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**EFFECTS OF ETHICAL PRACTICES ON THE LEVEL OF CONFIDENCE IN  
KENYA'S INSURANCE SECTOR**



**LINET ODERA MACHARIA**

**ADMISSION NO. 138736**

**A Dissertation Submitted in Partial Fulfilment of the Requirements for the Degree of  
Master of Business Administration at Strathmore University Business School**

**19<sup>th</sup> April 2024**

## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

Linet Odera Macharia....

LOdera.....

19<sup>th</sup> April 2024

### Approval

The dissertation of Linet Odera Macharia was reviewed and approved by the following:

Name of Supervisor: *Dr. David Mathura*  
Faculty Affiliation: *Senior Lecturer*  
Signature: *[Signature]*  
*17<sup>th</sup> April 2024*



## ABSTRACT

The purpose of this study was to examine the effects of ethical practices on confidence in the insurance sector in Kenya. Although research indicates that ethical behaviour is crucial in forming trust and confidence, the current body of literature has not sufficiently addressed the nexus of insurance ethics -both business (supply side) and consumer (demand side) ethics- and its significant influence on confidence in the Kenyan insurance sector. The specific objectives addressed to achieve this purpose included to assess the effect of demand-side factors of insurance ethics on the confidence in the insurance sector in Kenya, to examine the effect of supply-side factors of insurance ethics on the confidence in the insurance sector in Kenya, and to examine the mediating role of the regulatory environment on the relationship between insurance ethical practices and confidence in the insurance sector in Kenya. The study was anchored on the social exchange and stakeholder theories. The specific objectives were achieved guided by the positivism research philosophy, quantitative method for data collection and analysis, and the descriptive research design. A sample of 400 insurance customers and 389 insurance professionals were surveyed. The customers were selected using simple random sampling while the insurance professionals were selected using stratified random sampling. A five-point Likert scale was utilised in the survey and data collected was analysed using both descriptive and inferential statistics. The findings indicate the demand side factors of insurance ethics have no significant effect on confidence in the industry. Conversely, supply side factors of insurance ethics are positive significant predictors of confidence in the industry. Finally, the results indicate that regulatory environment fully mediates the relationship between supply side factors of insurance ethics are positive significant predictors of confidence in the industry. The study's findings imply that the actions of insurers are useful in improving confidence levels in the sector, thereby improving the penetration levels, which have been quite low.

**Key words:** Ethics, Insurance, Penetration rate, Confidence, Kenya

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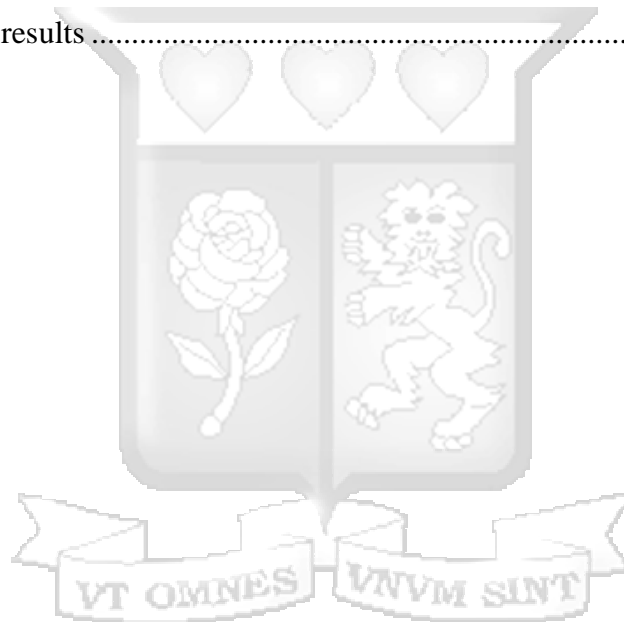
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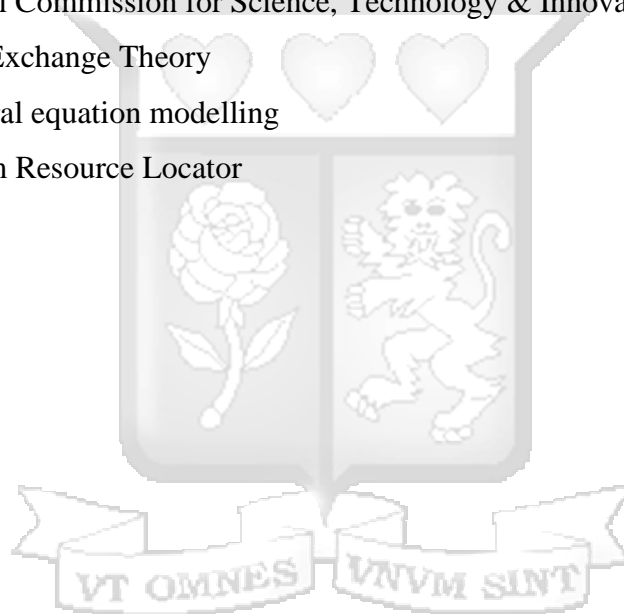
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## ABBREVIATIONS AND ACRONYMS

7Ps	7 principles of service marketing
B2B	Business-to-Business
B2C	Business-to-Consumer
FGD	Focus group discussion
HR	Human resources
IRA	Insurance Regulatory Authority
IRDA	Insurance Regulatory and Development Authority
LIC	Life Insurance Corporation
NIC	National Insurance Commission
NACOSTI	National Commission for Science, Technology & Innovation
SET	Social Exchange Theory
SEM	Structural equation modelling
URL	Uniform Resource Locator



## DEDICATION

To Stephen Macharia, my partner whose sacrificial support has made it possible for me to push through with this research.



## ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to the Strathmore MBA Fraternity for broadening my knowledge, providing the frameworks and allowing me to immerse myself in this research topic; one that I am passionate about. Special thanks to Dr. David Mathuva for appreciating the vision and continuing to guide me in the right direction.

I am also grateful to my classmates, syndicate and study group members for enriching my experience at Strathmore and for the continued learning and moral support.

Lastly, I remain eternally grateful to my family and especially my children Eli and Michael Macharia who have and continue to put up with my late nights of study and sometimes extended absence from home and sometimes missing their special days/milestones.



## DEFINITION OF KEY TERMS

**Consumer ethics:** The moral compass that directs consumers' behaviour from the point of purchase and use to the point of disposal of products and services.

**Ease:** How simple it is to get insurance whether or not insurance providers identify the demands of their clients and whether or not the premium obtained is the best value.

**Ethics in corporate governance:** Principles and beliefs governing the conduct of groups or individuals holding authority within an organisation.

**Ethics in sales and marketing:** Involves applying moral standards and values to a range of operations, including pricing, promotions, advertising, and customer relationships.

**Insurance business ethics:** the moral principles and ideals that direct organisations and individuals' behaviour in the corporate world. This covers a wide range of dimensions, including how employees behave, how suppliers and customers are treated, how private information is handled, and how business activities affect society and the environment.

**Loyalty:** How consumers perceive the insurance industry's image and their propensity to recommend insurance to friends and family.

**Protection:** The measure of customers knowing that insurers will look after what is most important to them. This includes the insurer guaranteeing customers of buying insurance and making the customer safe.

**Relationship:** Assesses how much insurers value their clients rather than the business from the insurance policies and accounts for the interests that insurance companies have for their clients demonstrated by attending to the latter's requirements, providing clear guidance, and informing them of policy changes.

**Trust:** Assesses an insurance company's honesty, sincerity, and dependability toward its customers and includes evidence of claim payment and trust in insurance firms' capacity to pay claims.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The role of ethics in the insurance industry is critical in shaping the trust and confidence of both consumers and insurers (Gitonga, 2018). Cova et al. (2018) note that the integrity of the insurance market is largely attributed to the ethical behaviour of industry participants. A vast range of actions are covered by ethical considerations, including providing truthful information, managing moral hazard, making responsible claims, and treating policyholders fairly (Parchomovsky & Siegelman, 2022). Since the insurance sector is dependent on trust, violation of ethical standards has the potential to destroy that trust and cause market participants to lose confidence (Agyei, Sun, Abrokwah, Penney, & Ofori-Boafo, 2020). Customers are especially sensitive to moral failings that could jeopardise the integrity of their insurance transactions because they expect fair and honest interactions (Agyei et al., 2020). As such, insurers are tasked with upholding ethical standards in their interactions with insureds (The International Association of Insurance Supervisors, 2021). However, insurers contend with the difficulty of preserving confidence in the face of possible fraud by internal and external stakeholders (Agyei et al., 2020).

Ribeiro et al. (2020) indicate that the insurance sector is susceptible to ethical dilemmas from consumer practices and insurer conduct. The presence of unethical practices from both the demand and supply side impedes the ideal ethical practices in the insurance industry. For instance, there were 124 insurance fraud cases in 2021 from 130 in 2020 (Insurance Regulatory Authority [IRA], 2023). These fraud averages were related to KES 463,147,590 insurance amounts. Theft by insurance agents and fraudulent motor insurance claims accounted for 17.1% and 25.8% of cases, respectively (IRA, 2023).

Consumer insurance unethical practices present a critical ethical dimension to the insurance sector. Ethical issues arise when the insured participates in dishonest behaviour such as fabricating information or making exaggerated claims (Ribeiro et al., 2020). Consumer fraud has a double effect on confidence: it causes insurers to lose money and erodes the confidence that they have in their customers (Tseng, 2019). Conversely, insurer fraud- dishonest acts committed by insurance companies when dealing with the insured- may also hurt trust and confidence (Nikolaienko, 2019). Unfair activities damage insurers' reputations and instil

mistrust in policyholders (Nikolaienko, 2019; Ribeiro et al., 2020). Examples of these behaviours include rejecting legitimate claims or using unethical pricing tactics.

Intuition may suggest that there is an association between ideal ethical practices and enhanced confidence in the insurance industry. However, scholarly research seeks concrete proof and sophisticated insights that go beyond conventional inferences. This study aimed to comprehensively investigate and analyse the various dynamics of ethical behaviours in the Kenyan insurance industry. This is both on the demand and supply sides. To understand how ethical behaviours impact confidence levels in the Kenyan insurance sector, it was imperative to investigate the effects of ethical practices within the industry. By diving into the unique features of consumer and business ethics and their impact on confidence, the study hoped to unearth comprehensive knowledge that goes beyond broad generalisations. Further, the inclusion of the regulatory environment as a mediating variable enhanced the research by acknowledging the regulatory framework's influence in affecting perceptions of ethical behaviour.

### **1.1.1 Confidence in the Insurance Sector**

The Ghanaian National Insurance Commission (NIC) (2020) operationalises consumer confidence in the insurance sector using 6 sub-constructs: loyalty, claims, ease, relationship, protection, and trust. NIC (2020) adopts these sub-constructs from the Chartered Insurance Institute, a global professional body dedicated to building public trust in the insurance and financial planning profession. As such, Gitonga (2018) and NIC (2020) conceptualise loyalty as how consumers perceive the insurance industry's image and their propensity to recommend insurance to friends and family. Claims are the turnaround time in claims settlement (Gitonga, 2018; NIC 2020). Further, NIC (2020) notes that ease indicates how simple it is to get insurance and whether or not insurance providers identify the demands of their clients. It also covers whether or not the premium obtained is the best value. Further, the relationship metric assesses how much insurers value their clients rather than the business from the insurance policies. It also accounts for the interests that insurance companies have for their clients demonstrated by attending to the latter's requirements, providing clear guidance, and informing them of policy changes. Protection is the measure of customers knowing that insurers will look after what is most important to them. This includes the insurer guaranteeing customers of buying insurance and making the customer safe. Finally, trust assesses an insurance company's honesty, sincerity, and dependability toward its customers. It also includes evidence of claim

payment and trust in insurance firms' capacity to pay claims (IRA, 2023; NIC 2020).

### **1.1.2 Insurance Ethics**

Previous studies have assessed the concepts of consumer ethics and business ethics in the context of insurance industries. On the supply side, Ahmed et al. (2023) conceptualises insurance business ethics as the moral principles and ideals that direct organisations and individuals' behaviour in the corporate world. This covers a wide range of dimensions, including how employees behave, how suppliers and customers are treated, how private information is handled, and how business activities affect society and the environment. Honesty, integrity, fairness, observing regulatory obligations, and social responsibility are fundamental components of business ethics. These traits support a solid reputation, customer loyalty, staff satisfaction, and higher organisational productivity. Besides, ethical business practices reduce the risk of harm and legal liability to an organisation's reputation from acting unethically (Ahmed et al., 2023).

Researchers have advanced various dimensions of business ethics that can be categorised under the supply-side factors. Ahmed et al. (2023) asserts that corporate governance ethics, organisational and individual ethics, ethics in sales and marketing, and human resource management ethics are some of the dimensions used to operationalise business ethics, guide ethical decision-making, and promote ethical corporate behaviour. Naciti, Cesaroni, and Pulejo (2022) conceptualises ethics in corporate governance as the principles and beliefs governing the conduct of groups or individuals holding authority within an organisation. These principles and beliefs place a strong emphasis on a commitment to transparency, accountability, and moral decision-making that takes into account the interests of all stakeholders. Openness and well-defined rules and processes for reporting, communicating, and decision-making are crucial for building confidence and a good reputation. Corporate leaders are supposed to behave in the organisations' and stakeholders' best interests, which includes defining roles, establishing goals, and upholding a moral workplace culture that takes into account the concerns and interests of all parties (Naciti et al., 2022).

According to Kamila and Jasrotia (2023), ethics in sales and marketing involves applying moral standards and values to a range of operations, including pricing, promotions, advertising, and customer relationships. Integral values include accountability, integrity, equity, and respect for personal privacy (Kamila & Jasrotia, 2023; Mansouri et al. 2022). Insurance businesses that emphasise moral behaviour in their marketing and sales processes have better reputations, more

devoted clients, and long-term success (Dominic & Reshmi, 2021). To enhance trust in the industry, insurance marketers are expected to avoid deceptive advertising, guarantee accurate information, protect privacy, and fair pricing, and prevent the exploitation of disadvantaged populations (Dominic & Reshmi, 2021).

On the demand side, Hassan et al. (2022) conceptualise consumer ethics as the moral compass that directs consumers' behaviour from the point of purchase and use to the point of disposal of products and services. It acts as a framework for guidance, outlining the moral precepts and norms that people ought to follow when interacting with different goods and services. As such, people have an ethical duty to act in the context of consumer relationships, stressing the ethical aspects of purchasing, using, and disposing of goods and services. This responsibility emphasises the necessity of moral behaviour in insured-insurer interactions and recognises that moral considerations are essential to the responsible disposal of goods and services as well as their acquisition and use (Hassan et al., 2022).

Ribeiro et al. (2020) advance five dimensions of consumer ethics that can be categorised under the demand side factors. These dimensions include actively benefiting from illegal activities, passively benefiting, actively benefiting from questionable (but perceived to be legal) acts, no harm/no foul, and doing good/recycling. In the insurance industry, consumer ethics is operationalised in several ways. To begin with, consumers are assessed according to their deliberate choices to partake in deceptive practices (benefiting from illegal activities), such as making exaggerated insurance claims or providing false information (Hassan & Rahman, 2023).

Second, Rodriguez-Rad and Ramos-Hidalgo (2018) assert that ethical issues highlight the difference between unintentional gain and purposeful deceit (passively benefiting). This is by extending to situations in which the insured unintentionally benefits from errors, such as getting excess compensation without disclosing it (Ribeiro et al., 2020). Third, the consumers' propensity to deliberately engage in behaviours that are seen as morally dubious but legally permissible (actively benefiting from questionable (but perceived to be legal) acts) (Hassan & Rahman, 2023), such as giving false information when negotiating insurance. Fourth, the ethical spectrum includes activities such as certain types of intellectual property disputes that could not be seen as seriously harming insurers (no harm/no foul) (Ribeiro et al., 2020). Fifth, a proactive aspect of the changing environment is also present (doing good/recycling), as customers support accurate information sharing (Hassan & Rahman, 2023; Ribeiro et al., 2020;

Rodriguez-Rad & Ramos-Hidalgo, 2018). In other words, a moral insurance customer takes responsibility, benefiting the insurance sector. When combined, these elements provide a thorough framework for evaluating consumer ethics in the context of insurance. This study operationalises ethical practices on the demands side in the insurance industry using these five dimensions. The study also operationalises ethical practices on the supply side in the insurance industry using ethics in insurance marketing and sales and corporate governance ethics.

It is worth noting that previous studies have examined the role of consumer ethics in the insurance industry. For instance, Nikolaienko (2019) posit that the desire for unjust enrichment from insurance compensation, the desire to seek the highest possible compensation, and the possibility of avoiding insurance payments are common insurance ethical challenges faced in the industry. Macedo et al.'s (2021) qualitative study further indicate that participants in the Portuguese insurance process such as insurers, intermediaries, and risk assessors constantly navigate ethical dilemmas in practice. Ribeiro et al. (2020) also demonstrate that the insured in Portugal are actively involved in ethical issues. These issues are related to automobiles, workplace accidents, and health insurance. From staged accidents by the insured, falsification of documents, to misuse of insurance policies, Macedo et al. (2021), Nikolaienko (2019), and Ribeiro et al. (2020) point out that the degree of these ethical issues effect trust in the insurance industry is not clear. Further, Tseng's (2019) study in Taiwan indicates that the insured also engages in planned and opportunistic ethical issues in insurance. These issues are tied to the insured's beliefs of fairness and moral intensity. Agyei et al.'s (2020) quantitative study in Ghana indicates that trust in insurance service providers, trust in the regulator, economy-based trust, and information-based trust all significantly influenced customer involvement in the insurance industry.

Research has also examined the role of business ethics in the insurance industry. For instance, Talwar and Ali's (2016) study in India indicates that there were mounting ethical concerns about how life insurance and private insurers marketed their products. This was particularly on transparency and fairness of marketing strategies. Also in India, Talwar and Ali (2017) indicate that the undue influence of salespeople, the post-purchase customer experience, and service gaps affected customer trust in insurers. In addition to sales and marketing ethics, Salleh et al. (2018) note that ethics in corporate governance and ethics in HR management positively influence business ethics. In Kenya, Gitonga (2018) notes that customer confidence in the financial services industry is greatly influenced by several factors. This includes ethics related to the availability of services, ethical communication, transparency, and reliability of services.

Similarly, Kajwang (2022) note that ethical insurance business practices improve consumer value, financial success, and customer loyalty.

The impetus behind this research stemmed from a significant void in the current body of literature concerning insurance ethics, particularly about the insurance industry in Kenya. Although prior research has examined the connection between trust and customer involvement in the insurance sector, there is a notable scarcity of studies that methodically examine the interactions between supply-side and demand-side ethical practices and how these interact to affect confidence levels. Although the body of current knowledge sheds light on the significance of ethical behaviour in general, it is inadequate in providing a detailed grasp of the particular aspects of insurance ethics that have a substantial impact on confidence in the Kenyan context. This study aimed to explore the complexities of ethical behaviour in the industry by conducting a comprehensive analysis of both consumer and business ethics. The analysis revealed gaps in knowledge and potential areas for development.

Although it would make sense to suppose that the insurance industry's strong ethical standards will inevitably boost stakeholder and customer confidence, this study has shown that the truth is more complex. According to Courbage and Nicolas (2021), the relationship between ethical practices and confidence levels is complex and can be modified by a variety of factors, despite the widely held belief that moral behaviour promotes trust and confidence. To begin with, the existence of ethical standards or principles alone does not ensure that they are followed or effectively implemented throughout the industry. Even in the presence of ethical frameworks, instances of unethical behaviour- whether by consumers or insurers- can nevertheless happen. Additionally, differing stakeholders may have varied views on what constitutes ethical behaviour, which could result in differences in how trust levels are affected (Courbage and Nicolas, 2021).

