THE ROLE OF INSURANCE SERVICE FOR BUSINESS GROWTH (Case Study on K.O.JJ Flour Factory in Assco Branch)

A RESEARCH SUBMITTED TO MANAGEMENT DEPARTMENT IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR B.A DEGREE IN MANAGEMENT

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MAY, 2012 G.C

JIMMA,ETHIOPIA

Acknowledgement

First and for most I would like to thank to Allha for give me health and strength to reach this stage and to become success ful.

I would like to express my deep gratitude to my advisor Wendwesen Siyum (BA,PGDIMM, MBA) for critics and his valuable time which made this study possible.

I would likes to thanks k.o.JJ floor factory employees and manager who helped me for the study by giving the necessary information what I want.

Finally I would like to thanks w/t Tigist Werkineh and w/ro Lanchiyderu Mekonnen for their secretarial service in writing the paper .

Abstract

The Study was conducted to assess the role of insurance service for business growth on k.O.JJ flour factory in Assco. To achieve the Objective of the study was used to primary source and secondary source of data. questionnaire both open ended and close ended and also structured and unstructured interviews as a data collection tool for primary source and the secondary data used document of the organization and Internet.

The sampling technique were simple random sampling. The relevant data for the study were analyzed by using a descriptive form of data.

The result of the analysis revealed that K.O.JJ flour factory before purchasing insurance policy they faced some problem like, financial and accident on employees. After purchasing insurance policy they are in good position financially and the amount of accident has decreased.

The researcher found some limitation in study area like low education status, low communication and training how to use machines and how to protect themselves from accident. So to overcome the problem the factory should work hard to give training and communication.

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CHAPTER ONE

1. INTRODUCTION

1.1 Back ground of the organization

K.o.JJ flour factors is the one and the leading agro-industry in Addis Abeba for producing flour since 19 94 E.C to local market and others is need of their product. It is found in Addis Abeba specifically in assco subcity . It starts it's operation with the beginning capital of 35 000000 birr of which 2, 6250000 for fixed asset, source from own investment (internal equity) and the remaining from bank long term loan licensed as private as private limited company with owner ship of one individual.

The factors buy insurance policy from NIB insurance company. This company gives different kind of service to the organization and the employ like life insurance and property insurance from this service the factory buy both of them. NIB Insurance company is important to economic development of the organization by giving the above service and others to the organization.

The factory is hiring labor force and placed as significant role in the economy through opening Job opportunity and source of revenue for the government through with tax.

Currently the factory is operating with total number of 110 employee which is 37 women and 73 men the factory has 8 hrs daily working hour basis.

Vision of K.O.JJ flour factory

To be come number one flour factory in Ethiopia and produce export standard flour to the rest of to the world.

Mission of K.O.JJ flour factory

To maximize its profit by satisfying customers demand, developing highly motivated, skilled and disciplined employees that is capable of producing standard flour and service for the customer.

1.2 Back ground of the study

The establishment of business sector is to increase profit, survival and economic development of the country as will as the customers. The organization for cast and design strategies to achieve their goal and objective. However, the successfulness of the business organization is mainly determined by various internal and external factors. Insurance is an economic device for reducing or eliminating risk through the price of combining a sufficient number of homogenous exposures in to a group to make the losses predictable for the group as a whole. (Geogrg E.Rejda 1995; www. Google book .com)

Insurance has peculiars advantage as a device to handle risk and sought to used to bring about the greatest economic advantage to society (Teklegiorgis Assefa, 2004 p.71)

Most business organization face deviation from what they expected due to uncertainty and and probable occurrence of something unfavorable. In the course of their normal operation business organization occurs to the factory machinery or of stock due to peril, thunder fire. There is exposure to the risk of the finshed stock, raw material and even the machinery in the factory might probable be stolen. In this case to replacement of this damage product to loss more time, cost of repair and loss of production. In these regard different business sector employed different techniques, tools, strategies and process to avoid, prevent, reduce or controlling method and other undesirable effect or risk. Moreover, it includes method that seek to improve understanding or awareness with in an organization of activates affecting exposure to risk. These risk control method are exemplified by security system to prevent unauthorized entry or access to data, by training program to educated employees on techniques to reduce the likelihood of injury by sprinkles and other fire control system by developing and enforcement of codes regulating constriction with in the purpose of decreasing the vulnerability of strenuous to

force of nature. The principle of indemnity state that the insured should not profit from covered lose but should be restore to approximately the same financial position that exist prior to the loss. (William Arthu, 1995. www.Google book.com)

1.3 Statement of the problem

In Addis Abeba there are different kind of business firm and companies they concentrated on production and delivery of goods and service to the customer and assuring survival and growth. They set and design various polices and strategies that enable them toward their objective in most efficient and effective way. However, different problems that they face in their day to day activity or the risk in the service area and unfavorable conditions may cause of terror to the firms. After the sever loss occurs to the firm they may not at least resume their partial operation. In short sever loss may adversely affect the business firm continues growth and operation. These consequently hinder the firms to archive their objectives In short this study address the following hypothetical questions.

1. How the insurance companies assure continuous growth of the business firms?
2. what types of insurance are used by the factory management to resolve risks?
3. what are the major roles of insurance service for the development of flour factory?
4. How the insurance company loan increase marketing to resolve risks?
5. How insurance helps the factory to beat the competition with related factories?

