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**FACTORS AFFECTING UPTAKE OF GENERAL INSURANCE IN KENYA: A
CASE OF SMALL AND MEDIUM ENTERPRISES IN GIKOMBA MARKET,
NAIROBI CITY COUNTY, KENYA**

PAUL SEWE

REG: 150130

**RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF COMMERCE AT
STRATHMORE BUSINESS SCHOOL, STRATHMORE UNIVERSITY**

STRATHMORE BUSINESS SCHOOL

STRATHMORE UNIVERSITY

NAIROBI, KENYA

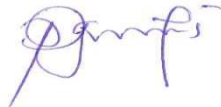
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DECLARATION

I declare that this is original work and has not been presented and approved for the award of a degree by this or any other higher learning institution. As far as I know and believe, the research project does not include any content that has been previously published or authored by someone else, unless proper citation is provided.

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Name of Candidate: Paul Sewe



Signature:

Date: **20-05-2025**

Approval

This research project was reviewed and approved for examination by:

Supervisor: Dr. Farida Abdul

Faculty Affiliation: SBS

Institution: Strathmore University

Signature:



Date: **20-05-2025**

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ABSTRACT

Insurance plays a critical role in risks management through risk pooling. However, in the year 2022, Kenya insurance penetration was 2.17% and major insurable risk events have happened causing enormous losses to businesses. It is therefore evident that majority the businesses affected by these frequent incidences like fires and burglaries in the recent past have been lacking insurance protection thereby affecting their recovery processes. This study sought to establish factors affecting uptake of general insurance in Kenya by doing a case study small medium enterprises (SMEs) operating within Gikomba Market, Nairobi City County, Kenya. The specific objectives of the study were to determine the effect personal characteristics, insurance products characteristics and insurance regulatory framework on the uptake of general insurance in Kenya. Descriptive cross sectional survey design was adopted. Businesspeople from different enterprises were sampled at the same time. The sampling frame comprised of all 4201 SME traders registered with the Nairobi City County through application of trading licenses. Stratified Simple random sampling method was used to select a total of 365 respondent from the population. Primary data was collected through a questionnaire which contained closed ended questions to standardize responses. Collected data was inspected for completeness and necessary editing done to ensure accuracy, consistency, and completeness. Incomplete data was set aside to limit distortion of the results. The study used descriptive statistics for quantitative data that included means generation, frequencies, standard deviation, and percentages to help generalize the findings. Tables and figures were used to present the data. Correlation analysis was done using Spearman rank. The three factors collectively explained significant variation in the uptake of general insurance. A one-unit increase in Personal Characteristics is associated with a significant unit increase in the Uptake of General Insurance. A one-unit increase in Insurance Product Characteristics is associated with a significant unit increase in the Uptake of General Insurance. A one-unit increase in Regulatory Framework is associated with a significant unit increase in the Uptake of General Insurance. The study recommended that SME operators need to improve their financial literacy skills to fully grasp the essence and importance of general insurance. Insurance companies need to expand their product offerings to include diverse insurance packages that cater to the unique needs of SMEs in Gikomba Market. Insurance companies and agencies should ensure active collaboration with regulatory authorities to address emerging issues and collaboratively develop innovative solutions.



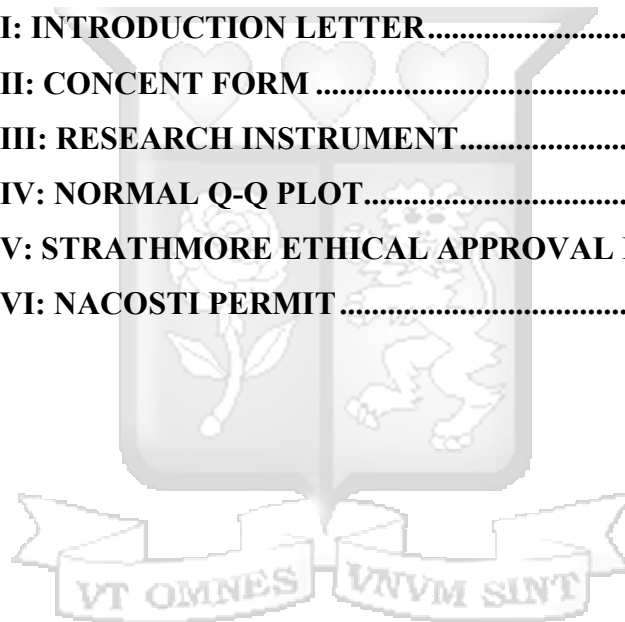
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DEFINITION OF TERMS

Small and medium enterprises (SME): These are businesses with ten to one hundred employees with sale turnover ranging from Kes.500 000 to Kes.800 million (Otieno, 2019).

General Insurance: is usually characterised as any kind of insurance that is not specifically named as life insurance. Examples of these policies include those that cover theft and burglary, aviation insurance, livestock, crops, fire, accident and miscellaneous, motor, health, travel insurance, domestic package, and marine insurance (Al Ghiza, 2024).

Personal characteristics: refer to the individual attributes, traits, and qualities of business owners within the SMEs sector that influence their decision-making regarding the purchase and utilization of general insurance products. These characteristics may include the proprietor's risk perception, financial literacy, awareness of insurance benefits, business acumen, and overall attitude toward insurance (Khokhar, Pandey & Kaur, 2022).

Insurance product characteristics: refer to the distinctive features and attributes of insurance offerings that influence their appeal, relevance, and adoption by individuals and businesses. These characteristics play important role in shaping process of making decisions by potential policyholders. They include premium rates, Coverage Scope, Policy Terms and Conditions, Claims Process, Customer Support and Service (Odinokova & Dvoryadkina, 2020).

The insurance regulatory framework refers to the body of rules, regulations, and guidelines put in place by the industry regulating agency to govern and oversee the insurance business. This framework plays a crucial role in shaping the industry operations, protecting policyholders' interests, and ensuring the stability and integrity of the insurance market. They include Consumer Protection, Product Approval, Licensing and Authorization (Mumtaz, Macauley & Cotter. 2022).

Insurance uptake: refers to the extent to which individuals, businesses, or other entities in the country acquire and actively participate in general insurance coverage. It is a measure of the adoption and utilization of insurance products and services to mitigate financial risks and uncertainties associated with various

aspects of life, property, and business operations (Ng'ambi, Banda & Mfutso-Bengo, 2023).



LIST OF ABBREVIATIONS

AKI	Association of Kenya Insurers
ANOVA	Analysis of Variance
CPV	Customer Perceived Value
GDP	Gross Domestic Product
IRA	Insurance Regulatory Authority
IRDA	India Regulatory and Development Authority
NACOSTI	National Commission for Science Technology and Innovation
NHIF	National Hospital Insurance Fund
U.S. A	United States of America
SME	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
VIF	Variance Inflation Factor
WII	Weather Index Insurance



CHAPTER 1: INTRODUCTION OF THE STUDY

1.1 Background Information

Insurance plays a major role in risk management and therefore helps businesses to cope up with the financial constraints arising from uncertain or unexpected risks. The idea behind it is risk pooling, which means that people or companies that have similar risk exposures pay a consideration called premiums to insurance companies in return for financial protection in the event of happening of insured risks like fire, theft, accidents or natural catastrophes (Hoyt & Liebenberg, 2011). This is essentially spreading of risks across a broad group of policyholders, hence insurance companies ensure that individuals or businesses can recover from losses without experiencing devastating financial setbacks (Cummins & Weiss, 2014).

There are several types of insurance, categorized based on the nature of risk they cover. Life insurance provides financial protection to the beneficiaries in case of the policyholder's death. Health insurance provided coverage for medical expenses arising from illnesses, injuries, or other health-related conditions. General insurance, also known as short term insurance, includes various types such as fire, theft, motor vehicle, property, liability, and business insurance (Al Ghiza, 2024).

For businessmen operating in high-risk environments, general insurance, particularly fire, theft, and business interruption insurance, is crucial for mitigating losses and ensuring continuity of operations (Hoyt & Liebenberg, 2011). Insurance promotes financial security by protecting individuals and businesses from significant losses due to accidents, natural disasters, or theft. Insurance ensures resilience by safeguarding assets, stabilizing cash flow, and facilitating recovery after a loss. Furthermore, it enhances investor and lender confidence, as it assures stakeholders that businesses are protected against potential financial distress. In addition, insurance contributes to economic growth by enabling risk-sharing, reducing uncertainties, and encouraging investments in various sectors (Siloya, 2022).

According to Swiss Re Sigma No. 3/2024 report, the global direct written premiums grew by 6.1% in 2023. Specifically, global general insurance premiums grew by 7.6% during the same year. The United States of America and China dominate the world insurance market, accounting for 55% of the world premiums. Africa's insurance market premiums amounted to a paltry USD 63.6 billion which translates to 0.9% of the worlds total premiums of USD 7.19 trillion. The report further ranked Kenya market as 4th in Africa after South Africa, Morocco and Egypt.

Gross direct premiums in Kenya indicates that Nairobi county accounts for 82.1% of the total gross direct premiums in Kenya and the county has consistently accounted for the highest industry premiums since 2017 (IRA 2023). This clearly shows that Nairobi County plays a significant role in the uptake of insurance in Kenya.