Further, Kajwang (2022) notes that confidence might be impacted by outside variables unrelated to ethical considerations, such as macroeconomic conditions, regulatory changes, or market volatility. Therefore, while ethical practices undoubtedly play a significant role in shaping confidence within the insurance sector, the complex interplay of various factors suggests that there exist instances where doubts persist regarding the direct association between ethical practices and confidence levels, a gap that this study sought to fill. By thoroughly analysing the interaction between supply-side and demand-side ethical behaviours in the

insurance industry, this study fills a significant gap in the literature and offers a comprehensive understanding of how these practices collectively affect confidence levels.

The study was motivated by the need to gain a comprehensive understanding of the dynamics influencing confidence levels in Kenya's insurance sector, a topic that has received little attention in the existing literature. While earlier study has looked at different areas of insurance ethics and customer behavior (Dominic & Reshmi, 2021; Nikolaienko, 2019; Ribeiro et al., 2020), there is still a lack of understanding about the precise factors that influence confidence in this setting. What is known is that ethical considerations, both on the demand and supply sides are important to the performance of insurance firms (Kajwang, 2022). However, it is unclear how these elements interact within Kenya's particular socioeconomic and regulatory framework, as well as their aggregate impact on confidence levels (Kajwang, 2022).

The current study's incremental value stems from its comprehensive methodology, which includes demand-side determinants, supply-side dynamics, and the mediating role of the regulatory environment. By rigorously evaluating these interconnected factors, the study provides subtle insights into the drivers of confidence in Kenya's insurance business. It demonstrates that, while demand-side factors may have little impact on confidence levels, supply-side ethical behaviors and the regulatory environment play critical roles in creating trust and increasing confidence. This unique contribution not only increases theoretical understanding, but also has practical consequences for policymakers, regulators, and industry stakeholders, leading initiatives to boost trust and encourage long-term growth in Kenya's insurance market.

### **1.1.3 The Mediating Role of Regulatory Environment in Insurance Ethics**

The regulatory environment has been shown by literature to be key in increasing confidence in the insurance industry (Gaganis et al., 2020; Khera & Divya, 2020; Mwongela, 2022). The regulatory environment serves as a filter through which the ethical aspects of the insurance sector are viewed, affecting the extent to which moral behaviour enhances or diminishes public confidence in the industry. This study used the regulatory environment as a moderating variable to assess its impact on the relationship between ethical practices (both demand-side and supply-side) in the insurance industry and the level of confidence. This involved examining how the effectiveness and stringency of regulatory mechanisms mediate the link between ethical practices and the confidence levels in the sector.

Jean Kwon (2013) asserts that regulations fall into three main groups in the insurance industry. First, to maintain healthy competition and reduce concerns about market dominance, governments use instruments like pricing and product regulations, market entrance and exit barriers, and other measures to resolve antitrust concerns. Second, regulations requiring broad disclosure of financial information and corporate risk management are combined with risk-based strategies like solvency and risk-based capital regulation to promote financial stability. Finally, government-imposed regulations governing behaviours such as maintaining transparency in product presentation, regulating premium rates, and overseeing intermediaries and corporate governance in the market (Jean Kwon, 2013). This study used anti-competition regulation, prudential regulation, and market conduct regulation to operationalise the insurance regulatory environment.

Furthermore, the realisation that ethical issues in the insurance industry go beyond individual behaviour to include the larger regulatory framework served as the driving force behind the study. Although earlier studies have recognised the importance of regulations in forming an ethical environment (Gaganis et al., 2020; Khera & Divya, 2020; Mwangela, 2022), there is little empirical data regarding how the regulatory framework mediates the connection between moral behaviour and confidence levels. The National Insurance Commission (2020) notes that insurance industry stakeholders must comprehend how regulatory processes shape public perceptions of moral behaviour. The study's distinctive worth is found in its comprehensive methodology. This fills gaps in the body of research by looking at supply-side and demand-side variables simultaneously and revealing the regulatory environment's mediating role. Through the filling in of these information gaps, this research offers fresh perspectives that are useful in encouraging moral behaviour and building trust in the Kenyan insurance industry.

#### **1.1.4 Insurance Industry Kenya**

According to the IRA (2023), the Kenyan insurance sector comprises several entities that it has licenced. Each entity has a specific function within the sector. As of 2021, the primary underwriting entities in the industry comprised 56 insurance companies and 5 reinsurance businesses. In addition, 193 insurance brokers and 19 reinsurance brokers facilitate transactions between policyholders and insurers. There were 38 medical insurance providers, 27 bancassurance intermediaries, and a network of 12,030 insurance agents. The industry also employs a wide range of insurance service providers. These specialists include risk managers (9), loss adjusters (34), motor assessors (146), insurance surveyors (32), insurance investigators

(144), and claims settling agents (13) (IRA, 2023). All these entities help to maintain the overall structure and control of Kenya's insurance market.

Kenya's insurance sector demonstrated noteworthy developments and economic benefits in 2021. IRA (2023) indicates that the gross direct premium saw a significant growth rate of 16% between 2020 and 2021, rising from KES 233.1 billion to KES 270.5 billion. The insurance density increased from KES 4,787 to KES 5,475 per capita, indicating a rise in the average premium payment. The insurance sector provided coverage to 27.3% of Kenya's population (49.4 million) in 2021. The number of lives covered rose from 13.4 million to 13.5 million. However, from 2017 to 2021, Kenya witnessed a declining trend in insurance penetration: 2.55% in 2017, 2.43% in 2018, 2.34% in 2019, a decline to 2.17% in 2020, followed by a rebound to 2.24% in 2021. Kenya's insurance penetration is lower than the global average of 7%. This indicates a relatively lower level of insurance engagement within the economy (IRA, 2023). A lower penetration level may suggest that a sizable segment of the public is still underserved or has low trust in insurance products, which could erode public confidence in the sector.

The debate of ethical behaviours is crucial in the Kenyan insurance business for a variety of reasons. To begin, past research studying many areas of insurance ethics and consumer behaviour has shown that fraudulent behaviours are common in the sector (Macedo et al., 2021; Ribeiro et al., 2020; Salleh et al., 2018; Tseng, 2019). These fraudulent actions could include misrepresenting of policies, false claims, and unethical sales tactics (Dominic & Reshmi, 2021; Nikolaienko, 2019; Ribeiro et al., 2020). Second, real ethical challenges remain in the industry, ranging from governance concerns to questionable marketing practices. These challenges weaken stakeholders' trust and confidence, including policymakers, investors, and regulatory bodies (IRA, 2023). As a result, this study was particularly concerned with the confidence from both the supply side (insurers) and demand side (consumers or policyholders) involved in or affected by the Kenyan insurance industry. The perceptions of both players of the insurance industry influence its reputation and sustainability.

## **1.2 Problem Statement**

The insurance sector ought to be distinguished by strong trust and confidence between insurers and policyholders (Cova et al., 2018). This means a field where moral behaviour is steadfastly maintained, fostering an atmosphere of honesty and transparency. Insurers should exhibit an unwavering commitment to moral business practices. This includes integrity, equity, and

responsibility in their dealings (Dominic & Reshmi, 2021; Nikolaienko, 2019; Ribeiro et al., 2020). Customers should act morally on the demand side by refraining from dishonest practices that jeopardise the integrity of insurance transactions (Macedo et al., 2021; Ribeiro et al., 2020; Salleh et al., 2018; Tseng, 2019). To guarantee fair competition, the regulatory framework is essential in mediating and upholding moral principles (Ribeiro et al., 2020). In the end, this scenario demonstrates an environment where public trust, loyalty, and confidence in the insurance industry are all maintained and strengthened.

While previous studies in the global context have tied fraudulent practices to consumer unethical behaviour within the insurance industry (Macedo et al., 2021; Ribeiro et al., 2020; Salleh et al., 2018; Tseng, 2019), and others have scrutinized insurer fraud and its contribution to ethical dilemma in the industry (Dominic & Reshmi, 2021; Nikolaienko, 2019; Ribeiro et al., 2020), a noticeable gap exists. These studies, despite their valuable contributions, have not established a clear link between consumer ethics and business ethics and their effect on confidence within the global insurance industry.

In Africa, Agyei et al.'s (2020) study in Ghana revealed that information-based trust, consumer trust in service providers, trust in the economy, and trust in the regulator significantly influence insurance customer engagement. However, Agyei et al. (2020) fail to demonstrate how insurance ethical practices affect this trust and confidence. A recent study by Kajwang (2022) in Kenya established that insurance businesses' ethical business relationships with stakeholders lead to customer loyalty and retention. However, the connection to confidence in the industry is lacking. Gitonga's (2018) study examining factors affecting customer confidence in the insurance industry in Kenya fails to assess the association between consumer and business ethics and confidence in the industry.

The current body of literature has not sufficiently addressed the nexus of insurance ethics- which includes both business and consumer ethics- and its significant influence on confidence in the Kenyan insurance sector. Although research indicates that ethical behaviour is crucial in forming trust (Agyei et al., 2020), there exists a notable knowledge gap regarding the specific dimensions of ethics that significantly influence confidence levels in the insurance sector in Kenya (Gitonga, 2018; Kajwang, 2022). A significant knowledge gap exists in the absence of research on the relationship between insurance ethics, both on the demand and supply sides, and confidence in the Kenyan insurance sector. Despite rising understanding of the importance of ethical practices in establishing trust and confidence in the global insurance market, there is

still a significant gap in Kenya's specific setting. Previous research in the region has mostly concentrated on larger aspects of customer behaviour, market dynamics, and regulatory frameworks, ignoring the complex interplay between ethical behaviours and confidence levels in the insurance sector (Gitonga, 2018; Kajwang, 2022). Further, prior studies frequently lack thorough assessments that take into account both the demand-side and supply-side aspects of insurance ethics, as well as the mediating role of the regulatory environment. This gap prevents comprehensive knowledge of the mechanisms by which ethical practices influence confidence in the insurance sector. This limits the development of targeted strategies to enhance trust and confidence among stakeholders.

In this regard, the problem that this study sought to address is the lack of comprehensive research on the association between demand-side factors of insurance ethics, supply-side factors, the regulatory environment, and their collective impact on confidence in the Kenyan insurance industry. The scarcity of such studies makes it difficult to gain a comprehensive grasp of the intricacies at hand. This is in addition to helping in devising specific measures for developing trust and confidence. Given the dearth of literature that methodically examines the relationship between insurance ethics and confidence, this study aimed to close this gap by undertaking an in-depth investigation that took demand and supply side aspects into account mediated by regulatory frameworks in place.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

This study sought to examine the effects of ethical practices on confidence in the insurance sector in Kenya.

#### **1.3.2 Specific Objective**

- I. To assess the effect of demand-side factors of insurance ethics on the confidence in the insurance sector in Kenya.
- II. To examine the effect of supply-side factors of insurance ethics on the confidence in the insurance sector in Kenya.
- III. To examine the mediating role of the regulatory environment on the relationship between insurance ethical practices and confidence in the insurance sector in Kenya.

## **1.4 Research Questions**

- I. What is the effect of demand-side factors of insurance ethics on the confidence in the insurance sector in Kenya?
- II. What is the effect of supply-side factors of insurance ethics on the confidence in the insurance sector in Kenya?
- III. To what extent does the regulatory environment mediate the relationship between insurance ethical practices and confidence in the insurance sector in Kenya?

## **1.5 Scope of the Study**

The purpose of this research was to investigate the influence of ethical practices on confidence in the Kenyan insurance sector. The research looked into both the demand and supply sides of insurance ethics, taking into account both customer and insurer behaviour. Based on an insurance coverage rate of 27.3% and a population of 49.4 million in 2021, the estimated population covered by insurance in Kenya is approximately 13.5 million. This number indicates the demographic segment having active insurance coverage from which the sample was drawn. The population of insurance companies that this study drew the sample from is 56 firms. Finally, this study was carried out for three months between February 2024 and April 2024.

## **1.6 Significance of the Study**

### **1.6.1 Practitioners**

The study will offer practical implications to insurers in Kenya. Developing focused strategies to raise confidence levels in the insurance sector requires an understanding of the ethical factors impacting insurers and consumer behaviour. This study's findings can help insurance businesses develop best practices and ethical norms that will encourage honest business dealings and accountable claim management. Insurance firms may develop and preserve policyholder trust by tackling ethical issues head-on. This could lower the number of fraud cases and improve the industry's reputation. The study will provide insurers with useful information to fortify their moral underpinnings and increase trust in their offerings.

### **1.6.2 Scholars**

This study is also significant for researchers examining the association between insurance consumers and business ethics and confidence in the insurance sector. By investigating the complex ethical aspects of customer and insurer behaviour, researchers will gather important knowledge about the complex relationships influencing the degree of confidence in the industry. Besides, the study's conclusions will add to the body of knowledge on insurance ethics and confidence by laying the groundwork for more studies into the moral dilemmas the sector faces. The study's comprehensive approach, which takes into account both supply and demand side variables, deepens the body of previous research. This is in addition to providing a comprehensive viewpoint for scholars who are interested in the complex ethical issues surrounding the insurance industry.

### **1.6.3 Policymakers**

Finally, the study has wider societal implications beyond the insurance sector and academic domains. In addition to affecting the industry stakeholders, ethical insurance practices affect the public. A morally sound insurance sector benefits consumers and the general public by creating a more equitable and transparent financial environment. More importantly, by identifying the predictors of confidence in the insurance sector, the study will give policy-makers a foundation upon which to develop focused interventions and regulatory actions that support moral behaviour in the insurance industry. The research findings possess the capacity to mould industry norms, impact public opinion, and enhance the insurance environment in Kenya as a whole.

### **1.7 Chapter Summary**

This chapter has introduced the study and why it is important to conduct it. The chapter has given an overview of the independent variables, the dependent variable, and the context within which the study will be carried out. Also, the problem statement has advanced why the current study is required, followed by the objectives to be achieved in this study. Further, the study has provided its significance to practitioners, researchers, and policymakers. The next sections are structured as follows. Chapter two presents the theoretical review, empirical review, and conceptual framework of the study. Each study variable is also operationalised in chapter two. Chapter 3 presents the methodology that will guide the data collection and analysis. This is besides advancing the philosophy and research design guiding the study. Chapter 4 presents

the findings of the study while chapter 5 presents a discussion, conclusion, and recommendations for future studies.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Chapter Two of this dissertation undertakes a comprehensive review of existing theoretical and empirical literature pertinent to the study's focus on confidence in the Kenyan insurance industry. The purpose of this chapter is twofold: first, to elucidate the theoretical underpinnings guiding the study, namely the Stakeholder Theory and the Social Exchange Theory; and second, to examine empirical studies aligned with the research objectives. The chapter begins by delving into the foundational principles of the Stakeholder Theory and the Social Exchange Theory, highlighting their relevance to understanding confidence dynamics within the insurance sector. Subsequently, it navigates through empirical investigations exploring the impact of both demand-side and supply-side factors, as well as the regulatory environment, on confidence levels in the Kenyan insurance industry. Through this structured approach, the chapter provides a clear roadmap of the literature landscape, identify gaps in current knowledge, develop a robust conceptual framework, and culminate in a summary elucidating the key insights from the literature review.

#### **2.2 Theoretical Review**

Using a multi-theoretical framework that includes both the SET and the Stakeholder Theory, this study aimed to provide a rigorous and comprehensive understanding of the factors impacting confidence in Kenya's insurance industry. The motivation for this approach stems from the complimentary nature of both theories in addressing the complicated dynamics of confidence generation in the insurance industry. SET, which is based on the assessment of costs and benefits in social interactions, provides useful insights into the reciprocal dynamics and ethical issues that shape relationships between insurers and policyholders. By emphasizing the relevance of constructive conduct and trust-building methods, SET demonstrates how ethical standards contribute to policyholder satisfaction and overall confidence in the insurance industry. Stakeholder Theory, on the other hand, takes a comprehensive approach, taking into account the interests of a variety of stakeholders such as customers and insurance practitioners. This theory emphasizes the moral imperative for firms to prioritize stakeholder concerns and is consistent with the study's goal of investigating both supply- and demand-side factors influencing confidence in the insurance market. By integrating these theories, the study has

provided a nuanced analysis that tackles the various facets of ethical practices and their impact on confidence levels, resulting in a comprehensive framework for understanding and enhancing ethical standards in the Kenyan insurance market. These theories are further expounded in the subsections below.

### **2.2.1 Social Exchange Theory**

Social Exchange Theory (SET) is a useful paradigm for comprehending relationships, particularly in the insurance sector. George C. Homans advanced the social exchange theory in 1958 in his essay published in the *American Sociological Review* and in detail in 1961 in his work "*Social Behavior: Its Elementary Forms*" (Johnson, 2021). Other early proponents of the theory include John Thibaut and Harold Kelly in 1959 and Peter M. Blaus in 1964. Fundamentally, SET suggests that parties form social relationships through a cost-benefit analysis, in which they assess the benefits and drawbacks before deciding on a course of action (Davis-Sramek et al., 2022). SET is ideally suited to describe confidence, which is essential to the insurance sector's success as it is defined by interactions between customers and insurance providers. The theory recognizes that social interactions entail not only material components but also immaterial qualities like cooperation, trust, and satisfaction (Davlembayeva, 2021), all of which are vital to the insurance industry.

The reciprocity dynamics within SET are especially pertinent to the techniques used in the insurance sector to foster confidence. According to the reciprocity concept, constructive behaviour generates constructive reactions, whereas destructive behaviour has the opposite effect (Ahmad et al., 2023). Favourable interactions in the insurance industry, such as open communication, just claim procedures and ethical conduct, can promote policyholder satisfaction, trust, and favourable perceptions. The general trust that parties have in the insurance sector is bolstered by these mutually beneficial exchanges. Additionally, SET makes it possible to analyse the standards that control behaviour (Ahmad et al., 2023) in the insurance industry, offering a methodical way to comprehend how parties, such as policyholders and insurers, manage their interactions per distributive justice and perceived fairness.

SET's critics point out issues including the theory's wide nomological network, which makes it difficult to account for all the important variables in social interactions (Stafford & Kuiper, 2021). However, by highlighting the theory's broad applicability and capacity to explain interactions in a variety of situations, such as business-to-business (B2B) and business-to-consumer (B2C) ties, proponents argue for the theory's credibility. Studies conducted in the

B2B domain, namely in the marketing field, have demonstrated that SET is a reliable indicator of relationship strength, trust, and commitment over an extended period (Davis-Sramek et al., 2022; Stafford & Kuiper, 2021). Despite the critique, scholars acknowledge that SET is useful for comprehending the intricacies of relationship dynamics and social exchanges (Davis-Sramek et al., 2022; Stafford & Kuiper, 2021), providing insightful information for insurance industry study.

Because it offers a framework for understanding how people interact in social relationships, including those between customers and insurance providers, SET is important for researching how demand-side ethical factors affect the confidence of Kenya's insurance industry. In light of SET's emphasis on the value of conducting a cost-benefit analysis when building relationships, it is pertinent to evaluate how ethical factors affect policyholder satisfaction, trust, and public confidence in the insurance sector. The theory's emphasis on reciprocity dynamics and the benefits of constructive action is in line to investigate how ethical considerations support favourable opinions and trust in Kenya's insurance market. SET offers a strong basis for examining the interactions between insurers and policyholders on confidence in Kenya's insurance sector. The theory makes it possible to examine the important variables that affect confidence. Besides, SET emphasises norms and the rationality of parties in social interactions (Ahmad et al., 2023), which are important factors for the insurance industry's ethical standards.

### **2.2.2 Stakeholder Theory**

Stakeholder theory offers a strong foundation for comprehending and justifying ethical behaviour in the corporate world (Dmytriiev et al., 2021). The theory was advanced by Freeman in 1984 in his book, "*Strategic Management: A Stakeholder Approach*". Fundamentally, Stakeholder theory presents a practical, business-oriented viewpoint known as the business case for ethical stakeholder management to answer the fundamental question, "Why be ethical?" (Cragg, 2002). According to this viewpoint, successful stakeholder management produces the most advantageous and profitable corporate results while also being morally just (Dmytriiev et al., 2021). According to empirical research, such as that conducted by Freeman (2023) and Karpoff (2021), many managers naturally perform stakeholder management because they understand how important it is to serve the interests of stakeholders other than just shareholders.