1.4. Objective of the study

1.4.1. General objective

The general objective of the study is to examine and assess the roles of insurance service on the growth of K.O.JJ flour factory.

The specific objective of the study

- To asses the contribution of insurance companies for growth of K.O.JJ flour factory.

- To find out how insurance companies help the organization to achieve their goals.
- To provide some idea as solution to solve the problem of the organization in relation to insurance.
- To know the marketing contribution of insurance service to K.O.JJ flour factory.

1.5. Scope of the study

The finding of the study will be many fruit full and factual if it is conducting in different organization widely. However, due to time and financial constraint it is too large and difficult to conduct all over the organization. This study focuses on the role of insurance service on the growth of k. OJJ four factory at different units or department and different individual or employees in the organization in Assco branch

1.6. **Significance of the Study**

- The main significance of the study is to understand that insurance service help the factory to become competitive in market area and aware the organization about protecting or safeguarding its properties or assets from potential risks.
- This research also helps the other factories to be award about insurance company and its contribution to their business growth. It can be used a secondary source for the coming generation who want to study on related topic and its also enhance the researcher capability and develop knowledge's of the researcher through reading different books and reference.

1.7. **Limitation of the study**

During conducting this study there were some limitations that were raised from different directions.

Regarding lack of sufficient and available source of data in the office related to the title of the study and the luck of documentation made it even harder to complete this work. So that the researcher was forced to over come the problem by allocating extra time to find

related information and or data either primary or secondary source from different source. The time and cost constraints were also the major problems they were faced during the research. In order to control and simplify those problems the researcher was made to manage proper and wise use of time and cost.

Some respondent will not be easily accessible. The researcher while conduct this study used a systematic relation through locked as a good face approaching polite and patience while meeting the right respondent for study.

CHAPTER TWO

2. Review of related literature

2.1 Definition of insurance

Insurance is the pooling of fortuitous losses by transfer of such risks to insurers, who agree to indemnify insured for such losses, to provide other pecuniary benefits on their occurrence, or render services connected with the risk. (George E. Rejda, 1998 p.19)

As George Rejda 1995,www google book.com) insurance can be defined from two point of view.

1. **Insurance defined from the view point of the individual** Insurance is an economic device where by the individual substituted

   a small certain cost (the premium) for large uncertain financial loss (contingency insured against) that would exist it were not for the insurance.

   Insurance is the protection against financial loss provided by an insure. The primary function of Insurance is dual point of view, the purchase of adequate amount of insurance on a hovel eliminates the uncertainty regarding financial loss in the house hold burn down.

2. **Insurance defined from the view point of society**

   Insurance is economic device from reducing and eliminating risk through the prices combining a sufficient number of homogenous exposures in to a group to make the losses predictable for the group as a whole. Insurance is a device by men of which the risk of two or more person or firm are combined through actual or roiled contribution to a fund out of which claimants are paid. From the view point of the insured, insurance combines the risk of many insured.

2.2 Basic characteristic of Insurance

An Insurance plan or arrangement typically has certain characteristics. They include the following

A. Pooling of losses
B. Payment of fortuitous losses
C. Risk transfer
D. Indemnification

A. Pooling of losses

A pooling or sharing of loss is a heart of insurance pooling is the spreading of losses incurred by the few over entire group, so that in the process, average loss is substituted for actual loss. In addition pooling involves the grouping of a large numbers can operate to provide substantially accurate predication of future losses.

Pooling implies (1) the sharing of losses by the entire group, and (2) prediction of further losses with some accuracy based on the law of large number (George E. Rejda, 1998 p.20)

B. Payment of fortuities losses

A fortuitous loss is one that is unforeseen and unexpected and occurred as result of chance. In other word the losses must be accidental (Teklegiorgis Assfa 2004)

C. Risk Transfer

Risk transfer means that a pure risk transferred from the insured to the insure, who typically is in a stronger financial position to pay the loss than the insured. From the view point of individual pure risks that are typically transferred to insurers include the risk of premature death, poor health, disability, destruction theft of property and liability law suits.(George E.Rejda, 1998 p.21).

D, Indemnification

A final characteristics of insurance is indemnification for loss. Indemnification means that insured is restored to his or her approximate financial position prior do the occurrence of the loss. (George E. Rejda, 1998 p.25)

2.3 Requisites of insurable Risk

In spite of the usefulness of insurance in many context Not all risks are commercially insurable insurers normally insure only pure risk. However, not all pure risks are insurable certain requirements usually must be fulfilled before a pure risk can be privately insured. The characteristics of risk that makes it feasible for private insurers to offer insurance for them are called the requisite of insurable risk for practical reasons, insurers are not willing to accept all the risks that other may wish to transfer to them to be considered approver subject of insurance certain characteristics should be present. (Tekelgiorgis Assefa. (2004 p. 70)

2.4. Benefits and costs of Insurance

As Tekegiorgis Assfa (2004:71) concluded insurance has peculiars advantages as advice to handle risk and so aught to be used to bring about the greatest economic advantage to society.

2.4.1. Benefits of Insurance to society

The existence of insurance results in great benefit to society. The major social and economic benefits of Insurance included the following

A. Indemnification for loss

Indemnification permit individuals and families to be restored to their former financial position after the loss occur. Indemnification to business firms also permit firms to remaining business and employee to keep their jobs. The community also benefit because it’s tax abases in not restored. or at least moved closer to their former economic position.

