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Influence of Market Development Strategies on Microinsurance Uptake (Demand) among Micro and Small Enterprises in Nairobi City County, Kenya: The Moderating Role of Enterprise Characteristics

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Abstract

Purpose: The study aimed to investigate the moderating influence of enterprise characteristics on the relationship between market development strategies and microinsurance uptake (demand) among micro and small enterprises in Nairobi County, Kenya.

Materials and Methods: The research adopted a positivist philosophy and descriptive research design. A representative sample of 387 MSEs was selected through multistage random sampling from a population of 12,429 registered MSEs in Nairobi County (MSEA, 2024). Data collection involved structured questionnaires, with a pilot test conducted to ensure validity and reliability. Quantitative data were analyzed using SPSS version 27. Descriptive statistics such as means and standard deviations were calculated, while inferential analysis employed multiple regression and correlation techniques to test hypotheses at a 95% confidence level ($p < 0.05$).

Findings: The analysis revealed strong positive correlations between enterprise characteristics and microinsurance uptake ($r = 0.705$), significant at $p < 0.01$.

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Regression models showed that the enterprise characteristics, when combined with marketing strategies accounted for 57.9% of the variance in microinsurance uptake. The ANOVA results indicate an Fstatistic of 136.853 with a p-value of 0.000 further suggesting that the moderating influence of enterprise characteristics on the relationship between market development strategies and microinsurance uptake was statistically significant at the 95% confidence level. The unstandardized coefficient (B) for enterprise characteristics was 0.041, indicating that a one-unit increase in moderating influence led to 0.041 units increase in microinsurance uptake.

Unique Contribution to Theory, Practice and Policy: Based on the study findings, the study recommended that microinsurance providers consider the enterprise characteristics when designing and delivering insurance products.

Keywords: *Enterprise Characteristics,*

INTRODUCTION

Micro and small businesses (MSEs) are the foundation of several economies, especially in developing countries. They are essential for job development, income growth, and poverty reduction (World Bank, 2021). MSEs often encounter significant risks, such as theft, sickness, market volatility, natural catastrophes, and operational interruptions (Adepoju et al., 2020). These hazards substantially jeopardize their viability and expansion. Despite its ability to mitigate these risks, the adoption of microinsurance among micro and small enterprises (MSEs) is very low.

Microinsurance is essential in mitigating the risks encountered by micro and small enterprises in developing countries. Recent developments underscore the increasing acknowledgment of its capacity to safeguard enterprises against various risks, including market volatility, theft, and natural catastrophes, which may otherwise jeopardize their sustainability and growth. According to a 2023 report by Research and Markets, the microinsurance market is projected to grow significantly, driven by increasing demand for affordable and accessible insurance solutions, particularly for underserved populations (Research and Markets, 2023). The projected compound annual growth rate (CAGR) of 6.2% from 2023 to 2031 highlights the sector's potential. A significant contributor to this increase is the proliferation of microinsurance efforts in areas such as Asia and Africa, where the need for financial inclusion is paramount. Collaborations between insurers and microfinance institutions (MFIs) have been especially efficacious in accessing low-income businesses by capitalizing on the existing trust and local presence of MFIs. These partnerships not only extend the accessibility of microinsurance products but also tackle affordability concerns, which often impede uptake in these regions (Insurance Business America, 2023).

Furthermore, the growing use of digital platforms and mobile technologies constitutes an additional impetus. These technologies facilitate MSEs' access to microinsurance products and enhance their comprehension of the associated advantages, therefore surmounting conventional obstacles such as inadequate financial literacy and trust deficits. However, challenges of limited microinsurance uptake remain, including the need for more robust consumer education and addressing cultural norms that may inhibit insurance uptake.