Two key tenets of the stakeholder theory support its effectiveness. First, it argues that because this theory adds intrinsic value to decision-making processes, managers prioritise stakeholder issues whether they realize it or not (D'Souza et al., 2022). By highlighting the interdependence between companies and their core stakeholders- without whom the corporation cannot survive- D'Souza et al. (2022) make a distinction between primary and secondary stakeholders. Second, by distinguishing between stakeholder issues and more general societal issues- a task that normative theories like corporate social responsibility find difficult- Stakeholder theory lays the groundwork for the measurement of corporate social performance (D'Souza et al., 2022; Freeman, 2023; Karpoff, 2021).

In the context of this study, selecting Stakeholder theory as the anchor for independent variables (supply-side insurance ethics and demand-side insurance ethics) aligns with the theory's emphasis on considering the interests of various stakeholders (D'Souza et al., 2022; Freeman, 2023; Karpoff, 2021). According to Freeman (2023), Kenneth Goodpaster proposes an interpretation of stakeholder analysis in his book "*Business Ethics and Stakeholder Analysis*." The multi-fiduciary interpretation of stakeholder theory by Goodpaster states that managing stakeholder relationships is morally needed and that managers and directors have a fiduciary responsibility to stakeholders, including customers (Freeman, 2023). Towards this end, this study uses the stakeholder theory to anchor study objective 2: to examine the effects of the supply-side factors of insurance ethics on confidence in the insurance industry in Kenya. On the supply side, it directs the investigation of how insurers interact with and give priority to the concerns of various stakeholders. On the demand side, it directs the investigations of how customers interact and considers the consequences of their practices to other stakeholders within the insurance sector. It also guides the study of how policyholders view and influence ethical standards in the insurance sector. Stakeholder theory is an ideal choice for the current study because of its holistic viewpoint. Besides, this guarantees a detailed comprehension of the ethical aspects within the insurance industry and how they influence confidence in the industry.

### **2.3 Empirical Review**

Studies conducted on the factors that could potentially drive the level of confidence in the insurance sector have primarily examined instances where fraud has been reported or suspected in the sector. In such studies, the argument is that the level of confidence is eroded where fraud

is involved in insurance, and this could be influenced by both demand, supply-side and regulatory factors.

### **2.3.1 Effect of Demand Side Factors on Confidence in the Kenyan Insurance Sector**

A series of recent studies have examined the demand side of insurance ethical practices within the industry. For instance, the study by Macedo et al. (2021) explored the involvement of auto repair shops in auto insurance fraud. The study used a qualitative methodology and exploratory design to achieve the study aim. As such, Macedo et al. (2021) conducted on-site semi-structured interviews with a sample of 20 automobile repair workshops selected using convenience sampling in Oporto, Portugal. Findings show that auto repair workshops engage in a variety of fraudulent activities, collaborate with car owners, and fail to disclose fraudulent attempts, all of which lead to insurance fraud. According to the study, auto repair businesses can stop insurance fraud because they are important players in the dynamics of the fraud. However, there exists a gap in the study. As such, the particular focus on insurance fraud perpetuated by vehicle repair workshops leads to the failure to examine the broader customer/demand side dimensions of ethics that influence confidence levels in the insurance sector.

Further, Nikolaienko (2019) conducted a study within the global context that examined insurance fraud, a worldwide concern for insurers that results in substantial losses in terms of money and impacts both legitimate market players and insurance companies. The study's objectives were to pinpoint the origins and driving forces behind the fraud, examine international experiences with crime avoidance in the insurance sector and offer both theoretical and practical suggestions to combat insurance fraud in the home market. The study examined several forms of fraud at various points in the insurance contract and emphasised the reasons for fraud, such as the repayment of insurance premiums, the desire for the highest possible compensation, and unjust enrichment. To effectively combat fraud, the study stressed the need for a more specific regulatory framework, a rigorous evaluation of insurance claims, and worldwide collaboration among insurance companies. Nikolaienko's (2019) study on insurance fraud as a general phenomenon, however, lacks a detailed analysis of the demand side ethical factors affecting confidence levels in the insurance industry, which is the area of connection that the current study attempted to fill.

On their part, Ribeiro et al. (2020) explored the levels of acceptance and justifications underlying fraudulent behaviour in insurance, focusing on automobile, workplace accidents,

and health insurance in Portugal. The researchers used cluster analysis to find differences in respondents' opinions about the legitimacy and acceptability of fraud using a nationwide survey with 1001 adults. Three primary groupings with differing perspectives on insurance fraud were identified by the results. To explain customers' immoral behaviour, the study stressed the significance of an integrated approach that takes contractual, individual, relational, cultural, and macro-social aspects into account (Ribeiro et al., 2020). Although the study offers insightful information about the intricacy of acts of fraud, there is a significant knowledge gap as it does not specifically address the aspects of ethics that influence confidence levels in the insurance industry. Ribeiro et al.'s (2020) study focuses on attitudes and justifications without delving deeply into the ethical elements that contribute to these perspectives.

In Taiwan, Tseng's (2019) examined consumers' ethical beliefs and intentions regarding two different kinds of insurance fraud: planned and opportunistic. According to the research, consumers' acceptance of insurance scams may be influenced by elements like the type of fraud, moral intensity, and perceptions of fairness. A sample of 451 Taiwanese insurance consumers was the subject of the empirical inquiry, which used a scenario-based questionnaire to gather data. The findings showed that respondents' acceptance of insurance fraud was highly influenced by their beliefs of fairness and moral intensity. Further, the respondents' opinions of moral intensity and fairness were significantly impacted by the forms of fraud. The study's uniqueness comes from examining the connections between various forms of fraud, moral intensity, perceptions of fairness, demographic factors, and consumers' ethical beliefs and intents about insurance fraud. There is, however, a significant gap in the particular context of the insurance industry, where further research is required to fully understand the ethical aspects that impact confidence levels. To close this knowledge gap and offer insights pertinent to the insurance industry's anti-fraud initiatives, more research was therefore necessary.

Within the framework of life insurance in Ghana, Agyei et al. (2020) sought to ascertain how trust dimensions affected customer engagement and, in turn, how customer engagement affected customer loyalty. The quantitative methodology comprised using established dimensions from previous studies modified to fit the life insurance context. The study employed Structural equation modelling (SEM) to analyse a sample of 452 surveys. As such, the research found that trust in the service provider, trust in the regulator, economy-based trust, and information-based trust all significantly influenced customer involvement. The study also showed that the association between customer loyalty and trust characteristics were significantly mediated by consumer involvement. Agyei et al. (2020) highlight how crucial it

is to build strong consumer trust to improve customer engagement and loyalty in the insurance sector. However, the study highlights a significant gap in the literature regarding the particular aspects of ethics influencing confidence levels in the insurance business, even though it provides insightful information about the trust-engagement-loyalty dynamics in the life insurance sector. This gap highlights the need for more research on ethical practices in the insurance sector. This is in line with the aim of the current study, which was to look at how ethical practices affect confidence in the Kenyan insurance sector.

### **2.3.2 Effect of Supply-Side Factors on Confidence in the Kenyan Insurance Sector**

In an earlier study, Talwar and Ali (2016) examined the supply-side ethical concerns in the life insurance sector in India, particularly focusing on policyholders' perspectives. The study examined important ethical questions on the 7 principles of service marketing (7Ps) and evaluated the extent to which these elements contribute to unethical actions by both private and public life insurance organisations. The study, which used a questionnaire-based survey with 95 customers in Delhi, found that both Life Insurance Corporation (LIC) and private insurers had issues with fairness and transparency in their marketing strategies. Significant findings showed that elements related to people, products, and promotion were crucial ethical concerns for policyholders. Despite this, the study revealed gaps, highlighting the necessity of identifying the influence of supply-side insurance ethics on confidence levels in the insurance industry.

In another study, Talwar and Ali (2017) sought to classify the main unethical factors that are responsible for the ethical issues that the Indian life insurance market faces. The study examined the literature on consumer loyalty and used multiple regression analysis to determine how each unethical aspect affected both customer loyalty and trust. The results showed that the main factors preventing customers from being loyal in the Indian life insurance market were salespeople's undue influence, the post-purchase customer experience, and service gaps. Customer trust was also greatly impacted by the salespeople's excessive influence. In addition, policyholders believed that public sector insurer LIC was doing better than private sector insurers in terms of customer loyalty and trust. This was based on the study's comparison of public and private life insurance companies (Talwar and Ali, 2017). However, the study is short of giving a direct association between the ethical practices on the supply side of the sector and confidence in the insurance industry.

On their part, Dominic and Reshmi (2021) conducted a case study that explored the ethical issues that arise from selling insurance plans fraudulently within a well-known insurance company. The study highlights pro-organisational ethical transgressions that frequently go unreported, are covered up by implausible justifications, and finally get accepted as the standard as a result of constant justification, making wrongdoing the norm. The case study found that socialisation, rationalisation, and institutionalisation have a major impact on how people behave at work, especially when it comes to normalizing unethical behaviour among insurance brokers. Further, the study created particular treatments to modify salespeople's behaviour, including nudges and self-control techniques. The goal of these treatments was to encourage honesty among workers, which decreased the number of cautions, warnings, and terminations. However, Dominic and Reshmi's (2021) study fails to provide a detailed exploration of the specific supply-side dimensions of ethics that influence confidence levels in the insurance sector. This leaves a notable gap in the understanding of the broader ethical landscape within the insurance sector.

In another study, Salleh et al. (2018) examined how different business ethics factors, including corporate governance, sales and marketing, and HR management ethics, affect organisational performance. The study also investigated the mediating function of social, structural, and human capital- dimensions of intellectual capital- in the relationship between organisational performance and corporate ethics. The study also examined how technological advancements moderate the relationship between organisational performance and business ethics. Quantitative data was collected from a sample of 474 respondents in South Asian nations such as Bangladesh, Pakistan, and India. The findings established that business ethics are positively influenced by ethics in corporate governance, ethics in HR management, and ethics in sales and marketing, all of which improve organisational performance. The results emphasised how important relational, structural, and human capital are as mediators in this interaction. However, the lack of focused investigation of the ethical components that have a major effect on confidence levels in the insurance sector is a gap in the literature that needs to be filled to offer insights that are pertinent to the insurance sector.

In a study in Kenya, Gitonga (2018) examined the factors that affect consumers' trust in financial service providers, specifically focusing on Minet Kenya Insurance Brokers Limited. The purpose of the study was to determine and assess how customer confidence in Kenya's insurance market is affected by service availability, communication, and transparency. With a sample of 500 survey respondents, the study used a descriptive research approach to target a

community of customers and permanent and contract employees. The results showed that customer confidence in the financial services industry is greatly influenced by service availability, communication, transparency, and service reliability, with the majority of respondents endorsing the significance of these elements. Though helpful for Minet Kenya and the insurance sector in Kenya, the study falls short in its in-depth examination of the particular ethical aspects affecting confidence levels in the insurance market. This gap highlights the need for a more thorough understanding of ethical elements in forming confidence in the insurance industry, which was in line with the aim of the current study.

In another study in Kenya, Kajwang (2022) examined the influence of ethical practices on the performance of insurance firms in Kenya and made recommendations for improvement. The study focused on organisational ethical practices and carried out a detailed search of peer-reviewed articles and book chapters published between 2016 and 2021 using a desktop review methodology. The findings reinforced the worldwide consensus that ethical business connections with stakeholders improve consumer value, financial success, customer loyalty, product quality, and operational efficiency. The study also underlined how ethical behaviour reduces legal issues, which benefits both employee performance and a company's overall success. However, the study's shortcoming about the current research is that it focuses too broadly on the overall impact of ethics on the performance of insurance firms, neglecting to examine in detail the particular aspects of ethics on the supply side that have a major bearing on confidence levels in the insurance industry.

The insurance industry regulatory environment acts as a critical mediator in this study. This is because it shapes the intricate association between insurance ethical practices and confidence in the industry. Gaganis et al. (2020), Khera and Divya (2020), NIC (2020), and Mwongela (2022) have indicated that regulatory framework significantly influences industry dynamics and public perception. Anti-competition, market conduct, and prudential regulations have been shown as critical in scrutinising ethical insurance practices. This is both from the supply and demand side. Besides ensuring that insurance sector stakeholders adhere to ethical standards, regulatory scrutiny fosters trust. By using the regulatory environment as a mediating variable, this study sought to investigate how the effectiveness and stringency of regulatory measures influence the relationship between ethical practices and confidence levels in the insurance industry.

### **2.3.3 Effect of Regulatory Environment on Confidence in the Kenyan Insurance Sector**

A series of recent studies have examined the association between the regulatory environment in the insurance industry and how the industry has developed as a result. For instance, Khara and Divya (2020) assess the impact of the Insurance Regulatory and Development Authority (IRDA) of India guidelines on customer satisfaction in the life insurance sector. The study specifically focused from the inception of these guidelines in 1999 to the IRDA Amendment in 2015. As such, the study conducted a comparative survey evaluating customer confidence in IRDA regulations pre-and post-2017 regulation. Using selective sampling, the study focused on those familiar with the Indian life insurance market for more than ten years. The survey included a sample of 300 respondents in Delhi NCR. The findings indicated that adhering to the IRDA criteria -which place a strong emphasis on openness, precise norms for online sales, outsourced standards, timely claim resolution, and compliance with legal requirements- had a significant positive effect on consumer confidence. The study indicates that customer trust and confidence in the life insurance sector and regulatory compliance are positively associated.

Gaganis et al. (2020) conducted a global study to find out how insurance regulations affected the global insurance industry. The study took into account several control variables, including demographic, economic, religious, and cultural factors. It also employed an unbalanced dataset covering 44 nations between 2000 and 2008. The researchers discovered an inverse relationship between the index of capital requirements and the development of insurance, as well as a substantial negative association between supervisory control over policy conditions of life annuities and pension products and the industry's growth. While the study shows that insurance regulations are inversely related to the growth of the insurance industry, it does not explicitly indicate a decline in confidence in the industry.

Similarly, the National Insurance Commission (NIC) (2020) conducted a study in Ghana to assess confidence in the insurance industry through regulatory and supervisory initiatives. This was based on the existing proposal by the NIC on several steps to improve public confidence and stability in the insurance industry. These recommendations include the publication of frameworks, guidelines, and risk-based approaches. Focus group discussions (FGDs) with insurance policyholders, former policyholders, and non-policyholders were used in the study to determine confidence levels. The results showed a lack of confidence in Ghana's insurance industry among participants. The participants expressed a lack of confidence in the underwriting process's transparency, their mistrust of insurance firms, and their limited

awareness of the NIC's function. A composite Confidence Index was found using principal component analysis, and it had an average score of 46.5 out of 100. Interestingly, current policyholders demonstrated greater levels of confidence compared to non-policyholders. These findings demonstrate that previous insurance experiences may have had an impact on confidence.

In Kenya, Mwongela's (2022) study explored the regulatory framework's impact on insurance penetration in Kenya, with a focus on pricing, claims settlement, product approvals, and distribution channels. The research used a census technique, interviewing all managers, and was based on the theories of distribution channels, utility, claims settlement, and stakeholders. Through the use of descriptive and inferential statistics, such as logistic regression, the study found a strong association between regulatory factors and the odds of insurance penetration in Kenya. Insurance penetration was found to be influenced by restrictions on price, claims settlement procedures, distribution channel regulations, and product approvals. However, this study failed to explicitly examine the effect of the regulatory environment on the confidence of the insurance industry.

#### **2.4 Summary of the Literature and Research Gaps**

The synthesis of the explored literature provides valuable insights into demand-side factors of insurance ethics. However, these studies are largely confined to regions like Portugal, India, and Taiwan. Besides, these studies offer a limited exploration of the influence of demand-side factors of ethics in insurance and confidence in the insurance industry. This limits the generalisability and transferability of these findings to the Kenyan context. Gaps arise from potential variations in market dynamics, consumer behaviours, and regulatory frameworks between these regions and Kenya. As a result, the study has closed this gap by carefully analysing the relationship between demand-side ethical practices and confidence in the unique setting of the Kenyan insurance industry. By doing this, the study ensured that findings are applicable and transferable to comparable regions, while also improving the conceptual understanding of the relationship between demand-side variables of insurance ethics and confidence in the industry.

Similarly, although the studies reviewed make a substantial contribution to the understanding of the supply-side aspects of insurance ethics, their primary concentration has been on South Asian countries such as India. These studies show a dearth of investigation into the relationship between supply-side variables and industry confidence in the insurance sector. The

generalisability and transferability of findings are impacted by probable differences in market, regulatory, and cultural aspects between Kenya and the studied regions. This study bridged this gap by analysing the influence of supply-side ethical practices and their influence on confidence within the Kenyan insurance market. Ensuring the generalisability of findings to the Kenyan context, this targeted research expanded the conceptual understanding of the relationship between supply-side aspects of insurance ethics and confidence in the industry.

Literature on the effects of the regulatory environment on the insurance industry has also been reviewed. However, few empirical studies demonstrate the regulatory environment’s mediating role in the relationship between supply-side and demand-side factors of insurance ethics and confidence in the insurance industry. This study filled these gaps by conducting empirical research with a focus on the insurance industry in Kenya and provide detailed insights into the regulatory environment’s mediating role. By making sure that the results are applicable and transferable, this focused investigation improved conceptual knowledge of the association between supply-side factors, demand-side factors, the regulatory environment, and confidence in the Kenyan insurance industry.

**Table 2 1** Research gap analysis

<b>Authors</b>	<b>Region</b>	<b>Purpose</b>	<b>Methodology</b>	<b>Findings</b>	<b>Research Gaps</b>
Agyei et al.’s (2020)	Ghana	Ascertain how trust dimensions affected customer engagement and, in turn, how customer engagement affected customer loyalty.	Quantitative	Trust in the service provider, trust in the regulator, economy-based trust, and information-based trust all significantly influence customer involvement.	Conceptual gap in failure to examine the broader customer/demand side dimensions of ethics that influence confidence levels in the insurance sector.
Dominic & Reshmi (2021)		Explored the ethical issues that arise from selling insurance plans fraudulently within a well-known	Case study	Socialisation, rationalisation, and institutionalisation have a major impact on how people behave at work, especially when it comes to normalizing	Fails to provide a detailed exploration of the specific supply-side dimensions of ethics that influence confidence levels in the insurance sector

<b>Authors</b>	<b>Region</b>	<b>Purpose</b>	<b>Methodology</b>	<b>Findings</b>	<b>Research Gaps</b>
		insurance company.		unethical behaviour among insurance brokers.	
Gitonga (2018)	Kenya	Examined the factors that affect consumers' trust in financial service providers, specifically focusing on Minet Kenya Insurance Brokers Limited.	Quantitative	Customer confidence in the financial services industry is greatly influenced by service availability, communication, transparency, and service reliability, with the majority of respondents endorsing the significance of these elements.	Falls short in its in-depth examination of the supply side ethical practices affecting confidence levels in the insurance market.
Kajwang (2022)	Kenya	Examined the influence of ethical practices on the performance of insurance firms in Kenya and made recommendations for improvement.	Systematic review	Ethical business connections with stakeholders improve consumer value, financial success, customer loyalty, product quality, and operational efficiency.	Focuses too broadly on the overall impact of ethics on the performance of insurance firms, neglecting to examine in detail the particular aspects of ethics on the supply side that have a major bearing on confidence levels in the insurance industry.
Macedo et al. (2021)	Portugal	Explored the involvement of auto repair shops in auto insurance fraud	Qualitative	Auto repair workshops engage in a variety of fraudulent activities, collaborate with car owners, and fail to disclose fraudulent attempts, all of which lead to insurance fraud	The conceptual gap is in failure to examine the broader demand-side dimensions of ethics that influence confidence levels in the insurance sector.