B. Less worry and fear

A second benefit of insurance is that worry and fear are reduced. This is true both before and after loss example if family heads have adequate amount of life insurance, they are less likely to worry about the financial security of their dependents in the event premature death .

Worry and fear a loss reduced after aloes occurs since the insured know that they have insurance that will pay for the loss.

C. Source of Investment fund

The insurance industry Is an important source of funds for capital investment and accumulation premium are collected in advance of loss and fund not needed to pay immediate losses and expenses can be loaned to business firms. These funds are typically invested in factories.

D. Reduced cost of capital

Because of the supply of invest able fund is greater than if would be with out insurance, capital is available at lower cost than would otherwise be possible since total supply of loan able fund is increased the advance payment of insurance premium, the cost of capital to business firms that borrow is lower than it would be in balance of insurance.

E. Loss control

Another social and economic value of insurance lies in its loss control or loss prevention activities. Although the main function of insurance is not to reduce loss but merely to spread losses among member of the insurance groups.

F. Aid to small Business

Insurance encourage competition because with out an insurance industry, small business would be less effective competitors against big business without insurance, small business would involve more risk and would be a less attractive outlet for funds. (Teklegiorgis Assfa, 2004.p72)

2.4.2. Cost of Insurance to Society

Although the insurance industry provide enormous and economic benefit to society, the social cost of insurance must also be recognized. The major social cost of insurance includes the following.

A Operating Expenses

Insure incurs expense such as loss –costs, loss adjustment expenses involved in under writing coverage, premium tax and general administrative expenses. Thus expenses, plus A reasonable amount of prate and other contingencies, must be covered by the premium charged.

B. Losses that are intentionally caused

A second social cost of Insurance is attributed to the fact that if it were not for insurance certain loss would not occur. Losses that are caused intentional by people in order to collect of their polices. Some unscrupulous person can believe that they can make profit by brining about a loss.

C. Inflated claim

Many claims are inflated because of insurance. The loss may be international caused by the insured, but the claim may be inflated.

2.5. Legal principle of insurance contracts

Insurance contracts are complex legal document that reflect both general rules of law and insurance law. When buy insurance you expect to be paid for a covered loss. Whether you can collect and amount paid are government by insurance law (William, Arthur; 1998 Google book.com).

2.5.1 Principle of Indemnity

The principle of indemnity state that insured should not profit from covered loss but should be restored to approximately the same financial position that exist prior to the loss (William Arthur, 1995 Google book .com)

The principle of indemnity has two fundamental purposes. The first purpose is to prevent the insured from profiting form insurance. The insured should not profit is a loss occurs, but should be restore to approximately same financial position that exist before the loss.

The second is to reduce moral hazred. If dishonest insured can profit from a loss, the may deliberately causes the loss with the intention of collecting the insurance. Thus, if the loss payment does not exceed the actual amount of the loss.

2.5.2. Principle of insurable interest

A Fundamental legal principle that strongly supports the Principe of indemnity is that of insurable interest, which holders that uninsured must demonstrate personal losses or else be unable to collect amount due when a loss caused by an insured peril occurs. Insurable internist always a legal requirement. An insurable interest involves relationship between the person applying for the insurance and the subject matter of Insurance.

2.5.2.1 Purpose of an Insurable Interest

(Teklegiorgis Assfa, 2004 p.80) say that, to be legally enforceable, all insurance must be supported by an insurable interest. Insurance contracts must be supported by an insurable interest for the following reasons.

First an insurable interest is necessary to prevent gambling.
Second an insurable interest reduced moral hazard.

2.5.2.2 What constitutes insurable Interest?

One important issue in determining which person or organizations can have insurable interest. It is helpful to distinguish between insurable interest in property and liability insurance and life insurance.

A Property and liability insurance

Insurable interest in property and liability insurance is established by means pecuniary relationship between the insured and subject matter of insurance perhaps the must obvious of this relationship of ownership.

B Life Insurance

The question of insurable interest does not arise when you purchase life insurable on your own life. The law considers the insurable interest requirement to be met whenever person voluntarily purchase life insurance on his or her life.

2.5.3. Principle of subrogation

The principle of subrogation grows out the principle of indemnity. According to (Teklegiorgis Assfa, 2004 p. 83) subrogation means that substitution in place of insured for the purpose of claiming indemnity from a third person for a loss covered by insurance.

2.5.3.1. Purpose of subrogation

Subrogation has three basic purposes, first subrogation prevent the insured from collecting twice for the same loss.

Second subrogation is used to hold insurance take subrogation recoveries can be retracted in the rate-making purpose.

Finally the burden of loss is more nearly placed on the shoulder of the responsible.

2.5.3.2 Importance of subrogation

The general rules is that by exercising its subrogation right. Insurers in entitled only of the amount it paid under the policy some insured may not be fully indemnities after a loss because of in stickiest insurance, satisfaction of deductible or legal expenses in trying to recovered negligent third party the uncured must be reimbursed in full for the loss the insurer is then entitled to any remaining balance up to the insurers interests.

2.5.4. Principle of utmost Good Faith

An insurance contract it baled on utmost good faith this means that a higher of honesty is implied on both practices to an insurance contract than is implied on parties to other contracts this principle nails historical roots in ocean marine insurance.