Nonetheless, the issue of microinsurance adoption among micro and small enterprises (MSEs) has endured for decades, with current research indicating that the majority of small company owners in emerging nations lack any formal insurance coverage. Finmark Trust (2021) reports that less than 5% of low-income families and enterprises in developing nations get insurance products, despite their increased risks. The minimal adoption is alarming as it leaves MSEs vulnerable to dangers that may result in financial devastation, hence prolonging cycles of poverty and economic instability. Chummun (2017) attributes this low adoption to limited awareness, poor product design, and lack of trust in insurance providers. The disparity between the availability of microinsurance products and their use by small enterprises indicates underlying concerns that need examination. Nevertheless, the problem of microinsurance uptake among MSEs has persisted for decades, with recent studies highlighting that most small business owners in developing economies lack any form of formal insurance. According to Finmark Trust (2021), less than 5% of low-income households and businesses in underdeveloped countries access insurance products, despite the heightened vulnerabilities

they face. This low uptake is quite concerning because it leaves MSEs exposed to risks that can lead to financial ruin, perpetuating cycles of poverty and economic instability. Chummun (2017) attributes this low adoption to limited awareness, poor product design, and lack of trust

in insurance providers. The gap between the supply of microinsurance products and their adoption by small businesses signals deeper issues that warrant investigation. **Problem Statement**

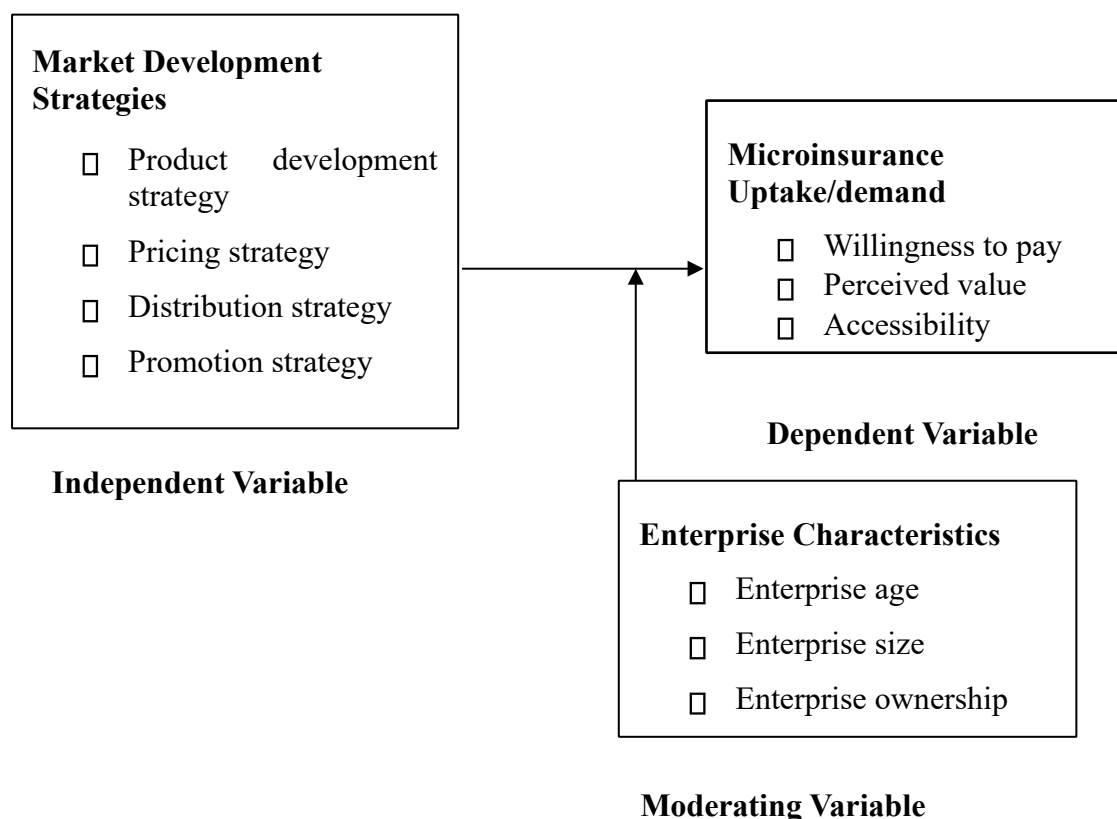
Microinsurance is designed to protect low-income individuals and small businesses against risks such as illness, accidents, and property loss (Nkwor & Oror, 2022). These products should be accessible, affordable, and tailored to meet the needs of MSEs, promoting business sustainability and reducing vulnerability to financial shocks. According to UNDP (2022), effective market development strategies such as product development, pricing, distribution, and promotion are critical for driving uptake. Despite the potential benefits of microinsurance, its uptake remains low among MSEs in Nairobi City County, Kenya, leaving businesses exposed to significant risks. According to the Insurance Regulatory Authority (IRA) of Kenya, microinsurance penetration remains low, at 2.34% nationally (IRA, 2023). According to KNBS (2020), MSEs in which account for over 80% of Kenya's businesses (KNBS, 2020), are particularly vulnerable to economic shocks due to limited access to risk management tools like microinsurance. Studies by Njuguna and Arunga (2022) highlight that these businesses often close within two years of operation due to financial losses that microinsurance could mitigate.