<b>Authors</b>	<b>Region</b>	<b>Purpose</b>	<b>Methodology</b>	<b>Findings</b>	<b>Research Gaps</b>
Nikolaienko (2019)	International	To pinpoint the origins and driving forces behind fraud and examine international experiences with crime avoidance in the insurance sector.	Systematic review	The fraud reasons include the repayment of insurance premiums, the desire for the highest possible compensation, and unjust enrichment.	The conceptual gap is in failure to examine the broader demand-side dimensions of ethics that influence confidence levels in the insurance sector.
Ribeiro et al. (2020)	Portugal	Explored the levels of acceptance and justifications underlying fraudulent behaviour in insurance.	Quantitative	Three primary groupings with differing perspectives on insurance fraud were identified.	Fails to specifically address the demand side ethics that influence confidence levels in the insurance industry.
Salleh et al. (2018)	South Asian nations such as Bangladesh, Pakistan, and India.	To better understand how different business ethics factors, including corporate governance, sales and marketing, and HR management ethics, affect organisational performance.	Quantitative	Business ethics are positively influenced by ethics in corporate governance, ethics in HR management, and ethics in sales and marketing, all of which improve organisational performance.	Does not specifically reference the findings to the insurance industry.
Talwar and Ali (2016)	India	Examined the supply-side ethical concerns in the life insurance sector in India.	Quantitative	Both public and private insurers had issues with fairness and transparency in their marketing strategies. Elements related to people, products, and promotion were crucial ethical concerns for policyholders	Fails to identify the influence of supply-side insurance ethics on confidence levels in the insurance industry.

Authors	Region	Purpose	Methodology	Findings	Research Gaps
Talwar and Ali (2017)	India	Sought to classify the main unethical factors that are responsible for the ethical issues that the Indian life insurance market faces.	Quantitative	Policyholders believed that public sector insurer LIC was doing better than private sector insurers in terms of customer loyalty and trust.	Short of giving the direct association between the ethical practices on the supply side of the sector and confidence in the insurance industry.
Tseng (2019)	Taiwan	Examined consumers' ethical beliefs and intents about two different kinds of insurance frauds: planned and opportunistic	Quantitative	Acceptance of insurance fraud was highly influenced by their beliefs of fairness and moral intensity.	Fails to specifically address the demand side ethics that influence confidence levels in the insurance industry.

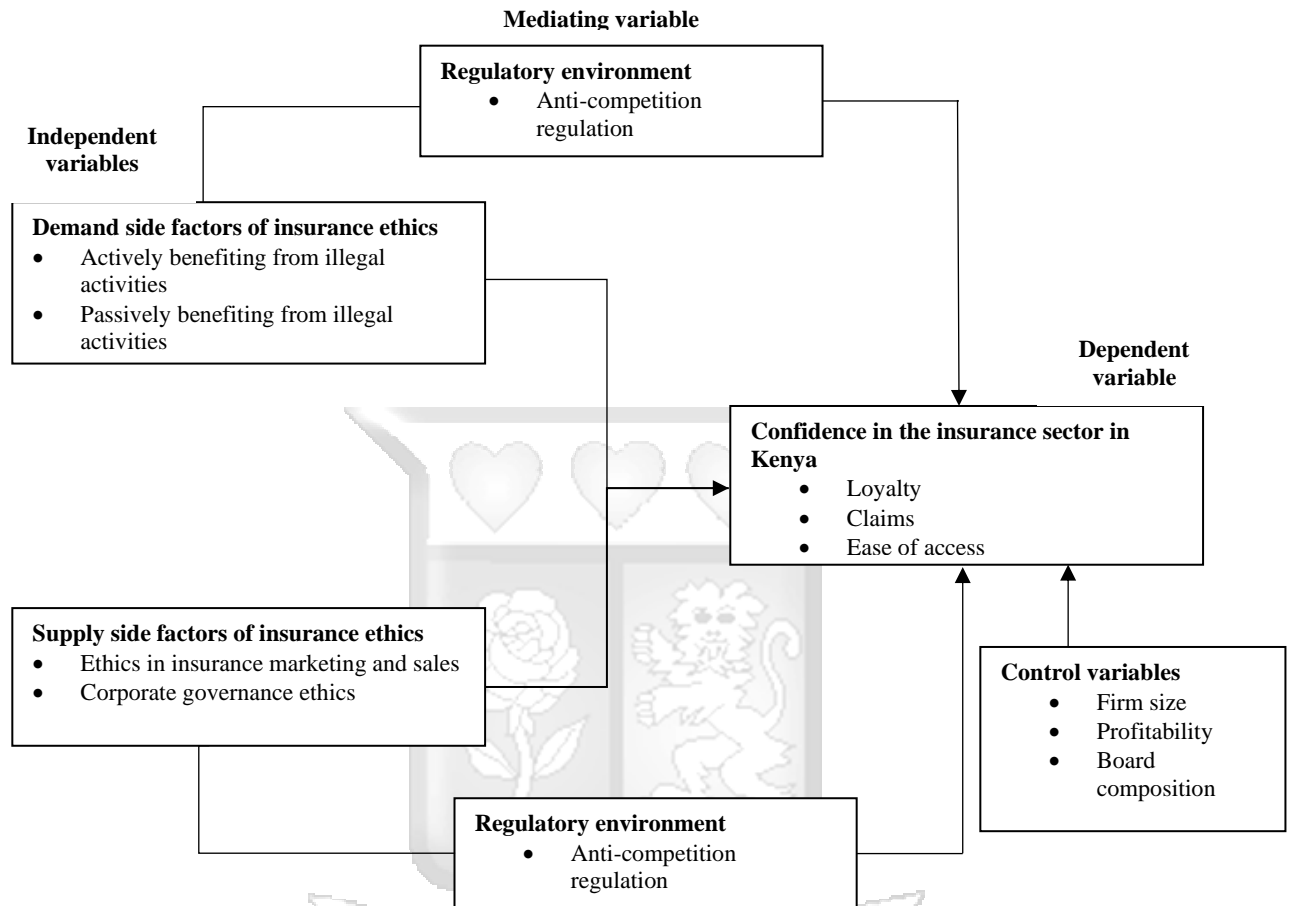
(Source: Author, 2024).

## 2.5 Conceptual Framework

Figure 2.1 presents the study's conceptual framework. It is structured to comprehensively evaluate the ethical dimensions influencing confidence in the insurance sector in Kenya. This framework has been informed by how the variables have been operationalised in previous literature reviewed. As such, the concept shows the relationship between the independent variable and the dependent variable and their interaction with the mediating and control variables. The independent variables are both the demand-side factors and supply-side factors of insurance ethics. Demand side factors are operationalised using indicators that include actively benefiting from illegal activities, passively benefiting from illegal activities, actively benefiting from questionable (but perceived to be legal) acts, no harm/no foul, and doing good/recycling. On the other hand, the supply-side factors of insurance ethics have been operationalised using ethics in insurance marketing and sales and corporate governance ethics.

The dependent variable of the study is confidence in the insurance sector in Kenya. It has been operationalised using loyalty, claims, ease of access, relationship, protection and trust. Further, the control variables include the firm characteristics. The firm characteristics dimensions include firm size, profitability, and board composition. Finally, the mediating variable in this

study is the regulatory environment. It is operationalised using anti-competition regulation, prudential regulation, and market conduct regulation. All these variables and their position in the conceptual framework reflect the relationship the study sought to examine.



**Figure 2 1** Conceptual framework (Source: Author, 2024).

The selection of supply-side factors of insurance ethics is supported by literature by Ahmed et al. (2023). The indicators of this variable, that is corporate governance ethics and sales and marketing ethics, have been shown by the author as critical in guiding moral principles within organisations in the supply side of the insurance industry. The relevance of these dimensions to the Kenyan context emerges from the significance of professional accountability transparency, and moral practice in building confidence in the industry. Further, supply-side factors, such as corporate governance ethics and ethical marketing practices, are especially relevant in Kenya’s changing insurance industry, where transparency and fair dealings are critical for building confidence among varied stakeholders.

Literature by Hassan et al. (2022) and Ribeiro et al. (2020) has guided the selection of demand-side factors of insurance ethics. The dimensions of demand-side factors have been shown to

provide a framework for examining the moral behaviour on the consumer side of the insurance industry. This aligns with insurers' expectations of insurance customers to behave morally in their interactions. Such could include ethical behaviour in buying, consuming, and disposing of insurance products within the Kenyan insurance sector. In Kenya's insurance sector, demand-side issues such as actively benefitting from illicit operations or engaging in ethical consumer practices are critical determinants of industry ethics, reflecting the country's distinct socioeconomic backdrop and legislative structure.

Further, the regulatory environment is critical in forming ethical standards and affecting industry trust. This is as indicated by Gaganis et al. (2020) and Khera and Divya (2020). The decision to include a regulatory environment is particularly crucial in Kenya. This is because the regulatory systems act as a filter through which ethical aspects of the insurance sector are analysed. Such are critical in influencing public attitudes. Finally, confidence in the insurance sector is critical in predicting the sustainability of the industry. This is considering the unique challenges within the Kenya insurance industry that if left unaddressed, could reduce the confidence in the industry. The operationalisation of these variables is presented in Table 2.2.

**Table 2 2** Operationalisation of the research variables

Variable	Type	Indicator	Measurement	Data Collection Method	Reference
<b>Demand side factors</b>	Independent	Actively benefitting from illegal activities	Likert Scale Ordinal	Questionnaire	Hassan et al. (2022) Ribeiro et al. (2020), Rodriguez-Rad and Ramos-Hidalgo (2018).
		Passively benefitting from illegal activities			
		Actively benefitting from questionable (but perceived to be legal) acts			
		No harm/no foul			
		Doing good/recycling			
<b>Supply-side factors</b>	Independent	Ethics in insurance marketing and sales: <ul style="list-style-type: none"> <li>• Deceptive advertising</li> <li>• Accurate information</li> <li>• Protect privacy</li> </ul>	Likert Scale Ordinal	Questionnaire	Ahmed et al. (2023), Dominic & Reshmi (2021), Kamila and Jasrotia (2023), Mansouri et al. 2022).

Variable	Type	Indicator	Measurement	Data Collection Method	Reference
		<ul style="list-style-type: none"> <li>Fair pricing</li> <li>Exploitation of disadvantaged populations</li> </ul>			
		Corporate governance ethics <ul style="list-style-type: none"> <li>Transparency</li> <li>Accountability</li> <li>Moral decision-making</li> </ul>			
<b>Regulatory environment</b>	Mediating variable	Anti-competition regulation	Likert Scale Ordinal	Questionnaire	Jean Kwon (2013)
		Prudential regulation			
		Market conduct regulation			
<b>Confidence in the insurance sector in Kenya</b>	Dependent	Loyalty	Likert Scale Ordinal	Questionnaire	Gitonga (2018), National Insurance Commission (NIC) (2020).
		Claims			
		Ease			
		Relationship			
		Protection			
		Trust			

(Source: Author, 2024).

## 2.6 Chapter Summary

The study is anchored on two theories: the social exchange theory and the stakeholder theory. These theories have been justified in length to show their relevance in selecting this study's dependent and independent variables. The empirical review has examined existing literature on the association between the demand side and supply side factors of insurance ethics and confidence in the Kenyan insurance industry. The chapter has also evaluated the mediating role of the regulatory environment in the insurance sector. Further, the chapter has brought out the study gaps that inform this study and how the study will fill them. This is further brought out in the conceptual framework and the operationalisation of the variables' table. The next chapter is anchored on the gaps from this chapter in selecting the study design and methodological approach taken.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

The methods and materials that were employed to accomplish the study aim and objectives and respond to the research questions are presented in this chapter. The chapter begins with a discussion of the philosophical stance of the study and the research design that will be used. This is followed by a discussion of the population and sampling, where the study population from where the sample was drawn is presented. The data collection strategy and the approach to data analysis are further presented. After discussing how the study attained research quality, the chapter concludes with a discussion of the research ethics.

#### **3.2 Research Philosophy**

The positivism research philosophy anchors this study. According to Turyahikayo (2021), the positivism research philosophy is a research paradigm that takes the philosophical stance of a naturalist and objective scientist. Positivists observe the social realities they use to generate law-like inferences. Junjie and Yingxin (2022) note that positivists can derive functional and causal associations between independent and dependent variables. One of the primary objectives of positivist research is to create explanatory connections that lead to the prediction and control of the phenomenon being studied (Park et al., 2020). Further, Zyphur and Pierides (2020) assert that the positivist paradigm is based on the notion that there is a single, identifiable, quantifiable, and understandable tangible reality. Positivism's proponents contend that knowledge can and ought to be produced objectively, independent of participants' or researchers' values (Saunders et al., 2019).

This study selected positivism philosophy informed by several reasons. First, being an objective paradigm towards research (Saunders et al., 2019), this study was able to establish the explanatory and causation link between the independent variables (supply-side factors and demand-side factors of insurance ethics) and the dependent variable (confidence in the insurance industry). Second, due to its ability to draw inferences from data collected from a representative sample (Park et al., 2020), the results of the study attained using the positivism approach allowed for the generalisation of the findings to the insurance industry. Third, the scientific nature of positivism inquiry resulted in unambiguous and accurate knowledge that is backed by scientific facts from the collected and quantitative data (Park et al., 2020). Finally,

anchoring the study on the positivism paradigm helped in transferring the findings to other regions with similar social and cultural settings to that of Kenya.

### **3.3 Research Design**

This study selected the descriptive research design to conduct a fact-finding inquiry that provides a comprehensive description (Siedlecki, 2020) of the state of affairs concerning the influence of ethical practices on confidence in the Kenyan insurance industry. As such, the descriptive design involved examining both demand-side insurance ethics factors, supply-side insurance ethics factors, and the mediating role of the regulatory environment. Further, the descriptive research design was ideal for discovering the associations between these factors and confidence in the insurance industry.

In conformity with the descriptive research design, this study used a quantitative research methodology to examine how ethical behaviour affects confidence in the insurance industry in Kenya. Utilizing statistical tests, quantitative research facilitated the validation or identification of patterns between variables (Borgstede & Scholz, 2021). It was especially useful for examining numerical data to characterize, elucidate, control, or forecast variables or events of interest (Saunders et al., 2019). Because the study's objectives centred on the interactions between supply and demand, the regulatory landscape, and confidence in the insurance industry, the quantitative approach was ideally suited to yield exact and accurate findings. Further, the quantitative approach encouraged objectivity (Saunders et al., 2019). This distancing was critical for inferring relationships free from the researcher's or respondents' bias.

### **3.4 Population and Sampling**

The study's two primary populations were Kenyan insurance consumers and insurance professionals. Insurance professionals are people who work in the insurance industry in a variety of roles, such as executives, managers, agents, and underwriters. People who have dealt with the insurance industry in the past, whether as current policyholders or as customers of insurance goods and services, are considered insurance consumers. As of December 2023, the IRA indicates that there are approximately 4 million policyholders in Kenya. This covers both life and general insurance policyholders. For the insurance industry players licensed in Kenya from which the sample was drawn, the population was 13,774 as of December 2023. This was attained by getting the sum of the underwriters (56), insurance brokers (210), and insurance

agents (13,508) licensed in Kenya by the IRA (2023) (<https://www.ira.go.ke/index.php/publications/statistical-reports/annual-reports?id=318>).

### 3.4.1 Sampling

The study applied a sampling error of 0.05 and a confidence level of 95%. The equation  $n = \frac{N}{1+N(e)^2}$  was used to determine the sample size for both the customers and insurance professionals in Kenya that participated in this study. For customers,  $n = \frac{4,000,000}{1+4,000,000(0.05)^2} = 400$  respondents. For professionals within the insurance industry,  $n = \frac{13,774}{1+13,774(0.05)^2} = 389$  respondents.

To assess participants from the demand side, which consists of insurance consumers, the study used a systematic approach tailored to the specific characteristics of the Kenyan insurance market. Recognizing the large number of policyholders in Kenya (about 4 million, according to the Insurance Regulatory Authority), a simple random sampling technique was used. This system ensured an equitable and unbiased selection procedure, giving all policyholders an equal chance to participate. Using this method, the study attempted to obtain a varied range of viewpoints from insurance consumers across demographics, geographical locations, and insurance product preferences. The study used random selection to provide a thorough grasp of how ethical behaviours affect confidence in Kenya's insurance business. Using this technique, a fair and impartial representation of customers on the demand side of the insurance industry was obtained by selecting participants at random from the whole pool of policyholders. Every policyholder had an equal chance to participate in the study through the use of simple random selection (Saunders et al., 2019). This advanced a more generalised knowledge of how ethical behaviour affects confidence in the insurance industry in Kenya.

For insurance professionals, stratified random sampling was used, with three different strata: underwriters, agents, and brokers. In addition to recognising the unique duties and responsibilities connected to underwriting, agency, and brokering within the insurance industry, this strategy guaranteed proportionate participation from each group (Iliyasu & Etikan, 2021). The study obtained an adequate and representative subset that reflects the variety of skills and functions existing in the insurance industry by stratifying the sample into these three categories. By combining simple and stratified random sampling, this approach

guaranteed an in-depth investigation of the consumer and professionals' viewpoints. This enhanced the study's validity and generalisability.

### **3.5 Data Collection Methods**

In line with standard practices for quantitative investigations, the study on ethics and confidence in the insurance industry used a survey approach to gather data. Through the quantitative description of beliefs, attitudes, and associations across variables (Saunders et al., 2019), the survey sought to shed light on the effects of insurance ethics on the consumer and business side on confidence in the insurance industry. The ability of a survey to successfully address relational and descriptive research issues influenced the choice of the strategy (Saunders et al., 2019).

The primary instrument for data collection in the quantitative survey was an online questionnaire. There were two primary sections to the questionnaire: the first collected demographic data, and the second will explored each of the variables under examination in the insurance industry. Respondents provided their perspectives on a Likert five-point scale questionnaire provided by the researcher. The questionnaire was developed on Google Forms. The researcher created a link (URL) and share it with respondents. The online format of the Google Forms questionnaire enhanced accessibility and convenience by enabling users to answer at their convenience. This method accommodated the busy schedules of both consumers and insurance providers while guaranteeing effective data collection.

The researcher noted possible issues such as nonresponse or poor response rates despite the survey's strengths. To address these concerns, the study utilised pre-emptive strategies, such as initial notifications and electronic reminders to stimulate and promote involvement within the target population.

### **3.6 Data Analysis**

To give an in-depth overview of the major variables and provide insights into the data's central tendency and dispersion, descriptive statistics were utilised. More comprehensive knowledge of the determinants influencing confidence in the Kenyan insurance sector was possible through the use of inferential statistics, such as multiple regression analysis, to evaluate the relevance and strength of associations between the variables. Using a combination of a broad overview and in-depth statistical analyses, this dual approach guaranteed a comprehensive

analysis of the data to answer the study objectives. The models below were used to answer each research question:

$$DV = f(IV)$$

$$Confidence = \beta_0 + \beta_1 DSF + \varepsilon$$

$$Confidence = \beta_0 + \beta_1 SSF + \beta_2 CONTROLS (FC) + \varepsilon$$

$$MV = f(IV)$$

$$RE = \beta_0 + \beta_1 SSF + \beta_2 CONTROLS (FC) + \varepsilon$$

$$RE = \beta_0 + \beta_1 DSF + \varepsilon$$

$$DV = f(MV)$$

$$Confidence = \beta_0 + \beta_1 RE + \beta_2 CONTROLS (FC) + \varepsilon$$

Mediation interaction models:

$$Confidence = \beta_0 + \beta_1 SSF + \beta_2 RE + \beta_3 (SSF * RE) + \beta_4 CONTROLS (FC) + \varepsilon$$

$$Confidence = \beta_0 + \beta_1 DSF + \beta_2 RE + \beta_3 (DSF * RE) + \beta_4 CONTROLS (FC) + \varepsilon$$

Where:

*Confidence* = Dependent variable.