2.5.4.1 Representation

Representation are statement made by applicant for insurance before the policy is issued although the representation need not be in writing it is usually embodied in arisen application if you apply for life Insurance. You maybe asked questions concerning your age, weight, High, occupation states of health. Family and other relevant questions your answer to this question are called representation.

2. 5.5. Role of Insurance

1. **Removal of uncertainties**

Insurance company takes the risk of large but uncertain losses in exchange for small premium. So it gives a sense of security which is real gift to the business man. If all uncertainty could be removed from business, income would be sure. Insurance removed many uncertainties and to that extent is profitable.

2. **Stimulant of business enterprise**

Insurance facilitate to maintain the large size commercial and industrial organization. No large scale industrial under taking could function in the modern world with out the transfer of many of it's risks to insurer. It safeguards capital and at the same time it avoid the necessity on the part of industrialists. They are therefore free to use their capital as many seem best.

3. **Promotion of saving**

Saving is a device of preparing for the bad consequences of the future.

Insurance policy is often very suitable way of providing for the future. This type of policy is found particularly in life assurance. It promotes saving by making it compulsory which have a beneficial effect both for the individual and nation.

4. **Correct distribution of cost**

Insurance help to maintain correct distribution of cost. Every business man tries to pass on to the consumer all types of costs including accidental and losses also. In the various fields of insurance such losses are correctly estimated keeping in view a vast number of factor bearing on them, In the absence of insurance these losses and costs would be assessed and distributed only by guess work.

5. **source of credit**

Modern business depends largely on credit, insurance has contributed a lot in this regard. A life insurance policy increases the credit worthiness of the assured person because it can provide funds for repayment if he dies. Credit extension is also obtained by means of various kinds of property insurance. A business man who stock of goods has been properly insured can get credit easily. Similarly marine insurance is an essential requirement for every transaction of import and export.

6. **Reduction of the chances of loss**

Insurance companies spend large sums of money with a view to finding out the reasons of fire accidents, theft and robbery and suggest some measures to prevent them. They also support several medical programmer in order to make the public safety minded. With out such losses preventive activities of insurance companies, the chance of the loss would have been greater than they are at prevent days.

7. **Solution of social problems**

Insurance service as a useful device for solving complex social problems e.g. Compensation is available to victims of industrial injuries and road accident while the financial difficulties arising from old age disability or death are minimized. It thus enables many families and business units to continue interact even after aloss.

8. Productive utilization of fund.

Insurer accumulate large resources from the various insurance funds. Such resources are generally invested in country, either in the public or private sector. This facilitates considerably in over all development of the economy.

9. Insurance as an investment

A life policy is a combination of protection and investment which serves a useful purpose. The premium that the insured pays go on accumulating in fund every year. The sum so accumulated by the insurance company earns interest.

Under life assurance aperson may also invest his capital in annuity which will pay him an income every year untill death. There fore, insurance may be regarded as investment.

10. Promotion of international trade

The growth of the international trade of the country has been greatly helped by shifting of risk to insurance company. A ship sailing in the sea faces some miss-fortune, Afire breaks out and burns to ashes all the merchandise of a business man. But insurance is one of the divices by which these risks may be reduced or eliminated. So industrialists and exporter may devote their full attention toward the promotion of business which may increase the export activities.

11. Removing fear

Insurance helps to remove various types of fear from mind of the people. The insured is secured in the knowledge that the protection of the insurance fund is behind him if some sad event happens. If thus creates confidence and eliminate worries which is difficult to evaluate, but the benefit is very real.

12. Favorable allocation of factors of production.

Insurance also help in achieving favorable allocation of the factors of production capital is usually shy in the risky business. People hesitate to invest their capital where financial losses are great. If protection is provided against these risks by means of insurance, several investors will became ready to invest their funds in those fields.

13. Growth of business competition

Insurance enables the small business units to compete up on more equal terms with the bigger organization with out insurance it would have been impossible to under take the risk themselves. On the other side bigger organization could absorb their losses due to great financial strength. More over insurance removes uncertainty of financial losses arising out of the certain causes. It thus increases knowledge which is one of the most important pre condition of perfect competition.

14. Employment Opportunity

Insurance provides employment opportunity to jobless persons which is helpful for the improvement and progress of social condition.

15. Miscellaneous benefits

(a) It establishes the relation between the employed and employer by providing various facilities i.e. group life insurance, social security scheme, retirement income plan, work man's compensation insurance.

(b) Insurance creates the confidence and sense of security among the policy holder.

(c) Insurance company provides valuable service of skilled and expert persons to industries and business inorder to eliminate various risks.

(d) It promotes economic growth and development This would be impossible in the absence of insurance.

(e) It contributes to the efficiency of business and also industrial and commercial executives.

(f) Security of dependents is made possible through life assurance. It gives relief to helpless families after the death of the earning member of the family.

Principles of Insurance

James W.EPPS www. Google book.com

http:// nilum, hub pages.com /hub/ importance of insurance.

The importance of insurance in Business by k.A, Francis, demand media.

- May business owner feel business insurance is an expence they can not afforded, or it aluxury for more established business. Although it is true business insurance can be expensive, it is an expensive every business, regardless of the industry size or length of time in existence, need to include in it's budget.