The insurance market in Kenya is regulated and supervised by IRA. The IRA is a statutory government agency established under the Insurance Act, CAP 487 of the Laws of Kenya with a mandate to regulate, supervise and develop the insurance industry. IRA has Board of Directors that have the responsibility of overseeing its operations. IRA periodically issues insurance circulars, organises stakeholders workshops and consumer educations. These efforts specifically aim to improve the uptake of insurance in the country.

The Kenyan insurance market comprises of 56 insurance firms , including the running liaison offices in Kenya of overseas reinsurance companies, 1 Micro Insurance Company, 5 reinsurance companies, 14,279 intermediaries which are insurance brokers, insurance agents and bancassurance agencies. There are also 17 claims settling firms and 298 various registered service providers (IRA 2023).

1.1.1 Uptake of General Insurance

According to Ayieko and Ngugi (2019), insurance uptake is defined as the proportion of a target population actively engaging with insurance products through regular premium payments and claims utilization, influenced by accessibility, affordability, and trust in insurers. This concept is further refined by Bhattachary (2023), who emphasize behavioral and institutional factors such as risk aversion, perceived fairness of insurers, and previous experience with financial institutions as central to insurance adoption in developing markets. Similarly, Dercon et al. (2012) argue that limited trust in insurance providers, even when products are subsidized or well-designed, can significantly hinder uptake. Chishala, Musawa and Kabwe (2018) provide experimental evidence from India showing that lack of understanding, limited product awareness, and low financial literacy contribute to poor enrollment, even when insurance is offered at a discount. Foya and Ncube (2023) noted that poor households often prioritize immediate consumption needs over long-term risk mitigation, which affects uptake decisions. Liu, Wang and Chen (2020) identified availability of suitable products, claims processing efficiency, and regulatory protection as essential supply-side drivers. Additionally, Djomo and Koudjou (2021) argued that insurance uptake should be assessed not only by policy count or coverage rate, but also by retention, claim activity, and the overall value experienced by clients.

General insurance uptake in Kenya is a critical facet of risk management and business sustainability. Kenya's vibrant trade activities, has faced various challenges such as fires, theft, and market uncertainties (Luvisia & Nzulwa, 2018). Insurance serves as a safeguard against losses resulting from accidental occurrences like fires or theft. These events, unfortunately, have been frequent prompting businesses to recognize the need for financial protection (Mugambi, 2022). The definition of insurance uptake in this scenario goes beyond mere participation; it signifies a strategic decision to actively seek and invest in insurance products that responds to their unique risks. This involves deliberate effort to mitigate potential disruptions of business operations, ensuring a level of resilience that contributes to the overall economic stability of Gikomba Market (Chege, Onyango, Lundy & Kabach, 2023).

Estimating the general uptake of insurance involves various indicators, including increases in insurance GWPs for specific categories and the rise in insurance uptake. Empirical studies have highlighted how these measures are used and the factors informing them. In a study conducted by Cummins and Weiss (2014), increases in GWP for fire insurance were used as indicators of heightened demand for protection against fire-related risks. Factors informing this measure included changes in building codes, regulatory requirements, and awareness campaigns promoting fire safety measures (Musonda & Chowa, 2022).

Whereas insurance uptake level is the extent to which individuals or entities within a specific group or market actively purchase and utilize insurance products, it is a more focused measure of the adoption of insurance within a particular segment (Munene, 2021). However, Insurance Penetration Rate is computed by dividing the total insurance premiums (both life and non-life) by the country's GDP and then multiplying by 100 to get the percentage. It provides an overall assessment of the insurance industry's significance in the economic context of a country (Siloya, 2022).

The global general insurance uptake rate has been estimated to be around 2.5% to 3%, with significant variations across different regions and countries. The global insurance market was expected to have grown by 1.1% in real terms in 2023, following a slight decline in 2022. The U. S. A remained the dominant insurance market by far in 2023, standing strong with a global topping of 12% insurance penetration rate, meaning 12% of its GDP flows into this safety net with an uptake of 11.6% in 2022 (Statista, 2024). The 11% increase in Mexico's total insurance penetration rate is much higher than the 7.5% increase in the country's nominal GDP. Generally, insurance adoption is higher in developed countries compared to developing markets. However, emerging markets, especially in Asia, are posting significant growth in the insurance sector (Singhal, Goyal & Singhal, 2020).

In Europe, Britain's insurance penetration rate is estimated at 14%, cloaking half its citizens in \$520 billion of protection with an uptake of 10.5%. In Scandinavia's countries, Sweden, stands tall with a robust 17% insurance penetration, shielding two in three citizens with \$180 billion with an uptake of 9.3%. France's insurance tapestry boasts a vibrant 11%, with \$440 billion safeguarding one in three citizens with an uptake of 8.7%. Italy's insurance tapestry weaves a 5.5% safety net, sheltering one in five citizens with €150 billion of protection with an uptake of 8.0% (Statista, 2024). Germany's insurance shield shines at 5.8% penetration, a fortress of €180 billion safeguarding nearly one in six with an uptake of 5.9%. Spain's 7.8% insurance penetration drapes one in five with €110 billion protection with an uptake of 4.9%. Portugal's shield glistens with 4.5% penetration rate, one in four sheltered by €23 billion with an uptake level of 4.6%. Norway, a 13% fortress - \$130 billion guarding two in three with an uptake rate of 4.0%. Turkey has 4.5% insurance penetration rate with an uptake of 1.5%, yet gaps remain. Russia's vast embrace, a 2.6% insurance penetration with \$62 billion with one in ten find solace and uptake level of 0.9% (Statista, 2024).

In Asia, Taiwan demonstrated a notable insurance penetration rate of 9.7% of the country's GDP with an uptake level of 11.4%. South Korea exhibited a substantial insurance penetration rate, reaching approximately 7.1% of the country's GDP with an uptake level of 11.1%. Japan demonstrated a robust insurance penetration rate, standing at around 7.3% of the nation's GDP with an uptake level of 8.2%. India exhibited a moderate insurance penetration rate of approximately 3.76% of its GDP with an uptake level of 4.0%. China, in 2020, demonstrated a notable insurance penetration rate of around 4.5% with an uptake level of 3.9%. Indonesia exhibited an insurance penetration rate of approximately 1.7% with an uptake level of 1.4%. In addition, a study prepared by Bhattacharya (2023) for the IRDA reveals that the insurance markets in India are exhibiting noticeable development, necessitating insurers to use creative strategies to attain long-term success. Indian insurance penetration is 5.2%, which is somewhat lower than that of other Asian nations like Japan 9.9%, South Korea, and Singapore (Bhattacharya, 2023).

Statista (2022) further notes that on average the micro-insurance coverage ratio in Africa stands at 5.4% with South Africa having the highest insurance uptake at 11.3%. Egypt recorded insurance penetration rate of 1.5% shield rising over one in ten with \$10 billion safeguard and an uptake level of 0.6%. Nigeria has insurance penetration rate of 3.8% shield, ₦4 trillion guarding one in five with an uptake level of 0.4%. Statista (2022) reports that despite Africa having an 17% of the estimated world population, has not more than 1% of its population having insurance coverage because of poorly developed insurance industries, low

income, lack of knowledge about insurance products and their importance, poor regulatory environment, lack of a supportive culture and demographic characteristics of the households.

Government initiatives, including microinsurance products, have been introduced to address these barriers, but uptake remains slow. In Zambia, research by Chansa and Phiri (2023) indicates that SME insurance adoption is influenced by regulatory policies and economic conditions. The Pensions and Insurance Authority (PIA), Zambia's insurance regulator, has implemented awareness campaigns to promote SME insurance, yet penetration remains low, with most businesses relying on informal risk-sharing mechanisms. Limited access to financial services and a lack of tailored insurance products further hinder insurance uptake in Zambia's SME sector.

As of the year 2022 available data, the insurance penetration rate in East Africa remains relatively low, standing at around 2.8%. This figure reflects the percentage of insurance premiums to the combined GDP of the East African countries. Deloitte (2021) reported that in East Africa, Tanzania had the lowest insurance penetration rate at 0.5%, Uganda at 1%. While the region has seen some growth in the insurance sector, several factors contribute to the modest penetration rate, including low awareness, limited access to insurance products, and challenges related to affordability. As East Africa continues to experience economic development and improved awareness about the importance of insurance, there is potential for the penetration rate to rise, providing greater risk protection and financial resilience to individuals and businesses across the region.

The Insurance Outlook Report (2022) shows that Kenya, leads other East Africa countries, but still has a low insurance penetration rate, with the sector reporting a meagre 2.17% penetration rate in 2021 compared to a global average of 7%. The penetration rate suggests that there are still untapped opportunities for insurance growth. The government's efforts to enhance financial inclusion, coupled with the insurance sector's focus on reaching underserved segments, are contributing factors to the gradual improvement in penetration. As Kenya's economy develops and consumer awareness increases, the insurance penetration rate is expected to rise, providing greater risk protection and financial security for individuals and businesses across the country.

