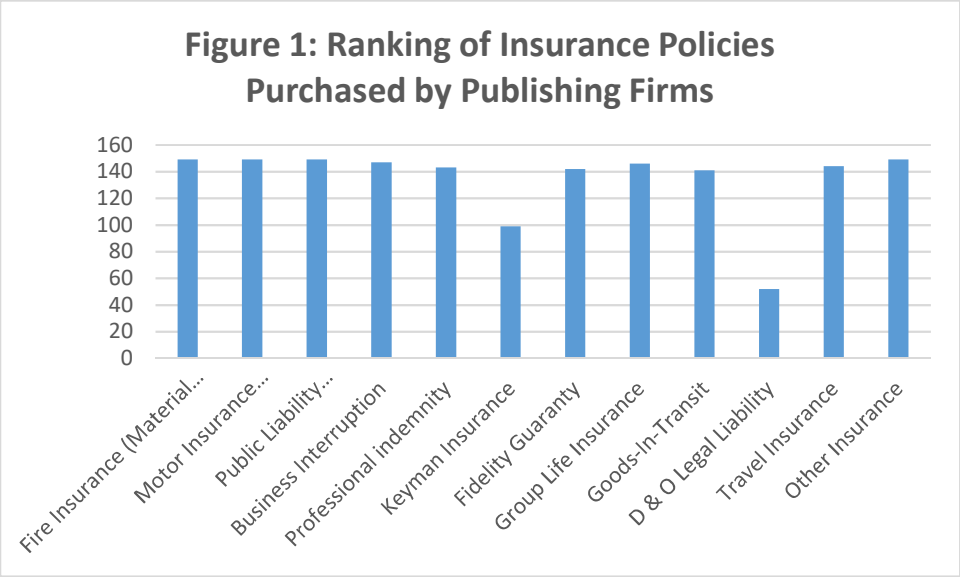
From Question 4 on the questionnaire the respondents were requested to indicate if publishers do purchase insurance policies. All respondents confirm that publishing companies purchase insurance to transfer and manage risk in the publishing industry. This result aligned with the literature, that insurance enables a publishing firm to shift its risk to another person called the insurer (Coyle, 2017, Gordon, 2017, Derek & Bates 2018).

2. Insurance Policies Purchased by Publishing Firms

Having confirmed that publishing firms purchase insurance. The study, proceeded to ascertain the types of insurance policies publishers in Nigeria purchase. "Yes" "No", and "Don't know" are the options available to respondents in the section C of the questionnaire, that contained 12 questions. Table 2 and figure 1 shows the results and ranking (highest to lowest) of the insurance policies purchased by publishing firms in Nigeria.

Table 2: Insurance policies purchased by Publishing Firms

Insurance Policy		Yes	No	Don't know	Total
Fire Insurance (Material Damage)	Frequency	149	0	0	149
	Percentage	100	0	0	100
Motor Insurance (Automobile)	Frequency	149	0	0	149
	Percentage	100	0	0	100
Public Liability (Libel/Slander)	Frequency	149	0	0	149
	Percentage	100	0	0	100
Business Interruption	Frequency	147	2	0	149
	Percentage	99	1	0	100
Professional indemnity	Frequency	143	2	4	149
	Percentage	95	2	3	100
Keyman Insurance	Frequency	99	45	5	149
	Percentage	66	30	4	100
Fidelity Guaranty	Frequency	142	7	0	149
	Percentage	95	5	0	100
Group Life Insurance	Frequency	146	1	2	149
	Percentage	97	1	2	100
Goods-In-Transit	Frequency	141	4	4	149
	Percentage	94	3	3	100
D & O Legal Liability	Frequency	52	91	6	149
	Percentage	34	61	5	100
Travel Insurance	Frequency	144	4	1	149
	Percentage	97	2	1	100
Other Insurance	Frequency	149	0	0	149



All the 149 respondents confirmed that fire (material damage) insurance, Motor insurance and Public liability (libel/slander) insurance policies are usually purchased by Publishing firms. Business interruption, Professional Indemnity and Fidelity Guaranty insurance policies purchase are confirmed by 147,143 and 142 respondents respectively. Other notable policies purchased by publishing firms are Good-In-Transit policy, Keyman Insurance policy, Travel Insurance policy and Group life insurance policy. The result reveals that Publishers purchase insurance for sustainable growth and development in the Nigerian publishing industry.

Insurance Enhances Publishing Operations

Respondents were requested in question 13, to indicate whether insurance enhances publishing operations through the provision of insurance protection for the various operational risk associated with publishing operations in Nigeria. The response was coded into 3 categories "Agree", "Disagree" as well as "Neither agree or Disagree".

Table 3: Insurance Enhances Publishing Operations "Response Status"

Response Status					
		Top level Manager	Middle level Manager	Clerical Officer	Total
Insurance Enhances	Agree	35	89	18	142
Publishing Operations	Disagree	0	1	2	3
	Neither Agree nor Disagree	1	2	2	5
Total		36	92	21	149

142 (95%) of the respondents confirmed that publishing business operations is enhanced by insurance, through provisions of financial and technical protection for risk associated with the Nigerian publishing industry. The results suggest that the purchase of appropriate insurance policies can stimulate publishing business operations. The purchase of appropriate insurance policies brings about an effect management of entrepreneurial risks including publishing risk (Skipper & Kwan, 2017).