A. **Catastrophic loss**

- Business insurance protect a business from closing due to a catastrophic loss. Fires floods, hurricanes and tornnodes have been the end of many business in texas, as elsewhere. When a companay carries insurance against these types of losses, closure and loss are only temporary instead of permanent. Companies should always consider business interruption insurance, arider on business insurance policy, to ensure continued cash flow for the duration of a closure due to a natural disaster.

B, **Liability**

- If a customer slips and falls while on your business premises or your product has adefect that injures a customer and you do not have insurance, this could speil the end of your business. If accompany car is involved in an accident and some one is injures, that could be disastrous as well. Business liability insurance cover accidents that occur on the business premises, product defect and mishaps that occur during normal business operations on and off premises.

C. **Theft**

- A new business is a big target for thieves. New computers, furniture and other office equipment is worth more at apawn or chop shop than older equipment. Even older businesses that have just undersone renovations and upgrades are a target replacement insurance protects abusiness in the event equipment is stolen replacing the missing item and paying for repairs from damage caused by the invasion.

D, Litigation

- We live in a litigious society. Even with the texas fort reform legislation passed in 2003, which capped judgements and sought to eliminate frivolous law suits, business are sued by individual and other business for variety of reasons legitmate and other wise. Even in most frivolous law suit can be costly to defend and in the event a business ends up on the closing end of law suit, the awarded damages could exceed the business's capabilities to pay depending on the business entity structure, not only the business assets, but also the owner's personal assets could be at risk business liability insurance mal practice insurance or professional liability insurance will cover at least part, if not all of any damages.

E. **Personal in jury or illness**

- Business owner should have personal insurance as well. Medical insurance will ensure medical bills in curred due to an illness or injury will not wipe out a business's assets. Considering texas has some of the highest medical costs in the country costs per person are over 24 percent higher than the national average going un insured could potentially bankrupt atexas business owner if he were do be come ill.

F. Level of coverage

- How much insurance do carry will depend on your industry the business structure and the amount of assets your business has the location of the business within texts, such as coastal or rural and whether the building is passed or owned will also be a factor, For example a law firm partnership that owns the building in which it is housed might need more insurance than a jewelry designer operating out of her home.

CHAPTER THREE

3.1 Research design

The study was conducted in a descriptive approaches that level role of Insurance service for business growth in K.O.JJ flour factory in Assco branch.

3.2. Data Source and Type

I Primary data collection methods

The instrument for primary data collection in this research include both questionnaire and interview questions. The designing questionnaires were distributed to different level of organization employees. The data through interview were collected from top management.

II Secondary data collection methods

The secondary data were gathered from the organization document, procedure and Internet.

3.3. Study Area

K.O.JJ flour factory is found in Addis Aebea. Specifically Assco Sub city

3.4 Study Time

This research study was conducted from October to May, 2011-2012 G.C

3.5. Total Population

The target total population of the study were the staff of K.O.JJ flour factory in Assco branch, which has 3 department and had 110 employees.

3.6 Sample size

The researcher werel take from the total population of 110 employees, and a sample of 52

employees were drawn or the researcher would use simple random sampling technique thus,

Interpretetion

$$n=\frac{Z^2, p.q.N}{e^2(N-I)+Z^2.pq}$$ e= error

$$n=\frac{1.96^2 x0.5x0.5x110}{0.1^2(110-1)+1.96^2 x0.5x0.5}$$ Z=Confidence level

$$n=\frac{3.8416x0.5x0.5x110}{0.01(109)+3.846x0.5x0.5}$$ P=Proportion

$$n=\frac{105.644}{2.0504}=51.52\approx 52$$ N=Total population

n=Sample

q= 1-p

source of formula

Kothari, 2004

3.7. Sampling techniques

The sampling technique that would used in the study is simple random sampling method for the study. Because to gather adequate information and to give equal chance to be selected for all employees to the factory.

3.8. The instrument of data collection

As data gathering instrument the researcher were used questionnaire for employees and personal interview for manager. Questionnaire was both open ended and closed ended and interview was unstructured and structured interview. The questionnaire were distributed to employees at a selected level of the organization. And the other data were from organization document, internet and different source of books.

3.9. Method of data processing

All the relevant data for the study were collected, to organize the data structured and homogenous way the collected data were editing , coded, presented using table and analyzed using parentage accordingly and classifying data to make it suitable for further analysis. The analysis of data was done from February 5th to October 30th and descriptive analysis were used to examine the findings of the study.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

This part of the research presents main findings of the study. Out of 52 questioners distributed, 42 were collected

The collected data are presented using tabulation and analyzed using percentage

4.1.Collected data through questionnaire

4.1.1. Demographic information of the respondent

Table 1, Sex of respondent

Gender	No of respondents	Percentage %
Females	16	34.78
Males	30	65.22
Total	46	100

(source: From primary data collected through questionnaire 2012G.C.

Table 1,indicated (65.22%) of sample respondent are men and other (34.78%) are feminine. This implies that the majority of workers in the factory are men. This shows that the number of feminine was few when compared to men in the organization. So the organization must give more opportunity for feminine that's obtain the legal principle that indicate equal opportunity in gender.

Table 2, Age of respondents.

