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**THE EFFECTS OF PARTNER-AGENT BUSINESS MODEL ON
BUSINESS PERFORMANCE OF MICROINSURANCE FIRMS IN
KENYA**

Faith Birech

124371

**A Dissertation Submitted in Partial Fulfillment for the Award of a
Master of Science in Development Finance at Strathmore University**



**Strathmore Business School
Strathmore University,
Nairobi, Kenya**

June 2023

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.

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Approval

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DEDICATION

I dedicate this dissertation to the micro -insurance players, investors, supervisor, research advisors and to all those who made my research study a success. Thank you for dedicating their time in assisting with my research and offering support. Above all, I would like to thank the Almighty God for his grace, guidance, and strength to carry through this project to completion.



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I would like to thank the Almighty God for his grace; strength and grit for enabling me complete the Master of Science in Development Finance Journey. I would like to appreciate my research supervisor, Dr. Farida Abdul for her guidance and support through my research journey and also the research faculty for their support. Most important, I acknowledge my dad, mum, and siblings Ian and Martin for their unwavering support and words of encouragement through my academic journey. Lastly, I acknowledge managers from the eight microinsurance firms who took time out of their schedule to provide information by answering to the questionnaire.



ABSTRACT

Insurance is a form of protection from destruction of property, or life. However, majority of Kenyans have no access to insurance coverage. Despite tailor made solutions offered by microinsurance, its performance has been less than expected. This study examined influence of distribution channels on business performance of microinsurance by assessing effects of partner-agent dimensions of collaborative product design, information sharing, and transaction costs. The study was anchored on Core Competency, Transaction Cost, and Information Asymmetry theories. Adopting a correlational research design, the study targeted the 8 microinsurance firms as the units of analysis and 203 management staff as the units of observation from which a sample size of 136 was calculated. A structured questionnaire was used for collecting data and its reliability was tested using internal consistency measure of Cronbach Alpha from which the items were found to be reliable. Descriptive, correlation, and multiple linear regression analysis were conducted at the 95% confidence interval after performing diagnostic tests to determine assumptions for regression analysis were met. The mean scores show that product design had the highest scores followed by transaction costs, and information sharing respectively. Correlations coefficients indicated moderate positive and significant correlation between collaborating in product design, transaction costs, and information sharing with microinsurance business performance. The model explained 55.8 % of variation on microinsurance business performance; out of the three explanatory variables, collaborative product design had the greatest effect followed by information sharing, and transaction costs. The study concludes that collaborative product design had the greatest effect on microinsurance business performance followed by information sharing with transaction costs had the least effect. Based on this, the research recommends that that partners and agents should distribute products through a means that is convenient to clients by developing products that meet consumer expectations. Secondly, partners and agents should make a concerted effort to enhance continuous flow of information to facilitate better pricing of microinsurance products. Lastly, that microinsurance firms should make an effort to reduce the clients' claims processing costs by lowering costs for distributing and reaching low-income clients.

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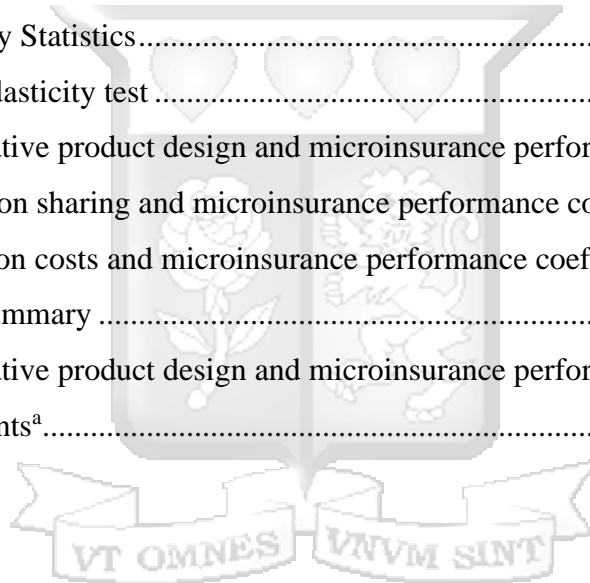
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DEFINITION OF TERMS

Collaborative product design – This involves microinsurance companies working in partnership with their agents in designing products for their consumers (Miniani et al., 2018).

Transaction costs – These refer to the associated costs that microinsurance firms incur in their delivery of services and products to their consumers through the partner-agent model and include distribution costs, claim processing costs, marketing costs, administrative costs, and claims processing (Hart, 2020)

Information asymmetry – this is a situation where one member of a partnership is more informed of an environment than the other members (Bergh et al., 2019).

Information sharing – This is the act of sending information to other members in a partnership and can be within employees or with an external party to provide access and availability of information (Ajemunigbohun, Oreshile, & Iyun, 2013).

Microinsurance – These is a segment of insurance providers who target those who are in the low –income segment of the community (Microinsurance Network, 2021).

Partner-Agent Business Model – This is a model in which a company enters into a contractual obligation with another to extend its reach to consumers by selling and distributing its products and services (Ajemunigbohun et al., 2013).

Business performance – These are measures of performance that are cost effective for researchers which are collected through questionnaire and/or interview methods from managers as respondents for a study (Nur & Zulkiffli, 2014).

LIST OF AND ACRONYMS AND ABBREVIATIONS

AAR	Africa Air Rescue
AIG	American International Group
AKI	Association of Kenya Insurers
ANOVA	Analysis of Variance
CIC	Cooperative Insurance Company
GWPs	Gross Written Premiums
IAIS	International Association of Insurance Supervisors
KES	Kenya Shillings
LMIs	life microinsurance
MFI	Micro finance institutions
MHI	Micro Health Insurance
NACOSTI	National Commission for Science, Technology and Innovation
NGOs	Non-Governmental Organizations
ROA	Return on Assets
ROE	Return on Equity
SACCOS	Savings and Credit Cooperatives
SPSS	Statistical Package for the Social Sciences
SU-IERC	Strathmore University Institutional Ethics Review Committee
TCT	Transaction Cost Theory
TPA	Third Party Administrators
UAP	Union des Assurances de Paris
UHC	Universal Health Care
USD	United States Dollars
VIBINDO	Viwanda na Biashara Ndogondogo

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

In 2021, between 179 and 377 million people in the 30 nations were estimated to be covered by a microinsurance product, representing between 6% and 14% of the target population in these countries (Microinsurance Network, 2021). Despite the higher number of persons covered, overall premiums collected in 2020 increased by only 6.5 % year on year: United States Dollar (USD) 1.129 billion in microinsurance premiums compared to USD 1.060 billion in 2019 (Microinsurance Network, 2021). In Africa, the number of microinsurance policies fell by 30%, 1% in Asia, and 7% in the Latin America and Caribbean (LAC) area. The largest decline was in the LAC where premiums collected fell by 43%, by 37% in Africa, and by 9% in Asia (Microinsurance Network, 2021).

In 2020, Africa's median average premium per person covered was USD 11.60, down from USD 14.00 in 2019. In Asia, the typical premium per insured person in 2020 was USD 3.80, down from USD 8.80 in 2019. Premium value increased only in the LAC region, where the median premium per person was USD 19.83 in 2020, up from USD 19 in 2019 (Microinsurance Network, 2021). Africa is an important market for micro-financial products, such as microinsurance, because it is home to more than 700 million low-income people (Microinsurance Network, 2020). Despite its infancy, Africa's microinsurance industry experienced the number of persons insured by a policy surged by more than 80% between 2005 and 2010, with yearly growth rates exceeding 10%.

Microinsurers, on the other hand, only served 2% of Africa's low-income population in 2018 (Microinsurance Network, 2020). In 2019, the total worldwide premium in emerging markets stood for 18.5 %, down from 21.3 % in 2018, indicating a 2.8 % fall in microinsurance performance. In India, most insurance consumers have invested in non-life and life insurance policies but microinsurance lags behind as there is low attention from these consumers. During a 10-year period from 2007 to 2017, there was a growth in number of policies, growth in number of microinsurance agents, and Growth in premium income of microinsurance companies (Muthusamy & Rani, 2018).

In South Africa, 74% of residents acknowledge the need for insurance, yet just 34% have taken strategies to mitigate the risks. Furthermore, microinsurance does not yet have a substantial presence because it is often packaged with other insurance products rather than marketed separately, making it less accessible for low-income groups (Gudeta, 2018). The evidence from past research shows that the lackluster performance of the microinsurance sector has been the inability of insurance firms to effectively reach the low-income population and this has hindered their understanding of consumers' needs and preferences (Asmare & Worku, 2018; Ngera, 2018).

Studies (Ajemunigbohun et al., 2013; Biener & Eling, 2012) have shown that micro insurers are facing a pricing constraint as they have to charge low price premiums while still incurring high costs in underwriting and distribution processes. The high costs for distribution and reaching the lower clients of the pyramid have become a hurdle for micro insurers to achieve high and consistent penetration and profitability.

Insufficient resources were the most serious challenge for micro insurers, according to Biener and Eling (2012). Poor performance was attributed by Ajemunigbohun et al. (2013) to accessibility, which has yet to be reflected meaningfully in the lives of many insuring populace. Microinsurance's poor performance in Kenya has been ascribed to high transaction and administrative expenses, according to studies (Njuguna & Arunga, 2012; Ochieng, 2013; Njuguna & Kimani, 2016).

Partner-agent models, community-based models, full-service models, and provider models are the four types of microinsurance schemes (McCord, 2001). The partner-agent and the full-service insurance model (Chandhok, 2009); direct agent model, the partner-agent model, the provider-driven model, the mutual model (community-based), and the provider-driven model (Munge et al., 2019). Community-based schemes, full-service models, social protection models, and the supplier model are all examples of partner-agent, cooperative, and mutual insurance models (Ukpong & Ikechukwu, 2019). The focus of this research is on the partner-agent model, which has been widely used in the distribution of microinsurance (Microinsurance Network, 2021).

1.1.1 Partner-Agent Model

The principal-agent models, which are taken from disciplines such as law, finance, accounting, and economics, have served as the foundation for many studies examining the relationship between bureaucracy and elected leaders. A partnership between a microinsurance program and an agent is formed. In some cases, a third-party administrator (TPA) is employed. Insurers, microfinance institutions (MFIs), and donors are the primary agents here (Jayakumar & Almeida, 2012). The microinsurance product is underwritten and provided by the insurers, while the agents deliver it through delivery channels. The agent is also in charge of the product's design and development.

This model has a low risk profile, but it gives clients less control (Jayakumar & Almeida, 2012). The delivery partner is typically in charge of day-to-day operations like sales, premium collecting, claim processing and settlement, and timely communication with policyholders (Akotey, 2015). In India, life microinsurance (LMI) insurers have embraced the partner-agent model, relying on MFIs' extensive networks and competence in providing microcredit to reach out to the poor population. Premiums collected grew from USD 32.79 million in 2008–2009 to USD 437.53 million in 2018–2019, indicating that the LMI business is quickly expanding (Banerjee & Savitha, 2020).

The partner-agent model is Ghana's most commonly used distribution channel, with over 300,000 policies now being managed under it. Some companies that use this approach have grown their market share and are starting to reap the benefits of economies of scale (Akotey, 2015). The dedication of the agent or the MFI is critical to the success of the products under the partner-agent model (Okoampah, 2009).

