Exploring the Role of Product, Process, and Market Innovation in Driving the Growth of Micro-Insurance Businesses in Nigeria

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Abstract
The Nigerian government has shown strong commitment to expanding insurance access, exemplified by the Central Bank of Nigeria's National Financial Inclusion Strategy and subsequent microinsurance guidelines. Despite regulatory interventions, uptake of micro-insurance remains low due to socio-economic barriers, limited awareness, and low financial literacy. This study investigates the relationship between product development and the growth of micro-insurance businesses in Nigeria, focusing on insurance firms operating in Lagos State. Specifically, it examines the impact of product, process, and market innovations on business growth. Data were collected from 228 respondents using structured questionnaires and analyzed through descriptive statistics and multiple regression analysis. Findings indicate that product, process, and market innovations positively and significantly influence micro-insurance growth ($p < 0.05$). Product innovation enhances customer attraction and loyalty, process innovation improves efficiency and reduces operational costs, and market innovation expands outreach through diversified distribution channels. The study underscores the interdependent role of innovation strategies in driving sustainable growth and competitiveness in Nigeria's micro-insurance sector, providing practical insights for insurers, policymakers, and financial inclusion stakeholders.

Keywords: *Product Development, Product Innovation, Process Innovation, Market Innovation, Micro-Insurance Growth, Financial Inclusion*

1. Introduction

The Nigerian government has demonstrated a strong commitment to expanding access to insurance services across the country. This commitment was notably manifested through the Central Bank of Nigeria (CBN) launching the National Financial Inclusion Strategy in 2012, which aimed, among other objectives, to increase insurance penetration. Efforts to improve financial inclusion were further reinforced in 2013 with the introduction of the microinsurance operating guideline, subsequently revised in 2018, to stimulate investment and growth in the micro-insurance sector (Adesanya, 2020). These regulatory guidelines provide a safe investment

framework while minimizing unhealthy competition between micro-insurers and traditional commercial insurers interested in the same market segment (Adesanya, 2020).

The regulatory framework for micro-insurance is designed to strengthen the sector's risk absorption capacity by encouraging the participation of reinsurers and by imposing prudential measures, such as minimum paid-up capital requirements, to protect the stability of the market and the insured's funds (Okonkwo & Okeke, 2019; Ukpong &Acha, 2019). Despite these regulatory interventions, the uptake of micro-insurance in Nigeria remains low, primarily due to socio-economic and demographic barriers such as limited awareness, high illiteracy rates, low financial literacy, and the urban-rural divide (Amos, 2018). Consequently, poor knowledge of micro-insurance constitutes a unique barrier to growth in this market segment.

The effectiveness of micro-insurance as a mechanism for increasing insurance penetration largely depends on robust distribution networks. The involvement of financial services providers has diversified distribution channels, encompassing agent banking networks, traditional micro-insurance agents, brokers, cooperative societies, and other social networks (Ezie, 2017; Mukhtar, 2016). By improving access to micro-insurance, low-income earners and entrepreneurs can mitigate the fear of unforeseen risks, thereby enhancing their ability to save, invest, and manage businesses effectively (Abel, 2018). Furthermore, strategies such as product innovation, efficient service delivery, simplified documentation, and customer awareness campaigns have been suggested as key drivers for micro-insurance growth and acceptance (Odenyo, 2018). Micro-insurance, defined as the protection of low-income individuals against specific risks in exchange for affordable, recurring premiums, represents a tailored approach to risk management in emerging economies where large segments of the population are highly vulnerable to financial shocks (Banjo & Oloyede, 2021; Dipak & Manoj, 2021).

Innovation plays a central role in driving the growth of micro-insurance firms, as the development of new products and services enhances competitiveness and facilitates market expansion (Yehorycheva et al., 2020; Ibegbulem, 2021). Product development involves a comprehensive process of ideation, design, engineering, market research, and marketing analysis (Tamunomiebi& Okorie, 2019). In an increasingly competitive and technology-driven environment, insurance companies are compelled to innovate continuously to maintain relevance, meet evolving consumer needs, and achieve a sustainable competitive advantage (Okonkwo & Okeke, 2019; Banjo & Oloyede, 2021). Well-developed products not only improve

market share and profitability but also foster customer loyalty and long-term organizational viability (Nguyen, Phan & Matsui, 2018; Mikkola, 2018).