Age group in year	No of Respondent	Percentage (%)
18 -30	23	50
30 -45	16	34.78
Above 45	7	15.22
Total	46	100

(Source: Collected through questionnaire 2012G.C)

The above table 2, show that most of respondent (50%) are in the age range of 18-30, while many of them (34.78%) are in range of 31-45 and afew of employee (15.22%) are

found range above 45 years old. This indicates half of factory employees are found in the age range 18-30 and few of employees of the factory are in the age range of above 45 years.

Table 3, Educational level of respondent

Education status	No of respondent	Percentage %
< 6	12	26.1
7-12	20	43.5
Certificate	11	23.9
Diploma	3	6.5
Degree and above	-	-
Total	46	100

(Source: From primary data collected through questionnaire 2012G.C.

The above table 3, show that (43.5%) of employees education level is from 7-2 grade, the employees those education level less than 6 grade are (26.1%) the employees those education level have certificate (23.9%) the employees education level is diploma (6.5%) and there is no employees having degree and above. This conclude that the majority of employees education level of the factory is 7-12 grade. This indicate the worker are not professionally in good position. So the organization must facilitate education to employs.

Data Analysis collected from department heads office

Table 4, General information about available of insurance.

Question	Yes	percentage	No	Percentage	Total
1. Have you faced unfavorable conditions before you purchase insurance policy?	10	100	-	-	10
2. Did you get abetter improvement in your per formance after you purchase insurance policy?	9	90	1	10	10
3 If your answer is “Yes for question number “2” in which area?	-	-		-	-

(Source: From primary data collected through questionnaire, 2012 G.C.

The above table 4 show, 100% of them faced unfavorable condition before they purchased insurance policy and 90% of respondent answer that there is better improvement after purchased insurance policy and also 10% of respondent do not get abettor improvement in their performance. By looking at the data found form the respondent it is possible to investigate insurance has been the best alternative for having or improving good business performance especially for those factory faced unloadable condition in conducting their performance.

Table 5. The Contribution of insurance service.

Question	Yes	percentage	No	Percentage	Total
1. do you say that the service given by the insurance companies are satisfactory (Concerning protection cover)?	7	70	3	30	10
2. If your answer is “No” for above question number “2” what thing and conditions makes you unsatisfied?	-	-	-	-	-
3, Do you agree with the idea that the insurance companies has contributed some thing in solving problem that have bad effect on the growth of your business?	2	20	8	80	10

(source : From primary data collects through questionnaire, 2012G.C)

The above table 5 show that, 20% of the respondents agree that the contribution of insurance in solving problem that have adverse effect on the growth of their business is less, while 80% of the respondents disagree. On the other hand 70% of the respondents said that the service given by the insurance are satisfied and 30% of respondents are not satisfied. According the respondents in relation with protection cover the service given by insurance companies is satisfactory even through their contribution in solving problems that have adverse effect on the growth of business companies is not highly magnified.

Respondent has also given their own view on condition and things that make unsatisfied and they said that insurance not willing to accept all the risks give response effectively.

Table 6. The respondents attitude on importance of insurance

support on financial problem

Question	Yes	percentage	No	Percentage	Total
1. Have your organization able to finance all potential loss with out insurance?	-	-	10	100	10
2. Is insurance companies creating better working condition for your factory?	10	100	-	-	10

(Source: From primary data collected through questionnaire, 2012G.C)

The above table 6 show, all respondents said that with out insurance the factory is not able to continues the business and not ability to improve the potential of the loss and all respondent said that insurance companies creating better working condition in the factory. The researcher conclude that insurance is important to prevent potential loss in the factory by giving financial security after the loss occurs and insurance cheaters a better condition concerning financial difficulties for their business

Table 7, Respondents attitude about loan taking and

implementation

Question	Yes	percentage	No	Percentage	Total
1. Are you borrowed money from loan institution like bank as the help of insurance companies?	10	100	_	_	10
2. Did the loan inch ease marketing opportunity for your business?	9	90	1	10	10
3, Is there any significant change in your growth after the loan ?	8	80	2	20	10

(source): from primary data collected through questionnaire, (2012G.C).

The above table 7 shows, 100% of factory employees respondent said that borrow money from loan institution as the help of insurance companies. 90% of the respondent think that the loan the got from loan institution increase market opportunity for their business and 10% of the respondent said that not increase market opportunity. In addition to these 80% of the respondents believed that they got significant change in their business growth while 20% of them believed that there is no significant change in their growth from borrowed money.

The above explanation indicate that almost all factory employees replay borrowed money from loan institution this conclude that they invest the loan in areas such as for new machine and equipment, for market expansion and new product development. This condition favored them to increase marketing opportunities and It is possible to investigate that the loan they get from insurance companies promote business growth.

Table 8 The respondent view on the premium of insurance companies

Question	Yes	Percentage (%)	NO	Percentage (%)	Total
1. Do you say that the amount of insurance premium that the insurance companies charges is fair (in compared with the premium that you charge)?	7	70	3	30	10

(Source: from primary data collected thrown questionnaire, 2012G C)

Table 8 show that, 70% of the respondent said that the amount of insurance premium that the insurance companies changes is fair, while 30% of the respondent said the premium of insurance company is not fair. This indicated that the amount of premium is almost fair, other rise the factories are unwilling to purchase protection cover due to the amount of premium paid.