In Nigeria, Ukpong and Acha (2019) determined that the partner-agent model and mutual cooperatives are appropriate for the Nigerian financial system and advise microfinance institutions to use them to help SMEs grow. The cooperative and mutual insurance model, as well as the partner-agent model, fit within the context of a functional model supplied by the International Association of Insurance Supervisors (IAIS).

In 1997, the American International Group (AIG) and FINCA, a microfinance company in Uganda, signed an agreement to market products to credit clients of FINCA and the individual accident products was one of the most distributed as bigger insurance firms demonstrated viability of microinsurance in a low-income segment when combined with an MFI. The MFI offered the product to its clients, and by 2003, it was accounting for 17% of AIG Uganda's profits (Ukpong & Acha, 2019).

Partner agent models, according to Reinhard (2012), are arrangements in which private insurance companies deliver insurance products to farmers in rural areas through agents who already work with farmers, such as microfinance institutions (MFIs), cooperatives, or non-governmental organizations (NGOs/non-profits). The partner/agent framework, according to Reinhard (2012), enables well-capitalized partner insurance companies to supply upstream legal, technical, financial, and program/product design structures and functions. It may also be able to contain covariate risk or enter into a reinsurance agreement to do so.

Miniani et al. (2018) recognized conformity to contractual obligations, collaborative product design, information exchange, knowledge transfer, and integration of core competences as key features of the partner-agent paradigm. In the partner agent model, shared responsibilities include product design and testing, pricing, business process analysis, staff training, processing applications, contract preparation, claims review, assessment and payment (Ukpong & Acha, 2019).

These shared responsibilities required sharing of information, transfer of knowledge from partner to agent, collaboration in product design, and contractual obligation for the model to succeed. The partner agent model in Kenya includes an insurance business as the partner and microfinance institutions, Savings and Credit Cooperatives (SACCOs), and mobile phone companies as agents for microinsurance products. The partnership model remains the widely adopted mode of microinsurance distribution as more than 68 % of microinsurance firms use agency and brokerage channels to distribute their products. Additionally, MFIs have been used to package microinsurance policies and sell them and this accounted for 22% of microinsurance businesses (Microinsurance Network, 2020).

There are several business models that are discussed in the literature that microinsurance firms use in their operations. However, the foregoing evidence shows that partner agent is widely adopted; this study will aim to show the influence, if any, that these business models have on performance of insurance firms that offer microinsurance services.

1.1.2 Performance of Microinsurance Sub-Sector

A lot of studies have looked at the performance of insurance businesses using a variety of variables. Return on assets (ROA) is likely the most extensively used metric for measuring financial performance in businesses, and this is true for microinsurance as well. ROA has been employed as a measure of performance for microinsurance in Ethiopia (Asmare & Worku, 2018) and Kenya (Asmare & Worku, 2018; Omondi, 2017). The company's ROA is determined as net earnings after taxes divided by total assets and it shows how the company's assets (or resources) are being used to generate income (Şamiloğlu, Öztop, & Kahraman, 2017).

Return on equity (ROE) is another indicator of a company's financial success that has been used to assess microinsurance's performance. These studies were carried out in India (Banerjee & Savitha, 2020). The ROE of a firm is a profitability ratio that shows how much profit a company earns as a percentage of its shareholders' equity (Şamiloğlu et al., 2017). The ROE is determined by dividing Net earnings after taxes by Stockholder 's equity. Other research (Chache, 2016; Ogega, Wanjau, & Mkala, 2015) have focused on growth as a proxy for microinsurance performance. Gross written premium was employed as a measure of microinsurance growth.

Insurance firms performance has also been measured by their penetration of insurance services. Njuguna and Kimani (2016) used customer base, uptake of insurance products, life insurance coverage, non-life insurance coverage, insurance service accessibility, and various insurance goods and services as measures of insurance penetration in one study. Ngera (2018) used purchased microinsurance, portfolio mix, and renewal rate as measures of microinsurance uptake to measure performance of microinsurance. In this study, premium growth, product awareness, product growth, claims processing, and penetration are the indicators selected to measure microinsurance performance.

1.1.3 Microinsurance industry in Kenya

Selected insurance and non-insurance institutions have embraced microinsurance by launching products such as Afya Bora from the Cooperative Insurance Company of Kenya Limited (CIC) and Salama Sure from the Union des Assurances de Paris (UAP), with Faulu Kenya offering Faulu Afya. Most of these products are geared on main risks such as livestock and crop insurance, as well as health, funeral, and life insurance. Microinsurance was established in 2013 and has had a poor penetration, with just 8 companies underwriting it as of 2019, with gross written premiums (GWPs) of KES 1.39 billion, rising to 2.283 billion in 2020, representing a 64.21 % rise, with three firms experiencing negative growth (Association of Kenya Insurers [AKI], 2020). Total claims declined by 14% in 2020, from KES 829 million in 2019 to KES 716 million in 2020, with 2 million new claims.

The total amount of claims paid and outstanding was KES 0.68 billion, with a loss ratio of 48.83 %. The eight microinsurance businesses in Kenya are Africa Air Rescue (AAR), APA Insurance, Britam, CIC Group Insurance, Jubilee Insurance, Kenya Orient, Madison, and UAP Old Mutual (AKI, 2019). Other financial institutions contribute to the growth of microinsurance by promoting it, distributing it, collecting premiums and paying claims. Banks, microfinance institutions, mobile money transfer providers and SACCOs are among them. The Insurance Act of 2019 was amended to define microinsurance and index-based insurance which are recent developments in the microinsurance market. On March 6, 2020, the Microinsurance Regulations 2020 were also passed (AKI, 2019).

Microinsurance is insurance service aimed primarily in the low-income households that are unable to purchase traditional commercial and social insurance programs. Micro insurers, offer a restricted set of benefits to policyholders at low prices, making them accessible to low-income families. Microinsurance is projected to aid the country's development toward UHC, financial inclusion, and broader social protection (Munge et al., 2019).

1.2 Problem Statement

Microinsurance has had a poor track record, as seen by low penetration, premium increase, and claim growth since its inception in 2013. In 2015, GWPs peaked at KES. 1.56 billion

to KES. 1.38 billion. In 2016, then rose to KES. 1.59 billion in 2017, KES 1.64 billion in 2018, and then fell to 15.34 % in 2019, before rising to 2.283 billion in 2020, a 64.21 % gain (AKI, 2019). In 2020, three firms' GWPs will have decreased, showing that the microinsurance industry is not working at its best.

The existing evidence on the partner-agent model in delivering microinsurance has been inconclusive showing both positive and negative effects on the industry's performance. Venkataramani, Singh, and Ambarkhane (2015) reported conflict between agents and partners while Saalfranks (2012) found long procedural delays in using partner-agent models had negative effect on business performance. Ayeh (2010) and Appiah-Kubi (2015) found agents were not effective in creating awareness having negative effect on performance. In Kenya's context, Odenyo (2018) found that despite use of partner-agent models, inadequate product design contributed to low microinsurance penetration. Munge et al. (2019) found that partner-agent model with telecommunication firms still experienced low uptake of products offered by health micro health insurance providers.

On the positive side, Banerjee and Savitha (2020) found premium growth of microinsurance grew exponentially for firms that adopted partner-agent model. In Nigeria, Ukpong and Acha (2019) concluded that partner-agent model provided simplicity, innovation, low premium pricing, and rapid claims processing. In Ethiopia, Asmare and Worku (2018) reported that partner-agent model reached millions due to innovative designing of low-priced products and channels. In Tanzania, Miniani et al. (2018) shows partner-agent model had a positive relationship in designing of products that were inexpensive, simple, and easy to obtain, as well as matching customers' risk exposure. These studies agree that collaborating on product design, sharing information, and reducing costs in a partner-agent model contributes to better performance of microinsurance firms. However, paucity of empirical evidence of these factors and performance of microinsurance firms is a gap that this study aimed to fill.

1.3 Research Objectives

These specific objectives guided the research;

1.3.1 General Objective

To determine the effects of partner-agent business model on business performance of microinsurance in Kenya

1.3.2 Specific objectives

The specific objectives of the study are to;

- i. Determine effects of collaborative product design on microinsurance business performance in Kenya.
- ii. Analyze effect of information sharing on microinsurance business performance in Kenya.
- iii. Assess effect of transaction costs on microinsurance business performance of in Kenya

1.4 Research Questions

The study was guided by these research questions;

- i. To what extent does collaborative product design contribute to microinsurance business performance in Kenya?
- ii. To what extent does information sharing influence microinsurance business performance in Kenya?
- iii. To what extent does transaction costs influence microinsurance business performance in Kenya?

1.6 Scope of the Study

The insurance sector in Kenya is categorized into non-life insurance, life insurance, and microinsurance. There are 8 firms that offer microinsurance services and products represented in the sample. There are 4 main microinsurance business models adopted by firms; however, the study limited its inquiry to the partner-agent which is adopted by microinsurance firms in Kenya. The study's independent variables were collaborative product design, information sharing, and transaction costs. The research took place between October 2021 and February 2023.

1.5 Significance of the Study

The findings and recommendations can be used to improve the performance of microinsurance in Kenya, which will be useful to policy and discussion makers in the financial and insurance sectors. Because of its importance to a country's economic growth, the insurance industry is one of the most regulated. This study will be of importance for regulators as it will show the impact of partner agent model in delivery of microinsurance, this knowledge can be useful in foresight to develop guidelines and regulations to ensure that the benefits of microinsurance are realized through the partner-agent model. The findings from this study will be of importance to management of microinsurance as it will give insight into the perceptions of the partner agent model which has been adopted in delivering microinsurance.

This information can be used to strengthen collaborations to improve company performance while also contributing to social performance among microinsurance recipients. The study is of significance to clients of microinsurance as the findings may provoke actions from management of microinsurance to enhance service delivery and this will be beneficial to the clients of microinsurance. Lastly, the findings will contribute to existing literature on microinsurance by investigating association among partner agent models and microinsurance company performance, as well as recommending areas for future research on microinsurance service delivery. The study also aimed to confirm or refute existing theories on relationships between principals and agents.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The review of literature is presented in terms of theories that underpin the research, followed by an empirical assessment of studies on the research objectives, elaborating on the research gaps that the study seeks to fill. The conceptual framework is also presented herein.

2.2 Theoretical framework

This section of the review introduces and explains theories showing their tenets, arguments, criticism, and relevance. Theories are intended to provide explanations, prediction, and understanding subjects under investigation in an effort to extend or refute present knowledge (Swanson, 2013). The theories adopted are core competencies theory, transaction cost theory and information asymmetry theory.

2.2.1 Theory of Core Competency

The concept of core competences was advanced by Prahalad and Hamel (1990), who defined it as a company's capacity to learn how to use different capabilities and technologies in the business to create superior value. Later, Prahalad and Hamel (1994) expanded the idea of core competencies to include talents and technology that allow a corporation to benefit customers. Overall, core competencies are the firm's ability to integrate its actions to achieve the best possible outcome; this implies that if agents and partners involved themselves in their area of specialty; they will experience an increase in microinsurance value (Enginolu & Arikan, 2016).