The level of insurance uptake rate in Kenya is influenced by various factors. One significant challenge is the limited awareness and knowledge of insurance products on offer by insurance companies (Yego, Nkurunziza & Kasozi, 2023). Access to insurance services also presents a substantial hinderance. Affordability of insurance products is a critical concern affecting

insurance adoption. Many people in Kenya face economic challenges and allocating funds for insurance premiums may not be a priority (Otieno, Wanjau, Ghosh, Chilambe, & Girvetz, 2023). The common perception that insurance is an additional financial burden rather than a protective measure further hinders adoption, particularly among low-income individuals and households. Regulatory challenges and a lack of trust in insurance providers also contribute to the low uptake rate. Socio-economic factors are major contributors of the low insurance uptake. Low-income levels, competing financial priorities, and a preference for immediate financial needs over long-term protection contribute to the reluctance to invest in insurance (Mugambi, 2022).

Harrington (2016) investigated increases in GWP for theft insurance, linking them to rising concerns about theft-related risks and changes in security protocols. Factors such as crime rates, security measures, and advancements in theft prevention technologies informed this measure. Harrington (2016) also explored increases in GWP for workmen compensation insurance, attributing them to changes in labour regulations, workplace safety standards, and trends in occupational health and safety practices within industries.

In this study, insurance uptake is conceptualized as the extent to which SMEs Market engage with and utilize insurance products to mitigate business risks. It represents the level of awareness, adoption, and sustained use of general insurance policies by SMEs to safeguard against financial losses arising from various uncertainties such as fire, theft, and market disruptions (Chege et al., 2023). The operationalization of this variable involves measuring several key indicators, including the adoption rate, which refers to the proportion of SMEs that have at least one active general insurance policy, and the insurance coverage level, which assesses the diversity and extent of insurance policies subscribed to, such as fire, theft, and business interruption insurance (Statista, 2024). Another crucial measure is premium payment consistency, which examines the frequency and regularity of premium payments made by insured SMEs, ensuring continued protection (Wanga, 2023). Additionally, claims utilization and processing efficiency are evaluated by analyzing the number of claims filed, the speed of claim settlements, and the level of satisfaction with the claims process (Deloitte, 2023). Lastly, awareness and perception are measured by assessing SMEs' knowledge of available insurance products, their perceived benefits, and their trust in insurance providers (Yego, Nkurunziza & Kasozi, 2023). These indicators provide a structured approach to assessing the degree of insurance uptake and allowing for a thorough analysis of the factors shaping businessmen engagement with general insurance.

1.1.2 Factors Affecting General Insurance Uptake

Several studies have been conducted to determine the factors that affect the uptake of general insurance in developing countries such as Kenya. Research by Kamara and Makori (2017) to establish the determinants of uptake of insurance among SME in Kenya tested the influence of access to finance and business information services. This study concluded that access to finance was the most important factor that affects insurance uptake. The study further recommended further studies to determine how strategic legal framework would affect the uptake of insurance services. This study focused on the three factors affecting insurance uptake namely, proprietors personal characteristics, insurance product characteristics and the regulatory framework.

Personal characteristics which have been identified in other studies as influential when making purchase decisions, includes personal income, financial literacy, personal risk perception and personal values. Research by Chepchirchir et al. (2020) found that household income levels significantly impact insurance uptake among SMEs proprietors in Kenya. Income provides the financial capacity to afford insurance premiums and prioritize risk management strategies. Evidence by Mutiso and Nyakundi (2017) indicates that the level of financial literacy among proprietors in Kenya influences their ultimate understanding of insurance products and their ability to assess the benefits of insurance coverage. Research by Ayieko and Ngugi (2019) suggests that proprietors who involve their spouses or family members in the process of making critical decisions are more likely to prioritize insurance as a risk management tool, particularly for protecting family assets and livelihoods. A Study by Ongala (2016) indicates that perceptions of insurance as a costly or unnecessary expense can deter people from purchasing insurance, even though there are potential benefits associated with insurance. However, effective communication and education efforts that address misconceptions and highlight the value of insurance can positively impact proprietor perceptions and increase insurance uptake.

Personal characteristics were selected as key factors because they directly influence an individual's decision-making process regarding insurance. Factors such as income levels, financial literacy, personal risk perception, and cultural values determine not only whether a person can afford insurance, but also whether they understand its benefits and perceive it as necessary. For example, Chepchirchir et al. (2020) showed that higher household income among SMEs led to greater insurance uptake, while Mutiso and Nyakundi (2017) linked financial literacy to better comprehension of insurance products. Ayieko and Ngugi (2019) added that family involvement in decisions improved adoption rates. These findings justify

the inclusion of personal characteristics, as they form the foundational lens through which individuals assess the relevance and necessity of insurance.

Insurance products characteristics effectively includes product pricing, product awareness, product portfolio mix and product accessibility. Research by Mesfin (2021) suggests that affordability is a key determinant of insurance uptake consumers. Higher premium rates or perceived costliness bars potential policyholders from purchasing insurance, particularly among low-income individuals and micro-enterprises. Study by Nderitu, Kung'u and Gichuh (2018) indicate that limited awareness about insurance products contributes to low uptake rates in Kenya. Damtew and Muraguri (2021) conducted research Kenya's industry dynamics influence on the insurance penetration and highlight the significance of offering a diverse insurance products portfolio specifically customised to meet the needs of different customers needs. Luvisia and Nzulwa (2018) did a study to know the factors that impact the general insurance services penetration within Nairobi, Kenya. It emphasized the importance of expanding distribution networks and leveraging technology, such as mobile insurance platforms, to improve accessibility and convenience for consumers. It further suggested future study on the dominant forces hindering the quick growth rate of insurances services in Kenya.

Insurance product characteristics were included because the nature and design of the insurance offerings significantly affect consumer uptake. Key aspects such as affordability, awareness, product mix, and accessibility determine whether potential policyholders can understand, trust, and access these services. Mesfin (2021) emphasized that high premiums deter low-income earners, while Nderitu et al. (2018) found limited product awareness to be a major barrier. Luvisia and Nzulwa (2018) stressed the role of distribution networks and mobile platforms in improving access. The inclusion of product characteristics is justified because these elements can be adjusted by insurers to improve relevance, appeal, and usability ultimately increasing insurance adoption, especially among underserved populations and informal businesses in developing economies like Kenya.

The laws and regulations enacted by the states through their mandated bodies are always meant to ensure fair trading activities with the aim of protecting services consumers in the markets. In Kenya, the IRA, which is the mandated regulatory body, is responsible for registration of industry players, approving insurance product and regulate delivery channels and statutory deductions. Clarke, Hermida and Moreno-Serra (2013) found out that statutory deductions can increase insurance uptake, but they can also raise concerns about affordability and consumer choice. Bae, Kim and Sung (2013) found that product approval processes can ensure that insurance products are clearly defined and at the same time meet minimum standards.

However, overly complex, or lengthy approval processes can delay product innovation and limit product variety. Demircuc-Kunt, Klapper, Singer and Van Oudheusden (2018) revealed that registration processes for insurance companies can act as a barrier to entry, potentially reducing competition but also ensuring a certain level of professionalism and financial stability within the industry. This might increase consumer confidence and lead to higher insurance penetration. Kang'ethe (2019) revealed that regulatory environment impact delivery channels of insurance product as its informed by policy.

The regulatory framework is a critical factor in shaping insurance uptake because it establishes the legal and institutional environment within which insurance products are developed, approved, and distributed. In Kenya, the Insurance Regulatory Authority (IRA) oversees licensing, product approvals, and compliance with statutory requirements. Clarke et al. (2013) and Bae et al. (2013) demonstrated how regulations can influence uptake through mandatory deductions, approval timelines, and product clarity. Demircuc-Kunt et al. (2018) highlighted that strict registration processes can both ensure market professionalism and restrict entry, affecting competition. Kang'ethe (2019) showed that regulations impact delivery channels. This category was selected because a supportive yet efficient regulatory environment fosters innovation, protects consumers, and enhances trust, all of which are vital for increasing insurance penetration.

Based on the reviewed empirical literature and identified areas of further study, personal characteristics, insurance product characteristics, and regulatory framework stand as factors that require further investigations to determine their effects on general insurance uptake. Personal characteristics, such as income levels, financial literacy, and risk perception, significantly impact an individual's decision to purchase insurance. Studies by Chepchirchir et al. (2020) and Mutiso and Nyakundi (2017) indicate that SMEs with higher financial literacy and stable incomes are more likely to subscribe to insurance services. Additionally, perceptions of insurance as an unnecessary expense discourage participation (Ongala, 2016). Insurance product characteristics, including affordability, accessibility, and awareness, also play a crucial role. Research by Nderitu et al. (2018) and Mesfin (2021) suggests that high premium costs and limited awareness about insurance products contribute to low adoption rates. Furthermore, product portfolio mix and accessibility through digital platforms can enhance uptake among SMEs (Luvisia & Nzulwa, 2018). Regulatory factors such as policy frameworks, statutory deductions, and licensing procedures influence insurance penetration. Research by Kang'ethe (2019) and Clarke et al. (2013) highlights that a well-regulated industry increases consumer confidence and promotes higher adoption rates. However, overly

complex registration processes and strict compliance requirements may discourage SMEs from engaging with insurers (Demirguc-Kunt et al., 2018).