Given the strategic importance of product development and innovation in the micro-insurance sector, this study aims to empirically investigate the relationship between product development and the growth of micro-insurance businesses in Nigeria, focusing on insurance companies operating in Lagos State. Specifically, the study seeks to:i. Examine the extent to which product innovation influences the growth of micro-insurance businesses in Nigeria.ii. Establish the extent to which process innovation influences the growth of micro-insurance businesses in Nigeria.iii. Identify the extent to which market innovation influences the growth of micro-insurance businesses in Nigeria.

2. Hypotheses Development

Product innovation in the micro-insurance sector entails designing insurance products that are affordable, relevant, and easily accessible to low-income populations (Salihu, 2025; Microinsurance Innovation Facility, 2018; Anand &Omusi, 2020). In Nigeria, where a substantial segment of the population remains uninsured, the introduction of such innovative products can enhance market penetration and stimulate sectoral growth (Flores-Contró et al., 2021; Owoyemi et al., 2023). Evidence suggests that micro-insurance schemes that scaled rapidly did so by maintaining access to large target groups through partnerships or direct agent networks (RG A, 2023; EFInA, 2019). Additionally, leveraging new distribution channels, particularly mobile platforms, has been recognized as a critical factor in driving micro-insurance adoption across various contexts (Quan et al., 2024; Dong & Quan, 2025).

In the Nigerian context, initiatives such as the MyHealthcare Plan (MHCP) illustrate the potential impact of product innovation on micro-insurance growth (Salihu, 2025; Leadway Health, 2021). By integrating mobile technology with the National Identity Number (NIN) system, MHCP facilitates mandatory micro-insurance coverage, enabling faster reimbursements and reducing out-of-pocket expenses for participants (Heirs Insurance Group, 2025; Reuters, 2025). Innovations of this nature not only improve insurance accessibility but also contribute substantially to the overall expansion of Nigeria's micro-insurance sector (Manral, 2015; Ajao et al., 2023). Thus, *hypothesis is1: Product Innovation and Micro-Insurance Growth in Nigeria*

Process innovation in micro-insurance involves the adoption of new or substantially improved methods for delivering and managing insurance services (Salihu, 2025; Quan et al., 2024; RG A, 2023). In Nigeria, the optimization of operational processes through digitalization and automation can streamline policy issuance, claims processing, and customer interactions, thereby enhancing efficiency and service quality (Dong & Quan, 2025; Anand &Omusi, 2020). Digital micro-insurance models, which employ mobile technology for service delivery, have been shown to broaden outreach while reducing operational costs, making insurance services more attainable for underserved populations (EFInA, 2019; Microinsurance Innovation Facility, 2018).

Furthermore, embedding digital platforms within micro-insurance operations enables real-time data collection and analysis, allowing insurers to better assess risk and customize products to meet client-specific needs (Owoyemi et al., 2023; Flores-Contró et al., 2021). This approach enhances the sustainability of micro-insurance providers while advancing the broader objective of financial inclusion in Nigeria (Ajao et al., 2023; Heirs Insurance Group, 2025). Thus, h*ypothesis 2 is: Process Innovation and Micro-Insurance Growth in Nigeria*

Market innovation in micro-insurance refers to the creation of new markets or the expansion of existing ones through strategic innovations, partnerships, and novel distribution channels (Salihu, 2025; RG A, 2023; Leadway Health, 2021). In Nigeria, tapping into underserved areas, such as rural communities and informal sectors, can substantially extend the reach of micro-insurance products (Anand &Omusi, 2020; Manral, 2015). Partnerships between insurers and non-traditional actors, including mobile network operators and microfinance institutions, have proven effective in delivering insurance services to previously inaccessible populations (Dong & Quan, 2025; EFInA, 2019). Thus, *hypothesis 3 is: Market Innovation and Micro-Insurance Growth in Nigeria*

3. Methodology

The research adopted a descriptive research design, which was considered the most suitable for this study due to its ability to collect a large amount of data at relatively low cost and to produce findings that can represent the entire population (Kothari & Garg, 2016). This design is pre-planned and structured, enabling the collection of data through questionnaires in a systematic manner. The descriptive approach also allows for gathering data directly from employees in their natural work environment, which provides insights into their attitudes, views, and experiences regarding daily interactions and organizational processes (Gay, Mills &Airasian, 2015). By

engaging with participants in context, the research could explore their knowledge, interpretations, and interactions, thereby constructing situational understanding of the effect of product development on the growth of micro-insurance businesses in Nigeria.