Competence and core competence, according to its proponents, are two different concepts that describe core competencies as: A core competence must make a significant contribution to customer benefits; it must be inimitable and difficult to imitate by competitors; and it must have access to multiple marketplaces (Prahalad & Hamel, 1990). In the literature, core competences have been characterized in a variety of ways. Petts (1997) defines complexity, invisibility, inimitability, durability, appropriability, non-substitutability, and supremacy as fundamental skills.

One of the criticisms leveled against this theory is that when an organization focuses on core competencies it can limit the ability of an organization to adjust to the changing environment thus constraining its performance. Secondly, the outsourcing of services from the firm can also harm the competitiveness of the organization based on staff skills (Enginoğlu & Arikan, 2016). This can lead to a situation where a firm loses a set of skills that it had when it leans towards outsourcing of its operations. The most significant gap in core competences, according to Enginoğlu and Arikan (2016), is the absence of practical application, as much of the research has focused on highly descriptive work.

The theory has been used in investigations within the microinsurance industry successfully. Miniani et al. (2018) found that the core competencies theory predicted that if agents and partners specialize in their areas; when constructing microinsurance products, the value of microinsurance will increase. In Kenya, Nderitu (2015) study found that Insurance firms utilized their core competence of being linked to the SACCOs to acquire a competitive advantage in expanding its consumer base.

The study therefore adopted core competency theory to signify the importance of focusing on core competency for the partner-agent model and its effect on performance of microinsurance. The core competencies of each organization are critical for the success of any partner-agent relationship where the microinsurance firm as well as the agents should be capable of performing their respective roles at an optimum to achieve the objectives. Microinsurance firms should have the knowledge, technology, and management skills while agents should possess the marketing and distribution capabilities.

2.2.2 Information Asymmetry Theory

According to the information asymmetry theory, the knowledge that individuals possess is essential as the decisions they may make based on that information; this takes place when a member of a partnership has better or more information than other members (Akerlof, 1970). Despite its popularity, information asymmetry has lacked rigorous assessment as a management variable because there is less reputable knowledge level. Instead, understanding of information asymmetry is built on disparate subfields and ideas, the

concept's interpretation and implementation are prone to discrepancies, and there is no cohesive foundation for future research (Bergh et al., 2019).

Bergh et al. (2019) examined how information asymmetry has received attention in management research and first of this is information privacy where the concept is defined as being present if a member accesses private or privileged information. Such information may be legally protected, propriety, exempt from reporting requirements, or derived from specialized assets. Various information that is succinctly stated as a condition in which various individuals know various things is known as information asymmetry.

Hidden information regarding the performance and quality features of assets may not be widely known, and the information given by a current owner may be opportunistically skewed, resulting in unfavorable selection difficulties. Information asymmetry, defined as a not having access to useful information about another person, is a concept that describes how actors in information marketplaces deal with lacking access to useful information about each other (Bergh et al. 2019).

One of the theory's weaknesses is that it implies that purchasers are constantly aware of the average value of the products on sale. This type of data isn't always available, especially in the case of one-of-a-kind market items. Although there will almost certainly be a knowledge asymmetry in these situations (Auronen, 2003). Second, the theory has been chastised because the model's competitive dynamics are oversimplified. Information asymmetry models ignore replacement products, aggressive market entrants trading at a loss, and the assumption that all companies have the same expenses for generating services, all of which have an impact on a company's performance (Auronen, 2003).

Notwithstanding these limitations, information asymmetry theory has been studied in microinsurance. According to Miniani et al. (2018), despite contractual responsibilities, an MFI cannot foresee with precision if the likely partner may act opportunistically due to limitations in cognitive information and ability on the other member's integrity. Problems with information asymmetry are frequent in the insurance sector in general, according to Biener and Eling (2012), but they appear to be particularly problematic for microinsurance, with studies finding evidence of adverse selection, fraud, and moral hazard. The

information asymmetry theory is used to understand the importance of information in the success of a partner-agent model. The partner and agent should share the information from each entity so as to make decisions that benefit the relationship and the expected benefits for being in these partnerships. The theory is adopted to explain the findings related to the second objective of the study.

2.2.3 Transaction Cost theory

The transaction cost theory (TCT) was developed by Coase (1937) and Williamson (1975) and is widely used in numerous management disciplines to explain organizational phenomena and managers' decisions. The TCT outlines how businesses develop the necessary structural arrangements to increase their chances of success. According to the TCT, conducting transactions (e.g., negotiating contracts, monitoring performance, and settling disputes) is a costly undertaking, and different modalities of organizing transactions (inside a market or within a corporation) imply different costs (Coase, 1937).

A comparison of the relative transaction costs (or their indicators) of these alternative modalities, according to its proponents, reveals how a particular transaction should be completed (Williamson, 1975). Williamson (1975) highlighted that testable hypotheses may be created by associating the relative efficiency of different governance systems with observable features of transactions including uncertainty, asset specificity, and transaction frequency when operationalizing the TCT (Geyskens, Steenkamp, & Kumar, 2006). Other academics agree with this argument, stating that transaction costs are not directly assessed, but rather proxies like as uncertainty, transaction frequency, asset specificity, opportunism, and so on are utilized instead (Natamba et al., 2013).

The most prominent objection is that TCT's fundamental assumptions are faulty. The premise of opportunism, for example, has been critiqued for disregarding the contextual grounding of human behaviors, resulting in an under-socialized understanding of individual motivation and an over-socialized view of institutional management (Martins et al., 2010). Secondly, TCT has been chastised for focusing solely on two extreme techniques of enabling transactions that do not occur in reality. Many transactions are carried out through a hybrid governance structure, such as franchising, joint ventures, and other kinds

of non-standard contracting, according to critics; therefore, the market versus hierarchy dichotomy is somewhat deceptive (Martins et al., 2010).

Regardless of its criticisms, TCT has been utilized to better understand the microinsurance sector. According to Thornton et al. (2009), expenses such as charges for claim processing may increase the costs of microinsurance and thus make it not affordable to those in the low-income segment. According to Miniani et al. (2018), as MFIs move claims closer to the consumers, the partner-agent model approach is anticipated to cut client travel and claims processing expenses. The partner-agent model is also expected to lower insurers' transaction and operating costs associated with serving the low-income market, thus raising premiums and other extra charges paid to consumers.

The TCT is thus used in this study to quantify and explain the impact of transaction costs on the performance of the microinsurance firms. In their relationship with their agents, microinsurance firms aim to reduce the costs involved in distributing and marketing products to their consumers who are poor and thus the main objective is to have cheap and accessible products and these can be achieved by reducing costs in delivering these products by engaging agents.

2.3 Empirical review

This chapter's section contains existing empirical research on the link between each variable and is therefore provided in accordance with the study objectives for each subsection. These studies are presented through the funnel approach from the international, regional, and local perspectives.

2.3.1 Collaborative product design and performance of microinsurance

Akter et al. (2011) conducted research in Bangladesh to investigate the viability of private micro flood insurance service. The study used a case study technique, with a survey done in five districts including 2,400 respondents. The findings revealed that a partner-agent insurance supply model was critical to the financial sustainability of weather-related microinsurance products in Bangladesh. Insurance businesses and micro-credit providers would work in a partner-agent model to jointly offer insurance schemes/products,

significantly cutting the administration cost of insurance supply and thereby enhancing the performance of microinsurance.

Ayeh (2010) focused on the performance of the microinsurance business in research conducted in Ghana, with particular attention to the function of the partner agent model. The study employed a descriptive research method that was mostly qualitative in nature to collect and analyze data derived from primary and secondary sources. Although insurance companies and MFIs collaborated in the design of funeral, credit life, and property policies, it was discovered that agents (MFIs) in distribution did not contribute to awareness creation on different policies sold to consumers but rather partner staff contributed to awareness creation via continuous marketing and sensitization programs. This implies that despite collaborating on design of microinsurance products; this did not contribute to the performance of firms due to limited creation awareness of products mandated to agents.

Gikonyo (2010) measured the impact of mobile phone technology on microinsurance performance in Kenya. This study adopted census survey design and focused on all insurance companies providing microinsurance in Kenya from year 2009 to year 2013. Primary data was gathered through the distribution of questionnaires to microinsurance consultants. The study aimed to establish whether microinsurance products designed by the insurance companies and agents (mobile companies) had any effect on performance of the industry. The results showed no statistically significant effect of growth in products distributed, premium paid, claims paid, customers enrolled, agents' commission paid through mobile phones to the growth of microinsurance. This study was only limited to partner-agents in the mobile phones and excluded other agents such as NGOs, SACCOs, and MFIs.

Gitau (2013) conducted research at CIC Insurance Group Ltd. to identify hurdles in the growth of microinsurance. The study used a case study research methodology and an interview guide to obtain primary data. The respondents included members of the head office's microinsurance team, the business development, development, operations, and strategy officers. The product design constraints included products failing to meet client expectations and significant costs in premium and production collection implying a lack of

collaborating in product design. The study however did not look into partner-agent model but rather focused on the sales agents that CIC used to deliver microinsurance products to consumers thus implying there was no collaboration in the designing of these products. The study is important for this study in highlighting the product design challenges in the construction of a questionnaire.

In a separate Kenyan study, Odenyo (2018) used a descriptive research approach to look at the factors that influence microinsurance penetration, focusing on management staff from 55 registered insurance businesses, with a sample size of 32 insurance companies. One of the findings revealed that inadequate product design was one of the determinants of low microinsurance penetration in Kenya. Other important product design considerations were determining suitable insured amounts, eliminating confusing exclusions, and using straightforward language in policy paperwork. The study however included all insurance firms and did not focus on microinsurance firms exclusively a gap that this study fills. The study remains important to this research as the issues of product design highlighted are used to develop statements in relation to the importance of partner-agent collaboration in designing products.

2.3.2 Information sharing and performance of microinsurance

In Germany, Biener and Eling (2012) conducted a study on insurability in microinsurance markets. The research was motivated in examining that despite strong growth of microinsurance. More than ninety percent of impoverished population in developing nations has had no or little access to insurance markets. Second, industry experts commonly emphasize issues with risk insurability that impedes the growth of microinsurance. According to findings from a survey of 131 empirical evaluations, the most serious issues originate from lack of resources to undertake risk appraisals, information asymmetries, small insurance groups, and size of insurance premium. This study did not focus on the partner-agent model in delivery of microinsurance that the present study aims to fill. The study is important, however, as it was used to adapt measures of information asymmetry in this study.

Miniani et al. (2018) performed an evaluation of the influence of the partner-agent model practices on creating value for microinsurance clients in a sample of 229 managers of microinsurance enterprises in Tanzania. Structured questionnaires were administered to agents of microinsurance firms that consisted of MFIs from ten areas chosen at random. According to the findings, information exchange between partner and agent staff members, as well as partner compliance, result in streamlined claim procedures, decreased claim settlement length, product tangibility, and acceptable feedback mechanisms to customers. The study, however, did not relate partner-agent model to performance of microinsurance businesses which this study does.