These findings indicate the need for further investigations into these factors to develop targeted interventions that enhance insurance uptake among the informal markets.

1.1.3 A case of Small and Medium Enterprises Sector in Gikomba Market, Nairobi

In Kenya, SMEs are defined according to the size of the enterprise hence enterprises that employ between 10 to 100 workers and annual sales turnover ranging between ksh.500,000 to ksh.800 million are considered SMEs (Otieno, 2019). SMEs in Kenya are important because of the role they play in the economic growth by creating employment opportunities. SME sectors constitute a significant portion of Kenya's businesses and are mostly associated with the Jua Kali sector. They are mostly owner-run or -managed, and running a company requires more commitment in terms of time and money. According to the International Labor Organization (ILO) (2020), SMEs considerably aid in the freedom of choice of employment, offer a great deal to individuals with the chance to have critical earnings, and employ many people.

The SME sector in Kenya is regulated by the Micro and Small Enterprises Authority (MSEA), which operates under the Ministry of Industry, Trade, and Cooperatives. MSEA is responsible for formulating policies, promoting the growth of SMEs, and ensuring compliance with the relevant business regulations (MSEA, 2024). Additionally, the Insurance Regulatory Authority (IRA) oversees the insurance industry to protect SMEs against financial risks and ensure fair practices in insurance uptake.

Gikomba Market, located in Nairobi, is one of the largest informal markets in Kenya and serves as a critical hub for trade, particularly in second-hand clothing (mitumba), household goods, and food products. The Nairobi County data indicated that there are 4201 SMEs registered through licensing to operate within Gikomba Market in Nairobi County, ranging from micro to medium-sized enterprises. Gikomba is located close to the Machakos Bus Station and it is the biggest outdoor market in Kenya. The colonial authority set it up in the 1960s as a place where Africans could sell their goods. Mitumba, or used clothing, are its specialty, but they also offer meat, fresh produce, native baskets, and home goods. You may visit the market every day of the week, but Saturdays are when it really comes alive. Most people know Gikomba Market for selling Mitumba, or used clothing in Kenya. Ongoro and Muiya (2023) note that despite the good quality of the items sold by Mitumba Traders from Gikomba, they charge cheap rates.

Over the past years, at least 16 major fires have ravaged Gikomba, engulfing hundreds of stalls and causing millions of dollars in losses. The most devastating blaze in 2009 consumed 800 shops, leaving 10,000 traders destitute. It is estimated that fire occurrences account for 20% all disasters in Kenya, causing estimated losses of USD 595,715. From the year 2014 to 2022, authorities recorded 248 fires in Nairobi- 30 happening in Gikomba (Ongoro & Muiya, 2023). Fire, which is often fuelled by flammable merchandise and cramped conditions of the market, usually spreads very fast, leaving little time for traders to protect their goods from being damaged. Floods have transformed its dusty pathways into churning torrents, sweeping away merchandise and shattering hopes. In 2018, torrential rains triggered catastrophic floods that engulfed hundreds of stalls and displaced thousands of traders. Similar flood events have occurred with alarming regularity, wreaking havoc on merchandise, infrastructure, and livelihoods. The market's location in a low-lying area and poor drainage systems exacerbate the issue, turning even moderate rainfall into a potential disaster. The market's sprawling layout and the sheer volume of business activities create opportunities for criminals to exploit, leading to incidents of theft targeting traders' merchandise, equipment, and assets. A 2021 survey by the Federation of Kenyan Traders revealed that 70% of Gikomba traders had experienced theft posing a significant threat to the livelihoods of traders operating in the area (Chege, Onyango, Lundy & Kabach, 2023). Further, the general insurance products characteristics targeting the SME significantly influence their uptake (Nderitu et al., 2018).

Despite of the critical role of insurance among SMEs for economic resilience and business continuity, there is still lack of comprehensive studies focusing on SMEs specifically those that operate in informal markets like Gikomba Market and other open-air markets in Kenya. In addressing and closing this gap, the researcher will contribute valuable empirical evidence that can inform policymakers, insurers, and other stakeholders about the unique challenges and opportunities related to insurance uptake in this market. The Gikomba Market being the largest open-air market in Kenya, presents a better opportunity to understand the factors affecting insurance uptake that is common to all open-air markets in Kenya.

1.2 Problem Statement

According to the International Labor Organization (ILO) (2020), SME sector contribution in the economy is significant and it is important to protect the sector from high mortality and slow growth. Insurance as one of the key risk transfer mechanism helps the SMEs sector especially after occurrence of disasters like fire. Many traders who lose their stock face financial ruins, forcing them out of business and jeopardizing their livelihoods (Aketch, 2023). This situation presents a major dilemma for both SMEs and the insurance industry.

SMEs in Gikomba Market operate in a highly risky environment, yet their lack of insurance leaves them vulnerable to external shocks. The insurance industry, on the other hand, has missed out on a potentially vast untapped market due to mismatched product offerings, lack of awareness, and affordability challenges. SMEs left uninsured remained highly susceptible to financial ruin, hindering their business growth and economic contribution. Meanwhile, insurance companies continued to struggle with low penetration rates, missing an opportunity to innovate and develop tailored insurance solutions to address the specific needs of small businesses operating in informal markets (Asindua, 2022).

Inconsistencies in findings and conclusions based on theoretical propositions regarding insurance uptake were noted across various studies reviewed. Liu, Chen, and Hill (2020) conducted a randomized controlled experiment in rural China, finding that postponing insurance premium payments increased enrolment rates by 10% and encouraged smallholder farmers to invest in riskier production activities. Similarly, Adhikari (2021) examined customer satisfaction with claims settlement policies in Nepal, emphasizing the crucial role of prompt and transparent claims processing in maintaining insurer reputation and fostering economic growth. In Kerala, Kader and Ansala (2024) analyzed the impact of insurance on micro, small, and medium enterprises (MSMEs), using ICICI Lombard Insurance Company as a case study. Their findings revealed that innovation drives MSME growth, competition significantly affects industry expansion, and access to credit remains a major challenge. Additionally, the study confirmed that insurance facilitates MSME development by mitigating risks and improving loan acceptability with banks.

Dayour, Adongo, and Kimbu (2020) analyzed insurance uptake among SMEs in Ghana, focusing specifically on tourism and hospitality enterprises, leaving a contextual gap regarding other SME sectors. In Ghana, SMEs also faced challenges in insurance adoption. A study by Abor and Quartey (2023) highlighted that insurance penetration among SMEs in Ghana remained below 5% due to low financial literacy and perceived high premium costs. This study was conducted in Ghana leaving a contextual gap in regards to other SMEs sectors in the continent. Similarly, Foya and Ncube (2023) explored insurance product adoption in Zimbabwe's banking industry, making it difficult to generalize findings beyond big corporate organizations. Chishala, Musawa, and Kabwe (2018) surveyed SMEs to understand the reasons for their failure to insure their businesses. They found that lack of government policy and confidence in insurance companies were major factors. This highlights the importance of regulatory environments and awareness campaigns in influencing insurance uptake among SMEs.

Despite substantial investments, the adoption of insurance services in Kenya remained relatively low, especially among SMEs, when compared to other financial services like banking and global insurance penetration rates (Yego, Nkurunziza, & Kasozi, 2023). The efforts by AKI and IRA to increase general insurance penetration yielded minimal results, with the penetration rate stagnating at an average of 2.17% (AKI reports, 2021). This is significantly below the global insurance penetration rate of 3.0% as of 2022 (Statista, 2022). Kenya's insurance density remained one of the lowest in the region, with an average expenditure of \$35 per capita, compared to South Africa's \$1025 per capita (Mutegi, 2018). According to a study by Mutembei and Njuguna (2019), insurance penetration in Kenya showed negligible growth compared to other African and global economies, pointing to systemic issues in product accessibility, affordability, and awareness. Research by Kamara and Makori (2017) found that only 26% of Nairobi SMEs have any form of insurance, with a mere 18.8% having fire insurance coverage. The Kenyan Ministry of Finance (GoK, 2022) reports a similarly low figure of 29.3% for SMEs with insurance coverage across Nairobi. The situation is even more critical in informal markets like Gikomba Market, where estimates suggested that less than 10% of SMEs have any general insurance coverage, and uptake for specific products like fire insurance drops to as low as 2% (Wanga, 2021). This exposed traders to devastating financial losses, particularly due to recurrent fires, floods, and thefts, which have frequently wiped out businesses and left uninsured traders in insurmountable debt.

Although numerous studies have been conducted on insurance penetration in Kenya, most have focused on factors affecting uptake from the perspective of corporate entities, intermediaries, or specific insurance products like health and life insurance. For instance, Muthoga, Otieno, and Ngugi (2018) examined determinants of microinsurance uptake but focused on entrepreneurial innovativeness rather than the broader adoption of general insurance by SMEs. Oluoch (2019) focused on financial determinants influencing the acceptance of micro-loans by women entrepreneurs in Nakuru East Constituency, which does not adequately address the broader challenges of insurance uptake among SMEs. Similarly, Mburu (2017) investigated the causes of low insurance penetration in Kenya, but the study was limited to 30 shopping malls in Nairobi, which does not fully capture the realities of SMEs operating in informal markets. Research by Kamara and Makori (2017) established the determinants of uptake of insurance among SME in Kenya but only tested access to business information services and access to finance leaving out the factors that this study seeks to test.

