

Critical Review of Digital Entrepreneurship and Performance of Insurance Companies in Nigeria



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ABSTRACT: This study critically reviewed digital entrepreneurship and the performance of Insurance companies in Nigeria. Digital products and mobile technology were used to explore their effects on innovation and public trust in insurance. The adoption of digital tools eliminates brokers paperwork and claims process, it has the capabilities to minimize fraud - leading to reduced time, effort, and costs. The scope of the study comprises all the InsurTech insurance companies in Nigeria. This study describes the desktop and structured research method used in attaining the stated research objectives. Findings revealed that the company's product, digital services, and novel services influence the performance of insurance companies in Nigeria. Further, Mobile technology has a positive and significant influence on public trust in Nigerian insurance. Findings revealed that more effective and efficient, smooth communication influences the performance of insurance companies in Nigeria. This study concludes that digital products and mobile technology have a positive and significant influence on innovation and public trust in Nigerian insurance. This study recommends that more company products need to be designed to be digital according to client's preferences. And mobile technology can be utilized to reach out to millions of insurance clients. It makes the insurance business more effective and efficient. Proper utilization of mobile technology can improve the communication between the insurer and the insured.

KEYWORDS: Digital Entrepreneurship, Digital Products, InsurTect Companies, Mobile Technology, and Public Trust

INTRODUCTION

Digital products occupy center stage in insurance in developed economies, driven by newer data channels, better data processing capabilities, and advancements in Artificial Intelligence algorithms. According to Baltes, & Terzidis, (2019), digital entrepreneurship is generally defined as the pursuit of business or economic opportunities based on the use of digital technologies. While AI eliminates brokers and paperwork, its behavioral economics capabilities minimize fraud - leading to reduced time, effort, and costs. A Europe-based insurance company's partnership with Panasonic is a good example. Panasonic's sensors provide mobile alerts to both the insurer and its customers for quick and informed mitigation of issues.

Digital products are designed to create a seamless service to clients. The applications are all contributing to the possibilities that technology can have in collecting more data from businesses and individuals. New digital tools and capabilities help streamline new product development, digital experiences, and the transformation of key functions from marketing, distribution, underwriting, and claims to finance and accounting. According to Butzlaff (2020), those who fully embrace digital transformation can achieve significant competitive advantages by meeting tomorrow's customer needs and driving operational agility to respond to changing marketplace expectations. With an increasing demand for innovative products and services from millennials, such collaboration will become a critical imperative. The need for huge volumes of customer data to be processed in real-time by different insurance functions calls for easy and secure transfer of data across organizations and their diverse stakeholders.

There is limited empirical evidence on the relationship between technologies from the entrepreneurial perspective and the performance of insurance companies in Nigeria. It is therefore against this background that this study sought to establish the critical review of digital entrepreneurship on the performance of insurance companies in Nigeria.

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STATEMENT OF THE PROBLEM

Nigerian insurance has not been able to improve innovative insurance. Digital products have not been widely accepted to improve innovative insurance with the aid of information communication technology platforms. Insurance companies may use digital entrepreneurship strategies to deliver greater value to their customers and gain a competitive advantage (Kachroo & Majumdar, 2017). Insurance firms in Nigeria have not been showing significant growth in the areas of auto, home ownership, and cyber insurance. Such strong growth has hindered stimulating traditional insurers to either acquire technology capabilities or partner with InsurTech companies. The Nigerian environment has not accommodated digital products with sensors and actuators embedded in physical objects from roadways to pacemakers linked through wired and wireless networks, often using the same Internet Protocol (IP) that connects the Internet.

Insurance companies have not initiated the whole essence of mobile technology in working in different ways to gain public trust in Nigeria. Poor enlightenment of proper usage of mobile phones and the development of applications for devices has allowed many companies to reach a bigger audience than was previously possible, (Winter, 2018). There is under-utilization of smartphones and internet access to enable insurance innovations that are based on the use of apps. For this, mobile networks that allow short messages and pre-paid mobile phones, as well as large data transfers would be necessary for public trust. Mobile technology has the function of providing insurance services in developing and emerging markets, which the technology permits with lower entry costs. In many Nigerians in particular, mobile phones have not been widely used for accessing insurance services.

STUDY OBJECTIVES

1. In what ways have digital products affected innovative insurance companies?
2. How does mobile technology influence public trust in insurance companies?

SCOPE OF THE STUDY

This study critically examined the impact of digital entrepreneurship on the performance of insurance companies in Nigeria. The independent construct is digital entrepreneurship, its proxies are digital products and mobile technology. The dependent construct is the performance of insurance companies, and its proxies are innovative insurance and public trust in insurance. The scope of the study covered the Insurtech companies' CEOs/Board Members, Principal Officers and Senior Executives of Insurance and Broking Firms, Underwriting, Marketing, and Claims Personnel of Reinsurance, Senior and Middle-level officers in Accounting, Audit, Reinsurance, and HR Personnel.