In a study conducted in Sri Lanka, Heenkenda (2016) did a study that aimed to recommend an innovative business model for microinsurance delivery. The study used a survey research methodology using a multi-stage sampling strategy to choose 29 farming regions from which 180 respondents were drawn. Farmers' organizations, according to the findings, are one of the most suited platforms for micro-insurers, as they can be utilized for education, insurance design, and negotiating with farmers on their needs. This platform delivers data to enhance customer connections and can better address the insurance needs of farmers. The finding shows that partner-agent models are sufficient in sharing information with the partner (insurance firm) and the consumers. However, the study did not measure the effects of this attribute to performance of microfinance firms a gap that this study aims to fill.

In Nigeria, Ajemunigbohun et al. (2013) conducted an exploratory investigation of microinsurance product awareness and accessibility in chosen insurance providers. This study's survey research approach was exploratory in character. The 60 respondents were interviewed. The study's findings indicated that while insurance firms have sincerely fostered the establishment of awareness for microinsurance products, their accessibility has yet to have significant effects on lives of many insured people. The lack of accessibility was attributed to inadequate information among agents who were mandated to distribute the microinsurance products. However, the study did not investigate the impact of

information sharing on performance of microinsurance businesses, which is a gap that the study intends to solve.

2.3.3 Transaction costs and performance of microinsurance

The motivation for entering into partner-agent model in insurance is fueled by the need to reduce costs incurred by the insurance firm. A firm can reduce these costs by partnering with other organizations to distribute and market microinsurance services and products. The empirical investigations that have proven the relationship between transaction costs and microinsurance are discussed in this portion of the research.

Hart (2020) conducted a study in India to understand the gap between the current supply of cattle microinsurance and the demand for cattle microinsurance at the Base of the Pyramid (BoP) in rural India. Qualitative research was conducted to gain in-depth understanding of gaps on microinsurance supply and demand for livestock. The findings revealed that international insurance firms experienced negative outcomes when providing livestock microinsurance due to high costs of transactions. To reduce these transaction costs, the partner-agent model was the commonly used model by insurance companies for distributing cattle microinsurance.

Chummun and Bisschoff (2013) conducted a survey among insurance agents in South Africa to assess microinsurance business success by employing a questionnaire covering influential variables of company performance. Out of a population of 400 agents, 261 were used in analysis revealing that none of the contributing elements reflected overall satisfaction with company performance. Based on this outcome, it was concluded that microinsurance market success was unsatisfactory. The study also discovered that there was catastrophic failure at pricing, indicating microinsurance success was difficult to ensure owing to high transaction costs, limiting microinsurance acceptance as a viable option for the low-end market.

Saqware (2012) did an analysis of demand perspectives from different microinsurance firms and households in Tanzania using focus group discussions and survey research in 3 Tanzanian districts. Micro insurance has promise, according to the research, provided adoption constraints can be addressed. The sorts of products, distribution routes, and

administration seem to be the most essential areas for innovation. If insurance companies can lower their costs, they will see more demand and thus build a long-term company that benefits their customers. Increasing demand for microinsurance products and services would result in increased performance for microinsurance firms.

Gitau (2013) analyzed the problems facing the growth of microinsurance at CIC Insurance Group Limited in research that studied the issues facing the microinsurance business in Kenya. The findings revealed that product pricing, collecting premiums when clients do not have access to bank accounts, and paying and assessing minor claims all had very high processing costs. To meet rising costs, the company's premium rates must be raised, limiting access to low-income earners. As a result, the growth of microinsurance is limited since the target market cannot pay high costs while yet requiring high-quality products to meet their demands.

Abdallah (2019) investigated financial drivers of microinsurance services demand in the Kenya's insurance sector, with one of the goals being to establish what effects pricing had on demand for microinsurance services. The pricing variable was determined by the transaction cost and premium rate. Cross-sectional survey research was used to collect data from 294 insurance service providers from 170 organizations. According to the findings, the price of microinsurance products had a substantial effect on demand for microinsurance services. The median class of pricing replies was 4; indicating respondents agreed that companies had reduced its transaction costs. However, the study did not focus on how these efforts of reducing transaction costs contributed to performance.

In Kenya's insurance market, Ndurukia, Njeru, and Waiganjo (2017) investigated the variables driving demand for microinsurance services. The study used a cross-sectional survey design as its research approach. The IRA-licensed insurance service providers in Kenya were the target population. The stratified random sample approach was used for the sampling. A questionnaire was used as the research tool. The research found that maintaining micro insurance in the organization has significant transactional costs. Furthermore, respondents believed that the firm has reduced transaction costs while selling

microinsurance products, according to the data. This research is crucial for designing an instrument for the transactional cost portion.

2.4 Literature Review Summary and Knowledge Gap

The above studies were reviewed in terms of their location, methodology, and findings. The research gaps identified from this review include the respondents from studies, the research designs adopted, the variables considered and the measurement of relationships between variables and most studies have been conducted in the other regions and partner-agent model has received less academic attention in the local context. Table 2.1 provides a summary of empirical literature review indicating author, topic of study, main findings, research gaps, and the gaps that will be filled by this study are presented.

Table 2.1: Literature Review Summary and Knowledge Gap

Author	Topic	Main findings	Gaps	Filling gap
Akter et al. (2011)	The feasibility of private micro flood insurance provision in Bangladesh	Micro-credit providers and insurance firms should work together in offering insurance products	The study focused on partnerships within the public-private partnership model	This study aims to determine the effects of partner-agent models in the private sector
Ayeh (2010)	Performance of the microinsurance industry in Ghana with specific reference to the partner agent model's role	Collaborating on the design of microinsurance products did not contribute to improved performance of microinsurance	The study was limited to services and products offered by the national health insurance scheme	This study focuses on how partner-agent model is leveraged by microinsurance firms to enhance performance
Gikonyo (2010)	Effect of mobile phone technology on the performance of	There was no statistically significant effect of growth in products distributed	The study was limited to the mobile phone partner-agent model and excluded other	This study focuses on various partner-agent models

	microinsurance in Kenya.	through mobile phone, premium paid through mobile phone	forms of partner-agent model	
Gitau (2013)	The challenges in the development of microinsurance at CIC Insurance Group Ltd.	There were problems with product design manifested in the inability of produced items to match consumer expectations.	The study was limited to CIC Insurance Group	The study focuses on all IRA registered firms offering microinsurance
Biener & Eling (2012)	Insurability in microinsurance markets	One of the most serious issues was knowledge asymmetry, which was exacerbated by the amount of the insurance premium	A literature review approach was used	This study will collect primary information from respondents
Miniani et al. (2018)	Effect of partner-agent model practice on microinsurance client value	Information sharing between agents and partners simplified claim process, settlement time, tangibility of products, and effective customer feedback systems	The study was limited to client value as a dependent variable which is only one aspect of performance	This study determined the effects of partner-agent on performance of microinsurance firms
Heenkenda (2016)	Inclusive Insurance	Partner-agent models are	The study did not measure	This study includes

	Sector: Innovation business model for Microinsurance Delivery in Sri Lanka	An sufficient in the effects of information sharing this information sharing on the partner-performance of microfinance firms	An sufficient in the effects of information sharing this information sharing on the partner-performance of microfinance firms	information sharing as a component of the partner-agent model and its effect on performance of microinsurance
Ajemunigbohu et al. (2013)	Awareness and accessibility of microinsurance products in selected insurance companies.	The lack of accessibility was attributed to inadequate information among agents who were mandated to distribute microinsurance products	The study did not measure information sharing influence on microfinance firms' performance	This study aims to determine the effects of partner-agent on performance of microinsurance firms
Hart (2020)	Understanding the gap between the supply of and demand for cattle In rural India, microinsurance is available at the BoP	High transaction costs limited performance of livestock microinsurance	The study adopted a qualitative approach using interviews to gather information	The study aims to use quantitative means of data collection and analysis to enhance generalization of findings.
Chummun & Bisschoff (2013)	Measuring the business success of micro-insurance among insurance agents.	Transactional costs did not show general satisfaction on microinsurance business success	Insurance agents represented the target population	This study focuses on managers from microinsurance firms
Saqware (2012)	Demand perspective for	Bringing down costs of transaction	The study collected data from users of	This study aims to gather information

	microinsurance in Tanzania	would contribute to long-term business that gives significant advantages to clients.	microinsurance services that	from the perspectives of microinsurance firms
Abdallah (2019)	Financial determinants of demand for micro insurance services in the insurance industry	Microinsurance reduction of transaction costs would contribute to demand for microinsurance products	The study was limited to financial factors on demand of microinsurance	This study determined effects of partner-agent on performance of microinsurance firms
Ndurukia et al. (2017)	Factors influencing demand for Microinsurance Services in Kenya	The demand for microinsurance products was influenced by high transactional costs	The study was limited to financial factors on demand of microinsurance	This study determined effects of partner-agent on performance of microinsurance firms

Source: Researcher (2023)

2.5 Conceptual Framework

In Figure 2.1 illustrates independent variables as collaborative product design, information sharing, and transaction costs and their hypothesized effect on financial performance of microinsurance. Tailor-made products, convenient products, consumer expectations, quality of service, and use of language in product design are the selected constructs to measure the design of microinsurance products between a partner and agent. Product distribution, insured amounts, policy documents, service quality, and market needs are indicators that are used to measure collaborative product design. It is assumed that collaborating on design of products along these aspects will contribute to performance. In the partner-agent model, the firms need policy holder information, the consumers also need

correct information to enhance policy renewal, and how this information is stored for all stakeholders to exploit it.

In operationalizing information sharing, the constructs considered are information flow, information storage, information accessibility, information disclosure, and information analysis. In determining the transaction costs involved between the partner and agent, the study considers marketing, operational, and administrative costs and it is perceived that maintaining minimum costs will enhance performance of microinsurance firms. The business performance variables consist of subjective measures of premium growth, product awareness, product growth, claims processing, and penetration.