Unlike previous studies that generalized insurance adoption trends, this research provides empirical insights tailored to SMEs in informal markets. By examining consumers personal characteristics, insurance awareness, affordability, product suitability, and regulatory

challenges, the study aims to offer policy recommendations and strategies to improve insurance uptake among SMEs in Kenya.

1.3 Research Objectives

1.3.1 General Objective

To establish the factors that affect uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya.

1.3.2 Specific Objectives

The specific objectives were:

- i. To determine the effect of personal characteristics on the uptake of general insurance.
- ii. To determine the effect of insurance products characteristics on the uptake of general insurance.
- iii. To determine the effect of the insurance regulatory framework on the uptake of general insurance.

1.4 Research Questions

The study sought to answer the following research questions:

- i. What effect does personal characteristics on the uptake of general insurance?
- ii. What effect does insurance product characteristics on the uptake of general insurance?
- iii. What effect does the insurance regulatory framework on the uptake of general insurance?

1.5 Significance of the Study

1.5.1 Insurance Industry

This research will give critical information that would help various stakeholders including senior leaders in insurance firms and businessmen in Gikomba and other locations in the country. For the managers in insurance firms, this research information will be necessary in by providing deeper insights during the process of tailor making insurance solutions that meet the needs of the SMEs. Further, using the findings of this study, insurance firms can develop customized insurance solutions that respond to the unique risks and challenges faced by these enterprises. For businessmen in Gikomba Market, the study would highlight importance of insurance as a risk mitigation and transfer tool for protecting their businesses, ensuring

financial resilience and business continuity. Business owners may protect their assets, lessen the impact of losses, and ensure the long-term viability of their companies by gaining a better grasp of the variables that influence insurance uptake.

1.5.2 The Government

The findings would also be of much help to IRA as the body that has been given the mandate to oversee the insurance industry. It would inform them on the dominant factors influencing the general insurance uptake among the SMEs sectors. This information would help in formulation and implementation of policies related to SME sector to ensure that more businessmen take up the General covers. The study will identify regulatory barriers or inefficiencies that hinder insurance uptake among SMEs in Gikomba Market. Policymakers can use these insights to streamline regulatory processes, reduce administrative burdens, and create a more conducive regulatory environment for insurance providers, thereby facilitating greater access to insurance for SMEs.

1.5.3 Academicians and Scholars

The research identifies gaps to inform researchers who would want to carry out further investigations on insurance penetration in Kenya and other the world at large on the SMEs sector. It would provide the necessary empirical literature to assist in conducting future research on the subject.

1.6 Limitations of the Study

There was anticipation of some resistance from some of the targeted respondents who were not willing to spend time answering the questions in the questionnaires. Some respondents did not appreciate the importance or significance of the study and hence resisted or ignored the questionnaires altogether. To control such possibilities the investigator clarified to the respondents the research benefits and design an anonymous questionnaire.

1.7 Scope of the Study

The study sought to establish factors affecting uptake of general insurance in Kenya using SMEs within Gikomba Market, Nairobi City County, Kenya as the targeted respondents. In this case, the study was limited to SMEs situated within Gikomba Market, Nairobi City County. The research adopted positivist philosophy by targeting measurable factors like personal characteristics, product features and regulatory framework. Population under study consisted of 4201 registered SMEs within Gikomba market in Nairobi County. The study

sampled 365 traders drawn from the registered traders in Gikomba market. The factors that may affect uptake of general insurance included personal characteristics, insurance products characteristics, national culture, and regulatory framework. The study was conducted between the months of February 2024 to June 2024. The study was guided by the Protection Motivation Theory (PMT) and public interest theory of regulation,

1.8 Organization of the Study

The research has five main sections with the first chapter focusing on the research topic introduction. The chapter provided an overview of the study's context, then moved on to its goals and importance, and finally concluded with a discussion of the study's breadth and limitations.

Chapter 2 provided an overview of the research issues by reviewing the relevant theoretical and empirical literature that formed the basis of the investigation.

Chapter 3 focused on the research methodology-the study's framework, data collection methods, and data analysis steps.

Chapter 4 provided the data analysis, presentation and interpretation of the collected data.

Finally, chapter 5 provided the research conclusions and recommendations.

1.9 Summary of the Chapter

This chapter presents background information which entails concepts, explanation of the research problem, highlights the objectives, main questions to be answered, significance of the investigations, scope as well as the expected limitations.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter discusses theories that are relevant to this study. It also looked at the empirical literature of the variables, research gaps that the study intends to fill, presentation of conceptual framework, and variables operationalization.

2.2 Theoretical Review

This section lays out the many theoretical frameworks that researchers have come up with to analyze the impact of the specified factors on insurance coverage in a country. The notion of customer perceived value, which is further upon below, serves as the foundation of this research.

2.2.1 Protection Motivation Theory

Protection Motivation Theory (PMT) was developed by R.W. Rogers in 1975 to explain how individuals assess threats and make decisions to protect themselves (Rogers, 1975). Initially applied in health psychology, PMT has since been widely used in risk management, including insurance adoption (Floyd, Prentice-Dunn, & Rogers, 2000). The theory argues that people evaluate threats and coping mechanisms before deciding whether to adopt protective behaviors. This decision-making process is influenced by two main cognitive appraisals: threat appraisal, which assesses the severity and personal susceptibility to a risk, and coping appraisal, which evaluates the effectiveness of a protective response and one's ability to implement it (Milne, Sheeran, & Orbell, 2000). If individuals perceive a high level of risk and believe that a solution, such as insurance, effectively mitigates the threat, they are more likely to adopt the protective measure (Bubeck, Botzen, & Aerts, 2012).

PMT consists of four key components: perceived severity, which refers to how serious an individual considers a threat to be; perceived vulnerability, which assesses the likelihood of experiencing the threat; response efficacy, which evaluates the perceived effectiveness of the recommended protective action; and self-efficacy, which relates to an individual's belief in their ability to successfully perform the protective action (Floyd et al., 2000). These factors collectively influence whether an individual engages in protective behavior, such as purchasing insurance.

The theory operates under several assumptions. First, it assumes that individuals make rational decisions based on risk assessment, weighing the pros and cons of adopting protective

behaviors (Rogers, 1983). Second, it posits that fear serves as a motivating factor, meaning that the higher the perceived risk, the more likely individuals will take precautionary measures (Bubeck et al., 2012). Third, PMT emphasizes that self-efficacy plays a crucial role-if individuals feel incapable of performing the protective behavior, they are less likely to adopt it (Milne et al., 2000). Lastly, the theory assumes that threat perception varies across individuals and environments, with economic, social, and regulatory factors influencing how people perceive risks and coping mechanisms (Floyd et al., 2000).

Despite its strengths, PMT has been critiqued for its overemphasis on rational decision-making, as critics argue that emotions and social influences also play significant roles in risk perception and decision-making (Bubeck et al., 2012). Additionally, the theory does not adequately consider external barriers, such as cost and accessibility, which can hinder protective behavior even when perceived risk is high (Milne et al., 2000). Furthermore, PMT focuses primarily on individual decision-making, neglecting the influence of group dynamics, cultural norms, and systemic barriers (Floyd et al., 2000).

Recent studies affirm PMT's applicability in explaining insurance decisions in risk-prone environments. For instance, Botzen et al. (2019) highlight how flood insurance uptake is directly influenced by individuals' perceived vulnerability and confidence in insurance as a coping mechanism. Similarly, Bubeck et al. (2017) found that PMT variables significantly predicted protective actions among SMEs, especially in the face of disaster risks. In low-income contexts, Akter et al. (2019) show that self-efficacy and trust in insurance institutions strengthen the coping appraisal process. The theory has also been adapted for contexts involving informal economies, as seen in the work of Smit and Wandel (2020), who apply PMT to examine microinsurance decisions in African markets. These recent studies reinforce the theory's relevance to insurance uptake behavior.

PMT is highly applicable in understanding insurance adoption among SMEs in high-risk environments like Gikomba Market. SME owners with higher perceived risk on their businesses are more likely to purchase insurance (Rogers, 1983). The adoption of insurance products also depends on how effective and affordable they are perceived to be (Bubeck et al., 2012). Additionally, government policies that enhance trust in insurance providers and reduce barriers, such as simplifying claims processes, can encourage higher adoption rates (Milne et al., 2000). By applying PMT, this study provided insights into how SMEs in Gikomba Market assess insurance risks and make insurance-related decisions, helping policymakers and insurers design more effective interventions to improve uptake.

2.2.2 Public Interest Theory of Regulation

According to Pigou's (1938) Public Interest Theory, the goal of government regulation should be to increase the general welfare. According to Niehaus and Harrington (2005), regulation lessens the shocks of major market flaws, also called market "failures," as contrasted with the ideal of a completely competitive market. Before the enactment of Insurance (Amendment) Act of 2006 that created the IRA, Kenya's insurance business was regulated by the commissioner of insurance. Even though several insurance companies had already folded or declared bankruptcy prior to IRA's creation, many others have remained wary about insuring policies for MSEs (Irungu, 2015).