CONCEPTUAL REVIEW

Digital Entrepreneurship

The digital entrepreneurship economy will make usage-based, on-demand, and 'all-in-one' insurance lifestyle products more relevant. Customers will prefer personalized insurance covers instead of the one-size-fits-all products currently available. The economic performance and innovation success of countries have increasingly depended on digital technology developments (Konig, & Ungerer 2019). Digital entrepreneurship models will make intermediaries in the insurance value chain - marked by their excessive dependence on human effort obsolete. For instance, digital platforms can help marketers to move beyond the limits of the market which demands that sellers must compare prices with what competitors are offering.

Digital entrepreneurship has become highly influential, enabled by new sources of tech-enabled data such as digital products, mobile-enabled InsurTech apps, and wearables. With the connected devices, the market is poised to grow strongly in the next five years. This is particularly true since, within the reframing of business models, digital technologies have an impact on the various levels of the innovation system, reshaping industry competition and networking patterns within this system (Ardolino, Rapaccini, Saccani, Ghirardelli, Crespi, & Ruggeri, 2018). Furthermore, the integration of digitalization in business processes implicates not only internal changes related to new organizational management strategies and entrepreneurial processes. External system conditions (e.g., institutional influence, new market tendencies, changes in competitive advantages), as well as social attitudes (e.g., digital trust, technology adoption), also have a significant effect (Dong, 2019).

DIGITAL PRODUCTS

The growth of the internet and technologies which enable real-time information sharing such as inter-connected systems, web-based, electronic portals, and online order processing systems, can potentially support the building of closer links with customers, suppliers, and third-party vendors such as logistics service providers. Nigeria is ranked as one of the largest internet users in Africa; with an online population of 45,039,711 users, representing 26.5% of the nation's population (Baltes, & Terzidis, 2019). Technology has changed so much about the way people all over the world deal with each other be it in business, politics, education, or

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socialization. Digital products have been the source of information; the internet has allowed extensive collaboration. It also promotes innovation. As the internet progresses, the prices are also decreasing, and it is friendly to the users. It has changed the way businesses operate nowadays.

More interestingly, almost all insurance companies in Nigeria have internet, website, and online real-time e-insurance facilities which have improved the scope of insurance practice in Nigeria. Likewise, the nation's internet penetration in 2012 was 28.4%, representing 28.9% of African total internet usage (Gunday, Ulusoy, Kilic, & Alpkan, 2019). Consequently, Nigeria is one of the world's fastest-growing telecoms markets and the largest telecoms sector in Africa. The insurance sector is a major player and contributor to the nation's economic development, coupled with the apparent benefits of ICT in enhancing the competitive advantage of Nigeria. Efforts to improve cyber security, and in particular standards, would assist in raising awareness of risks associated with internet-based transactions as well as ensuring sufficient development of security measures.

MOBILE TECHNOLOGY

The mobile app enables the value of the inventory of possessions to be tracked in real-time and insurance premiums as well. According to Fill (2017), mobile phones provide another logical platform for marketers to channel targeted text (SMS) messages to millions of users. With the lower transaction costs that mobile technology can bring, Microinsurance may find a way to be more readily provided in developed insurance markets as well. In the age of new technology, insurance regulations that will likely be affected are governance and market conduct-related rules. Mobile technology significantly affects the strategy of organizations or departments where it performs a support role. It makes the business processes more efficient with greater output but that does not mean that without technology the organization or department cannot operate.

The rapid expansion and increasing use of mobile technology have immensely promoted the scientific approach to information handling and processing. Moreover, mobile technology enhances management functions of planning, organizing, and the nature of services offered in the insurance industry. It has greatly improved insurance operations globally given the available innovative devices to enhance the speed and quality of service delivery. Consequently, mobile technology enhances the process and procurement required to attain organizational and industrial goals, (Emmanuel, 2019). The use of mobile technology in the insurance industry is relevant and beneficial considering the significant role of insurance in the economy. Amongst others, insurance promotes business activity by providing financial intermediary services necessary to induce economic growth.

TECHNOLOGY AND INNOVATION IN THE INSURANCE SECTOR

Insurtech is the term being used to describe new technologies with the potential to bring innovation to the insurance sector and impact the regulatory practices of insurance markets. This report catalogs these technologies and examines how InsurTech is being funded and how insurers are engaging with the start-ups entering the market (Ndei & Ngugi, 2022). This report contributes to the OECD Going Digital project which provides policymakers with tools to help economies and societies prosper in an increasingly digital and data-driven world. For more information, visit www.oecd.org/going-digital.