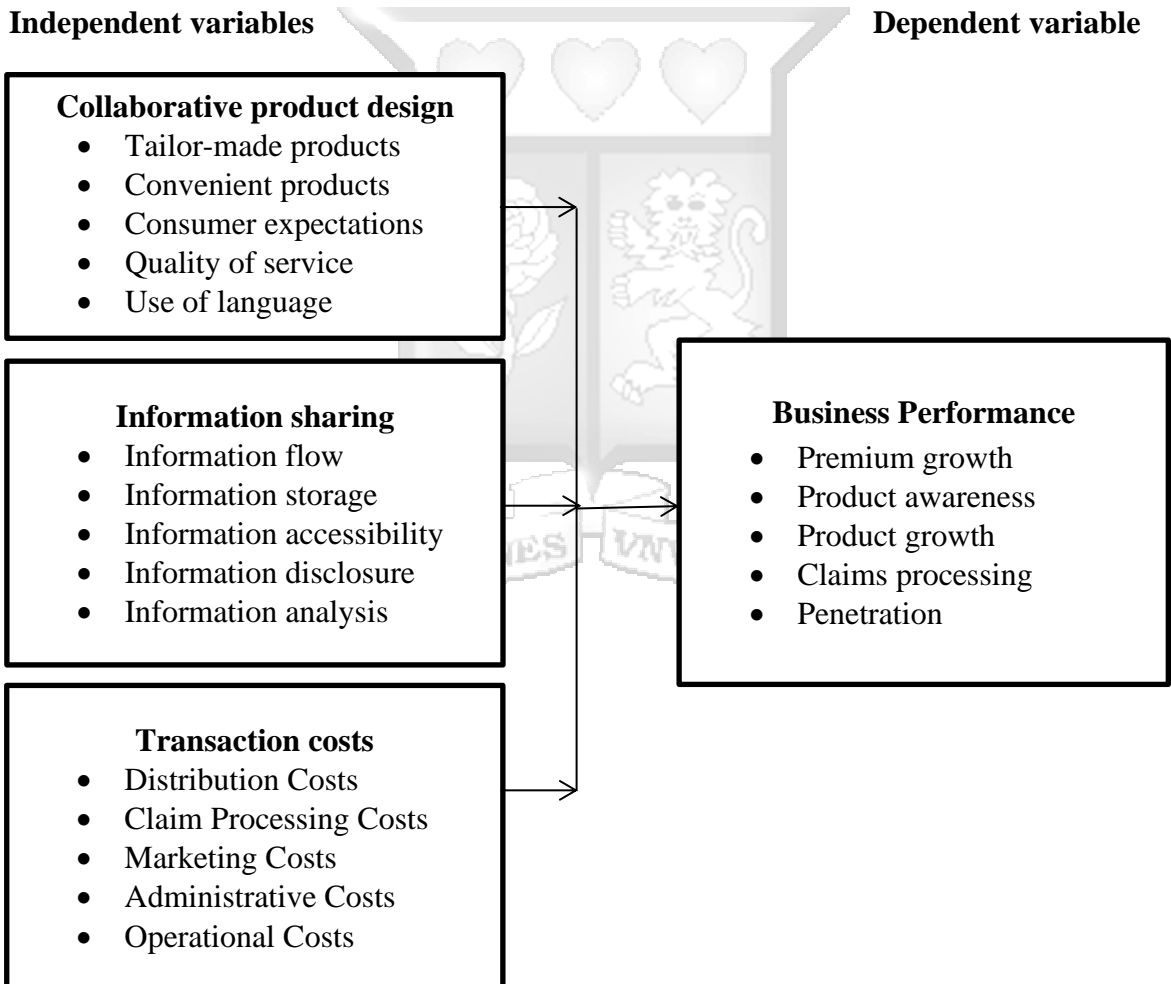


Figure 2.1: Conceptual Framework

Source: Researcher (2023)\

Table 2.2: Operationalization of Variables

Vairable	Indicators	Measurement	Source
Collaborative product desgin	<ul style="list-style-type: none"> • Tailor-made products • Convenient products • Consumer expectations • Quality of service • Use of language 	5-Point Likert scale statements	Gikonyo (2010); Ayeh (2010); Miniani et al. (2018)
Information shairing	<ul style="list-style-type: none"> • Information flow • Information storage • Information accessibility • Information disclosure • Information analysis 	5-Point Likert scale statements	Biener & Eling (2012); Miniani et al. (2018)
Transactional costs	<ul style="list-style-type: none"> • Distribution Costs • Claim Processing Costs • Marketing Costs • Administrative Costs • Operational Costs 	5-Point Likert scale statements	Geyskens et al. (2006); Natamba et al., (2013)
Microinsurance performance	<ul style="list-style-type: none"> • Premium growth • Product awareness • Product growth • Claims processing • Penetration 	5-Point Likert scale statements	Njuguna & Kimani (2016); Ogega et al. (2015); Gikonyo (2018); Miniani et al. (2018); Ayeh (2010); Odenyo (2016)

Source: Author compilation (2023).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research philosophy adopted while employing the correlational research design. Management level staff in each of the 8 microinsurance firms was targeted as the population where the respondents sample size was chosen using stratified random sampling. A structured questionnaire consisting of Likert scale items was used to collect data and a pilot study deemed it reliable and valid. The data was analyzed using descriptive statistics, correlation, and multiple linear analyses.

3.2 Research Philosophy

The positivist worldview focuses on facts and seeks causation and underlying rules by breaking down things into their most basic components (Majeed, 2019). The emphasis is on developing hypotheses and testing them in order to operationalize concepts and measure them (Majeed, 2019). It is a research paradigm that assists researchers in answering research questions using inductive logic of inquiry. According to Park, Konge, and Artino (2020), a key objective of positivists is to determine links that can be used to predict phenomenon under investigation.

According to Kenaphoom (2021), positivism is based on mathematical and logical reports and treatments of sensory experience and is the main source of authoritative knowledge. It is the foundation of quantitative research methods which focus on discovering reality of a subject by using objective tools to collect data. Using a positivist approach means sampling using theoretical foundations from which data can be collected using a specific tool that can be able to generate numerical data.

Positivist research philosophy was appropriate for this study, which investigated cause and effect relationship between partner-agent model and performance of microinsurance. Quantitative data collection and analysis was undertaken to make conclusions that can be generalised to the Kenyan microinsurance industry which is a main principle for researchers that adopt a positivist approach. The study gathered information from

respondents and the researcher did not interfere in the process thus remaining objective and scientific during this process which is a mainstay of a positivist research philosophy.

3.2 Research Design

A correlational research strategy is proposed for this study. Correlational designs, as opposed to direct cause-effect linkages, entail a systematic exploration of associations between variables (Sousa, Driessnack, & Mendes, 2007). Correlational designs are often cross-sectional and are used to determine if changes in one or more variables are connected to changes in an independent variable (Sousa et al., 2007). The study employed a correlational designs in which variables are classed as independent (predictor) and dependent (outcome) (Sousa et al., 2007).

This design was suitable for this research as it contains an independent variable (partner-agent model) and its dimensions and dependent variable (performance). Moreover, the data was collected during a specified period of time meeting the cross-sectional criteria. When there is a need to find a predictive link between a predictor and an outcome/criterion variable, a predictive correlation design is used. The term "association" is a synonym for correlation, and it refers to the direction and size of a link between two variables.

This connection cannot be utilized to infer conclusions about the cause-and-effect relationship between variables (Sousa et al., 2007). This design follows the positivist research philosophy which a hypothetico-deductive method is a cyclical approach that starts from theory to building a hypothesis to be tested, creating an instrument by operationalizing variables and conducting an empirical research based on observations. In the end, these findings are used to help inform or refute and contribute to existing literature (Hoyle, Harris, & Judd, 2009).

3.3 Population and Study Setting

This subsection of the study explain sand describes the target population showing the study's setting and providing a description of the sampling frame and the methods adopted to arrive at a sample size.

3.3.1 Target Population

It is critical to define the units of analysis and observation when discussing a target population. The level at which data is gathered is called a unit of observation, and the level at which an inference is produced is called a unit of analysis (Sedgwick, 2014). Using this criteria, microinsurance firms were units of observation while management staff from each of these firms were the units of analysis. There are 8 microinsurance firms with their headquarters in Nairobi County. In each of these firms, their organization structures were examined to identify management level staff from which 203 members were identified as summarised in Table 3.1.

Table 3.1: Target Population

Firm	Population
1 AAR	24
2 APA	32
3 Britam	28
4 CIC	19
5 Jubilee	26
6 Kenya Orient	30
7 Madison	15
8 UAP Old Mutual	29
Total	203

Source: Author compilation (2023).

3.3.2 Sampling Frame and Size

The sampling frame refers to the complete enumeration of elements of a population from which a sample can be selected (Casteel & Bridier, 2021). The sampling frame is management staff of different departments in each of the 8 organizations. Krejcie and Morgan (1970) sample size table (Appendix 6) which has a set of sample sizes which have been calculated from a universe using a predetermined sample size formula. Using this table, the sample size was determined as 136 respondents; Table 3.2 shows the results in determining size of each sample of the organisations (strata). The probability proportionate stratified random sampling formula method was used where the population for each strata is divided by the whole population before being multiplied by the total sample size of 136. The proportionate stratified sampling formula used was;

$$n_h = (N_h / N) * n$$

Where:

n_h = Sample size for h^{th} stratum

N_h = Population size for h^{th} stratum

N = Size of entire population

n = Size of entire sample

Table 3.2: Sample Size

Firm	Population	Sample size
1 AAR	24	16
2 APA	32	21
3 Britam	28	19
4 CIC	19	13
5 Jubilee	26	17
6 Kenya Orient	30	20
7 Madison	15	10
8 UAP Old Mutual	29	20
Total	203	136

3.4 Collection of data

The study used quantitative methods to collect data and thus used a structured questionnaire which is the most prominent instrument used for collecting quantitative information. and the data for each variable was measured on a Likert scale data on a 5-point scale. The questionnaire (Appendix 5) consisted of five sections namely: collaborative product design (7 items), information sharing (5 items), transaction costs (8 items), and microinsurance performance (5 items).

3.5 Analysis of Data

The data was analyzed using the Statistical Package for the Social Sciences (SPSS) after capturing data from the questionnaires. The first step of analysis involved conducting descriptive analysis where a total mean score and standard deviation for each of variable items was calculated. Frequency distributions were used to analyse the demographic information of respondents while measures of central tendency were used to analyse Likert scale data using mean and standard deviations for each item for each of the variables. Descriptive analysis was followed by calculating Pearson's correlation coefficient (r) which is the most used non-parametric measure of relationship when two

random variables are compared (Wonu, Victor-Edema, & Ndimele, 2021). Diagnostic tests were conducted to make sure that the data met the minimum assumptions for performing multiple linear regression analysis and these are further described under section 3.7. The effect of independent variables on microinsurance performance was done using multiple linear regression analysis as summarised in the model:

$$Y = B_1X_1 + B_2X_2 + B_3X_3 + \varepsilon$$

Where:

Y = Microinsurance business performance

X₁ = Collaborative product design

X₂ = Information sharing

X₃ = Transaction Cost

ε = Error term

3.6 Reliability and Validity

The degree to which measurements are repetitive if done by different researchers in different settings and with different approaches that measure the constructs is referred to as reliability. It may also be described as the consistency of an instrument (Drost, 2011). Oyeniyi et al. (2016) explained reliability as the consistency of an instrument to be able to provide similar results when applied to different sample; this means reliability is about the tool and not the data.

Validity is the degree in which a tool can accurately measure a latent concept (Drost, 2011). Validity is an attempt to explain the reality of findings. Content validity, which is an assessment of how well a collection of scale items matches the relevant content domain of the construct, were addressed in this study (Zohrabi, 2013). The validity of the instrument was ensured by using constructs and indicators from past empirical studies.