The study population consisted of employees of five selected insurance companies in Nigeria: AIICO Insurance Plc (428 employees), Leadway Insurance Plc (311 employees), Reliance General Insurance Company (277 employees), Custodian and Allied Insurance (512 employees), and NEM Insurance (242 employees). The total population of interest was 1,770 employees (Mugenda & Mugenda, 2012; Interim Report and Financial Statements, 2022; Annual Report and Account, 2021; Custodian & Allied Insurance Company Profile, 2024). A sample was drawn using simple random sampling to ensure that every individual in the population had an equal chance of being selected, reducing sampling errors and enhancing the representativeness of the study (Saunders, Lewis & Thornhill, 2017). The sample size was determined using Taro Yamane's formula, considering a 5% margin of error, which yielded a total of 326 respondents deemed adequate to provide reliable and informative answers to the research questions.

Data collection was carried out using a structured questionnaire, which is appropriate for survey research due to its ability to capture standardized responses from a large number of respondents. The questionnaire was divided into two sections: Part A captured demographic data, while Part B contained close-ended statements measuring product development and the growth of micro-insurance businesses using a five-point Likert scale ranging from Strongly Agree to Strongly Disagree. To ensure validity, the questionnaire items were derived from the research objectives and established literature, and a draft instrument was reviewed by the researcher's academic supervisor for content accuracy and clarity (Noble & Smith, 2015). Reliability was established based on the consistency and dependability of the instrument, with the analysis planned using the Statistical Package for Social Sciences (SPSS version 20) to ensure stable results across different contexts (Patton, 2015).

Primary data collected through the structured questionnaire was administered using a drop-and-pick method, allowing respondents sufficient time to provide considered responses, which were then retrieved two days after distribution. The data was subsequently collated, analyzed, summarized, and interpreted using descriptive statistics to provide an overview of the findings. Furthermore, inferential statistical methods, specifically regression analysis, were employed to test the study hypotheses at a 5% level of significance. This approach facilitated the examination

of relationships between product development initiatives and the growth of micro-insurance businesses, allowing for robust conclusions regarding the impact of the independent variables on the dependent variable within the Nigerian insurance context.

4. Results

Administering the questionnaire posed some challenges due to respondents' busy schedules and prioritization of daily duties. A total of 326 questionnaires were distributed, of which 228 were completed and returned, yielding a response rate of 70%. This rate is considered adequate for the study's objectives. The analysis is divided into two sections: Section A, which examines the socio-demographic profile of respondents, and Section B, which focuses on responses to the main research questions.

Section A: Bio-data Analysis of Respondents

Table 1: Socio-demographic Profile of Respondents

Variable	Category	Frequency	Percent
Gender	Male	156	68.42
	Female	72	31.58
Age	20–29 yrs	57	25.00
	30–39 yrs	96	42.11
	40–49 yrs	48	21.05
	50 yrs & above	27	11.84
Educational Qualification	PGD/M.Sc./M.Ed./MBA/MPA	81	35.53
	B.Sc./HND/B.Ed	111	48.68
	OND/NCE	36	15.79
Job Designation	Junior Management	75	32.89
	Middle Management	96	42.11
	Top Management	57	25.00
Length of Business Operation	0–5 yrs	87	38.16
	6–10 yrs	90	39.47
	11 yrs& above	51	22.37

Source: Research Data, 2024

The demographic profile indicates a predominantly male workforce (68.42%) with a significant proportion aged 30–39 years (42.11%), suggesting a young and active workforce in the insurance sector. Educationally, most respondents hold a B.Sc./HND/B.Ed qualification (48.68%), while 35.53% possess postgraduate degrees. The sample includes representation from junior, middle, and top management levels, with a majority in middle management (42.11%). In terms of experience, respondents have been in their current roles for varying durations, with 39.47% between 6–10 years, reflecting a mix of experience levels. These characteristics may influence product development initiatives and adoption within micro-insurance.

Respondents agreed that product innovation attracts diverse clients, provides competitive advantage, retains loyalty, and contributes to long-term growth. Findings indicate strong agreement that process innovation improves efficiency, sales turnover, and business re-engineering while reducing costs. Results demonstrate agreement that market innovation, through multiple channels and branch expansion, enhances market reach and share. The respondents agreed that product development positively impacts investment returns, efficiency, knowledge stock, market share, and operational costs.