Globally, the development of ICT is increasingly considered to be an important factor influencing economic growth. Likewise, ICT adoption can significantly impact the insurance industry by improving the mode of operation and development of a range of services to customers; by creating multi-channel communication between the company and customers; and by actualizing effective organization and efficient management of customers' information, (Ilhan & Rahim 2020). Thus, ICTs are electronic devices for the collection, processing, storage, transmission, and dissemination of information. The development of ICT assists firms to effectively integrate into the global market.

PERFORMANCE OF INSURANCE COMPANY IN NIGERIA

Performance can enhance firms' efficiency and competitiveness by promoting better communication and interaction with customers; facilitating significant cost savings through e-commerce and digital entrepreneurship has the capacity to enhance firms' growth and performance (Gheysari, Rasli, Roghanian & Jebur, 2016). Furthermore, the development of digital entrepreneurship facilitates better intra-firm communication and increases flexibility thereby facilitating the removal of physical constraints on organizational communication and promoting productivity gains through better management.

INNOVATIVE INSURANCE IN NIGERIA

Innovative insurance has traditionally been used either through an agent/broker or bancassurance model. While this remains the main intermediation channel for most developed insurance markets, many InsurTech start-ups are taking on this model and proposing new distribution models for insurance. These new modes of distribution are interesting for less developed insurance markets, where innovative insurance is low, and the conventional intermediation model of agents/brokers may not be efficient or

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effective, (Nutakor 2016). This is particularly relevant to emerging markets that have low innovative insurance and do not have a well-established distribution network.

PUBLIC TRUST IN INSURANCE COMPANIES IN NIGERIA

The objectives of the insurance sector reforms include: to increase the industry's public trust, through retention capacity. To attract foreign capital infusion into the industry for enhanced premium growth and profitability; to achieve a consolidation that will produce companies capable of meeting claims obligations promptly, (Kiarie 2017). To ensure that the nation's insurance companies can effectively compete at the continental and global levels. To enable the industry, attract the wherewithal for strategic investments in human capital development for greater efficiencies; to create a necessary competitive environment to promote brand activities.

THEORETICAL REVIEW

Opportunity-Based Entrepreneurship Theory (OBET)

The hub of entrepreneurial management is the pursuit of opportunity without regard to resources currently controlled. Opportunity-based theory, theory is propounded by Peter Drucker (1995) and Howard Stevenson. An opportunity-based approach provides a wide-ranging conceptual framework for entrepreneurship research (Shane, 2000). Entrepreneurs do not cause change (as claimed by the Schumpeterian or Austrian school) but exploit the opportunities that change (in technology, consumer preferences, etc.) creates (Drucker, 1995). He further says, this defines entrepreneur and entrepreneurship, the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. What is apparent in Drucker's opportunity construct is that entrepreneurs have an eye more for possibilities created by change than the problems. Stevenson (2006) extends Drucker's opportunity-based construct to include resourcefulness. This is based on research to determine the differences between entrepreneurial management and administrative management.

This study is related to Opportunity-Based Entrepreneurship Theory because of its significance to digital entrepreneurship in insurance, availing themselves of any opportunity to be innovativeness. Further to the United Nations, (2020) definition of development as a process that increases people's opportunity of choice; an area of interest to scholars/stakeholders of development in this dispensation is the sustainability of such Development. Opportunity-Based Entrepreneurship gave youths the opportunity to acquire relevant skills needed for self-sustenance in the economy. It promotes their charisma in any work environment and enhances skill acquisition to increase competition and cooperation among graduates. The theory further posits that digital entrepreneurship activities improve important skills, abilities, and confidence that would help them to be more productive and independent.

EMPIRICAL REVIEW

In a study by Ndei and Ngugi, (2022) titled Digital Entrepreneurship and Performance of the Insurance Industry Sector in Kenya. The insurance industry in Kenya has become very competitive due to the shrinking demand of noncompulsory insurance products and the negative perception by the public. To ensure improved organizational performance, insurance companies must adopt the use of technology like use of mobile technology, information communication technology platforms, information systems, online services platforms, electronic advertising, and risk analysis. The study was anchored on the diffusion of innovation theory, dynamic capabilities theory, evaluation theory, and value chain theory. This study used a descriptive research design. The unit of analysis was the 55 insurance companies in Kenya while the unit of observation was top management employees. The study adopted census technique. The study concludes that technological evolution has a positive and significant influence on the performance of insurance companies in Kenya and that digital business processes have a positive and significant influence on performance of insurance companies in Kenya. The study therefore recommends that the management of insurance companies in Kenya should ensure the embrace the latest technology to facilitate organizational performance. In addition, the management of insurance companies in Kenya should ensure adoption of digital marketing strategies to market their products hence improving their market share.