$\beta_0$  = model intercept.

$\beta_{1,2,3,4}$  = Coefficients for the independent, control, moderating variables.

*SSF* = Supply side factors.

*FC* = Firm characteristics.

*DSF* = Demand side factors.

*RE* = Regulatory environment.

$\varepsilon$  = model error term.

The data analysis involved applying multiple regression models to examine the relationships between ethics in insurance and confidence in the industry. The first model examined the association between demand-side factors and confidence in the insurance industry. The second model examines the relationship between supply-side factors and confidence in the insurance industry. Firm characteristics, including the board composition, financial performance, and firm size, were control variables. More importantly, the third and fourth models introduce the moderating variable regulatory environment to explore its impact on the relationships.

Several diagnostic tests were performed by the researcher. To begin with, the researcher sought to find if the data is normally distributed. The rationale for this test was to inform the decision to either use the parametric methods or non-parametric methods of inferential data analysis. To

this end, the researcher used the Kolmogorov-Smirnov for the normality test. This is because it was ideal for large data sets, that is, samples above 100 respondents. Since the results were significant, as shown in Table 3.2, the study used the non-parametric methods, that is, ordinal regression model and Spearman Rank correlation. Additionally, model-fitting information was reviewed to assess the statistical models' adequacy in capturing variable connections. Goodness-of-fit tests were used to determine how well the models fit the observed data, providing information about the overall quality of the statistical models. The results of the goodness of fit and model fitting test are presented in Chapter 4. These diagnostic tests were critical to confirming the robustness and integrity of the statistical analyses used in the study, allowing for an educated interpretation of the research findings.

**Table 3. 1** Tests of normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
DS	.279	242	<.001	.878	242	<.001
SS	.227	242	<.001	.738	242	<.001
CRE	.385	242	<.001	.654	242	<.001
IPRE	.189	242	<.001	.886	242	<.001
CCII	.150	242	<.001	.946	242	<.001
IPCII	.139	242	<.001	.961	242	<.001

**a. Lilliefors Significance Correction**  
(Survey data, 2024).

Factor analysis, a crucial statistical technique employed to identify underlying dimensions within the data, was utilized to assess the relationships among variables. The technique, introduced to provide deeper insights into the data structure, was employed to scrutinize the Likert scale items measuring demand-side ethics factors, supply-side ethics factors, regulatory environment, and confidence in the insurance industry. The results are presented in the findings chapter. Additionally, diagnostic tests including Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity were conducted, yielding values indicative of the reliability and validity of the factor analysis. This proactive inclusion of factor analysis provides a foundational understanding for the subsequent interpretation and discussion of findings in Chapter 5.

### 3.7 Research Quality

#### 3.7.1 Reliability

The study on the relationship between insurance ethics and confidence in the insurance industry

took a rigorous approach, drawing upon established practices, to ensure the reliability of the questionnaire. The research made use of a measurement scale that had already been created and applied for evaluating related constructs. As suggested by Sürücü and Maslakçi (2020), a critical step in guaranteeing internal consistency was to conduct a pilot test and gather an initial set of responses from a small sample size. This study’s pilot sample included 40 customers and 39 professionals in the insurance industry in Kenya. The pilot sample was arrived at by getting a sample of 10% of the larger parent study in accordance with recommendations by Connelly (2008).

The pilot research participants were contacted and recruited using a variety of ways specific to each group. For insurance consumers, an online platform accessible to a wide audience was utilized. This platform allowed for random sampling, ensuring diverse representation. Potential participants were invited via targeted social media advertisements, emphasising the study’s importance and seeking volunteers. Data was collected via an online survey done through Google Forms. Participants were given the survey link and instructions for completing the questionnaire. To ensure a representative sample of industry professionals for the pilot study, a systematic approach was implemented. First, contact was established with the managers of the 39 selected firms to request their authorization for participation in the study. Once authorization was obtained, one respondent from each firm was selected to represent the organisation’s perspective. These respondents were typically individuals in managerial or decision-making roles within the firm, ensuring that the pilot study captured insights from key stakeholders in the insurance industry.

The researcher used SPSS statistical software to determine the Cronbach’s Alpha coefficient. The coefficient is a commonly used indicator of internal consistency (Barbera et al., 2020). Tihamiyu et al. (2022) state that a questionnaire’s Cronbach alpha should be greater than 0.70 to be considered reliable. Per Saunders et al. (2019), the alpha range for the study was 0.7–0.9. As a result, 0.9 is the threshold. This is due to the possibility that redundancies in the questionnaire could be indicated by a high alpha score (in this case, greater than 0.9), which would propose re-examining the questionnaire (Tihamiyu et al., 2022). The instrument was reliable since all the measures had an alpha range between 0.7–0.9, as shown in Table 3.2.

**Table 3. 2** Reliability test

<b>Variable</b>	<b>Cronbach’s Alpha</b>
Demand side factors of insurance ethics	0.825

Supply side factors of insurance ethics	0.874
Regulatory environment	0.776/0.879
Confidence in insurance industry	0.89/0.758

### 3.7.2 Validity

As per the methodology by Sürücü and Maslakçı (2020) on the validity of the research instrument, the primary focus of the study was content validity. This aligned with the nature of using existing measurement scales for questionnaire formulation to ensure content validity. According to Almanasreh et al. (2019), content validity entails a qualitative assessment to confirm that the instrument's measurements appropriately capture the intended phenomena. Expert opinions from subject matter specialists in the field was sought by the researcher to determine content validity. To assess the content validity of the scale, the researcher consulted the dissertation supervisor as well as other experts in the insurance industry. The researcher only began collecting data after receiving positive evaluations of the instrument's validity from these experts. This guaranteed that the questionnaire successfully captures the intended constructs and improved the overall quality of the research findings.

### 3.8 Ethical Issues in Research

In maintaining rigorous research ethics, the researcher sought approval from Strathmore Business School and the National Commission for Science, Technology, and Innovation, Kenya (NACOSTI). Further, the researcher issued a consent declaration to the respondents to ensure research transparency and their anonymous participation. The consent form explicitly stated the respondents' voluntary participation in the research. Besides, it afforded them the discretion to withdraw at any stage. Finally, the document assured the target respondents that their data would not be used once they choose to opt out of the study. The emphasis of this approach was to commit to ethical standards throughout the research.

### 3.9 Chapter Summary

The concluded chapter has presented the research design ideal to guide this study in attaining its aim, and objectives, and answering the research questions. The chapter has selected the descriptive research design and the quantitative methods to guide the data collection. Further, a survey strategy has been adopted anchored on the positivism research philosophy to objectively fill the gaps identified in the literature review. Data was collected from the

population of insurance customers and professional in Kenya to cover data from both the demand and supply side. Finally, after the data was collected using online questionnaires, the researcher analysed it using both descriptive and inferential statistics. Results are presented in the next chapter.



## CHAPTER FOUR

### PRESENTATION OF RESEARCH FINDINGS

#### 4.1 Introduction

This chapter presents the findings of the study. These findings are presented in line with the research aim of examining the effects of ethical practices on confidence in the insurance sector in Kenya. Background information, descriptives, and inferential results are presented here.

#### 4.2 Response Rate

The researcher distributed 400 questionnaires to insurance customers and 389 to insurance professionals to be able to achieve the study’s aim and objectives. Table 4.1 indicates that only 60.5% of customer surveys were returned as opposed to 65.04% for insurance professionals. This response rate was within the recommended to be able to advance with data analysis.

**Table 4. 1** Survey response rate

Response	Frequency	Percentage
<b>Customers (demand side)</b>		
Returned	242	60.5
Unreturned	158	39.5
<b>Total Administered</b>		<b>100</b>
<b>Insurance professionals (supply side)</b>		
Returned	253	65.04
Unreturned	136	34.96
<b>Total Administered</b>		<b>100</b>

**(Survey data, 2024)**

In ensuring the robustness and reliability of the data analysis process, it was imperative to maintain symmetry between the number of responses from insurance professionals (supply side) and insurance customers (demand side). Although 253 responses were collected from insurance professionals, for statistical balance and coherence in SPSS analysis, it was necessary to align the dataset with the number of customer respondents, which stood at 242. Therefore, to achieve methodological consistency, the dataset was refined by removing 11 responses from insurance professionals to align with the number of respondents from insurance customers. This ensured balanced analysis across both supply and demand sides. This methodological approach was rooted in scientific rigor, as it ensured a fair comparison between the perspectives

of both supply and demand sides within the insurance industry. By harmonizing the dataset, any potential biases or discrepancies arising from unequal sample sizes were mitigated. This enhanced the credibility and validity of the research findings.

More importantly, ensuring balance in the sample sizes of both insurance professionals and customers allowed for a more accurate measurement of the effect on the dependent variable (confidence) across both sides of the insurance industry. Having balanced data ensured that the results were not skewed towards one group. As such, the symmetry or balance of the number of respondents from the supply side (insurance professionals) and the demand side (insurance clients) improved the validity and reliability of the analysis. This method ensured that the responses of both sides of the insurance sector were properly reflected. This resulted in more thorough and rigorous conclusions. By aligning sample sizes, any biases caused by disproportionate representation were mitigated. This allowed for a more realistic comparison of the ethical factors influencing confidence in the insurance sector.

### 4.3 Demographic Information

#### 4.3.1 Gender of Customers Surveyed

Table 4.2 present the gender representation of respondents surveyed. The results indicate that 51.2% of customer respondents were male while 47.9 were female. 0.8% preferred not to disclose their gender. The results point to a well-balanced gender representation in the customer sample.

**Table 4. 2** Gender representation of customers

	Frequency	Percent
Female	116	47.9
Male	124	51.2
Prefer not to say	2	.8
<b>Total</b>	<b>242</b>	<b>100.0</b>

(Survey data, 2024)

#### 4.3.2 Age of Customers Surveyed

Table 4.3 presents information about the age distribution of customers surveyed in the study. The data is divided into five age groups: 18 to 29, 30 to 39, 40 to 49, 50 to 59, and over 60. Among the 242 responders, the majority (50.0%) were between the ages of 30 and 39. The second largest age group is 40-49, which accounts for 25.6% of respondents. The customer

sample was made up of 18.2% of respondents aged 18 to 29, and 5.8% were between the ages of 50 and 59. Individuals above the age of 60 account for barely 0.4% of the studied sample. This distribution emphasises the need to take into account age diversity when studying consumer behaviour and preferences in Kenya’s insurance business.

**Table 4. 3** Age representation of customers

	<b>Frequency</b>	<b>Percent</b>
18-29	44	18.2
30-39	121	50.0
40-49	62	25.6
50-59	14	5.8
Over 60	1	.4
<b>Total</b>	<b>242</b>	<b>100.0</b>

(Survey data, 2024)

#### 4.3.3 Education Level of Customers Surveyed

Table 4.4 shows the highest education level attained by customers surveyed in the study. The data is divided into five categories: diploma, doctorate, high school, master’s degree, and undergraduate degree. The majority of the 242 responders (46.3%) highest level of education is an undergraduate degree. Following that, respondents with a Master’s degree account for 31.4%. Doctoral degree makes up a lower fraction (1.7%). These results demonstrate a sizable proportion of respondents with postgraduate education. Furthermore, respondents with a Diploma account for 20.2% of the sample. Notably, only one respondent reported completing high school, accounting for a small percentage of the total sample. These results indicate that the customers surveyed were well-versed in the concept of ethics and confidence in the insurance industry given their literacy levels.

**Table 4. 4** Highest education level of customers

	<b>Frequency</b>	<b>Percent</b>
Diploma	49	20.2
Doctoral Degree	4	1.7
High school	1	.4
Master’s degree	76	31.4
Undergraduate degree	112	46.3

<b>Total</b>	<b>242</b>	<b>100.0</b>
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(Survey data, 2024)

#### 4.3.4 Gender of Insurance Professionals Surveyed

Table 4.5 shows the gender distribution of insurance professionals polled for the study. Of the 242 respondents, 48.3% were female and 51.2% were male. Notably, only one respondent elected not to declare their gender. This accounts for a small percentage of the overall sample. This distribution shows a generally fair representation of genders among surveyed insurance professionals. A fair representation of genders in the insurance industry demonstrates a commitment to diversity and equality, which are essential ethical principles.

**Table 4. 5** Gender of insurance professionals

	<b>Frequency</b>	<b>Percent</b>
Female	117	48.3
Male	124	51.2
Prefer not to say	1	.4
<b>Total</b>	<b>242</b>	<b>100.0</b>

(Survey data, 2024)

#### 4.3.5 Age of Insurance Professionals Surveyed

Table 4.6 shows the age distribution of the insurance professionals surveyed. The findings show that the majority of respondents (52.1% of the total sample) were between the ages of 30 and 39. Following that, respondents aged 40-49 account for 29.8% of the surveyed professionals. Individuals aged 18 to 29 and 50 to 59 make up 15.3% and 2.9% of the sample, respectively. These results demonstrate a high share of respondents with accumulated experience in ethics and confidence in the insurance industry over time.

**Table 4. 6** Age of insurance professionals

	<b>Frequency</b>	<b>Percent</b>
18-29	37	15.3
30-39	126	52.1
40-49	72	29.8
50-59	7	2.9

<b>Total</b>	<b>242</b>	<b>100.0</b>
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(Survey data, 2024)

### 4.3.6 Education Level of Insurance Professionals Surveyed

Table 4.7 shows the highest level of education acquired by insurance professionals polled in the study. The data is divided into four categories: diploma, doctoral, master's, and undergraduate degrees. Among the 242 responders, the majority (50.8%) have an undergraduate degree. Following that, persons with a Master's degree account for 32.2%, demonstrating a sizable proportion of professionals with postgraduate training. Furthermore, respondents with a diploma account for 15.3% of the sample. Finally, those with a doctoral degree account for only 1.7%. these results indicate a respondent sample that is educated well enough to offer significant responses to the research questions.

**Table 4. 7** Highest education level of insurance professionals

	<b>Frequency</b>	<b>Per cent</b>
Diploma	37	15.3
Doctoral Degree	4	1.7
Master's degree	78	32.2
Undergraduate degree	123	50.8
<b>Total</b>	<b>242</b>	<b>100.0</b>

(Survey data, 2024)

### 4.4 Descriptive Results

The descriptive results are presented for each of the study variables. These include demand-side factors, supply-side factors, regulatory environment, and confidence in the insurance industry. A Five-Point Likert Scale was utilised and the means and standard deviation for each response were captured. The subsections below present these findings.

#### 4.4.1 Demand Side Descriptive Results

The study's first objective was to assess the effect of demand-side factors of insurance ethics on confidence in the insurance sector in Kenya. Each respondent was asked to rate agreement on the Likert Scale. Table 4.8 presents the descriptive results for the demand side variable. The majority of the respondents agreed that making intentional false or exaggerated insurance claims on policies was ethically wrong. This is with a mean of 4.67 (SD = 0.649). The low

standard deviation indicates that the majority of the respondents agreed on this aspect. Similarly, respondents agreed that knowing about insurance fraud but not reporting it and actively exploiting insurance policy gaps for personal gain are unethical actions, with mean scores of 4.46 and 4.48, respectively. Both had moderate standard deviations indicating the responses were dispersed around the mean.

**Table 4. 8** Demand side descriptives

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev</b>
Intentionally making false or exaggerated claims on insurance policies is ethically wrong.	4.67	.649
Knowing about insurance fraud but not reporting it, even if not directly involved, is against ethical principles.	4.46	.830
Actively searching for and exploiting loopholes in insurance policies for personal benefit is an unethical practice.	4.48	.870
I believe that engaging in activities with no direct harm to insurers, even if ethically questionable, is acceptable for policyholders.	1.98	1.309
I appreciate insurance companies that actively contribute to social and environmental causes as part of their ethical responsibility.	4.60	.694
<b>Overall mean</b>	<b>4.0372</b>	<b>.44454</b>
<b>(Survey data, 2024)</b>		

Respondents were less aligned in their opinions on engaging in activities with no direct harm to insurers, even if ethically problematic, as evidenced by a mean score of 1.98 and a higher standard deviation of 1.309. The result indicates a greater variability in responses to this statement. Finally, respondents rated insurance businesses that actively contribute to social and environmental concerns as ethically responsible. This is with a mean score of 4.60 and a low standard deviation of 0.694. The result suggests a strong level of agreement among respondents. The overall mean of 4.0372 for the demand-side variable (SD = 0.44) suggests a high level of agreement among respondents on the importance of customer ethics in the insurance industry.

#### 4.4.2 Supply-Side Descriptive Results

The supply side descriptives indicate a strong agreement among respondents on the importance of insurance firms upholding ethics on the supply side of the insurance industry. For instance, respondents agreed with the statement that insurers in Kenya that emphasise corporate governance are transparent in their practices. This is with a mean of 4.21 (SD = 0.83). The standard deviation indicates a strong consensus among respondents on this statement. Similarly, the majority of the respondents agreed that corporate governance ensures long-term sustainability and productivity for insurers, boosting the trust of all stakeholders in a company. This is with a mean of 4.45 (SD = 0.68). the low standard deviation points to a strong consensus among respondents on the role of corporate governance and supply-side ethics in the insurance industry. With a mean of 4.47 (SD = 0.64), respondents also agreed that insurance businesses that prioritise moral decision-making through corporate governance increase stakeholder confidence. the low standard deviation points to a strong agreement among the respondents on this statement.

**Table 4. 9** Supply side descriptives

	Mean	Std. Dev
Insurers that emphasize corporate governance always remain transparent.	4.21	.826
Corporate governance provides long-term sustainability and productivity to the insurers, enhancing the confidence of all stakeholders in a firm.	4.45	.676
Insurance companies that prioritize moral decision-making as a result of their corporate governance enhance the confidence of stakeholders.	4.47	.639
Insurance companies should avoid using deceptive advertising practices to attract customers.	4.73	.644
I believe it is important for insurance companies to provide accurate and transparent information in their marketing and sales efforts.	4.81	.497
Ensuring the privacy of customers is an essential ethical consideration for insurance companies in their marketing and sales practices.	4.79	.560

Insurance companies should adhere to fair pricing practices to maintain ethical standards in their marketing and sales strategies.	4.74	.594
Insurance companies should refrain from exploiting disadvantaged populations for their benefit in marketing and sales activities.	4.76	.596
<b>Overall mean</b>	<b>4.6114</b>	<b>.51787</b>

**(Survey data, 2024)**

With a mean of 4.73 (SD =0 .64), the majority of the respondents agreed that insurance businesses should refrain from utilising deceptive promotional methods to recruit clients. The level of agreement on this statement was high. Similarly, with a mean of 4.81 (SD = 0.49), the majority of respondents strongly agreed that insurance firms must provide accurate and transparent information in their marketing and sales campaigns. This points to insurance professionals championing ethical practices within the supply side of the insurance industry. Further, respondents strongly agreed that ensuring consumer privacy is an important ethical factor for insurance businesses’ marketing and sales strategies. This is with a mean of 4.79 (SD = 0.56). The low standard deviation indicates a strong consensus among the respondents. Further, the results indicate that the majority of respondents agreed that, to maintain ethical marketing and sales methods, insurance businesses should use fair pricing procedures. This is with a mean of 4.74 (SD = 0.59). Finally, the surveyed insurance professionals agreed that insurance companies should avoid using disadvantaged groups to their advantage in marketing and sales efforts. With a mean of 4.76 (SD = 0.59), the results suggest that the level of agreement on this aspect is high among professionals in the insurance industry.

The aggregate mean score for all supply-side factors was 4.61 (SD = 0.52). This result shows that respondents strongly agree on the necessity of ethical behaviour and accountability in the insurance sector. These findings highlight the critical role that supply-side ethics plays in shaping confidence in Kenya’s insurance sector. This is considering that respondents agree on the importance of transparency, moral decision-making, and ethical marketing and sales practices for maintaining stakeholder trust and confidence in insurance companies.