Despite the increasing recognition of microinsurance as a crucial tool for protecting micro and small enterprises (MSEs) in Kenya against economic risks, its uptake remains low in Nairobi City County. Studies have shown that factors such as affordability and awareness significantly influence the adoption of microinsurance products (Churchill, 2020), while poor distribution channels hinder their reach (Makau & Abeka, 2021). However, while entrepreneurial orientation (EO) has been shown to affect uptake (Wambugu, 2018), the role of enterprise characteristics as moderators between market strategies and microinsurance adoption remains under-explored. This study sought to fill this gap by analyzing the impact of enterprise characteristics as a moderating factor, contributing novel insights to the field.

LITERATURE REVIEW Theoretical Review

Demand theory, originally rooted in Marshall's foundational work (1890), has traditionally explained how price changes affect consumer behavior, particularly in terms of price sensitivity, elasticity, and the law of demand. Additionally, the Technology Acceptance Model (TAM) by Davis (1989) provided a relevant framework, suggesting that perceived ease of use and perceived usefulness drive the adoption of innovations, such as microinsurance. MSEs' adoption of insurance is similarly shaped by their perceptions of the product's value and its fit within their business model, especially in resource-constrained environments. Besides, the behavioral demand models explain that decisions around insurance uptake often depend on enterprise characteristics such as firm size, income, and risk exposure, with smaller firms and those with limited financial resources being more sensitive to cost and more likely to adopt affordable, tailored insurance products. This study utilized these contemporary models to analyze the moderating effects of enterprise characteristics on market development strategies and microinsurance adoption.

Conceptual Framework



Empirical Literature

Saqware (2012) research investigated the factors influencing the demand for micro-insurance in Tanzania. The study used a mixed-methods approach, combining qualitative interviews with quantitative surveys. The target population was low-income individuals and micro-enterprises in Tanzania. Key findings suggest that affordability, awareness, and trust in the insurer are the main drivers of micro-insurance demand. The study focused on individual demand rather than firm-level factors, which limits its relevance to the current study's focus on firm characteristics and micro-insurance uptake among MSEs.

Worku and Asmare (2018) study examined the factors that determine the performance of microinsurance businesses in Ethiopia, with a focus on financial and operational factors. A survey of micro-insurance providers in Ethiopia was conducted using descriptive and correlational research methods. Data was analyzed using regression techniques. Factors such as financial resources, operational capacity, and market penetration were found to significantly influence micro-insurance business performance. The study does not explore the influence of firm characteristics in relation to market development strategies, which is central to this current research.