A pilot study was done among 10 participants who were not included in the main study in order to verify instrument reliability and validity. The study employed 5-point Likert scale items comprised of numerous constructs to measure a variable, and it is critical to assess their consistency (Cronbach, 1951). Thus, Cronbach's alpha was used to verify internal consistency, which is favored when working with instruments that try to measure

a single construct using several items. Cronbach Alpha values vary from 0 to 1, with higher values indicating more internal consistency of an instrument. According to Taber (2018), a number greater than 0.7 is considered acceptable, and hence this value was used as the minimum acceptable value for instrument dependability

3.7 Diagnostic tests

Diagnostic tests were also undertaken to ascertain the validity, reliability, and objectivity of the data analysis. These tests are done to ensure that the data meets certain requirements so as to be confident of the results from a regression analysis. First, a normality test was conducted using the Shapiro-Wilk test to determine if data met a normal distribution. Next, the squared residuals were regressed against the predictors and the p value of less than 0.05 observed led to the conclusion there was no heteroscedasticity present in the data. Heteroscedasticity occurs when the standard errors of a variable vary widely thus affecting regression analysis (Verbeek, 2008). Lastly, in order to safeguard against unreliable coefficients as a result of high standard errors and confidence intervals of multicollinearity, Tolerance and Variance Inflation Factors (VIFs) scores were used to check for multicollinearity.

3.8 Ethical Considerations

Study participants need to be protected and any concerns that they may have before being engaged in a study and these are ethical considerations a researcher should practice. One of them is giving enough information to allow participants to make an educated decision about whether or not they want to participate in a study. This is the concept of informed consent, and it was followed by attaching an information consent form (Appendix 2) to each instruments for potential respondents to read before verbally consenting to participate.

In sharing this information, respondents were assured of the anonymity principle of research ethics which was guaranteed by not asking respondents to share any personal information on the instrument. The data collected was held under lock and key and was shared with a data enumerators and analyst thus ensuring confidentiality of information provided. The Strathmore University Institutional Ethics Review Committee (SU-IERC)

was contacted to get ethical approval (Appendix 3) . Following receipt of this approval, a research permit (Appendix 4) was applied for from the National Commission for Science, Technology, and Innovation (NACOSTI). After obtaining these documents, the data gathering procedure commenced.



CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

In this chapter the response rate, results from the pilot study on reliability of constructs adapted for the research and descriptive analysis for each variable were collected. The findings are presented under each research objective indicating the descriptive analysis, correlation analysis and multiple linear regression analysis.

4.2 Response Rate

There were 126 questionnaires received back which satisfied the criteria for inclusion in data analysis. Out of the 136, the response rate achieved was 92.6 % which meets the threshold for successful response rates as per the different recommendations given by scholars (Mugenda & Mugenda, 2019; Holtom et al., 2022) as shown in 4.1. This response rate was achievable due to the services of 2 data enumerators.

Table 4.1: Study response rate

Category	Frequency	Percent
Administered questionnaires	136	100.0
Returned questionnaires	126	92.6
Non-response	10	7.4

4.3 Reliability Results

Internal consistency method of checking for reliability was adopted where scores shown in Table 4.2 were acceptable. According to Tavakol and Dennick (2011), values above 0.7 are acceptable and satisfactory; thus, the reliability of the instrument was accepted as satisfactory since all values were well above 0.7.

Table 4.2: Reliability findings

Variables	Cronbach's Alpha	No of Items
Product Design	0.874	7
Information sharing	0.894	5
Transaction costs	0.851	8
Performance	0.923	5

4.4 Descriptive Statistics

4.4.1 Microinsurance Performance

The dependent variable was microinsurance performance and this was measured by 5 statements on a 5-point Likert scale as summarized in Table 4.3. Moderate agreement with the statements was shown by a 3.38 mean score and standard deviation of 1.198. Considering, the highest mean score indicated that partner-agent model had contributed to microinsurance products growth as indicated by a mean score of 3.54. This was followed by a mean score of 3.53 which means there was moderate agreement that partner-agent models had streamlined claim procedures and reduced duration for settling claims.

Table 4.3: Microinsurance performance mean and standard deviation

Statements	Mean	Std. Deviation
The partner-agent model has resulted in a positive premium growth for the company	3.18	1.141
The partner-agent model has had an influence on the firm's products in microinsurance	3.54	1.198
The partner-agent model has contributed to increased population awareness of microinsurance products and services	3.29	1.186
Partnering with agents has resulted in streamlined claim procedures and shorter claim settlement times.	3.53	1.288
The partner-agent model has a had an impact on the penetration of the firms' services and products	3.38	1.130
Overall mean score	3.38	1.198

4.4.2 Collaborative product design

Based on each statement, respondents indicated that partner-agent model allowed for design of products that enhance service quality with a mean score of 3.63 and standard deviation of 1.204 as shown in Table 4.4. This was followed by a 3.53 mean score showing moderate agreement enables that microinsurance firms were able to set appropriate insured amounts influenced by the partner-agent model. The lowest ranked item was that partner-

agent model contribution to firm’s use of simple language was dependent on influence from the partner-agent model as shown by a mean score of 3.22.

Table 4.4: Collaborative product design mean and standard deviation

Statements	Mean	Std. Deviation
The partner-agent model enables microinsurance providers to ensure design of tailor-made products that are relevant market needs	3.41	1.222
The partner-agent model has allowed the firm to distribute products via a means that is convenient for the intended market	3.33	1.265
The partner-agent model has enabled the firm to develop products that meet consumer expectations	3.34	1.357
The partner-agent model has allowed the firm to design products that enhance quality of the service	3.63	1.204
The partner-agent model enables the firm to set appropriate insured amounts	3.53	1.224
The partner-agent model has allowed the firm use of simple language in the policy documents	3.22	1.131
The partner-agent model contributed to design and creation of products and services that are more favorable than those available in the market	3.48	1.198
Overall mean score	3.42	1.229

4.4.3 Information Sharing

Table 4.5 indicates that the overall mean score was 3.52 and standard deviation of 1.209 showing moderate agreement with the items on information sharing. The items indicated that information collected by partners and agents was used in decision making was the highest ranked item with a mean score of 3.86 and standard deviation of 1.171. The second ranked item was that information from partners and agents was accessible to both parties had a 3.56 mean score and came second in ranking. The third ranked item was that

information from partners and agents was stored seamlessly among them as shown by a 3.51 mean score. The lowest ranked item was 3.24 mean score on whether there was flow of communication between partner and agent to facilitate business processes.

Table 4.5: Information sharing mean and standard deviation

Statements	Mean	Std. Deviation
There is a continuous flow of information between the partner and agent to facilitate business processes	3.24	1.183
The information collected by the partner and agent is stored seamlessly among them	3.51	1.257
The information collected by either partner or agent is easily accessible to both parties	3.56	1.163
The appropriate disclosure of product information is available to ensure clients are aware of features and conditions of products purchased	3.42	1.273
The information collected by either party is analyzed to facilitate decision making in the future	3.86	1.171
Overall mean score	3.52	1.209

4.4.4 Transaction costs

In Table 4.6, the highest ranked item was 3.83 mean scores which implies moderate agreement that partner-agent mode reduced costs in underwriting and distribution processes. There was a large different between the highest ranked item with the second ranked item which was a mean score of 3.48 which was that partner-agent model decreased operating expenses when serving the low-income market. There was moderate agreement on a 3.45 mean score which indicated partner-agent model has lowered transaction costs between product and premium collections. The lowest ranked item was 3.17 mean score was that the partner-agent model reduced client claims processing costs while a mean score of 3.27 was that partner-agent model lowered costs for distributing and reaching low-income clients.

Table 4.6: Transaction costs mean and standard deviation

Statements	Mean	Std. Deviation
The partner-agent model incurring lower costs in underwriting and distribution processes for the firm	3.83	1.198
The partner-agent model has lowered costs for distributing and reaching lower clients of the pyramid	3.27	1.347
The cost of obligatory microinsurance may rise as a result of claim processing costs under the partner-agent model.	3.42	1.141
The partner-agent model has reduced clients' claims processing costs	3.17	1.246
The partner-agent model has decreased the operating expenses of insurers serving the low-income market.	3.48	1.205
The partner-agent model has reduced transaction costs by intermediating the product and premium collection	3.45	1.217
The partner-agent model has reduced marketing costs for microinsurance services	3.43	1.359
Overall mean score	3.44	1.253

4.5 Diagnostic tests

Diagnostic tests conducted included normality tests, checking for multicollinearity and heteroscedasticity.

4.5.1 Test of Normality

Table 4.7 shows a summary of the Shapiro- Wilk test for normality for each of the variables where the p values reported were greater than 0.05 which means that the data had a normal distribution.

Table 4.7: Shapiro-Wilk

Variables	Statistic	df	Sig.
Collaborative product design	0.957	126	0.213
Information symmetry	0.944	126	0.107
Transaction Costs	0.951	126	0.085
Microinsurance business performance	0.952	126	0.062

4.5.2 Multicollinearity

Table 4.8 shows the tolerance and variance inflation factor (VIF) statistics which are used to determine whether there exists multicollinearity present in data. Multicollinearity in data means that reliability of data from a regression analysis may be deemed unreliable. The rule of thumb is in interpreting the tolerance statistic is that a value of less than 0.1 and VIF statistic that are greater than 10 indicate multicollinearity between the independent variables. In this case, this threshold was met in both cases and thereby we determine that there was no perfect correlation between the independent variables.

Table 4.8: Collinearity Statistics

Variables	Tolerance	VIF
Collaborative Product Design	0.357	2.801
Information Symmetry	0.499	2.006
Transaction Costs	0.335	2.989

4.5.3 Heteroscedasticity

A linear regression analysis was done between the independent variables and the squared residuals from which the findings in Table 4.9 were generated. In interpreting the findings, p values greater than 0.05 is desired so as to determine no heteroscedasticity problem in the data. In this case, the p value is 0.862 which is greater than 0.05.

Table 4.9: Heteroscedasticity test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.462	3	0.154	0.248	.862 ^b
	Residual	75.749	122	0.621		
	Total	76.212	125			

a. Dependent Variable: Sqresiduals

b. Predictors: (Constant), transaction costs, information sharing, collaborative product design

4.6 Correlation analysis

The Pearson correlation coefficient (r) is used to measure the way variables move and is interpreted by score between - 1 and 1 measuring association among variables. This was done for each research objective.

4.6.1 Collaborative product design and microinsurance business performance

The correlations coefficients indicate a positive and significant association between product design and performance of microinsurance as seen in Table 4.10. The results indicate a 0.689 moderate positive correlation and this was statistically significant ($p < 0.05$) implying there is a linear relationship between product design and performance of microinsurance.

Table 4.10: Collaborative product design and microinsurance performance

		Product Design	Microinsurance Performance
Product Design	Pearson Correlation	1	.689**
	Sig. (2-tailed)		.000
	N	126	126
Microinsurance Performance	Pearson Correlation	.689**	1
	Sig. (2-tailed)	.000	
	N	126	126

** . Correlation is significant at the 0.01 level (2-tailed).

4.6.2 Information sharing and microinsurance business performance

Table 4.11 shows a 0.637 positive and significant association between information sharing and microinsurance performance implying a moderate positive correlation significant at the 95 % confidence interval ($p < 0.05$).

Table 4.11: Information sharing and microinsurance performance correlations

		Information sharing	Microinsurance Performance
Information sharing	Pearson Correlation	1	.637**
	Sig. (2-tailed)		.000
	N	126	126
Microinsurance Performance	Pearson Correlation	.637**	1
	Sig. (2-tailed)	.000	
	N	126	126

** . Correlation is significant at the 0.01 level (2-tailed).

4.6.3 Transaction costs and microinsurance business performance

Table 4.12 shows a 0.682 positive and significant association between transaction costs and microinsurance performance suggesting moderate positive correlation significant at

the 95 % confidence level ($p < 0.05$) implying a linear relationship between transaction costs and microinsurance performance.