In a study by Haitham and Mehroz, (2020) titled Digital Entrepreneurship: Concepts, Applications, and Future Research Agenda. The study presents a systematic review of the literature on digital entrepreneurship by uncovering insights into recent developments, reviewing the available research, and identifying new areas for future research. This systematic review pays attention to integrating high-quality available research papers on digital entrepreneurship. Most of these studies have reported a positive influence of digital transformation on entrepreneurial activities globally. Researchers have mainly highlighted changes in entrepreneurial theory, education, and practice in their studies. Recent developments in this context require more advancement

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for economies to compete globally. Their study concludes by presenting future research directions on under-researched topics or dimensions that are untouched.

Swati, Namrata, Shikha, and Shivani, (2019). Digital Entrepreneurship and The Bottom of the Pyramid- A Conceptual Framework. The world is moving towards digitalization and India is following the global trends quite diligently. As a country, within India, we have both 'India' and 'Bharat' where it will not be wrong to say that Bharat dominates in terms of its population. Bharat signifies rural India, which, population-wise dominates the rest of India and because of its size attracts both the Indian and the global marketer. The reasons for the same could be, the population of Bharat and its diversity in terms of culture and traditions and their purchase and consumption pattern of goods, services, and ideas. The 'Bharat' side of India is much more receptive than ever before to any entrepreneurial idea especially because of the easy availability of mobile phone, its services, and the internet. New concepts are evolving, and digital entrepreneurship is thus quite a talked about concept in today's time. As a layman, one could say that 'Digital entrepreneurship' as a concept is a business idea that trails a digital route or influences digital technology. But can a digital businessperson deliver and meet the needs of all levels of the people pyramid is a question that needs to be answered. With the growth in the diffusion of mobile telephones and internet providers in the country, one is witnessing a phenomenon where the digital businesspersons are making considerable money by presenting products and services to fulfill the needs of the people at the highest and the intermediate level of the pyramid. But to reach out to the bottom of the pyramid such entrepreneurs must cross hurdles like relatively poor networks, lack of education amongst the users of the products and services, smaller presence of smartphones, and the very basic electricity issue.

VARIABLE GAP

A reasonable number of studies reviewed show the revelation of digital entrepreneurship development and performance of insurance companies in Nigeria. The existing body of knowledge has not sufficiently considered the impact of technological initiatives and accomplishment of insurance businesses in Nigeria.

Several studies examined emphasized a digital entrepreneurship initiative, leaving out other relevant platforms. However this study filled the gap by investigating different innovative initiatives from digital areas. The studies reviewed have not considered digital products as a tool to measure innovative insurance in Nigeria. This study explored the impact of digital products on the innovative insurance businesses in Nigeria.

Quite a few studies reviewed have not examined the significance of mobile technology because of poor public trust of the insurance industry. It is crucial to mention that most of the literature reviewed has not looked at the essence of big data in improving confidence in insurance businesses. Also, the majority of the studies reviewed have not explored the importance of digital entrepreneurship on the performance of the insurance industry in Nigeria.

METHODOLOGY

This study explored the critical review of digital entrepreneurship and the performance of insurance companies in Nigeria. This study describes the desktop and structured research method used in attaining the stated research objectives. The research design examined the population of InsurTech companies in Nigeria, and the source of data collection was the reviewed empirical and theoretical findings.

CONCLUSION

This study concludes that digital products have a positive and significant influence on innovative insurance in Nigeria. Findings revealed that the company's product, digital services, and novel services influence the performance of insurance companies in Nigeria. Further, Mobile technology has a positive and significant influence on public trust in Nigerian insurance. Findings revealed that more effective and efficient, smooth communication influence influence the performance of insurance companies in Nigeria.

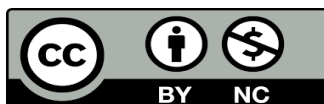
RECOMMENDATIONS

1. More of company products need to be designed to be digital according to client's preference. There need to be InsurTech start-ups to promote the new distribution model for insurance. Innovative insurance should be affordable and accessible to Nigerians. It is easier to get across to clients that are far away through InsurTech.
2. Mobile technology can be utilized to reach out to millions of insurance clients. It makes insurance business more effective and efficient. Proper utilization of mobile technology can improve the communication between the insurer and the insured. Nigerian insurance company need to improve the trust of Nigerians in purchasing insurance products. Public trust can also be enhanced by investing heavily in training staff relating to clients. Insurance companies need to start processing claims using technology to improve people's trust.

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