Pervan and Višić (2012) study investigated how the size of a firm influences its overall success in the market. The research used a quantitative approach with a sample of firms from the Croatian market. Data analysis was conducted through regression analysis. The study concluded that larger firms tend to have more resources, which positively influences their

business success. The focus on firm size as the main determinant of success does not address the moderating influence of firm characteristics on micro-insurance uptake, as explored in the current study.

Oghuvwu and Okuwhere (2018) study examined how entrepreneurial traits affect firm performance, focusing on small and medium-sized enterprises. A descriptive research design was used, targeting SMEs in Nigeria. Data was collected through structured questionnaires and analyzed using statistical methods. The study found that entrepreneurial orientation, including risk-taking and innovation, positively impacts firm performance. While the study considers firm characteristics, it does not explore the moderating role of these traits in the uptake of microinsurance, as in the current study.

Handoyo et al. (2023) research explored how firm characteristics, the business environment, and strategic orientation influence business performance. The study employed a quantitative research design, surveying firms in Indonesia. Data analysis involved structural equation modeling (SEM). The study found that strategic orientation and firm characteristics significantly impact performance, especially in volatile environments. While examining firm characteristics, the study does not specifically consider the microinsurance context, as the current study does in Kenya.

Mutende et al. (2017) study investigated how firm characteristics moderate the relationship between free cash flow and financial performance. The study uses a quantitative approach with a sample of firms listed on the Nairobi Securities Exchange (NSE). Regression analysis was applied to test the hypotheses. The study found that firm size, capital structure, and industry sector significantly moderated the relationship between free cash flows and performance. The study does not address the relationship between market development strategies and microinsurance uptake, focusing more on financial performance. This is a gap in comparison to the current study.

Komarudin and Affandi (2019) study examined the moderating effects of firm characteristics on the relationship between financial factors and firm value. A quantitative research design was applied to retail firms in Indonesia. Data analysis was performed using multiple regression models. The study concluded that firm size and capital structure moderate the relationship between profitability and firm value. While the study explores firm characteristics, it does not relate to micro-insurance uptake or the specific Kenyan context, unlike the current study.

Vasan (2020) study focused on how demographic and business characteristics influence the performance of women-owned small enterprises. A quantitative research design was used, with data collected from women entrepreneurs in India. Statistical analysis was applied to assess the moderating effects. The study found that business characteristics, such as entrepreneurial experience, significantly moderated business performance.

While this study examined moderating factors, it did not address micro-insurance uptake, which is central to the current research. Skaf et al. (2024) study explored the role of gender diversity and empowerment on family business performance, with a focus on moderating firm characteristics. A quantitative approach was used, surveying family businesses. Structural equation modeling (SEM) was employed for data analysis. The study highlighted that gender diversity and empowerment, combined with firm characteristics, significantly impact family business performance. The study's focus on gender and family businesses does not align with

the micro-insurance and MSE's context in Kenya, which is a gap relative to your current study.

Research Gaps

The reviewed empirical literature revealed several research gaps in relation to the current study. Saqware (2012) examined microinsurance demand in Tanzania, focusing on individuals rather than firm-level factors, limiting its relevance to MSEs. Worku and Asmare (2018) explored microinsurance business performance in Ethiopia, but did not consider the influence of firm characteristics on the uptake of microinsurance. Pervan and Višić (2012) highlighted the impact of firm size on success but did not address how firm characteristics moderate microinsurance adoption. Oghuvwu and Okuwhere (2018) studied entrepreneurial traits, but their research did not investigate how these traits affect microinsurance uptake. Handoyo et al. (2023) explored firm characteristics and business environment in Indonesia but did not specifically consider microinsurance. Mutende et al. (2017) focused on financial performance but did not examine the relationship between market development strategies and microinsurance uptake. Komarudin and Affandi (2019) found that firm characteristics moderated financial performance but did not relate to microinsurance uptake. Vasan (2020) studied business characteristics in women-owned enterprises but did not consider microinsurance. Skaf et al. (2024) examined gender diversity in family businesses but did not explore the microinsurance context in Kenya. Therefore, this study seeks to address these gaps by evaluating firm-level characteristics moderate the relationship between market development strategies and microinsurance uptake among MSEs in Kenya