Table 4.12: Transaction costs and microinsurance performance coefficients

		Transaction Costs	Microinsurance Performance
Transaction Costs	Pearson Correlation	1	.682**
	Sig. (2-tailed)		.000
	N	126	126
Microinsurance Performance	Pearson Correlation	.682**	1
	Sig. (2-tailed)	.000	
	N	126	126

** . Correlation is significant at the 0.01 level (2-tailed).

4.7 Multiple Linear Regression Analysis

This section presents testing effect of independent variables on microinsurance business performance at the 95 % confidence level. The model summary, analysis of variance (ANOVA), and regression coefficients findings are captured in subsequent subsections.

4.7.1 Model Testing

Table 4.13 indicates the model explained 55.8% of variation in microinsurance business performance as the R^2 was 0.558 and this was significant at the 95% confidence interval ($p < 0.05$) as Table 4.10 shows. This means that collaborative product design, transaction costs, information symmetry influenced business performance of microinsurance firms by 55.8%.

Table 4.13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 ^a	.558	.0547	0.0647

a. Predictors: (Constant), Transaction Costs, Information Symmetry, Product Design

a Dependent Variable: Microinsurance business performance

b Predictors: (Constant), transaction costs, information symmetry, collaborative product

4.7.2 Analysis of Variance

Table 4.14 provides additional evidence on the statistically significance of the model in explaining changes in microinsurance business performance as the p value was less than 0.05 at the 95 % confidence level.

Table 4.14: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.440	3	21.480	51.255	.000 ^b
	Residual	51.128	122	.419		
	Total	115.568	125			

a. Dependent Variable: Microinsurance business performance

b. Predictors: (Constant), Transaction costs, information sharing, collaborative product design

4.7.3 Regression Coefficients

Table 4.15 shows collaborating on product design has greatest effect on performance as an increase in this activity would result in a 0.295 increase in performance. Information sharing had a positive effect and an increase in sharing information would result to a 0.252 increase in business performance. Transaction costs also indicated a positive effect on business performance where reduction in costs would yield a 0.195 increase in micro insurance business performance as summarized in the model.

$$0.476 = 0.295 X_1 + 0.252 X_2 + 0.195 X_3 + \varepsilon$$

Where:

Y = Microinsurance business performance

X₁ = Collaborative product design

X₂ = Information sharing

X₃ = Transaction Cost

ε = Error term

Table 4.15: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.476	.252		1.885	.062
	Collaborative product design	.295	.093	.321	3.183	.002
	Information sharing	.252	.086	.249	2.922	.004
	Transaction costs	.195	.118	.261	2.505	.001

a. Dependent Variable: Microinsurance business performance

4.8 Chapter Summary

The model indicated that microinsurance business performance was influenced by collaborating in product design, information sharing, and transaction costs by a factor of 55.8% and this was significant at the 95% confidence interval. The overall mean scores show that collaborating on product design had the highest ranking followed by transaction costs, and information sharing respectively. Correlations coefficients indicated product design, transaction costs, and information sharing had positive significant linear associations with microinsurance business performance. The regression coefficients indicated a positive and significant effect of collaborative product design, information sharing, and transaction costs on microinsurance business performance consecutively.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of this research, discussion which involved comparing and contrasting these findings with past literature review, conclusions based on research objectives, and recommendations.

5.2 Discussion of Findings

5.2.1 Effect of product design on microinsurance business performance

The results revealed a positive and significant association between collaborative product design and performance, this was confirmed by a statistically significant influence of collaborating on product design and its effect on business performance of microinsurance firms. The items on this variable revealed that the respondents were favorable to the perception that partner-agent model had an influence on the firm's products in microinsurance also in streamlined claim procedures and shorter claim settlement times. This result conforms to the core competency theory arguments. Core competency theory explains the capability of companies to integrate its action to achieve the best performance; in this case, agents and partners engagement in the areas of specialization would lead to increase performance of microinsurance business (Enginolu & Arikan, 2016).

This implies that if partners and agents in microinsurance can be able to enhance performance of the insurance subsector if both specialized in their area of expertise. Under the partner-agent model, microinsurance firms enter into contracts with smaller firms and specific-industry companies that would be able to reach low-income customers. The core competency theory arguments have been supported by empirical literature. In Tanzania, Miniani et al. (2018) found that core competencies theory predicted that if agents and partners acted in their particular areas of specialty in constructing microinsurance products, the value of microinsurance will increase.

In Kenya, Nderitu (2015) study found that insurance firms utilized their core competence of being linked to the SACCOs to acquire a competitive advantage in expanding its consumer base. Other research has shown the positive outcomes of collaborating on product design around the globe. Akter et al. (2011) results in Bangladesh revealed that a partner-agent insurance supply model was critical to the financial sustainability of weather-related microinsurance products.

There are some few studies which find that product design under partner-agent model do not contribute to better performance. One such study is Ayeh (2010) research in Ghana found that despite insurance companies and MFIs collaborating in design of funeral, credit life, and property policies; agents (MFIs) in distribution did not contribute to creating awareness on the various policies available to their clients, but rather staff of the partner (insurance company) contributed to creating awareness through frequent sensitization and marketing programs. This was also found in Kenya, as Gikonyo (2010) found no statistically significant effect of growth in products distributed, premium paid, clients claims paid, customers enrolled, agents' commission paid through mobile phones to microinsurance growth.

5.2.2 Effect of information sharing on microinsurance business performance

The findings revealed a positive and significant association between information sharing and performance. The findings do not support the information asymmetry theory as respondents shared that information collected by either parties was analyzed to facilitate decision making, was accessible to both parties, and was stored seamlessly among both parties. According to the theory, the knowledge that individuals possess is essential, as are the decisions they may make based on that information. The condition of information asymmetry occurs when one partner in a relationship has more or better information than the other (Akerlof, 1970). Thus, the study findings do not support this argument.

Other research confirms these findings including Miniani et al. (2018) research that found information exchange between partner and agent staff members, as well as partner compliance contributed to streamlined claim procedures, decreased claim settlement length, product tangibility, and acceptable feedback mechanisms to customers which

consequently led to overall performance of microinsurance. Likewise, Heenkenda (2016) found that partner-agent model was sufficient in sharing information with the partner (insurance firm) and also with the consumers leading to better performance of the companies in Sri Lanka. In Nigeria, Nigeria, Ajemunigbohun et al. (2013) found that lack of accessibility to products and services was attributed to inadequate information among agents who were mandated to distribute the microinsurance products.

Biener and Eling (2012) findings from a survey of 131 studies found that one of the most serious issues for microinsurance originates from information asymmetries. In Kenya, Onduso (2014) established that microinsurance firms used strategies for creating collaboration with civil society organisations (CSOs) as mediating agents that acted and represented the targeted clients in extending insurance to the poor. This collaboration contributed to microinsurance firms benefitting from information advantages.

5.2.3 Effect of Transaction Costs on Microinsurance Business Performance

The findings on the third objective revealed a positive and significant association between transaction costs and business performance of microinsurance. The results confirm arguments of the transaction cost theory (TCT) that entering into contracts with other companies can allow for better performance by reducing costs of some of their operations. By entering into contracts with agents, microinsurance firms aim to reduce the costs involved in distributing and marketing products to their consumers who are poor and thus the main objective is to have cheap and accessible products and these can be achieved by reducing costs in delivering these products by engaging agents.

According to Thornton et al. (2009), expenses from transaction such as processing claims raised the costs of microinsurance further excluding low-income individuals from these products. According to Miniani et al. (2018), as MFIs move claims closer to the consumers, the partner-agent model approach is anticipated to cut client travel and claims processing expenses. The partner-agent model is also expected to lower insurers' transaction and operating costs associated with serving the low-income market, thus raising premiums and other extra charges paid to consumers.

The findings corroborate research which has found a positive association between information sharing and performance. These include Hart (2020) findings that most microinsurance companies have had negative experiences due to high transaction costs; in order to reduce these transaction costs, the partner-agent model with MFIs and NGOs was the most commonly used model resorted to so as to enhance their performance. Several studies from around the globe indicate that microinsurance subsector face transaction costs which impede on their overall performance. These include Chummun and Bisschoff (2013) conclusion that commercial success in the microinsurance market was unsatisfactory to high transaction costs.

Saqware (2012) concluded that if insurance companies can lower their costs, they will see more demand and be able to build a long-term company that benefits their customers. Locally, Gitau (2013) arrived at the conclusion that growth of microinsurance was limited since the target market cannot pay high costs while yet requiring high-quality products to meet their demands. The recommendations from these studies was that microinsurance actors should focus on reducing transaction costs to witness better performance and this is possible by entering into partner-agent model.

5.3 Conclusion

Insurance is a form of protection from emergency shocks from death, destruction of property, or life, however, majority of Kenyans have no access to insurance coverage. Despite tailored solutions offered by microinsurance, its performance has been less than expected. This study examined effects of collaborative product design, information sharing, and transaction costs.

The study was anchored on Core Competency, Transaction Cost, and Information Asymmetry theories. Adopting a correlational research design, the study targeted the 8 microinsurance as the units of analysis and 203 management staff as the units of observation from which a sample size of 136 was calculated. A structured questionnaire was used for collecting data and its reliability was tested using internal consistency measure of Cronbach Alpha from which the items were found to be reliable. Descriptive, correlation, and multiple linear regression analysis were adopted.

Analysis revealed microinsurance business performance was influenced by collaborating in product design, information sharing, and transaction costs by a factor of 55.8% and this was significant at the 95% confidence interval. The mean scores show that product design had the highest scores followed by transaction costs, and information sharing respectively. Correlations coefficients indicated moderate correlation of product design, transaction costs, and information sharing had positive and significant linear associations among variable with microinsurance business performance. Moreover, hypothesis testing done using ANOVA indicates that there was a positive and significant and effect of collaborative product design, information sharing, and transaction costs on microinsurance business performance.

5.3.1 Effect of Product Design on Microinsurance Business Performance

There was a positive and significant effect of collaborative product design on performance; therefore, the study concluded that collaborative product design had the greatest effect on microinsurance business performance in Kenya.

5.3.2 Effect of Information Sharing on Microinsurance Business Performance

There was a positive and significant effect of information sharing on performance. Therefore, the study concludes that among the three factors, information sharing had the second greatest effect on microinsurance business performance in Kenya.

5.3.3 Effect of Transaction Costs on Microinsurance Business Performance

There was a positive and significant effect of transaction costs on performance. Therefore, the study concludes that among the three factors, transaction costs had the least effect on microinsurance business performance in Kenya.

5.4 Contribution to Knowledge

The interest from researchers on microinsurance is not new. However, much of this interest has been on determinants of its performance, penetration, uptake, and challenges facing the subsector. This study makes significant contribution to the influence of partner-agent model on performance of microinsurance given that this is the widely used model of distributing products to the low- and middle-income households. The study findings on importance of collaborating with agents in designing products, sharing information, and

reducing transactional costs for consumers provides insightful information for managers to consider in an effort to enhance their firm performance and also provide affordable insurance products to clients.