**4.4.3 Regulatory Environment Descriptive Results**

The descriptives in Table 4.10 provide useful insights into respondents’ (demand side) assessments of the regulatory environment in the insurance industry. With mean scores ranging from 4.62 to 4.65 and standard deviations ranging from 0.634 to 0.665, respondents on the demand side broadly agree on the importance of various regulatory measures. They affirm that

government antitrust prevention measures, financial soundness rules, comprehensive financial disclosure, and adherence to sector-specific accounting standards are critical for ensuring a fair, competitive, and stable insurance industry. These results highlight how important regulatory frameworks are to improving accountability, openness, and confidence in the insurance sector. Respondents' agreement that strong regulatory measures (mean = 4.63, SD = 0.61) are essential indicates that they all recognise the importance of regulations in protecting stakeholders' interests and promoting trust in Kenya's insurance industry.

**Table 4. 10** Regulation environment descriptives (demand side)

	<b>Mean</b>	<b>Std. Dev</b>
Government measures to prevent antitrust behaviour, such as market entry barriers and controls on price-product changes, are crucial for a fair and competitive insurance market.	4.63	.665
Regulations promoting financial soundness, including risk-based approaches like risk-based capital, insurance capital requirements regulations, and stress tests, are essential for maintaining stability and trust in the insurance sector.	4.63	.651
The requirement for broad disclosure of financials, strategies, and risk management practices enhances transparency and accountability in the insurance industry.	4.65	.634
Adhering to sector-specific accounting standards is an effective tool for minimizing macro-risks and ensuring responsible financial practices in the insurance sector.	4.62	.647
<b>Overall mean</b>	<b>4.6333</b>	<b>.60518</b>

**(Survey data, 2024)**

Descriptive statistics for supply-side viewpoints on how the regulatory environment affects trust in the insurance industry are shown in Table 4.11. Every statement was evaluated using a Likert scale, and the results were displayed with the mean and standard deviation to show how the respondents opined. The results show that insurance professionals have a generally positive view of the regulatory framework's contribution to industry confidence. Statement have mean scores ranging between 4.12 and 4.54 and standard deviation ranging between 0.61 to 0.87. The results show that respondents generally agree on the significance of different regulatory actions. The necessity of regulations that are specifically designed to prevent antitrust conduct,

promote financial soundness, ensure broad disclosure of financials and risk management techniques, and uphold industry-specific accounting standards is emphasised by the respondents. The standard deviations indicate a steady trend of agreement among respondents and reflect very low levels of heterogeneity in replies across these claims. The average score for the supply-side regulatory environment variable is 4.38 (SD = 0.56). This shows that insurance experts agree on how important regulatory actions are to preserving the insurance industry's stability, openness, and credibility. These results highlight how crucial it is to follow industry norms and regulations to foster stakeholder confidence and maintain the long-term viability of Kenya's insurance sector.

**Table 4. 11** Regulation environment descriptives (supply side)

	<b>Mean</b>	<b>Std. Dev</b>
Government measures to prevent antitrust behaviour, such as market entry barriers and controls on price-product changes, are crucial for a fair and competitive insurance market.	4.12	.868
Regulations promoting financial soundness, including risk-based approaches like risk-based capital, insurance capital requirements regulations, and stress tests, are essential for maintaining stability and trust in the insurance sector.	4.54	.612
The requirement for broad disclosure of financials, strategies, and risk management practices enhances transparency and accountability in the insurance industry.	4.52	.645
Adhering to sector-specific accounting standards is an effective tool for minimizing macro-risks and ensuring responsible financial practices in the insurance sector.	4.33	.716
<b>Overall mean</b>	<b>4.3781</b>	<b>.56028</b>

(Survey data, 2024)

#### 4.4.4 Confidence in Insurance Industry Descriptive Results

Table 4.12 shows descriptive statistics for demand-side perspectives on confidence in the insurance sector. The data show that respondents had diverse degrees of confidence in several aspects of their insurance providers' performance and service delivery. The levels of confidence in the insurance industry among consumers were average for the statement on honesty and sincerity of insurance their insurers (Mean = 3.03, SD = 1.198). The standard

deviation shows that there was a level of variability in the agreement on the statement. With a mean of 3.57 (SD = 1.34), there was an above-average level of agreement among the customers surveyed on the confidence of their insurers to promptly pay claims. There was a below-average (mean = 2.73, SD = 1.26) agreement among respondents that they believed their insurers would prioritise issues that mattered to the customers most. There was an average agreement (mean = 2.96, SD = 1.083) on the knowledge of insurers prioritising issues that matter most to customers' needs.

**Table 4. 12** Confidence in insurance industry descriptives (Demand side)

	<b>Mean</b>	<b>Std. Dev</b>
I am confident in the honesty and sincerity of my insurance company.	3.03	1.198
I believe that my insurance company is capable of paying claims promptly.	3.57	1.342
I am assured that my insurance company will prioritise what matters most to me.	2.73	1.262
I feel safe knowing that my insurance company will take care of my needs.	2.96	1.083
I find the insurance buying process easy with my current insurer.	3.37	1.059
I believe my insurance company understood my needs well during the purchase process.	3.27	1.081
I think my insurance company cares about me, not just my policy.	2.19	.977
My insurance company responds to my needs, provides clear guidance, and communicates policy changes effectively.	3.02	1.018
<b>Overall mean</b>	<b>3.0155</b>	<b>.74845</b>

**(Survey data, 2024)**

There was average confidence in the current insurer making it easy for customers to purchase insurance (mean = 3.37, SD = 1.1). Similarly, respondents indicated an average confidence in the insurer to clearly understand their needs during the purchase process (mean = 3.27, SD = 1.1). Respondents indicated the lowest level of confidence in their insurance company's concern for them outside of their coverage, with a mean score of 2.19 (0.98). there was also average confidence in the insurer's ability to listen to consumer needs, offer clear direction, and successfully communicate policy changes (mean = 3.02, SD = 1.02). Overall, the average confidence score in the insurance industry from the demand side is 3.02 (SD = 0.75). This

implies that insurance consumers have an average level of confidence in their insurance firms. This is with some variation in attitudes across different aspects.

On the other hand, table 4.13 demonstrates the descriptive statistics on confidence in the insurance industry from the supply-side perspective. There was average confidence among insurance professionals that customers have a significant say on insurance claims they lodge. This is with a mean of 3.37 (SD = 1.1). There was a high confidence among the insurance professional surveyed in their firm’s ability to fairly and efficiently settle insurance claims. Conversely, there was an average confidence in the overall image of the insurance sector in Kenya from the perspective of the insurance professionals (mean = 2.85, SD = 0.81). similarly, there was average confidence among respondents in the ability of their insurance companies to make the buying process for the insured straightforward (mean = 3.36, SD = 0.99). There was high confidence among the insurance professionals in their organisations having strong relationships with the customers (mean = 3.95, SD = 0.83). This includes effectively responding to their needs. Finally, there is a high level of confidence among professionals in their insurance companies exercising honesty, trustworthiness, and sincerity when dealing with stakeholders (mean = 4.10, SD = 0.86).

**Table 4. 13** Confidence in insurance industry descriptives (Supply side)

	<b>Mean</b>	<b>Std. Dev</b>
From my perspective as an insurance professional, customers typically have a significant say when it comes to insurance claims.	3.37	1.101
Our company handles insurance claims efficiently and fairly.	4.09	.902
I am confident in the overall image of the insurance sector in Kenya.	2.85	.808
I am confident that the insurance buying process is straightforward for our clients	3.36	.989
I believe our company has strong relationships with clients, responding to their needs effectively.	3.95	.833
I have confidence in the honesty, sincerity, and trustworthiness of our insurance company.	4.10	.863
<b>Overall mean</b>	<b>3.6191</b>	<b>.68704</b>

(Survey data, 2024)

#### 4.4.5 Firm Characteristics Descriptive Results

**Table 4. 14** Firm characteristics descriptives

	Mean	Std. Dev
Firm size	2.8388	1.05200
Financial performance	3.8347	.77671
Board composition	2.7810	.87233

(Survey data, 2024)

#### 4.5 Inferential Analysis

This section demonstrates both correlation and regression findings regarding the effect of supply-side and demand-side factors on confidence in the Kenyan insurance industry.

##### 4.5.1 Paired Samples Test

The paired samples statistics provide insights into the mean levels of customer confidence in the insurance industry (CCII) and insurance professionals' confidence in the industry (IPCII). The mean customer confidence level is 3.0155, with a standard deviation of approximately 0.74845 and a standard error mean of around 0.04811. On the other hand, the mean insurance professionals' confidence level is notably higher at 3.6191, with a slightly lower standard deviation of about 0.68704 and a standard error mean of approximately 0.04416.

**Table 4. 15** Paired samples statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	CCII	3.0155	242	.74845	.04811
	IPCII	3.6191	242	.68704	.04416

**Table 4. 16** Paired Samples Test

		Paired Differences					t	df	Significance	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				One-Sided p	Two-Sided p
					Lower	Upper				
Pair 1	CCII - IPCII	-.60365	1.05495	.06781	-.73724	-.47006	-8.901	241	<.001	<.001

The results of the paired samples test reveal a significant difference between customer confidence and insurance professionals' confidence in the industry. The paired differences show a mean of -0.60365, indicating that, on average, insurance professionals exhibit higher confidence levels compared to customers. This difference is statistically significant ( $p < .001$ ), with a 95% confidence interval ranging from -0.73724 to -0.47006. Additionally, the t-value of -8.901 further underscores the substantial difference observed between the two confidence measures.

#### 4.5.2 Factor Analysis

The Likert scale items for demand side ethics factors were all correlated. This is as indicated in Table 4.17. This indicates that all the statements measured demand side ethics factors variable adequately. Similarly, the determinant of 0.253 is greater than 0.0001. This indicates that the items are related. Since the correlations are not too high, then there is no multicollinearity. This is because no of the values exceeds 0.8 correlation coefficient. The KMO and Bartlett's Test and significance levels further support this conclusion since the KMO is more than 0.5 while the Bartlett's Test of Sphericity is significant ( $P < 0.001$ ).

**Table 4. 17** Demand side ethics factor analysis correlation matrix<sup>a</sup>

		DS1	DS2	DS3	DS4	DS5
Correlation	DS1	1.000	.421	.360	.179	.343
	DS2	.421	1.000	.639	.358	.584
	DS3	.360	.639	1.000	.316	.465
	DS4	.179	.358	.316	1.000	.356
	DS5	.343	.584	.465	.356	1.000
Sig. (1-tailed)	DS1		<.001	<.001	.003	<.001
	DS2	.000		.000	.000	.000
	DS3	.000	.000		.000	.000
	DS4	.003	.000	.000		.000
	DS5	.000	.000	.000	.000	

a. Determinant = .253

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.791
Bartlett's Test of Sphericity	Approx. Chi-Square	327.920
	df	10
	Sig.	<.001

Further, the Likert scale items for supply side ethics factors were correlated as shown in table 4.18. This indicates that all the statements measured supply side ethics factors variable

adequately. Similarly, the determinant of 0.001 is greater than 0.0001. This indicates that the items are related. Since the correlations are not too high, then there is no multicollinearity. This is because none of the values exceeds 0.8 correlation coefficient. The KMO and Bartlett's Test and significance levels further support this conclusion since the KMO is more than 0.5 (0.791) while the Bartlett's Test of Sphericity is significant ( $P < 0.001$ ).

**Table 4. 18** Supply side ethics factor analysis correlation matrix<sup>a</sup>

		<b>Correlation Matrix<sup>a</sup></b>							
		<b>SS1</b>	<b>SS2</b>	<b>SS3</b>	<b>SS4</b>	<b>SS5</b>	<b>SS6</b>	<b>SS7</b>	<b>SS8</b>
Correlation	SS1	1.000	.751	.707	.262	.422	.385	.431	.330
	SS2	.751	1.000	.756	.327	.492	.471	.441	.392
	SS3	.707	.756	1.000	.369	.519	.498	.541	.461
	SS4	.262	.327	.369	1.000	.503	.443	.521	.596
	SS5	.422	.492	.519	.503	1.000	.700	.703	.720
	SS6	.385	.471	.498	.443	.700	1.000	.797	.734
	SS7	.431	.441	.541	.521	.703	.797	1.000	.787
	SS8	.330	.392	.461	.596	.720	.734	.787	1.000
Sig. (1-tailed)	SS1		<.001	<.001	<.001	<.001	<.001	<.001	<.001
	SS2	.000		.000	.000	.000	.000	.000	.000
	SS3	.000	.000		.000	.000	.000	.000	.000
	SS4	.000	.000	.000		.000	.000	.000	.000
	SS5	.000	.000	.000	.000		.000	.000	.000
	SS6	.000	.000	.000	.000	.000		.000	.000
	SS7	.000	.000	.000	.000	.000	.000		.000
	SS8	.000	.000	.000	.000	.000	.000	.000	
a. Determinant = .001									
<b>KMO and Bartlett's Test</b>									
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.									.848
Bartlett's Test of Sphericity		Approx. Chi-Square							1710.564
		df							28
		Sig.							<.001

The Likert scale items for regulatory environment were correlated as shown in table 4.19. This indicates that all the statements measured regulatory environment variable adequately. Similarly, the determinant of 0.192 is greater than 0.0001. This indicates that the items are related. Since the correlations are not too high, then there is no multicollinearity. This is because none of the values exceeds 0.8 correlation coefficient. The KMO and Bartlett's Test and significance levels further support this conclusion since the KMO is more than 0.5 (0.740) while the Bartlett's Test of Sphericity is significant ( $P < 0.001$ ).

**Table 4. 19** Regulatory environment analysis correlation matrix<sup>a</sup>

		<b>Correlation Matrix<sup>a</sup></b>			
		RE1	RE2	RE3	RE4
Correlation	RE1	1.000	.519	.421	.250
	RE2	.519	1.000	.755	.550
	RE3	.421	.755	1.000	.602
	RE4	.250	.550	.602	1.000
Sig. (1-tailed)	RE1		<.001	<.001	<.001
	RE2	.000		.000	.000
	RE3	.000	.000		.000
	RE4	.000	.000	.000	

a. Determinant = .192

<b>KMO and Bartlett's Test</b>	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.740
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.
	393.624
	6
	<.001

Further, the Likert scale items for measuring insurance professionals' confidence in the insurance industry were correlated as shown in Table 4.20. This indicates that all the statements measured adequately. Similarly, the determinant of 0.065 is greater than 0.0001. This indicates that the items are related. Since the correlations are not too high, then there is no multicollinearity. This is because none of the values exceeds 0.8 correlation coefficient. The KMO and Bartlett's Test and significance levels further support this conclusion since the KMO is more than 0.5 (0.814) while the Bartlett's Test of Sphericity is significant ( $P < 0.001$ ).

**Table 4. 20** Insurance professionals' confidence in the insurance industry factor analysis correlation matrix<sup>a</sup>

		<b>Correlation Matrix<sup>a</sup></b>					
		IPCII1	IPCII2	IPCII3	IPCII4	IPCII5	IPCII6
Correlation	IPCII1	1.000	.463	.315	.396	.327	.271
	IPCII2	.463	1.000	.412	.461	.508	.441
	IPCII3	.315	.412	1.000	.656	.519	.474
	IPCII4	.396	.461	.656	1.000	.616	.595
	IPCII5	.327	.508	.519	.616	1.000	.780
	IPCII6	.271	.441	.474	.595	.780	1.000
Sig. (1-tailed)	IPCII1		<.001	<.001	<.001	<.001	<.001
	IPCII2	.000		.000	.000	.000	.000
	IPCII3	.000	.000		.000	.000	.000
	IPCII4	.000	.000	.000		.000	.000
	IPCII5	.000	.000	.000	.000		.000
	IPCII6	.000	.000	.000	.000	.000	

a. Determinant = .065

<b>KMO and Bartlett's Test</b>			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.814
Bartlett's Test of Sphericity	Approx. Chi-Square		650.174
	df		15
	Sig.		<.001

Finally, the Likert scale items for supply side ethics factors were correlated as shown in table 4.21. This indicates that all the statements measured supply side ethics factors variable adequately. Similarly, the determinant of 0.049 is greater than 0.0001. This indicates that the items are related. Since none of the values exceeds 0.8 correlation coefficient, there is no multicollinearity. The KMO and Bartlett's Test and significance levels further support this conclusion since the KMO is more than 0.5 (0.763) while the Bartlett's Test of Sphericity is significant (P <0.001).

**Table 4. 21** Customers' confidence in the insurance industry factor analysis correlation matrix<sup>a</sup>

		<b>Correlation Matrix<sup>a</sup></b>							
		<b>CCII1</b>	<b>CCII2</b>	<b>CCII3</b>	<b>CCII4</b>	<b>CCII5</b>	<b>CCII6</b>	<b>CCII7</b>	<b>CCII8</b>
Correlation	CCII1	1.000	.113	.449	.470	.340	.104	.221	.311
	CCII2	.113	1.000	.285	.271	.227	.422	.158	.151
	CCII3	.449	.285	1.000	.696	.349	.341	.369	.373
	CCII4	.470	.271	.696	1.000	.442	.407	.434	.495
	CCII5	.340	.227	.349	.442	1.000	.530	.263	.293
	CCII6	.104	.422	.341	.407	.530	1.000	.397	.370
	CCII7	.221	.158	.369	.434	.263	.397	1.000	.726
	CCII8	.311	.151	.373	.495	.293	.370	.726	1.000
Sig. (1-tailed)	CCII1		.041	<.001	<.001	<.001	.055	<.001	<.001
	CCII2	.041		.000	.000	.000	.000	.007	.010
	CCII3	.000	.000		.000	.000	.000	.000	.000
	CCII4	.000	.000	.000		.000	.000	.000	.000
	CCII5	.000	.000	.000	.000		.000	.000	.000
	CCII6	.055	.000	.000	.000	.000		.000	.000
	CCII7	.000	.007	.000	.000	.000	.000		.000
	CCII8	.000	.010	.000	.000	.000	.000	.000	

a. Determinant = .049

<b>KMO and Bartlett's Test</b>			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.763
Bartlett's Test of Sphericity	Approx. Chi-Square		707.029
	df		28
	Sig.		<.001

### 4.5.3 Correlation Analysis

The correlation matrix in Table 4.22 depicts the correlations between demand-side factors, supply-side factors, the regulatory environment, and confidence in the insurance industry variables. The correlation coefficient ( $r$ ) quantifies the degree and direction of a linear relationship between two variables on a scale of -1 to +1. The correlation between demand and supply components is -0.067, indicating a mild negative correlation. However, this correlation is not statistically significant ( $p = 0.299$ ). This indicates that there is no sufficient evidence to suggest that demand-side factors and supply-side factors move in opposite directions. Similarly, there correlation between the demand side and regulatory environment is negative ( $r = -.053$ ). However, the  $p$ -value of 0.41 indicates that this result is not significant. A similar trend is observed for the correlation between demand-side factors and confidence in the insurance industry. With a coefficient of -0.031 ( $P = .627$ ), this result suggests that there is not enough evidence to show a correlation or lack of it between these two variables.

**Table 4. 22** Correlation matrix

		<b>Demand side</b>	<b>Supply -side</b>	<b>Regulatory environment</b>	<b>Confidence in the insurance industry</b>
Demand side	r	1.000			
	Sig.	.			
Supply-side	r	-.067	1.000		
	Sig.	.299	.		
Regulatory environment	r	-.053	.641**	1.000	
	Sig.	.409	<.001	.	
Confidence in the insurance industry	r	-.031	.191**	.264**	1.000
	Sig.	.627	.003	<.001	.

**(Survey data, 2024)**

In contrast, a moderately strong positive correlation ( $r = 0.641$ ,  $p < 0.001$ ) exists between supply-side factors and the regulatory environment. This suggests that as supply-side factors rise, so does the perception of the regulatory environment. Further, there are statistically

significant weak positive correlation between the regulatory environment and confidence in the insurance business ( $r = 0.264$ ,  $p < 0.001$ ). There is also a statistically significant weak positive correlation between supply-side factors and confidence in the insurance industry ( $r = 0.191$ ,  $p = 0.003$ ). These correlations indicate that as the positive opinion on the supply side of the regulatory environment increases, so does the confidence in the insurance industry. Similarly, as the positive perception of the supply-side factors increases, so does the confidence in the insurance industry in Kenya.