The risk of an insurer going bankrupt is a major reason why insurance businesses are subject to stringent regulations. The guaranteed insurance payout might be significantly reduced if the firm declares bankruptcy (Muriuki & Mutugi 2017). To make sure insurance firms in Kenya are financially stable enough to pay out claims, IRA keeps an eye on them through periodic inspections and monthly insurance companies financial reporting. Customers have increased their confidence in the insurance sector and its products after seeing claims settled (Jus, 2013). Insurance penetration has suffered because of the IRA's pricing limits and fraud monitoring procedures, which are part of their regulatory mandate. For the insurance industry, the goals of the IRA price regulatory framework, the creation of competitive markets and the reduction of premiums have not been achieved. Many problems, such as externalities and monopolistic power, arise in unfettered markets, according to Pigou's (1938) public interest theory of regulation. These shortcomings are mitigated, and the public is safeguarded by regulation by a government that strives for social efficiency.

Recent literature underscores the continuing relevance of Public Interest Theory in regulating insurance markets. According to Tadesse and Brans (2022), regulation fosters market confidence and protects consumers in environments where asymmetrical information and financial instability prevail. The IRA's role in Kenya aligns with this, promoting transparency, solvency, and institutional trust (World Bank, 2021). Additionally, Njenga and Muturi (2020) argue that sound regulatory frameworks are positively associated with increased insurance penetration in East Africa. Furthermore, Mahul and Stutley (2019) demonstrate that effective public policy and oversight mechanisms can bridge the insurance gap among underserved populations. While critics highlight potential inefficiencies, these recent studies validate the importance of regulation in correcting market failures and enhancing consumer trust in developing insurance markets.

Public Interest Theory of Regulation suggests that government intervention through markets regulation should aim to protect consumer welfare, ensure market stability, and prevent market failures. Looking at the regulation in Kenya, this theory underscores importance of regulatory frameworks that serve the public interest by fostering trust, transparency, competition, and innovation in the insurance market. When looking at the insurance regulatory framework and how it affects the insurance adoption, the Public Interest Theory provides insights into how regulations influence consumer behaviour, particularly among the SMEs in Gikomba Market. Regulations that prioritize consumer protection, such as stringent solvency requirements and transparency standards, can enhance trust and confidence in insurance products, thereby facilitating uptake among SMEs. The Public Interest theory was therefore applicable in the study as it gave opinions as to why government regulation affects insurance uptake.

2.3 Empirical Literature

This section evaluates published literature touching on factors influencing uptake of general insurance as per the specific objectives. This includes, personal characteristics, insurance products characteristics and insurance regulatory framework on uptake of general insurance.

2.3.1 Personal characteristics and the uptake of general insurance

Personal characteristics encompass a range of demographic, socioeconomic, and behavioural attributes that influence SMEs proprietors' propensity to uptake general insurance (Khokhar, Pandey & Kaur, 2022). These characteristics are pivotal in understanding the dynamics of insurance adoption among SME proprietors. These attributes shape their understanding of insurance benefits, willingness to invest, and perception of risk management. Higher income and financial literacy tend to positively correlate with insurance uptake, while individual attitudes towards risk and financial security also play a significant role. Understanding these characteristics helps tailor insurance offerings and educational initiatives to effectively engage small and medium enterprise owners in adopting general insurance for their businesses.

In the United States, Brown and He (2020) demonstrated that individuals with higher financial literacy were more adept at assessing insurance benefits, leading to higher uptake. The UK study by Gathergood and Weber (2015) echoed these findings, stressing the role of income and risk perception in insurance decisions, noting that low-income individuals often refrained from purchasing insurance due to affordability concerns

In rural India, Gupta and Arora (2017) found that higher income and education levels were positively correlated with insurance adoption, and individuals with a higher perception of risk,

especially in agricultural contexts, were more likely to purchase insurance. Similarly, in Bangladesh, Sultana and Islam (2018) emphasized income and education as crucial factors, while younger individuals with greater risk awareness were more inclined to buy life insurance.

Personal characteristics such as income levels, financial literacy, risk perception, and family involvement significantly influence the adoption of insurance products. Research indicates that higher household income allows individuals, particularly SMEs, to afford insurance premiums, thereby increasing their likelihood of purchasing insurance (Chepchirchir et al., 2020). Financial literacy also plays a crucial role, as business owners with better understanding of insurance products are more likely to appreciate their benefits, leading to higher uptake (Mutiso & Nyakundi, 2017). Risk perception is another factor, where individuals with a higher perceived risk of financial loss are more inclined to invest in insurance as a protective measure. Additionally, involving family members in decision-making can improve the likelihood of insurance adoption (Ayieko & Ngugi, 2019). However, misconceptions about the costs and necessity of insurance can hinder uptake, highlighting the need for targeted educational interventions (Ongala, 2016).

The PMT can be linked to the proprietors' personal characteristics effects on general insurance uptake in the SMEs sector. The theory argues that people evaluate threats and coping mechanisms before deciding whether to adopt protective behaviors. In the case of insurance uptake among SME proprietors, their personal characteristics influence how they evaluate threats of not having insurance protection. Higher income levels provide greater financial flexibility, enabling proprietors to allocate funds towards insurance coverage depending on the level of threats perceptions. Conversely, lower income levels may present barriers to insurance uptake due to financial constraints (Mwaura et al., 2021). Proprietors who prioritize financial security, long-term planning, and protection of assets are more likely to view insurance as an essential tool for safeguarding their businesses and families against unforeseen threats. On the other hand, proprietors who prioritize short-term gains, self-reliance, or scepticism toward external interventions may be less inclined to invest in insurance products (Asindua, 2022).

SME proprietors' perceptions of risk and threats play a role in shaping their attitudes toward insurance. Those who perceive their businesses continuity are threatened by significant risks, such as property damage, liability claims, or business interruption, are more inclined to prioritize insurance coverage as a risk mitigation strategy. Conversely, proprietors who underestimate or downplay the insurance perils may perceive insurance as unnecessary or too costly, leading to lower uptake rates (Dayour, Adongo, & Kimbu, 2020). The advantages and

complexities of insurance products may be better understood by small business owners with more financial literacy. They can make informed decisions about the types of coverage they need, the level of protection required, and the implications of insurance terms and conditions. Conversely, limited financial literacy may hinder SME proprietors' ability to assess their insurance needs accurately, leading to suboptimal coverage choices or reluctance to engage with insurance providers (Djomo & Koudjou, 2021).

While some studies, such as Kaunda and Chowa (2022), find age, knowledge, and alternative income to be significant factors affecting insurance uptake positively, others, like Djomo and Koudjou (2021), suggest that factors like gender, age, household size, and insurance premium can have mixed effects on insurance subscription. Additionally, Musonda and Chowa (2022) found education to be a significant factor, while Mwaura et al. (2021) emphasize income, education, gender, and employment status.

In Kasama District- Zambia, Kaunda and Chowa (2022) examined the factors affecting smallholder farmers' adoption of agriculture index. In the study, the data presented for analysis using SPSS and STATA were gathered from two hundred smallholder farmers drawn from a population of 91,525 and from five chosen key informants. These investigations revealed that smallholder farmers in Kasama area were influenced by age, WII awareness, and other income sources when it came to taking weather index insurance. Also, knowing about WII had a favourable and substantial influence on uptake, in contrast to age and alternative income, which had an unfavourable substantial effect.

Using an approach predicated on Heckman's (1979) analytical framework, Djomo and Koudjou (2021) sought to ascertain what affects the appetite for micro-insurance in Cameroon. The data was mined from the 2014 National Institute of Statistics (NIS) survey of Cameroonians called the Fourth Cameroon Household Survey (ECAM4). The findings allow us to pinpoint important variables that are positively associated with association membership and micro-insurance subscription. These mostly include things like education level, age squared, and family size. On the flip side, membership and subscription were unfavourably and considerably affected by the age of the person in charge of the household and male gender, according to the research. The findings also revealed that the correlation between the quantity of micro-insurance policies bought by household heads and male gender, age squared, the size of the family, and insurance price was significant. Lastly, there is a negative correlation between the number of micro-insurance plans acquired with age and education level.

Musonda and Chowa (2022) set out to investigate what variables influence people's decision to purchase general insurance. To do this, the study relied on a mixed-method research paradigm, which included collecting data using a structured questionnaire. While other variables like family size, savings rate, and kind of job were left out, the data did show that education had an influence on insurance uptake. Employee benefits were determined to be insufficient in comparison to comprehensive insurance. In an effort to boost demand for general insurance, Wasike (2021) sought to identify the factors that encourage families in the informal settlement in Kibera, Nairobi County, to purchase health insurance. From among 2,400 individuals in one randomly chosen village (Makina) out of twelve communities in the Kibera slum, 166 homes were included in cross-sectional research. It was concluded that education, marital status, vocation, job, local welfare, and income were factors related with health insurance uptake in the Kibera informal settlement.

Embu County's general insurance acceptance is influenced by elements like as insurance knowledge, perception, and demographics, which Munene (2021) aimed to understand. The study used a descriptive research approach and a census-based sampling strategy to collect data from 81 senior insurance managers in Embu County. General insurance marketing in Embu County is impacted by three factors, according to the study: individuals' demographics, their level of insurance knowledge, and their perceptions of the industry.