4.2 Data analysis collected form employees

Table 9 problem faced before organization purchased insurance

Question	Yes	percentage	No	Percentage	Total
1. Have you faced the problem before the organization purchases insurance?	22	61.1	14	38.9	36
2. If your answer to the above question number ”1” “yes” can you list them?	-	-	-	-	-

(Source: From primary data collected through questionnaire, 2012G.C

The above table 9 show that, 61.1% of the employees faced the problem while, 38.9%of respondent said that not face the problem. The respondent also listed about the problem

like body injured, sickness and other problem. This implies half of the employee faced problem before organization purchase insurance policy

Table 10 Respondents response about the problem faced after organization purchased insurance policy

Question	Yes	percentage	No	Percentage	Total
1. Have you the problem after the organization purchased insurance policy?	13	36.1	23	63.9	36
2. Have you get adequate facilities at the time of risk	27	75	9	25	36
3, If your answer to the above question number "2" is "yes " what facilities do you get?	-	-		-	-

(source: From primary data collected through questionnaire, 2012 G.C.

The above tables 10 show that, 36.1% of respondent faced problem after organization purchase insurance, while 63.9% of respondents are not faced problems after purchased insurance policy and 75% of the respondent said that adequate facilities from insurance companies. In the other 25% of the respondents said not get facilities. The respondents are described about the facility that gets from insurance company like medical expense and other financial service covered by insurance companies. The above table implies that numbers of problem are less after the factory purchase insurance policy. This show that insurance is more important to solving problem

Table 11 The important of insurance to the employees care.

Question	Yes	Percentage	No	Percentage	T

		(%)		(%)	otal
1. In your assumption the service of insurance is important to the employees care?	36	100	_	_	36
2. If you have any idea to say about the role of Insurance service to your factory growth can you list them?	_	_	_	_	_

(Source From primary data collected through questionnaire, 2012 (G.C)

The above table 10 shoos that, 100% of the respondents said that insurance service is important to the employees care. The respondents also said about the role of insurance service in the factory growth is important to perfect firm against financial loss, to help the organization to achieve their goals and marketing opportunity. This shows that insurance is important for the growth of the factory and important to employs care.

4.3 Analysis of data collected from the manager through structured and unstructured Interview.

Analysis of data collected from the manager through structured interview

- Regarding the type of insurance used by the organization to solve risk, The manger side that, the factory had been using the N I B insurance company to resolve risk the organization had bought fire and light insurance, store and theft insurance, life insurance vehicle and marine insurance from N I B insurance company and the organization resolve risks that had been occurred in the organization by using the above service of insurance company.

- Considering how the company assure it growth with insurance company, the manager answer that, The insurance company helps the factory at the time of risk

by compensating the risk and replacing the damaged machineries. This means insurance risk of the factory were covered by the insurance company, This indicates that the growth of the factory do not stop in consequence of such risks. There fore, the factory can assure its continuous growth regardless of the risk occurrence.

- The manager response on the kind of the role of insurance company play for flour factory showed that, the insurance company pays compensation at the time of risk. In addition to this by the existence of insurance company the factory has the opportunity to borrow money from different financial institutions and the insurance company covers the losses of the factory and that helps the factory to give cyclic service for the customer and also it helps the factory to gain profit by serving continuous services .

- The manager response on how insurance company help the factory to beat computation with related to other factory showed that, the risk covered by the insurance company helped the factory to give continuous service to their customers by these cyclic and continuous service the company had attracted many customer and be highly competitive in relation with other flour factories.

Generally speaking, the researcher had realized from the responses of the manager, that use of insurance service had helped the factory or the organization in many ways. For instance the insurance company helps the flour factory to give continous service to the customers by covering the risk that had been occurred in the flour factory these service helps for continuous growth after damage. But if they did not use any insurance service their growth process will fail if any damage is occurred.

In addition to this the factory that uses insurance service is more efficient and competitive in the market than that do not use insurance. There fore It is the real fact, that insurance

service plays a very great role for growth and development of any organization or factory.

4.4. Analysis of data collected from the manager through unstructured Interview.

This section of the research analysis and interprets data which is collected from the factory manger through unstructured interview

- **What is the benefit of insurance service to the flour factory?**

Here, the manager responses regarding the benefit of insurance service to the factory was the businesses who suffer unexpected loss are restored or at least back closer to their former economic position. To conclude that insurance is very important to protect from unexpected loss to increase the income of the factory and financial improvement of the factory.

In which department the factory purchases life insurance?

The manager said that the organization purchases life insurance in the area which is very sensitive to risk like production department (machine related activities) and the transportation service area. This indicated that the factory purchase insurance policy selected area which is more danger and risky area.

- Is there any loss prevention mechanism that the insurance companies provided to your organization?

  The manager said that the loss- prevention mechanism that the organization get from the insurance companies was at the time of production and distribution to prevent car accident by using limit speed, the employees must care at the time of break down the machine by using check before starting the work and dispersing all the machine in different place rather than in one location.

- Generally, the researcher concluded that the loss-prevention mechanism is very essential for the development of factory business and to help employee working effectively with out risky condition.

CHAPTER FIVE

1. CONCLUSION AND RECOMMENDATION

Conclusion

In conducting the research under consideration an attempt was made to asses the role of insurance service in case of k.o.JJ flour factory.

The researcher has the following main point as finding.