Section B: Analysis of Main Research Questions

Table 2.*Product Innovation Responses*

Statement	N	Mean	SD
Innovative products attract diverse consumers with varied needs	228	4.41	0.76
Innovative products retain customer loyalty	228	4.29	0.73
Continuous product innovations give a competitive advantage	228	3.16	1.10
Product innovation leads to long-term business growth	228	3.58	1.81

Source: Author (2025)

Table 3. *Process Innovation Responses*

Statement	N	Mean	SD
Innovative underwriting and claim processes ensure efficiency	228	4.25	0.82
Service delivery innovations increase sales turnover	228	4.33	0.62
Process innovation achieves business process re-engineering	228	3.83	0.69
Process innovation reduces operational costs	228	2.97	1.03

Source: Author (2025)

Table 4. *Market Innovation Responses*

Statement	N	Mean	SD
Multiple distribution channels are a smart business strategy	228	4.38	0.56
Market innovation increases market share	228	3.71	1.28
Branch expansion ensures wide insurance reach	228	3.18	1.91
Poor marketing reduces success of innovative products	228	3.41	1.22

Source: Author (2025)

Table 5. *Growth of Micro-Insurance Business*

Statement	N	Mean	SD
Improvement in investment returns and production efficiency	228	4.09	0.49
Product development contributes to sales and profits	228	3.89	0.92
Improvement in knowledge stock and market share	228	3.93	0.90
Reduction in production costs and production time	228	3.83	0.85

Source: Author (2025)

Test of Hypotheses

All variables are statistically significant ($p < 0.05$), indicating positive effects on growth. Product, process, and market innovation each contribute significantly, justifying rejection of the null hypotheses.The findings underscore the pivotal role of product development in driving growth in Nigeria's micro-insurance sector. Product innovation attracts new customers, enhances loyalty, and contributes to long-term profitability (Adeoye et al., 2020; Arogundade&Olawunmi, 2019). Process innovation, through technology-driven operational improvements, increases efficiency, reduces costs, and expands market presence (Agboola & Olayemi, 2019; Alimi, Oyelere& Abiola, 2018). Market innovation enhances coverage by developing multiple channels and branch networks, enabling penetration of underserved populations (Olowookere et al., 2021; Osuagwu, Onyeaghala& Okwu, 2020).

The regression analysis confirms that a combination of product, process, and market innovations explains the majority of variance in micro-insurance growth, highlighting the interdependent roles of these strategies. This aligns with findings from previous studies emphasizing integrated approaches to innovation in insurance as key to sustaining competitive advantage and market expansion (Banjo & Oloyede, 2021; Yehorycheva et al., 2020).

Table 3:*Dependent Variable: Growth of Micro-Insurance Business*)

Variable	B	Std. Error	Beta	t	Sig.
Constant	2.115	0.598	-	3.539	0.001
Product innovation	0.249	0.071	0.210	3.498	0.001
Process innovation	0.593	0.071	0.539	8.404	0.003
Market innovation	0.498	0.106	0.311	4.716	0.000

Source: Author (2025)

5. Conclusion

In conclusion, the study underscores the substantial influence of product, process, and market innovations on the growth of micro-insurance in Nigeria. Insurance companies that focus on innovation across these areas are well-positioned to exploit untapped market opportunities, meet the specific needs of low-income populations and micro-enterprises, and achieve sustainable growth in the sector.

Based on these findings, the study recommends that insurers develop micro-insurance products tailored to the distinct preferences and needs of the Nigerian market. This may include coverage for prevalent risks, such as health emergencies, agricultural losses, or natural disasters. Products

should be straightforward, affordable, and easily understandable to avoid deterring potential clients with complex terms and conditions. Continuous innovation is encouraged to enhance the value proposition, such as integrating additional services like access to healthcare, financial literacy programs, or mobile-based claims processing.

Insurers should also optimize processes to reduce administrative costs and improve customer experience, leveraging technology through mobile apps or web portals for seamless policy management. Investment in automated underwriting systems can enable rapid and accurate risk assessment. Furthermore, targeted marketing and educational initiatives should be conducted to raise awareness of micro-insurance benefits, using channels such as radio, television, social media, and community programs. Lastly, collaboration with regulatory authorities is essential to establish a supportive regulatory framework that promotes financial inclusion, incentivizes insurers to serve low-income populations, and ensures consumer protection.

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