MICROINSURANCE PIVOTAL IN ENABLING GROWTH OF SMEs

By Nelson Muhozzi

Kato Mukisa lost 35 sets of high-end sofas and other valuable furniture to fires at his workshop in Banda, a Kampala suburb, last year. That is when the importance of insuring a business became clear to him. The fire that was allegedly set off by a competitor, forced Kato to dig into his savings in order to get the business up and running again.

“Right now, I have learnt my lesson and I am back in business,” he said.

The inability for many SMEs, which also account for the largest share of employment creation in Uganda, to grow their profits can be attributed to limited access to credit, training in business management, practice skills, inadequately trained labour and, more importantly, their inability to mitigate risks through avenues such as insurance.

“The inability for many SMEs to grow profits is attributed to limited access to credit, poor business management skills, incompetent labour and inability to mitigate risks through insurance,” Nalunkuuma said.

The micro-insurance challenge evidently show that SMEs have over time faced risks such as theft, fires and malicious damage, among others.

The mentality, according to Protazio Sande, an innovations specialist at Insurance Regulatory Authority, is that traditional insurance is designed to cater for salaried employees with scheduled insurance deductibles. Many people with insurance, besides the legally mandated motor third-party insurance, are covered as part of employment agreements.

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The focus of the fund, according to Joel Muhumuza, the financial services manager at FSDU, is to expand insurance services to previously under-served segments of the society. The segments include business owners, informal workers and farmers by covering their health, life and business risk needs.

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Worldwide, commercial insurers are extending insurance to low-income market segments. According to reports, Ugandans prefer to run their businesses on a faith-based notion of ‘all will be well’ even when precedents