MATERIALS AND METHODS

This research used a positivist attitude, prioritizing scientific procedures and empirical data to ascertain causal links and guarantee objective, repeatable, and generalizable results (Park, Konge & Artino, 2020). The study approach was descriptive, intended to comprehensively delineate the characteristics associated with market development strategies and microinsurance adoption among micro and small businesses (MSEs) in Nairobi, without any manipulation of variables (Calik, 2022; Siedlecki, 2020). The target population included 12,429 micro and small enterprises (MSEs) registered in Nairobi County in 2024, with the sample frame derived from official records and financial institutions to guarantee representativeness of the informal sector.

The sample size was determined to be 387 MSEs using Yamane's algorithm, with a 95% confidence level and a 5% margin of error (Yamane, 1967). A multistage sampling method was employed: initially stratifying by sector (agri-business, manufacturing, services, traders, uncategorized), subsequently proportionally selecting respondents within each sector (e.g., 25 from agri-business, 75 from manufacturing), and ultimately utilizing random sampling to reduce bias and improve reliability (Table 1).

Table 1: Target Population and Sample Size

Sector	Population	Sample Size	Percentages
Agri-Business	809	25	0.06%
Manufacturing	2,421	75	19.38%
Services	3,961	123	31.78%
Traders	5,196	162	41.86%
Uncategorized	42	2	0.005%

Total	12,429	387	100%
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The data gathering used standardized questionnaires, facilitating fast and anonymous replies from managers and firm proprietors (Greener, 2008; Krosnick, 2018). Ethical approval was obtained by NACOSTI and AIU, and data were gathered by qualified research assistants via in-person interviews. A pilot study with 38 MSEs in Embu County evaluated the research tools, confirming their validity and reliability (Taherdoost, 2021). Validity was confirmed by expert review and factor analysis (Rahi, 2017), with concept validity shown by factor loadings above 0.4. Reliability was established with a Cronbach's alpha of 0.7 (Creswell, 2017).

The data analysis used SPSS version 27 for descriptive statistics (mean, standard deviation, frequency) and inferential methods, including correlation and multivariate regression. Diagnostic tests assessed normality (Kolmogorov-Smirnov), heteroscedasticity (modified Wald), autocorrelation (Durbin-Watson), and multicollinearity (VIF), assuring robust and unbiased regression outcomes (Silva et al., 2022; Khaled et al., 2019; King, 2018). The research used multiple linear regression models to examine hypotheses on the influence of market development tactics (product, pricing, marketing, distribution) and their interaction with firm characteristics on microinsurance adoption. Hypotheses were examined at a 5% significance threshold, using ANOVA to assess the overall significance of the model. Ethical guidelines guaranteed voluntary participation, confidentiality, and data protection during the research.

Correlation Results

A strong correlation ($r = 0.705$, $p < 0.01$) was found between enterprise characteristics and microinsurance uptake, underscoring the role of firm size, financial stability, and risk perception in influencing adoption. Mbugua & Magambo (2022) found that larger and more established MSEs are more likely to adopt microinsurance due to increased risk exposure. Similarly, Mbugua (2021) noted that business experience and financial literacy levels significantly impact insurance adoption. To improve uptake, insurers should develop tailored policies for different enterprise sizes and implement financial education programs to enhance risk awareness among MSEs

Table 2: Correlation Results

		Enterprise Characteristics	Micro-insurance uptake
Enterprise characteristics	Pearson Correlation	1	.705**
	Sig. (2-tailed)		.000
Microinsurance uptake	Pearson Correlation	.705**	1
	Sig. (2-tailed)	.000	