In their study of the Vihiga Sub-County informal sector workforce, Mwaura, Kamano, Mwangi, and Aruasa (2021) investigated impact of demographic aspects on the adoption of NHIF among informal sector workers from each of the Sub County's four wards. Significant correlation was noted on the adoption of national health insurance and the following factors: age over 50, female gender, education level, income, number of children living in the home being raised by a single parent and being employed full-time. The noted factors that materially impacted the adoption of NHIF were age, gender, education level, work status, monthly income, and the gender of the household head. To improve health outcomes, access to recommended treatment, and the quality of life, it is necessary to boost enrolment among males and young adults.

In a different study, Dayour, Adongo and Kimbu (2020) investigated factors that influenced adoption of insurance services in the hospitality and tourism sector in Kenya. The study was done due to the firm's high susceptibility which resulted to risk concerns that needed to be managed if the firms were to take on high and more risky investments. The study identified less competitive premium rates as one of the factors that SMEs in the industry investigated when deciding as whether to purchase a given insurance product or not. It concluded that the

premium rates set by insurance firms in different product portfolio greatly influence their uptake.

Gachie (2018) set out to unravel key issues that have impact on the acceptance of insurance policies. Three insurance firms in Nyeri town had their sales managers, unit managers, and salespeople surveyed for the research. Reasons for focusing on this demographic include the ease of access and the fact that they would provide timely, critical information. The results of this research demonstrated that life insurance sales are influenced by customers' attitudes, disposable money, and public awareness. It also found that the attitude of insurance industry workers, as well as the level of consumer knowledge and income, are the key factors influencing the purchase of life covers. Once again, a well-oiled sales machine guarantees top-notch revenue. Further, sales process that is managed well creates opportunity for high sales.

Asindua (2022) did research to unearth key variables that motivates the informal sector employees to be members of the health insurance schemes. The study's intended participants were unofficial labourers in Matuu Ward, Machakos County. Using a questionnaire, the researcher collected primary quantitative data from 202 participants who were all associated in some way with businesses. The study revealed that insurance coverage was unaffected by demographic variables such as age, education level, gender, or income, according to chi-square analysis. The adoption of health coverage was, however, significantly influenced by marital status. Finally, health insurance is quite popular among those who work in the informal sector, and the NHIF is a big reason why. With most people working in the informal sector earning poor and irregular wages, it's no surprise that private health insurance has little uptake owing to expensive rates.

Mwaura et al. (2021) examined the influence that awareness had on the uptake of NHIF with Western Kenya comprising of four counties: Vihiga, Siaya, Busia and Trans Nzoia. The study was done because of the Kenyan government's deliberate efforts to implement universal healthcare for its citizens. Through a cross-sectional design, it found out that there was high level of awareness about NHIF and how it operated. However, the uptake of the scheme was very low in the studied areas especially among low-income households. It is therefore important that a further investigation should be carried out to ascertain the implications that premium rates have on Kenya's insurance adoption.

Inconsistencies in findings and conclusions arise from studies examining the personal characteristic factors influencing insurance uptake across various contexts and populations. For instance, Musonda and Chowa (2022) emphasize the significant role of education in

insurance uptake among households, contrasting Munene (2021), that reported a low positive effect of knowledge of insurance on marketing in Embu County. Similarly, Mwaura et al. (2021) found that demographic factors like age, gender, and income significantly contributed to adoption of health insurance by informal sector workforce, whereas Asindua (2022) concludes that factors like gender, age, and education level have no significant effect on uptake in Machakos County. Furthermore, while Dayour, Adongo, and Kimbu (2020) identify competitive premium rates as a crucial factor influencing insurance uptake among firms in the tourism industry, Gachie (2018) emphasizes the influence of public awareness, disposable income, and clients' attitudes on insurance sales in Nyeri town. These inconsistencies underscore the multifaceted nature of insurance uptake, influenced by diverse factors including education, demographics, awareness, and pricing, which may not be similar across different industries and population. Thus, the need for further research to reconcile these disparities and provide more nuanced insights into the determinants of insurance uptake in various contexts in regard to personal characteristics.

Despite these commonalities, there are notable regional variations in the influence of personal characteristics on insurance uptake. In South Africa, Louw and Du Plessis (2017) observed that higher income and financial literacy were critical drivers of insurance adoption, aligning with the findings in Nigeria, where Nwachukwu and Okonkwo (2021) found that financial literacy influenced insurance understanding, and income impacted affordability. However, the Ghanaian study by Ankrah and Osei-Tutu (2018) added another dimension by highlighting the impact of family size and personal values, suggesting that family-oriented values and larger family sizes could lead to higher adoption rates, particularly for life insurance. This regional difference underscores how cultural and societal factors, alongside financial considerations, can influence insurance decisions. The diverse impact of personal characteristics across regions also points to the need for targeted approaches to promote insurance in varying contexts.

Critically, while these studies all point to the importance of personal characteristics, they often fail to consider broader social, economic, and infrastructural barriers that may affect insurance uptake. For instance, in countries like India and South Africa, access to insurance may be limited in rural areas, despite the positive effects of income and education on uptake. Sarker et al. (2019) argue that rural communities in developing nations face challenges such as inadequate access to insurance providers and poor infrastructure, which can limit adoption rates even when personal characteristics are favorable. Additionally, the studies predominantly focus on general demographic factors, neglecting deeper psychological or emotional drivers that may also influence insurance decisions. In countries with lower insurance penetration,

such as rural India and parts of Africa, there may be a lack of trust in insurance companies, which personal characteristics alone cannot explain (Browne & Kim, 2021). As such, further research that integrates both personal and systemic factors, such as institutional trust and economic barriers, would offer a more comprehensive understanding of insurance adoption. This is supported by the work of Huebner and Doherty (2017), who highlight that institutional trust and regulatory frameworks play a pivotal role in shaping insurance behavior. It is based on this that the study developed the hypothesis below:

H01: Personal Characteristics do not have material effect on the uptake of general insurance in Kenya.

2.3.2 Products Characteristics and the Uptake of General Insurance

Insurance Products Characteristics refer to the various features and attributes of insurance policies that influence consumers' decisions to purchase them. Personal characteristics of individuals, such as income, risk perception, and values, are expected to influence their decisions regarding insurance uptake (Odinokova & Dvoryadkina, 2020). Higher income levels may enable individuals to afford insurance premiums, while those with a higher perception of risk may be more inclined to purchase insurance for protection. Additionally, individuals with certain values, such as a preference for financial security, may prioritize insurance coverage.

The studies reviewed across diverse regions, including India, Sri Lanka, Canada, Mexico, Germany, South Africa, and Nigeria, reveal a clear consensus on the significant influence of insurance product characteristics on adoption rates. In India, product pricing and awareness were key determinants, especially for rural populations where affordability remains a challenge (Kumar & Shukla, 2020). Similarly, in Sri Lanka, affordable premiums and simplified product terms played a pivotal role in increasing uptake, particularly for lower-income households (Fernando & Perera, 2018). In Canada and Mexico, product flexibility and diverse coverage options were found to attract more consumers, underscoring the importance of variety and adaptability in insurance offerings (Turner & Poter, 2019; Rodriguez & Ramirez, 2017). These findings align with the broader literature, emphasizing that insurers need to offer clear, affordable, and tailored products to cater to various consumer segments and increase adoption.

Insurance product characteristics such as affordability, awareness, product portfolio mix, and accessibility are crucial determinants of insurance uptake. High premium rates can deter individuals, particularly in low-income brackets, from purchasing insurance, as they are unable

to meet the financial demands (Mesfin, 2021). Additionally, limited awareness about insurance products and their benefits contributes to low uptake (Nderitu, Kung'u & Gichuh, 2018). Ensuring a diverse portfolio of insurance products tailored to the needs of different consumer segments, including SMEs, is essential for promoting adoption (Damtew & Muraguri, 2021). The accessibility of insurance, particularly through mobile platforms, can significantly enhance uptake, especially in areas with limited access to physical insurance offices (Luvisia & Nzulwa, 2018). Therefore, insurers must focus on creating affordable, accessible, and well-communicated insurance products to improve uptake among underserved populations.

The PMT argues that people evaluate threats and coping mechanisms before deciding whether to adopt protective solutions. In the context of insurance products characteristics, this theory suggests that customers assess the value proposition of insurance offerings based on the threats their businesses might face if they do not have any form of insurance protection. Customers weigh the security of coverage against the premiums charged, awareness about available products, the variety of portfolio offerings, and the ease of access to purchase insurance. These evaluations influence their decisions regarding the uptake of general insurance.

The effects of postponing premium payments on insurance enrolment and investment choices were studied in a randomized controlled experiment by Liu, Chen, and Hill (2020) in rural China, where smallholder farmers were the subjects. Those who had the opportunity to pay later had a 10% higher uptake rate, which is three times greater than the figure for those who did not. Household investment in production, particularly in activities with a greater degree of risk, is positively affected by postponing premium payments and insurance uptake, according to the research further.