#### 4.5.4 Regression Between Demand Side Factors and Confidence in the Insurance Industry in Kenya

The analysis was conducted to achieve the first objective of the study: to examine the effect of demand-side factors of insurance ethics on the confidence in the insurance sector in Kenya. Before running the regression, model fitting and goodness of fit tests were conducted, as presented in Table 4.23

**Table 4. 23** Model fitting information and goodness of fit tests of demand-side factors

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	530.06			
Final	528.9	1.16	4	<.001
<b>Goodness-of-Fit</b>				
	Chi-Square		df	Sig.
Pearson	486.491		493	0.574
Deviance	292.518		493	1.000

(Survey data, 2024)

The results indicate that the ordinal regression model fits the data well. The results presented in Table 4.24 indicate that demand-side factors are not statistically significant predictors of confidence in the insurance industry in Kenya. This is with a coefficient of  $-.281$  ( $P = 0.264$ ). The result suggests that other factors other than demand side attributes determine the level of confidence in the Kenyan insurance industry.

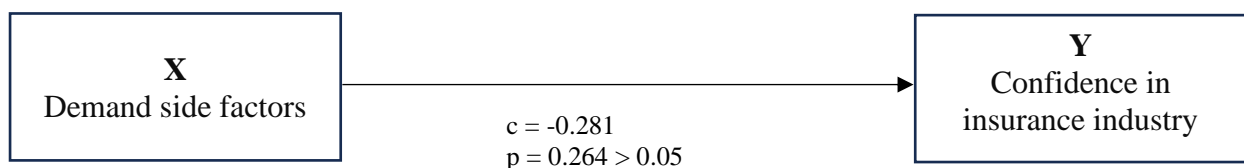
**Table 4. 24** Total effects of demand-side factors on confidence in the insurance industry (X → Y)

Confidence in the insurance industry	Estimate	Std. Error	Sig.
Constant	4.33	1.42	<.002

Demand Side	-0.281	.252	.264
-------------	--------	------	------

(Survey data, 2024)

To examine the mediating effect of the regulatory environment on the relationship between demand-side factors and confidence in the insurance industry, several necessary conditions need to be fulfilled. The first condition was that the demand side as an independent variable:  $c$  should be significant. In this case, it is not significant. So, the analysis did not proceed with examining the mediating effect.



**Figure 4. 1** Interpretation of the total effect of demand-side factors on confidence in the insurance industry

#### 4.5.5 Regression Between Supply Side Factors and Confidence in the Insurance Industry in Kenya

The second objective was to examine the effect of supply-side factors of insurance ethics on confidence in the insurance sector in Kenya. The analysis conducted the model fitting and goodness of fit test to establish the appropriateness of the ordinal regression model to the data. The results in Table 4.25 indicate that the model was ideal for the data. This is because the model Pearson and Deviance Chi-square results both returned non-significant results.

**Table 4. 25** Model fitting information and goodness of fit tests of supply-side factors

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	1299.905			
Final	1266.867	33.038	4	<.001

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	5255.854	5050	.21
Deviance	1124.328	5050	1.000

(Survey data, 2024)

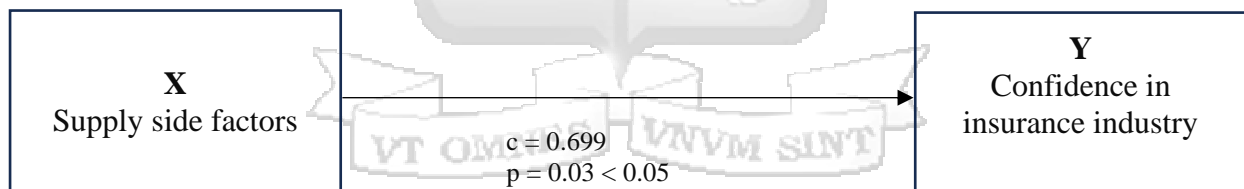
The results of the ordinal regression are presented in Table 4.26. Controlling for firm size, financial performance, and board composition, the results indicate that supply-side factors are a positive and statistically significant predictor of confidence in the insurance industry. This is with a coefficient of 0.699 (P value = .003). These results suggest that a unit increase in the supply-side ethical factors (ethics in governance and ethics in sales and market) leads to a predicted increase in confidence in the insurance industry by 0.699. The results also show that the financial performance of the insurance firms has a positive significant effect on the confidence in the industry.

**Table 4. 26** Total effects of supply-side factors on confidence in the insurance industry (X → Y)

Confidence in the insurance industry	Estimate	Std. Error	Sig.
Constant	11.138	1.499	<.001
Supply Side	.699	.239	.003
Firm size	-.027	.132	.839
Financial performance	.426	.164	.009
Board composition	.254	.163	.120

(Survey data, 2024)

**Interpretation**



**Figure 4. 2** Interpretation of the total effect of supply-side factors on confidence in the insurance industry

To examine the mediating effect of the regulatory environment on the relationship between supply-side factors and confidence in the insurance industry, several necessary conditions need to be fulfilled. The first condition was that the supply side as independent variable: c should be significant. In this case, it was significant. The second condition was that the coefficient of the estimate of the direct effect between supply-side factors and regulation environment and the confidence of the direct effect of supply-side ethical factors and confidence in the insurance industry should be significant.

**Table 4. 27** Model fitting information and goodness of fit tests of supply side and regulatory environment

<b>Model Fitting Information</b>				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	777.909			
Final	635.210	142.699	4	<.001

<b>Goodness-of-Fit</b>			
	Chi-Square	df	Sig.
Pearson	8040.419	1326	0.21
Deviance	551.217	1326	1.000

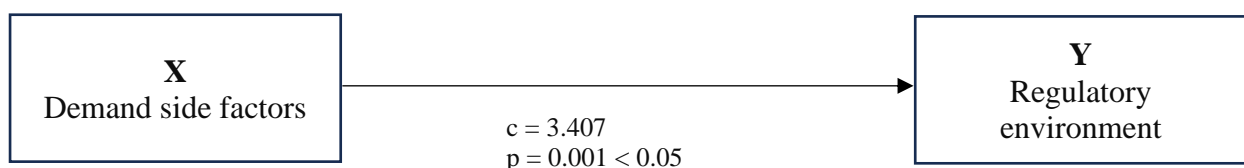
**(Survey data, 2024)**

The results of the regression analysis between supply-side factors and confidence in the insurance industry are presented in Table 4.28. The regulatory environment is the dependent variable while supply-side ethics factors are the independent variable. The results indicate that, after controlling for firm characteristics, supply-side ethical factors in the insurance industry have a positive significant effect on the regulatory environment. This is with a coefficient of 3.41 (P value <.001). This satisfies the second condition on the coefficient of a being significant.

**Table 4. 28** Indirect effect path a (X → M) (supply side ethical factors and regulatory environment)

<b>Regulatory environment</b>	<b>Estimate</b>	<b>Std. Error</b>	<b>Sig.</b>
Constant	16.993	1.610	<.001
SS	3.407	.349	<.001
Firm size	-.096	.137	.484
Financial performance	.151	.172	.381
Board composition	.133	.168	.429

**(Survey data, 2024)**



**Figure 4. 3** Interpretation of the indirect effect path a (X → M) (supply side ethical factors and regulatory environment)

#### 4.5.6 Regression Analysis on the Mediating Effect of Ethical Practices and Confidence in the Insurance Industry

The third objective was to examine the mediating role of the regulatory environment on the relationship between insurance ethical practices and confidence in the insurance sector in Kenya. A multiple regression analysis was carried out to examine the effect of supply-side ethical factors and regulatory environment on confidence in the insurance industry. The tests in Table 4.29 indicate that the model was sufficient to aid the analysis. So, the analysis proceeds with examining the mediating effect.

**Table 4. 29** Model fitting information and goodness of fit tests of the regulatory environment and confidence in the insurance industry

<b>Model Fitting Information</b>				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	1449.235			
Final	1409.989	39.245	5	<.001
<b>Goodness-of-Fit</b>				
	Chi-Square	df	Sig.	
Pearson	7561.891	6911	.52	
Deviance	1327.169	6911	1.000	

(Survey data, 2024)

The findings in Table 4.30 show that 15% of changes in confidence in the insurance industry are explained by the combined effect of supply-side factors of insurance ethics, the regulatory environment, firm size, financial performance, and board composition. This result is statistically significant.

**Table 4. 30** Pseudo R-Square

<b>Pseudo R-Square</b>	
Nagelkerke	.150

(Survey data, 2024)

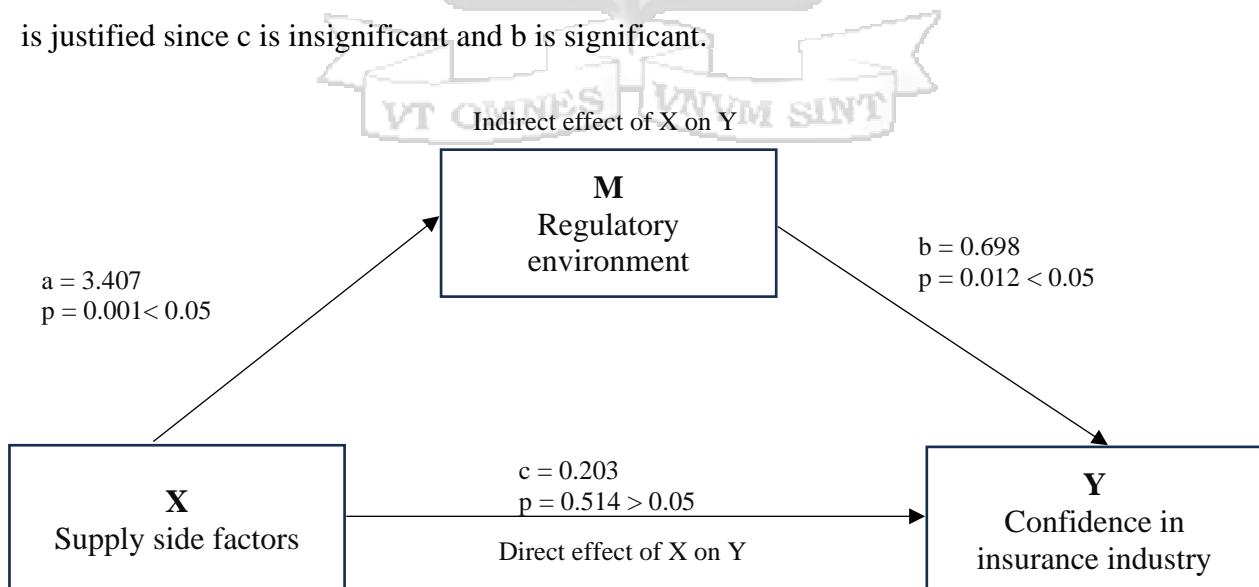
The results presented in Table 4.31 indicate that the regulatory environment fully mediates the relationship between supply-side ethical factors and confidence in the insurance industry. This is because the coefficient of regulatory environment is 0.698 which is statistically significant at a p-value of 0.012. In contrast, supply-side insurance ethics has a positive but insignificant effect on confidence in the insurance industry. This is with a coefficient of 0.203 with a non-significant p-value of 0.514.

**Table 4. 31** Direct effect path of X (supply side ethics factors) and M (regulatory environment) on Y (confidence in the insurance industry (X&M → Y))

Confidence in the insurance industry	Estimate	Std. Error	Sig.
[CII = 4.50]	12.061	1.540	<.001
Supply-side	.203	.311	.514
Regulatory environment	.698	.278	.012
Firm size	.006	.132	.963
Financial performance	.451	.164	.006
Board composition	.223	.163	.172

(Survey data, 2024)

These results have been achieved by satisfying the two necessary conditions for mediation. The first condition is that c should be significant while the second condition is that a and b should be significant. These results are presented in Figure 4. Also, the conclusion of full mediation is justified since c is insignificant and b is significant.



**Figure 4. 4** Interpretation of Direct effect path of X (supply side ethics factors) and M (regulatory environment) on Y (confidence in the insurance industry (X&M → Y))

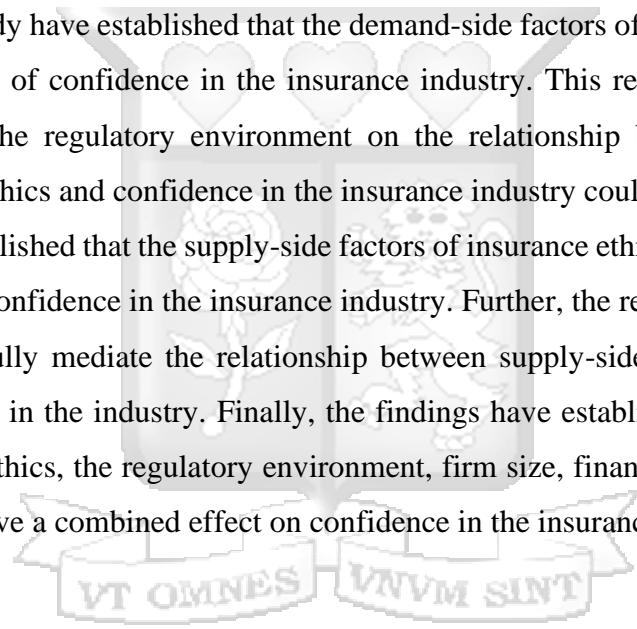
The Sobel test was conducted to test if the results of the mediation were significant. The results in Table 4.32 indicate a significant result of 0.05. This means that the indirect effect of X on Y is significant.

**Table 4. 32** Sobel test results

Input:		Test statistic:	Std. Error:	$p$ -value:
$a$	0.699	Sobel test: 1.90507348	0.25610666	0.05677052
$b$	0.698	Aroian test: 1.84402828	0.26458488	0.06517902
$s_a$	0.239	Goodman test: 1.97261248	0.24733799	0.04853973
$s_b$	0.278	Reset all	Calculate	

#### 4.6 Chapter Summary

The results of this study have established that the demand-side factors of insurance ethics have no effect on the level of confidence in the insurance industry. This result meant testing the mediating effect of the regulatory environment on the relationship between demand-side factors of insurance ethics and confidence in the insurance industry could not be possible. The results have also established that the supply-side factors of insurance ethics have a positive and significant effect on confidence in the insurance industry. Further, the regulatory environment has been shown to fully mediate the relationship between supply-side factors of insurance ethics and confidence in the industry. Finally, the findings have established that supply-side factors of insurance ethics, the regulatory environment, firm size, financial performance, and board composition have a combined effect on confidence in the insurance industry by 15%.



## CHAPTER FIVE

### DISCUSSION OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

#### 5.1 Introduction

This final chapter presents a discussion of the findings. The discussion is guided by each research objective. This is followed by a conclusion and recommendations for practice and policy. The chapter further indicates the theoretical contribution of the study and concludes with a discussion of the research limitations and how future studies could address these limitations.

#### 5.2 Summary of Main Findings

The study's findings show that demand-side elements of insurance ethics have no significant influence on confidence in the insurance business. This made an investigation into the mediating effect of the regulatory environment impractical. Conversely, supply-side factors have a positive and significant effect on confidence levels. Further, the regulatory environment serves as a full mediator between supply-side factors and industry confidence. This emphasizes the role of regulatory frameworks in determining perceptions of ethical conduct in the insurance industry. These findings illustrate the varied nature of the factors that influence insurance industry confidence, as well as the critical role of supply-side ethics and regulatory control.

#### 5.3 Discussion of Findings

The discussion of findings synthesises the research's main findings, placing them within the larger academic discourse and emphasizing their significance. This section investigates the significance of the findings and identifies trends or anomalies in light of the existing literature. It also discusses the practical applications of the results and proposes options for further investigation. Each of the objectives is used to anchor the discussion of the findings.

##### 5.3.1 To Assess the Effect of Demand-Side Factors of Insurance Ethics on Confidence in the Insurance Sector in Kenya

The study sought to analyse the impact of demand-side elements of insurance ethics on confidence in Kenya's insurance business, using Social Exchange Theory (SET) as a theoretical foundation. The regression results show that demand-side characteristics do not

significantly influence confidence in the Kenyan insurance business. In other words, actively benefiting from illegal activities, passively benefiting from illegal activities, actively benefiting from questionable (but perceived to be legal) acts, no harm/no foul, and doing good/recycling are not significant predictors of confidence in the insurance industry in Kenya. This research implies that variables other than demand-side attributes influence confidence in Kenya's insurance system.

The absence of statistical significance between demand-side factors and confidence in the insurance industry suggests a more complex relationship at play. This is despite the theoretical foundation in SET emphasising the significance of ethical considerations in shaping confidence levels through reciprocity dynamics and constructive actions. SET posits that reciprocal exchanges and constructive actions between parties lead to enhanced trust and confidence within relationships. However, the findings suggest a more dynamic relationship at play, where confidence in the insurance sector is influenced by factors beyond consumer side ethical considerations. This deviation from SET's predictions underscores the complexity of consumer attitudes and behaviours in the insurance context.

Previous research looked at many aspects of demand-side insurance ethics but did not particularly address their impact on confidence in the insurance business. For example, Macedo et al. (2021) investigated vehicle repair shops' involvement in insurance fraud, whereas Nikolaienko (2019) researched insurance fraud as a global phenomenon. Ribeiro et al. (2020) explored the degrees of acceptance and reasons for fraudulent insurance activity, whereas Tseng (2019) investigated Taiwanese customers' ethical attitudes and intentions toward insurance fraud. Further, Agyei et al. (2020) investigated trust aspects that influence consumer engagement and loyalty in the context of life insurance in Ghana. These studies provide useful insights into demand-side ethical behaviours in the insurance industry. However, they failed to directly give conclusions on the influence on confidence levels. Therefore, this study has filled this gap by showing there is no statistically significance relationship between actively benefiting from illegal activities, passively benefiting from illegal activities, actively benefiting from questionable (but perceived to be legal) acts, no harm/no foul, and doing good/recycling and confidence in the insurance industry in Kenya.

Despite their ethical concerns, consumers may not lose confidence in the insurance sector because, when assessing their overall level of confidence in insurance providers, they may frequently give priority to other aspects. These aspects may include competitive pricing, timely

claims settlement, and dependable insurance coverage. The lack of a discernible association between demand-side ethical behaviour and their level of trust in the insurance sector raises the possibility that consumers may separate their moral behaviour from their opinions of the industry as a whole. This means that they may place more emphasis on the concrete advantages and positive experiences they have had with insurers. Furthermore, consumers might view unethical acts or dubious conduct as isolated instances rather than a sign of larger problems in the insurance industry, which would lessen their effect on public confidence.

More importantly, customers may distinguish between their own moral decisions and their confidence in the supervision and regulatory framework of the insurance industry. The consumer's average level of confidence in the insurance industry in the face of ethically dubious customers may be ascribed to insurers' adept use of reputation management techniques and effective communication tactics. As such, Stakeholder Theory provides useful insights into the larger network of players and interests that influence organisational behaviour and outcomes. While demand-side ethical behaviours may not have a direct impact on confidence levels, Stakeholder Theory implies that stakeholders other than customers, like as regulators, industry associations, and advocacy groups, play an important role in shaping public opinions of the insurance business. Thus, while individual ethical considerations are essential, this study has established that they are part of a larger ecosystem of stakeholder interests and connections that shape confidence in the insurance industry.