Table 4: Insurance is Beneficial to Publishers and the Economy

Respondents were requested in question 14 to indicate whether insurance is beneficial to publishing industry and the economy at large. The responses were coded into 3 categories "Agree", "Disagree" as well as "Neither agree or Disagree".

Table 4: Insurance is Beneficial to Publishing firms and the Economy "Respondent Status

Response Status					
		Top level Manager	Middle level Manager	Clerical Officer	Total
Insurance Enhances	Agree	32	78	21	131
Publishing Operations	Disagree	0	8	0	8
	Neither Agree nor Disagree	4	6	0	10
Total		36	92	21	149

131 (88%) of the respondents, confirmed that insurance is beneficial to the business growth of publishing firms and the economy at large. This is in agreement with the literature, as insurance contributes to economy growth and development by promoting financial stability and reducing anxiety; facilitating trade and commerce; supporting government security programs; mobilising saving; promoting effective and efficient risk management (Skipper, 1997; Sigma, 1999; Enz, 2000; Ward and Zurbruegg, 2002; Han et al, 2010).

Hypothesis Testing

H_0: Insurance does not enhance publishing business growth and development in the Nigeria Publishing industry.

H_1: Insurance enhance publishing business growth and development in the Nigeria Publishing industry.

The response to the questions on "insurance enhances publishing business operations" and "respondent's involvement in insurance purchase decision-making" were used to test the hypothesis. The appropriateness of the questions in testing the hypothesis was based on the assumption that respondents who are involved in insurance purchased decision – making in publishing firms would be familiar insurance and its impacts on publisher operations in the Nigerian publishing industry. A bivariate Pearson product moment correlation was used to test the hypothesis. "A" is used to represents the question "Insurance enhances publishing operations" and "B" represents the question "Respondent's involvement in insurance purchase decision-making"

Table 5: Correlations of: Insurance Enhances Publishing Operations.

Correlations

		(A)	(B)
		Insurance Enhance Publishing Operations	Respondents involved In Insurance purchase Making Decision
Ins Enhances Publishing Operations (A)	Pearson Correlation	1	.142
	Sig. (1-tailed)		.042
	N	149	149
Respondents Involvement In Insurance purchasing Decision (B)	Pearson Correlation	.142	1
	Sig. (1-tailed)	.042	
	N	149	149

Correlation is significant at the 0.05 level (1-tailed)

The outcome shows that there is a very strong positive relationship between A and B; and the correlation is significant with a correlation coefficient of r= 1.42 which is p< 0.05. Thus higher A responses are associated with higher response in B. The null hypothesis (H_o) connotes that the correlation between A and B is p = 0.0. we therefore proceed to ascertain the probability that the correlation obtained in the sample came from a population where the parameter p = 0.0. We therefore proceed to ascertain the probability that the correlation obtained in the sample came from a population where the parameter p= 0.0. since the correlation between X and Y (r = 1.42) is significant at p< 0.05, the null hypothesis is rejected which affirms that the two variables are positively related in the population. This implies that insurance enhances Publishing business operations in the Nigerian Publishing industry.

Coefficient of Determination

The correlation between A and B (r) is 1.42 and the coefficient of determination is r^2. Since r = the correlation between A and B = 1.42, then r^2 = the coefficient of determination = $(1.42)^2$ = 2.0164. The outcome implies that 201.64% of the variance in B (i.e. respondents' involvement in insurance purchase decision- making) can be explained by response to A (i.e., question on insurance enhances publishing operations). There is a very strong correlation between A and B; thus the outcome suggest that insurance enhances publishers' business operations in the Nigerian publishing sector.

7. CONCLUSION AND RECOMMENDATIONS

Publishers value and objectives can usually be reduced by risks associated with the business operations. The study focussed on insurance as a mechanism suitable for managing and transfer of operational risks associated the publishing industry in Nigeria. The study also identifies publishing risk and types of insurance required by a publisher. In conclusion, the study reveals that publishing firms purchase to manage risks; insurance is beneficial to publishers and the economy as a whole; also insurance stimulates business enterprises including publishing operations in Nigeria. In confirmation, the study reveals that insurance is suitable for managing publishers risk.

Consequently, the Nigerian insurance industry should be committed in providing awareness and education relating to the awareness of operational insurable risk in Nigeria. The Nigeria Insurance regulatory authority, that is National Insurance Commission (NAICOM), should strengthen its regulatory and supervisory roles, so as to facilitates adequate and effective enforcement of insurance laws and practice in the country.

8. RECOMMENDATIONS FOR FURTHER STUDY

Diverse opinion from scholars, have stressed on how best to manage risks. The study, therefore recommended areas future studies may explore;

i. The interface between risk, insurance and organisation risk management
ii. The theoretical basis of these interface and how they apply to practice, with the aim of improving risk management culture in the publishing business operations.

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