Regression Results

To examine the moderating influence of enterprise characteristics on the relationship between market development strategies and microinsurance uptake among MSEs in Kenya, the study conducted a moderated regression analysis. The composite regression analysis aimed to investigate the moderating influence of enterprise characteristics on the relationship between marketing strategies (product development, pricing, distribution, and promotion) and microinsurance uptake among micro and small enterprises (MSEs) in Nairobi County, Kenya. In Model 1, where only marketing strategies were included as predictors, the R-square was 0.453, meaning that 45.3% of the variance in microinsurance uptake was explained by

marketing strategies alone. When enterprise characteristics were added in Model 2, the Rsquare rose to 0.509, showing that enterprise traits such as size, age, technological capacity, or managerial competence have a complementary role in explaining microinsurance uptake. Finally, the interaction term introduced in Model 3 further improved the model with an Rsquare of 0.579, indicating that 57.9% of the variance in microinsurance uptake could now be explained by the joint effect of marketing strategies, enterprise characteristics, and their interaction. This demonstrates a significant moderating effect of enterprise characteristics.

The ANOVA results across all three models showed highly significant F-values, starting from $F = 248.281$ ($p < .001$) in Model 1 to $F = 154.759$ in Model 2 and $F = 136.853$ in Model 3. These values confirmed that the regression models were statistically significant, and the included predictors reliably explained changes in microinsurance uptake.

In Model 1, the coefficient for marketing strategies was $\beta = 0.355$ ($p < .001$), showing a strong positive influence on microinsurance uptake. However, in Model 2, the coefficient for marketing strategies dropped to $\beta = 0.122$ ($p = .008$), while the enterprise characteristics had a higher influence ($\beta = 0.237$, $p < .001$). In Model 3, the direct effect of marketing strategies became statistically insignificant ($\beta = 0.041$, $p = .348$), while the interaction term was highly significant ($\beta = 0.093$, $p < .001$) and enterprise characteristics remained a dominant predictor ($\beta = 0.451$, $p < .001$). This shift in significance indicates that enterprise characteristics significantly moderate the effect of marketing strategies on microinsurance uptake. Essentially, the effectiveness of marketing strategies depends on the nature of the enterprise its internal structures, capacity, and strategic readiness.

These findings are consistent with studies by Churchill & Matul (2012) and Banthia et al. (2013), who noted that marketing strategies must be tailored to specific enterprise profiles to be effective in promoting microinsurance. Additionally, Matul et al. (2013) emphasized that organizational and operational capabilities determine how well firms can respond to promotional, pricing, and distribution tactics. Furthermore, Kakucha (2015) in a study of microinsurance uptake in Kenya observed that firm-specific traits like age, formality, and digital literacy significantly influence how marketing messages are received and acted upon. The study therefore confirmed that enterprise characteristics play a moderating role in the effectiveness of marketing strategies on microinsurance uptake. The full model explained over 57% of the variance in uptake, suggesting that incorporating firm-level variables enhances both strategic planning and policy design for microinsurance providers.

Table 3: Model Statistics for Moderating Effect of Enterprise Characteristics on the Relationship between Marketing Strategies and Microinsurance Uptake.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673 ^a	.453	.451	.3494783
2	.713 ^b	.509	.505	.3317300
3	.761 ^c	.579	.575	.3074210

a. Predictors: (Constant), Overall

b. Predictors: (Constant), Overall, Enterprise characteristics

c. Predictors: (Constant), Overall, Enterprise characteristics, Overall interaction

Model	Sum of Squares	df	Mean Square	F	Sig.
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1	Regression	30.324	1	30.324	248.281	.000 ^b
	Residual	36.641	300	.122		
	Total	66.964	301			
2	Regression	34.061	2	17.030	154.759	.000 ^c
	Residual	32.903	299	.110		
	Total	66.964	301			
3	Regression	38.801	3	12.934	136.853	.000 ^d
	Residual	28.163	298	.095		
	Total	66.964	301			

a. Dependent Variable: AV Microinsurance uptake

b. Predictors: (Constant), Overall

c. Predictors: (Constant), Overall, Enterprise characteristics

d. Predictors: (Constant), Overall, Enterprise characteristics, Overall interaction