### **5.3.2 To Examine the Effect of Supply-Side Factors of Insurance Ethics on Confidence in the Insurance Sector in Kenya**

This study has found that supply-side factors of insurance ethics have a positive and significant effect on confidence in the insurance industry in Kenya. The significant positive association between supply-side ethical considerations and trust in the Kenyan insurance market is consistent with the tenets of SET. According to SET, partners in social connections conduct cost-benefit analysis, with positive interactions resulting in trust and satisfaction. In the insurance industry, ethical behaviours in governance and sales/marketing can be considered as positive interactions between insurers and stakeholders that contribute to improved trust. This finding is corroborated by prior research, such as Talwar and Ali (2016), who emphasised the relevance of fairness and transparency in marketing methods for policyholder confidence.

The SET places significant emphasis on the role that positive interactions and reciprocity dynamics play in cultivating confidence and trust within social relationships. Positive

relationships within the insurance business that are marked by moral and ethical behaviour in governance and sales/marketing techniques can boost policyholder trust and satisfaction. This will in turn lead to a rise in insurer confidence. The theory sheds light on how moral considerations on the supply side promote positive perceptions and trust in the insurance industry by emphasizing the rewards of constructive behaviour and the rationality of parties in social interactions. Insurance firms can improve their standing and foster policyholder confidence by giving priority to stakeholder issues. This is besides acknowledging the interconnectedness between insurers and their stakeholders, notably in governance and sales/marketing initiatives.

In addition to SET, Stakeholder Theory sheds light on the need of taking into account the interests of many stakeholders, particularly customers, when making decisions. The positive link shown between supply-side ethical standards and confidence implies that insurance companies' actions are consistent with stakeholder interests. According to Kajwang's (2022) research, both customers and insurers profit from ethical governance and transparent sales/marketing tactics. These findings highlight the moral importance of supporting stakeholders' interests, including customers', through ethical corporate governance procedures, as advocated by Stakeholder Theory.

Studies by Dominic and Reshmi (2021) and Talwar and Ali (2016) have illuminated the ethical issues surrounding sales and marketing tactics as well as governance in the insurance industry. These studies highlight the significance of fairness, openness, and moral conduct in fostering patron loyalty and trust. Based on both theoretical frameworks and empirical evidence, the current study's findings support the idea that ethical governance and sales/marketing techniques are important factors that determine consumer confidence in the insurance sector.

Further, Stakeholder Theory highlights the need of factoring in the interests of numerous stakeholders, including customers, when making decisions. The positive link between supply-side ethical criteria and confidence indicates that insurance firms' activities are aligned with stakeholder interests. This is because ethical governance and transparent sales/marketing practices benefit both customers and insurers. This finding is similar to Kajwang's (2022) research, which highlighted the favourable influence of ethical business relationships on consumer value and loyalty.

This study's findings concur with those of Salleh et al. (2018) and Gitonga (2018) who highlight the significance of openness, correspondence, and service dependability in fostering

confidence. These results are consistent with the moral requirement of serving stakeholders' interests- including customers'- through moral corporate governance procedures, as emphasised by the Stakeholder Theory.

### **5.3.3 To Examine the Mediating Role of the Regulatory Environment on the Relationship Between Insurance Ethical Practices and Confidence in the Insurance Sector in Kenya**

Regression analysis results indicate that the regulatory environment has a significant mediating effect on the association between insurance ethical practices and confidence in Kenya's insurance industry. The findings show that a strong regulatory framework fully mediates the relationship between supply-side ethical considerations and consumer confidence in the insurance sector. This suggests that the regulatory framework plays an important role in determining confidence levels by mitigating the influence of ethical activities in the insurance industry. These findings are consistent with Gaganis et al. (2020), Mwangela (2022), and NIC (2020) who have emphasised the regulatory environment's mediating role. These authors indicate the significance of efficient regulatory measures in guaranteeing adherence to ethical norms and promoting public trust in the insurance business.

This study has shown that anti-competition regulation is one part of the regulatory environment that helps to mediate the interaction between supply-side ethical considerations and consumer confidence in the insurance sector. Studies by Gaganis et al. (2020) and Khera and Divya (2020) emphasize the necessity of regulatory policies that promote fair competition in the insurance industry. Anti-competition measures ensure that insurers compete on an equal footing. This helps in avoiding monopolistic actions that could undermine consumer trust and confidence. Anti-competition restrictions create competition. Such action promotes efficiency, innovation, and customer choice. Ultimately, it results in increased policyholder confidence in the industry.

Prudential regulation has also been identified in this study as a major mediator in the relationship between insurance ethical behaviours and industry confidence in Kenya. According to Gaganis et al. (2020), robust prudential laws aimed at safeguarding insurers' financial stability and soundness are critical to maintaining confidence in the insurance business. Prudential rules include capital requirements, risk management standards, and solvency margins. These regulations are advanced to protect policyholders' interests and limit

systemic risks. Prudential laws strengthen insurers' resilience and credibility by requiring conservative financial practices, increasing confidence in the industry.

Regulation of market conduct also has a major mediating effect on how people feel about the insurance industry. Confidence and trust are increased by regulatory actions that support ethical and just behaviour in insurance marketing and sales practices. The significance of regulatory norms that guarantee honesty, integrity, and transparency in insurance transactions is emphasised by Khera and Divya (2020). Regulations governing market conduct establish benchmarks for product disclosures, sales tactics, and claims processing protocols. This cultivates an equitable and responsible culture throughout the sector. Market conduct regulations improve confidence in the integrity of the insurance market by holding insurers responsible for moral conduct.

The regulatory environment plays an important mediating role in the relationship between insurance ethical practices and confidence in Kenya's insurance business, which is consistent with both SET and Stakeholder theory. SET emphasizes the value of pleasant interactions and reciprocal dynamics in building trust and happiness in social relationships. In this context, the regulatory framework serves as a vehicle for enforcing ethical conduct, therefore altering perceptions and confidence levels. This is consistent with the SET concept that constructive behaviour leads to beneficial outcomes, as the regulatory environment promotes conformity with ethical norms, hence increasing trust in the insurance market.

Similarly, Stakeholder Theory emphasizes the need of taking into account the interests of numerous stakeholders, including regulators, when making decisions. The regulatory environment's mediating effect indicates regulatory policies' alignment with stakeholder interests, notably in terms of ethical conduct and public trust. Regulators play an important role in protecting stakeholders' interests and fostering confidence in the insurance business by enforcing market conduct, anti-competition measures, and prudential requirements. This is consistent with Stakeholder Theory's emphasis on ethical governance and transparent practices that benefit all parties involved.

In addition, the regulatory framework serves as a platform for upholding ethical norms and maintaining accountability, creating a favourable atmosphere for social trade and reciprocity dynamics. Regulatory measures improve the insurance industry's overall trustworthiness by encouraging fair competition, customer protection, and financial stability, as stressed by both SET and Stakeholder Theory. As a result, the regulatory environment's mediating function

reflects the interconnection of ethical practices, stakeholder interests, and confidence levels in the insurance industry.

## **5.4 Conclusions**

Based on the findings, this research concludes that demand-side factors of insurance ethics do not affect the level of confidence in the insurance sector in Kenya. The findings suggest that, while customers could actively benefit from illegal activities, passively benefit from illegal activities, actively benefit from questionable (but perceived to be legal) acts, and engage in no harm/no foul, this does not mean that this will affect the level of confidence in the insurance industry. As such, much emphasis is put on the supply side of the insurance sector.

This study has concluded that supply-side ethical practices are what is integral in enhancing the level of confidence in the insurance industry. Specifically, ethics in insurance marketing and sales drives confidence in the industry. If stakeholders perceive that insurance companies are not fairly pricing insurance products and are using deceptive advertising to have the customers buy insurance products, then this will lower their confidence in the industry. Similarly, this study has concluded that if insurers do not provide accurate information, are not intentionally protecting policyholder privacy, and are exploiting the disadvantaged people within the population, then confidence in the industry will decline.

Finally, this study has concluded that the regulatory environment plays a critical role in mediating the relationship between insurance company ethics and confidence in the industry. Anti-competition regulations, prudential regulations, and market conduct regulations have been shown to offer full mediation on the relationship between supply-side insurance ethics and confidence in the industry.

## **5.5 Recommendations**

This study advances recommendations for both practice and policy. Each is expounded on in the subsections below.

### **5.5.1 Recommendation for Practice**

This study recommends that insurers should strengthen corporate governance. Confidence in the insurance sector is one attribute that leads to its stability and growth. However, this confidence is heavily dependent on the insurers' ability to exercise good governance. The way that senior management and boards of directors supervise the operations of the insurers will

make a difference that can foster accountability, transparency, and sustainability. It is also important for the management of insurance firms in Kenya to implement fair marketing practices. This will ensure that sales and marketing practices are ethical. Such will be integral in avoiding deception and accurately serving customers. Further, this study recommends the ethical training of insurance professionals as well as sensitization of customers. This is to ensure that incidences are reduced about marketing, sales, and claims processing. Finally, the management of insurance organisations in Kenya should enhance regulatory compliance. Such may include collaborating with regulatory agencies or proactively complying with regulations. Cumulatively, these aspects will increase the level of confidence in the insurance industry in Kenya.

### **5.5.2 Recommendations for Policy**

The Insurance Regulatory Authority proactively continue to review and update the policies guiding the ethical conduct of all the stakeholders in the insurance sector in Kenya. This is particularly significant for customers and insurance firms. IRA should strengthen regulatory oversight to ensure adherence to ethical standards and fair competition, promote market conduct regulations to uphold honesty and transparency in sales practices, foster consumer education to empower informed decision-making, encourage ethical leadership within insurance firms, facilitate industry collaboration to address ethical challenges, invest in research to identify emerging trends, and monitor policy effectiveness to drive continuous improvement. These policies will ensure that ethical issues that emerge are dealt with proactively. Besides, the cost of acting unethically could be too much for either customers or insurance professionals to bear such as reputational damage or legal consequences. Awareness of stringent regulations against unethical insurance behaviour will discourage either of the two from engaging in moral hazard.

### **5.6 Theoretical Contribution**

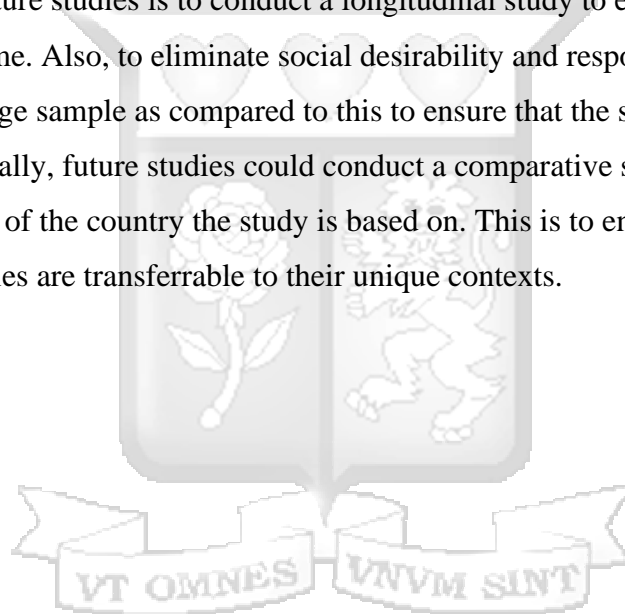
This study contributes to the social exchange theory by providing empirical evidence of the effects of dynamics of social interactions and trust building within the insurance industry. The study also adds to stakeholder theory by exploring the various stakeholders' roles in shaping ethical practices within the insurance industry in Kenya and how this can enhance confidence in the industry. This study's findings add to the body of knowledge by demonstrating the positive relationship between supply-side ethical practices in insurance and confidence in the industry.

## **5.7 Limitations**

This study took a cross-sectional survey design. This means that data was collected at one point in time. It is challenging to know if the findings of this study would stand over time. The questionnaire's dependence on self-reported data may have introduced response bias and social desirability bias, which could affect response accuracy. While measures were put in place to minimise bias, including using a large sample, this is a possibility that researchers using self-reporting surveys contend with. Finally, this study was carried out within the cultural and social context of Kenya. This means transferring these findings to other contexts may be a challenge.

## **5.8 Suggestions for Further Research**

One suggestion for future studies is to conduct a longitudinal study to examine if these findings stand over time. Also, to eliminate social desirability and response bias, future studies could use a large sample as compared to this to ensure that the statistical analysis is aware of any bias. Finally, future studies could conduct a comparative study or a study isolated to the context of the country the study is based on. This is to ensure that inferences drawn from such studies are transferrable to their unique contexts.



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## APPENDICES

### APPENDIX 1: Letter Of Introduction

My name is Linet Odera Macharia. I am an MBA student in the School of Management and Administration at Strathmore University. I kindly invite you to take part in this study towards the completion of my dissertation on *Exploring the Effects of Ethical Practices on the Level of Confidence in Kenya's Insurance Sector*. The survey will take approximately 5 minutes or less. You are part of a few people I have selected for this study who have in-depth knowledge of the phenomenon under study. Your participation in this study is only through your free will. You have the freedom to withdraw from the study at any given time without explaining and without penalties.

I have put measures to ensure that there are no risks of taking part in the study. In case something goes wrong, I will take full liability. I have developed a series of questions that I will ask you about the ethics and confidence in the insurance sector in Kenya. I will not be collecting any personal information. All information will remain confidential and private. Please read the provided instructions carefully and offer honest answers.

Your data will be used in the dissertation for my degree program. The data will be presented in an anonymised format and will not be stored in a database that others can access. Following Strathmore University's Privacy Policy, I will treat your data as confidential and only my supervisor and myself will access it. Your data will be stored in a fully anonymised format in a password-protected folder, and only I will be able to access it. I will destroy the data after my dissertation has been marked.

In case you want to find out more about the research, you can contact me through the email in the contact section below. Thank you for your valuable time and cooperation.

Researcher Contact Details:

Linet Odera Macharia

Email Address: .....linet.odera49@gmail.com ....

## APPENDIX 2: Research Questionnaire

### Demand-Side Questionnaire:

#### Section A- Demographics

##### 1. Gender

- Male
- Female

##### 2. Age

- 18-29
- 30-39
- 40-49
- 50-59
- Over 60

##### 3. Education Level

- High school
- Diploma
- University Degree
- Master's Degree
- Doctoral Degree



#### Section B: Demand side and supply side factors of insurance ethics, regulatory environment, and confidence in the insurance industry in Kenya.

To what extent do you agree or disagree with the following statements? Please appropriately tick the box with your level of agreement:

N	Item	Strongly-Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly-Agree (5)
<b>Part A: Demand Side</b>						
1	Intentionally making false or exaggerated claims on insurance policies is ethically wrong.					
2	Knowing about insurance fraud but not reporting it, even if not directly involved, is against ethical principles.					

3	Actively searching for and exploiting loopholes in insurance policies for personal benefit is an unethical practice.					
4	I believe that engaging in activities with no direct harm to insurers, even if ethically questionable, is acceptable for policyholders.					
5	I appreciate insurance companies that actively contribute to social and environmental causes as part of their ethical responsibility.					
	<b>Section B: Regulation environment</b>					
1	Government measures to prevent antitrust behaviour, such as market entry barriers and controls on price-product changes, are crucial for a fair and competitive insurance market.					
2	Regulations promoting financial soundness, including risk-based approaches like risk-based capital, insurance capital requirements regulations, and stress tests, are essential for maintaining stability and trust in the insurance sector.					
3	The requirement for broad disclosure of financials, strategies, and risk management practices enhances transparency and accountability in the insurance industry.					
4	Adhering to sector-specific accounting standards is an effective tool for minimizing macro-risks and ensuring responsible financial practices in the insurance sector.					

	<b>Section C: Confidence in the insurance industry from a customer perspective</b>					
1	I am confident in the honesty and sincerity of my insurance company.					
2	I believe that my insurance company is capable of paying claims promptly.					
3	I am assured that my insurance company will prioritise what matters most to me.					
4	I feel safe knowing that my insurance company will take care of my needs.					
5	I find the insurance buying process easy with my current insurer.					
6	I believe my insurance company understood my needs well during the purchase process.					
7	I think my insurance company cares about me, not just my policy.					
8	My insurance company responds to my needs, provides clear guidance, and communicates policy changes effectively.					

Adapted from Hassan et al. (2022), Jean Kwon (2013), and National Insurance Commission (NIC) (2020).

## Supply-Side Questionnaire:

### Section A- Demographics

#### 1. Gender

- Male
- Female

#### 2. Age

- 18-29
- 30-39
- 40-49
- 50-59
- Over 60

#### 3. Education Level

- High school
- Diploma
- University Degree
- Master's Degree
- Doctoral Degree

#### 4. Which insurance organisation do you represent?

- Underwriter
- Insurance broker
- Insurance agent

#### 5. How many employees does your organisation currently have?

- Less than 50
- 50-100
- 101-500
- 501-1000
- More than 1000

#### 6. How would you rate the financial performance of your organisation in the past year?

- Very poor
- Poor
- Average
- Good
- Excellent



7. How many independent directors (not part of the executive management) are there on the board of your organisation?
- None
  - 1-2
  - 3-5
  - More than 5
8. How many independent directors (not part of the executive management) are there on the board of your organisation?
- None
  - 1-2
  - 3-5
  - More than 5
9. Does your insurance company have a board committee dedicated to risk management?
- Yes
  - No

**Section B: Supply side factors of insurance ethics, regulatory environment, and confidence in the insurance industry in Kenya.**

To what extent do you agree or disagree with the following statements? Please appropriately tick the box with your level of agreement:

N	Item	Strongly-Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly-Agree (5)
	<b>Part A: Supply Side</b>					
1	Insurers that emphasize corporate governance always remain transparent.					
2	Corporate governance provides long-term sustainability and productivity to the insurers, enhancing the confidence of all stakeholders in a firm.					
3	insurance companies that prioritize moral decision-making as a result of their					

	corporate governance enhance the confidence of stakeholders.					
4	Insurance companies should avoid using deceptive advertising practices to attract customers.					
5	I believe it is important for insurance companies to provide accurate and transparent information in their marketing and sales efforts.					
6	Ensuring the privacy of customers is an essential ethical consideration for insurance companies in their marketing and sales practices.					
7	Insurance companies should adhere to fair pricing practices to maintain ethical standards in their marketing and sales strategies.					
8	Insurance companies should refrain from exploiting disadvantaged populations for their benefit in marketing and sales activities.					
	<b>Section B: Regulation environment</b>					
1	Government measures to prevent antitrust behaviour, such as market entry barriers and controls on price-product changes, are crucial for a fair and competitive insurance market.					
2	Regulations promoting financial soundness, including risk-based approaches like risk-based capital, insurance capital requirements regulations, and stress tests, are essential for maintaining stability and trust in the insurance sector.					

3	The requirement for broad disclosure of financials, strategies, and risk management practices enhances transparency and accountability in the insurance industry.					
4	Adhering to sector-specific accounting standards is an effective tool for minimizing macro-risks and ensuring responsible financial practices in the insurance sector.					
	<b>Section C: Confidence in the insurance industry from insurance professionals' perspective</b>					
1	From my perspective as an insurance professional, customers typically have a significant say when it comes to insurance claims.					
2	Our company handles insurance claims efficiently and fairly.					
3	I am confident in the overall image of the insurance sector in Kenya.					
4	I am confident that the insurance buying process is straightforward for our clients					
5	I believe our company has strong relationships with clients, responding to their needs effectively.					
6	I have confidence in the honesty, sincerity, and trustworthiness of our insurance company.					

Adapted from Ahmed et al. (2023), Jean Kwon (2013), and National Insurance Commission (NIC) (2020).

## APPENDIX 3: Ethical Approval Letter



3<sup>rd</sup> April 2024

Mrs Macharia Linet,  
linet.odera49@gmail.com

Dear Mrs Macharia,

### **RE: Effects of Ethical Practices on the Level of Confidence in Kenya's Insurance Sector**

This is to inform you that SU-ISERC has reviewed and approved your above SU-masters research proposal. Your application reference number is SU-ISERC2105/24. The approval period is from 3<sup>rd</sup> April 2024 to 2<sup>nd</sup> April 2025.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

**Mr Ambrose Rachier,**  
Chairperson; SU-ISERC