1. Insurance has been the best alternative for having good business performance for those companies faced unfavorable condition in their day to day operation
2. Business firms who do not have the ability to finance all potential loss due to inefficient emergency founds are getting better financial stability and maintain their financial security with the help of insurance.
3. The business firms, that are insured, has advantageous in taking money from other institution like bank at this time insurance company give service as warranty of factory. In this time for market expansion and new product development there by increase market opportunity.
4. The contribution of insurance to solved problem and does not adverse effect on the growth of business firm and also insurance companies to give adequate facilities to the employees at the time of risk.
5. The study found out that even if the factory workers experienced on there activity there educational status low. This indicates the worker are not professionally in a good position.
6. Amount of premium is all most fair other with the factory unwilling to purchase protection cover due to the amount of premium paid.

Recommendation

Based on investigation the following points have been suggested to increase the role of insurance for the growth of k.o.JJ flour factory

1. The amount of insurance premium that the insurance companies charges must be fair that means the amount of the premium the insured paid to the insurance company must be equal to the insurer compensate to the insured. In that time the factory willing to purchase insurance policy.
2. The factory employees are not profession , the management body give safety training and communication to all employs working in the factory. The training may include how employees use corrective procedure to operate machine, how properly apply safety materials and how to keep materials in safe place. And the communication methods they use to promote the awareness are giving booklets and hand books and inviting guest speakers.
3. Some time the insurance service do not satisfy the customer due to lack of awareness about the service of insurance and due to internal procedure problem and also due to service giving mistake of the employs in insurance company. In that time the insurance company must accept the risk according to the rule and regulation and also take corrective action that do not follow the right working procedure.
4. The factory management create awareness about the important of insurance to employee safety by inviting guest speaker and by giving safety training to employees which helps the employees how to protect themselves from risk. When the frequency of training and communication opportunity increases it will lead to better and an increased in performance.
5. Adequate and extensive training work and practice related to specific job should be designed based on there education level, profession and experience for every employees also improve the employees education status in related to their job .

6. The cause of accident is lack of maintenance and skilled man power to operate in modern machineries. To solve this problem the factory management should maintain the machinery whenever they get problem. Hire and develop skilled employees that fit to modern and advanced machineries.
7. The Organization buy endowment life insurance contract in the area of production and transportation service. This is not fulfill the activity of the factory. The management accepted this and by insurance policy for the other area work .

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JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Dear respondent

The purpose of this questionnaire is to collect data for this study is aimed at evaluting role of insurance service for business growth in case study K.O.JJ flour factory in Assco branch. Requirement for BA degree in management of Jimma University. Your genuine response for the following question is extremely important for the successful completion of this work. The information your provide is used only for the purpose indicated and will be kept highly confidential.

I would like to thank you in advance for your cooperation.

Instruction

- Do not write your name
- Please put (X) mark in the box provide as appropriate

A. Questionnaire for different department head office

1. Sex male Female
2. Age 18-30 31-45 above 45
3. Education level A.<6 B 7-12 C diploma D Degree E. certificate F. above degree
4. Have you ever faced unfavorable condition before you purchase insurance?

Yes No

5. Did you get a better improvement in your performance after you purchase insurance?

   Yes No

6. If your answer is “yes” for question number “5” in which area?

   _____
   _____
   _____
   _____

7. Do you believe that the service given by the insurance companies are satisfactory (concerning protection coverage)?

   Yes No

8. If your answer is “No” for question number ‘7’ what things and conditions makes your unsatisfied?

   _____
   _____
   _____

9. Do you agree with idea that the insurance companies has contributed something in solving problem that have bad effect on the growth of your business?

   Yes No

10. Have your organization able to finance all potential loss with out insurance?

Yes No

11. Is insurance companies creating from insurance companies?

Yes No

12. Did you borrows money from insurance companies?

Yes No

13. Did the loan that you got increased marketing opportunity for your business?

Yes No

14. Is there any significant changes in your growth after the loan?

Yes No

15. Do you believe the amount of insurance premium that the insurance companies charge is fair (compared with the premium that you charge)?

Yes No

Thank you scarifying your precious time!!!

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

The purpose of this questionnaire is to collect data for this study is aimed at evaluting role of insurance service for business growth in case study K.O.JJ flour factory in Assco branch. Requirement BA degree in management of Jimma University. Your genuine response for the following question is extremely important for the successful completion of this work. The information your provide is used only for the purpose indicated and will be kept highly confidential.

B. Questionnaire for Employees

1. Sex male Female
2. Age 18-30 31-45 above 31-45 above 45
3. Education level A.<6 B. 7-12 C. diploma D. Degree E. certificate F above
4. Have you faced problem before the organization purchase insurance?

   Yes No
5. If your answer to the above question number '4' yes can you list then

   _____

   _____

   _____

6. Have you faced the problem after the organization purchased insurance?

   Yes No

7. Have you get adequate facilities at the time of risk?

   Yes No

8. If your answer above question in umber '7' is 'yes' what facilities do you get?

   _____

   _____

   _____

9. In your assumption the service of insurance is important to the employees care?

   Yes No

10. If you have idia to say about the role of insurance service to your factory growth can you list them?

    _____

    _____

    _____

Thank you scarifying your precious time!!!

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

INTERVIEWS FOR TOP MANAGER

1. What type of insurance used by the organization to resolve risks?
2. How did the company assure its growth with Insurance company?
3. What kind of role the insurance company play for the development of flour factory?
4. How Insurance Company help the factory to beat the computation with related factories?