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	4.266	.020		212.131	.000
	Overall	.355	.023	.673	15.757	.000
2	(Constant)	4.266	.019		223.481	.000
	Overall	.122	.045	.230	2.675	.008
	Enterprise characteristics	.237	.041	.502	5.828	.000
3	(Constant)	4.193	.020		204.730	.000
	Overall	.041	.044	.078	.940	.348
	Enterprise characteristics	.451	.048	.956	9.339	.000
	Overall interaction	.093	.013	.422	7.082	.000

a. Dependent Variable: AV Microinsurance uptake

Performance = 4.193 + 0.041 Marketing Strategies + 0.451 Enterprise Characteristics + 0.093 Interaction Effect

Hypothesis Testing Enterprise Characteristics does not Significantly Moderate the Relationship between Market Strategies and Microinsurance Uptake of MSEs in Nairobi, Kenya

The rejection of H₀₅, enterprise characteristics do not significantly moderate the relationship between market strategies and microinsurance uptake among MSEs in Nairobi, Kenya, based on the statistical results ($t_{calc} = 7.082$, $p\text{-value} = 0.000 < p_{critical} = 0.05$), indicates that enterprise characteristics, such as firm size, industry, and ownership structure, significantly

influence the effectiveness of market development strategies in driving microinsurance adoption among MSEs in Nairobi.

Muthoga et al. (2018) highlighted that, smaller enterprises, particularly in high-risk industries like agriculture and construction, are more inclined to adopt microinsurance. This is because such enterprises view insurance as a critical tool for managing operational risks. The findings of this study support the conclusion that firm characteristics significantly moderate the relationship between market strategies and microinsurance uptake. The findings further align with those of Fombad and Muturi (2017) and Dercon et al. (2014) which focused on enterprise formalization and size, noting that larger and more formalized enterprises, which typically have access to better financial resources and information, are more likely to adopt microinsurance.

Besides, Witherspoon (2015) showed that established businesses with access to ICT resources are better equipped to engage with modern market strategies, thus increasing the likelihood of microinsurance uptake. The ownership structure (e.g., family-owned versus individually owned) is an important characteristic influencing decision-making in MSEs. In family-owned enterprises, decisions may be more risk-averse, and owners might prioritize trust-based relationships over formal financial products like insurance. This contrasts with individually owned businesses that may be more open to exploring formal risk management solutions, such as microinsurance, due to their business-oriented decision-making structures.

Similarly, Pervan and Višić (2012) emphasized that larger firms with more resources are more likely to succeed in competitive environments. These larger firms often have better access to information, financial resources, and marketing capabilities, making them more responsive to market strategies, including those related to microinsurance. Research by Witherspoon (2015) revealed that established and formalized enterprises, which are more likely to adopt ICT solutions, are also more inclined to engage with microinsurance. This suggests that firm formalization moderates the impact of market strategies, as formalized businesses are more capable of engaging with digital distribution channels, thus increasing microinsurance adoption.

CONCLUSION AND RECOMMENDATIONS Conclusion

The objective of the study was to assess the moderating influence of enterprise characteristics on the relationship between various market development strategies and microinsurance uptake among micro and small enterprises (MSEs) in Nairobi County, Kenya. Based on the study findings, the study concluded that product development strategy significantly influences microinsurance uptake among MSE's. Therefore, enterprise characteristics do not just directly impact microinsurance uptake but also shape how market development strategies are perceived and acted upon by micro and small enterprises.

Recommendations

The study recommends that microinsurance providers consider the enterprise characteristics when designing and delivering insurance products. Since firm size, resources, and readiness play a significant role in microinsurance uptake, insurers should tailor their offerings to meet the specific needs of different businesses. This is because larger MSEs may require more comprehensive products, while smaller firms may benefit from simplified, more affordable options.

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