5.5 Recommendations

5.5.1 Recommendations for Practice

First, collaborative product design had a positive effect on microinsurance business performance. The study recommends that partners and agents should distribute products through a means that is convenient to clients by developing products that meet consumer expectations. This can be achieved by conducting continuous market surveys to collect information on the needs and expectations of their intended clients.

Secondly, information sharing had a positive effect on microinsurance business performance; therefore, the study recommends that partners and agents should make a concerted effort to enhance continuous flow of information to facilitate affordable pricing of product. This can be achieved by continuous employee training to enhance understanding of the value of consumer feedback which can be used to continuously refine services, products, and processes.

Thirdly, a positive relationship between information sharing and performance was established; therefore, it is recommended that microinsurance firms should make an effort to reduce the clients' claims processing costs by lowering costs for distributing and reaching lower clients. This can be achieved by partners using agents' offices and staff to deliver microinsurance products.

5.5.2 Recommendations for Policy

The Microinsurance Regulations (2020) govern the sector, nevertheless, this policy does not mention guidelines for the partner-agent model which most organizations have adopted to provide product and services to consumers. Therefore, there is a need for policy to consider introducing regulations and guidelines for microinsurance firms to adopt when establishing partnerships with agents.

There is need for guidelines for collaborating on product designing in the microinsurance sector. The Microinsurance Subsidiary Regulations (2020) stipulate that microinsurance companies shall seek approval from IRA for approval and when changing product features. During this process, the authority can take steps to ensure that partner and agents collaborate on design of products.

In regard to information sharing, there is need for policy and guidelines for microinsurance firms to adopt reliable information technology platforms that can create successful channels for real time transmission of information and have effective operational processes among partners and agents. These ICT platforms should be implemented across the whole value chain from sales to claim settlements.

In terms of transaction costs, there is a need for policy to support microinsurance firms to be able enhance rates of penetration and products affordability for low to medium income households. Such policies would include tax incentives for firms operating in the sector to reduce their operational costs and thus lessen the burden of costs for consumers. This can also be achieved by loosening the tight licensing requirements for brokers and agents, and limits on the amount of management expenses and commissions.

5.6 Areas for Further Research

This study looked into effect of partner-agent business model on business performance of micro-insurance firms in Kenya; however, there exists other models namely: community-based models, full-service models, and provider models. There is need for further research on these models and their influence on performance of microinsurance subsector. There is need for further research on how firms collaborate in product design, how they share information, and what steps they are taking to reduce transaction costs. Such as study would be undertaken using a qualitative approach so as to gain in-depth knowledge from professionals in the partner and agent spectrum.

There is a need for future research to undertake a comparative study on the performance of microinsurance firms based on the agent relationships they use to distribute their products. Such a study would compare how partnering with SACCOs, MFIs, or mobile telecommunication firms has contributed to performance.

5.7 Limitations of the Study

The 8 microinsurance firms registered and regulated by the IRA and do not include other microinsurance firms and products not under this regulation; thus, findings may not be generalizable to all microinsurance products and firms operating in Kenya. Secondly, management staff is targeted in this study and staff not in this level was excluded. Thirdly, the study is limited to the subjective measures of performance which are based on opinions and perceptions of respondents and does not use objective measures found in financial reports. Additionally, the study collects data from microinsurance service providers and does not collect information from agents of these firms and thus the findings can only be generalized to the microinsurance firm.



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Appendices

Appendix 1: Letter of Introduction

Dear respondent,

My name is Faith Birech, a student at Strathmore University pursuing a Master of Science in Development Finance for which I am undertaking a research project titled “**THE EFFECTS OF PARTNER-AGENT BUSINESS MODEL ON BUSINESS PERFORMANCE OF MICROINSURANCE FIRMS IN KENYA**”. You have been selected to participate in this study and are kindly requested to answer the questions in attached honestly and truthfully.

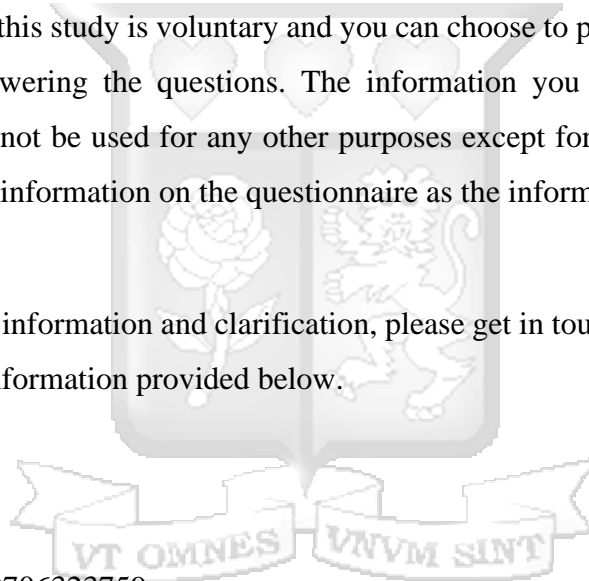
Your participation in this study is voluntary and you can choose to participate or withdraw in the course of answering the questions. The information you provide will be kept confidential and will not be used for any other purposes except for this research. Do not show any identifying information on the questionnaire as the information provided should be anonymous.

If you need any other information and clarification, please get in touch with the researcher through the contact information provided below.

Faith Birech

Telephone Number: 0706323759

Email: faithbirech@gmail.com



Appendix 2: Informed Consent Form

Title of Study: The effects of Partner-Agent Business Model on Business Performance of Microinsurance Firms in Kenya.

Principal Investigator

Faith Birech

School Of Business, Strathmore University,

Ole Sangale Road, P.O. Box 59857 – 00200

City Square, Nairobi, Kenya

Telephone Number: 0706323759

Email: faithbirech@gmail.com

Purpose of the Study

You are being asked to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. Please read the following information carefully. Please ask the researcher if there is anything that is not clear or if you need more information. The purpose of this study is to gather information on the influence of partner-agent model on performance of microinsurance business.

Study Procedures

You will be required to fill out a questionnaire that will be administered by data enumerators recruited to drop-and-pick at your organization in a week's time.

Risks

There are no foreseeable risks to you in taking part in this research. The principal investigator will not be liable for any health issues, physical or psychological, which may arise during the data collection process.

Benefits

There will be no direct benefit to you for your participation in this study. However, we hope that the information obtained from this study may assist policy makers in enhancing design and implementation of graduate management training in commercial banks.

Confidentiality

Your responses to this questionnaire will be anonymous. Every effort will be made by the researcher to preserve your confidentiality including assigning code names/numbers for participants that will be used on all research notes and documents.

Contact Information

If you have questions at any time about this study, you may contact the researcher whose contact information is provided on the first page. If you have questions regarding your rights as a research participant, or if problems arise which you do not feel you can discuss with the Primary Investigator, please contact the Strathmore University Institution Review Board at Tel (+254) 703-034-363.

Voluntary Information

Your participation in this study is voluntary. If you decide to take part in this study, you will be asked to give verbal consent to be interviewed. After giving verbal consent form, you are still free to withdraw at any time and without giving a reason. Withdrawing from this study will not affect the relationship you have, if any, with the researcher. If you withdraw from the study before data collection is completed, your data will be returned to you or destroyed.

Consent

I have read, and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Signature:

Date:

Appendix 3: Ethical Approval



19th January 2023

Ms Birech Faith,
cherono.birech@strathmore.edu

Dear Ms Birech,

RE: Effect of Partner Agent Business Model on Performance of Micro-Insurance Firms in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-master's** research proposal. Your application reference number is **SU-ISERC1479/22**. The approval period is from **19th January 2023 to 18th January 2024**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, and 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 48 hours of notification
- iv. Any changes, anticipated or otherwise, that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 48 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,


for: **Dr Ben Ngoye,**
Secretary; SU-ISERC


Cc: Prof Fred Were,
Chairperson; SU-ISERC



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Email admissions@strathmore.edu www.strathmore.edu


Appendix 4: Research Permit


REPUBLIC OF KENYA


**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **855833** Date of Issue: **02/March/2023**


RESEARCH LICENSE




This is to Certify that Miss., FAITH CHERONO BIRECH of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF PARTNER AGENT BUSINESS MODEL ON PERFORMANCE OF MICRO- INSURANCE FIRMS IN KENYA for the period ending : 02/March/2024.

License No: **NACOSTI/P/23/23897**

855833
Applicant Identification Number


Director General
**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
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Scan the QR Code using QR scanner application.**

See overleaf for conditions

Appendix 5: Questionnaire

Section 1: Collaborating product design

The table below presents some statement related to collaborating in product design and you are asked to show to what extent you agree with the statements.

Statements		Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree
1	The partner-agent model enables microinsurance providers to ensure design of tailor-made products that are relevant market needs					
2	The partner-agent model has allowed the firm to distribute products via a means that is convenient for the intended market					
3	The partner-agent model has enabled the firm to develop products that meet consumer expectations					
4	The partner-agent model has allowed the firm to design products that enhance quality of the service					
5	The partner-agent model enables the firm to set appropriate insured amounts					
6	The partner-agent model has allowed the firm to use of simple language in the policy documents					
7	The partner-agent model contributed to the design and creation of products and services that are more favourable than those available in the market					

Section 2: Information sharing

The table below presents some statement related to information sharing aspects and you are asked to show to what degree you agree with these statements.

Statements		Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree
8	There is a continuous flow of information between the partner and agent to facilitate business processes					
9	The information collected by the partner and agent is stored seamlessly among them					
10	The information collected by either partner or agent is easily accessible to both parties					
11	The appropriate disclosure of product information is available to ensure clients are aware of features and conditions of products purchased					
12	The information collected by either parties is analysed to facilitate decision making in the future					

Section 3: Transaction costs

The table below presents some statement related to transaction costs of microinsurance and you are asked to show to what extent you agree with the statements.

Statements		Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree
13	The partner-agent model incurring lower costs in underwriting and distribution processes for the firm.					
14	The partner-agent model has lowered costs for distributing and reaching lower clients of the pyramid					

15	The cost of obligatory microinsurance may rise as a result of claim processing costs under the partner-agent model.					
16	the partner-agent model has reduces clients' claims processing costs					
17	The partner-agent model has decreased the operating expenses of insurers serving the low-income market.					
18	The partner-agent model has reduced transaction costs by intermediating the product and premium collection					
19	The partner-agent model has reduce marketing costs for microinsurance services					
20	The partner-agent model has reduced the firms' transaction costs when selling the microinsurance products					

Section 4: Microinsurance performance

The table below presents some statement related to the performance of microinsurance and you are asked to show to what degree you agree with the statements.

Statements		Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree
21	The partner-agent model has resulted in a positive premium growth for the company					
22	The partner-agent model has had an influence on the firm's products in microinsurance					
23	The partner-agent model has contributed to increased population awareness of microinsurance products and services					

24	Partnering with agents has resulted in streamlined claim procedures and shorter claim settlement times.					
25	The partner-agent model has a had an impact on the penetration of the firms' services and products					



Appendix 6: Sample Size Table

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970