Ofori, Boateng, and Atiku (2023) investigated the impact of supply-side variables on insurance uptake and the role of insurance agents' performance where 520 houses were chosen through a convenience sample approach. It was concluded that market positioning, customer service, and the design of insurance products are three supply-side variables that affect insurance adoption. At greater degrees effectiveness of a sales agent, the links between insurance product design and insurance. To determine what variables, influence insurance product adoption in Zimbabwe's banking system, Foya and Ncube (2023) conducted an analysis. First Capital Bank (FCB) served as the case study. The study set out to provide a comprehensive analysis by utilizing a pragmatic research methodology research design. A total of 150,312 people were counted, including 312 workers and 150,000 subscribers. To gather information, interviews and questionnaires were used. Despite the importance of insurance to many businesses, the survey found that few people at FCB bought policies. The study conclude that insurance policy

characteristics have a significantly low influence on uptake in the Zimbabwean banking sector. This disparity suggests a discrepancy between theoretical expectations and empirical findings.

Aketch (2023), in studying the adoption of insurance amongst the youthful population in the County of Nairobi, examined product-related factors. A cross-sectional descriptive research design used 400 respondents out of 1,791,550 youths whose ages were ranging from 18 years to 34 years. When the data was analysed, it revealed that insurance products adoption portrayed material relationship with product related characteristics at 52.6% among youths in Nairobi County.

Insurance service penetration in Nairobi, Kenya was studied by Luvisia and Nzulwa (2018) and noted institutional variables have impact by doing a cross-sectional survey. A total of forty-seven (47) insurance businesses in Kenya were considered for the research. These variables mainly relate to the reputation of the company conducting insurance business, product price, and the use of new and efficient technologies in operations.

Damtew and Muraguri (2021) investigated to find out if industry dynamics affects the rate of insurance penetration in Kenya. As guided by the Yamane formula, 144 senior managers were considered as the sample. The study established that premium- the contribution paid to obtain insurance, negatively and insignificantly influenced the rate of insurance penetration.

Nderitu, Kung'u and Gichuhi (2018) sought to determine whether products prices create effects on the life covers uptake in Kenya. Adaptation level theory served as the foundation for this investigation. One hundred respondents were chosen using for investigations Results revealed that price had strong negative correlation of 0.798 on the insurance uptake. Customers compared the premium rates offered by one insurer against another locally, regionally, and internationally before making their insurance purchase decisions. Further, the study established that many insurance firms failed to consider the affordability of their services when they were setting applicable premium rates. Many insurance firms had very high rates despite the notion of many Kenyans who considered insurance as a luxury creating a low adoption. This study focused on life assurance covers as opposed to general insurance among businesspeople. Thus, application of its findings is limited in the current study parameters.

Mesfin (2021) used the case of insurance penetration in Kenya to assess the contributions of premium rates. This study was motivated by decimal growth in insurance uptake in the country despite immense efforts by insurance companies to improve the level of penetration. One of the observations made was that there is a need to have the Insurance Regulatory Authority set applicable rate for the industry as many players were found to be engaging in price

undercutting. This would help in setting minimum premium rates for each insurance product to improve the rate of insurance penetration in the country.

Moreover, Aketch (2023) identifies a statistically significant relationship between product-related factors and insurance uptake among youths in Nairobi County, contrasting with the findings of Foya and Ncube (2023), who reported low uptake despite favorable product-related factors in a similar context. These inconsistencies could stem from variations in sample characteristics, research methodologies, or contextual factors influencing insurance markets. Additionally, while Damtew and Muraguri (2021) revealed existence of positive and material effect of pricing on insurance penetration, Nderitu, Kung'u, and Gichuhi (2018) find a negative correlation between premium rates and insurance uptake. These conflicting findings highlight the complexity of insurance products characteristics in regard to uptake of general insurance and underscore the need for further research to reconcile theoretical propositions with empirical observations.

However, these studies also highlight region-specific differences in product characteristics and their impacts. For example, while affordability and product awareness were significant in Nigeria and South Africa (Olajide & Durojaiye, 2019; Geldenhuys & Naude, 2020), accessibility through digital platforms emerged as a particularly important factor in Nigeria. The trend towards digital insurance offerings, appealing to tech-savvy consumers, was not as pronounced in other regions, such as Sri Lanka or Germany, where traditional forms of access were more dominant. This difference in digital engagement suggests that the uptake of insurance products is shaped not only by the products themselves but also by the broader technological landscape and the level of digital infrastructure available to consumers. The regional variation in these findings calls for tailored strategies to meet the specific needs of each market, with particular attention to local factors such as technological adoption, income levels, and product awareness.

A critique of these studies lies in the narrow focus on individual product characteristics while often overlooking systemic and institutional factors. For example, product pricing, while crucial, cannot be understood without considering the broader economic context and the role of insurance regulators. In countries like Germany and Mexico, where product offerings are varied, the studies fail to address how regulatory frameworks or competition between insurers might affect the pricing strategies or product design. Furthermore, while affordability and product complexity were frequently highlighted, studies often ignored the role of trust in insurance providers and the broader financial ecosystem, which can significantly influence consumer behavior (Schneider & Weber, 2018). Moreover, the studies did not consider the

role of insurance education or long-term financial planning in shaping consumer choices. Future research could integrate these elements, providing a more holistic view of how product characteristics, along with economic and regulatory factors, influence general insurance uptake.

Thus, the study sought to test the following second hypothesis:

H02: Insurance products characteristics have no significant effect on the uptake of general insurance in Kenya.

2.3.3 Insurance Regulatory Framework and the Uptake of General Insurance

Insurance Regulatory Framework is the set of laws, regulations, and guidelines established by government authorities to govern the insurance industry within a particular jurisdiction (Harrington, 2016). The regulations are designed to ensure the industry stability, fairness especially on how the companies treat the customers, and efficiency of the insurance market while protecting consumers and other stakeholders. The relationship between the insurance regulatory framework and various aspects of the insurance industry is expected because regulatory oversight is essential for maintaining order and trust within the sector (Harrington, 2016). Without effective regulation, the insurance market may be prone to abuses, fraud, and instability, which can undermine public confidence and financial stability.

The regulatory framework plays a pivotal role in shaping the insurance sector by ensuring market stability, consumer protection, and fostering competition. The Insurance Regulatory Authority (IRA) in Kenya, for example, oversees product approvals, licensing, and statutory requirements, which enhances consumer confidence (Clarke, Hermida & Moreno-Serra, 2013). Strict regulations help maintain professionalism and financial stability within the insurance sector, increasing consumer trust and the likelihood of purchasing insurance (Demirguc-Kunt et al., 2018). However, overly complex and lengthy product approval processes can delay product innovation and limit the variety of insurance products available, potentially hindering uptake (Bae, Kim & Sung, 2013). Additionally, regulatory measures such as mandatory statutory deductions can encourage insurance uptake but may raise concerns about affordability (Clarke et al., 2013). A balanced regulatory environment that promotes both innovation and consumer protection is crucial for improving insurance penetration.

In the context of registration of industry players, the regulatory framework mandates that insurance companies, brokers, agents, and other industry participants register with the relevant

regulatory authority before commencing operations (Harrington, 2016). This registration process ensures that only reputable and financially sound entities are allowed to operate in the market, reducing the risk of fraudulent activities and protecting consumers. Similarly, approvals of insurance products are subject to regulatory scrutiny to ensure that they meet certain standards of quality, fairness, and transparency (Harrington, 2016). Regulatory authorities assess the terms, conditions, and pricing of insurance products to ensure that they are suitable for consumers and do not contain misleading or deceptive elements.

Delivery channels regulations govern how insurance products are marketed, sold, and distributed to consumers (Harrington, 2016). These regulations aim to protect consumers from aggressive or unfair sales practices while promoting transparency and accountability in the distribution process. Statutory deductions refer to the mandatory contributions or payments that insurance companies are required to make to government authorities or industry bodies for regulatory purposes (Harrington, 2016). These deductions may include taxes, levies, or fees that fund regulatory activities, consumer protection initiatives, or industry development programs.

Public interest theory and regulatory capture theory both lend credence to the idea that these factors are related to the insurance regulatory framework (Scott, 2018). According to proponents of the public interest theory, government oversight is essential for addressing consumer and societal concerns and fixing market failures. In contrast, regulatory capture theory posits that sector interests may influence or even control regulatory bodies, showing how crucial it is to have strong accountability and monitoring procedures in place.

The studies from Pakistan, Nepal, Brazil, Canada, and France all suggest that regulatory frameworks are essential for promoting insurance uptake by enhancing consumer trust and market stability. Khan and Khan (2020) emphasize the role of Pakistan's SECP in improving market transparency and solvency standards, leading to increased consumer confidence, a view shared by Adhikari and Khatri (2021) in Nepal. Both studies highlight the importance of regulatory efforts in establishing trust, particularly in emerging markets. In contrast, the studies from Brazil (Santos & Silva, 2019) and Canada (Davies & Tran, 2018) focus on how robust consumer protection laws and solvency regulations directly enhance market participation. These findings align with Schneider and Weber's (2018) research in France, where regulatory stability fostered increased insurance penetration. However, the varying emphasis on affordability and product accessibility in developing countries, compared to the focus on financial stability in developed countries, highlights differing regional priorities.

Adhikari (2021) examined customers satisfaction levels with policies related to settlement of claims in Nepal. The investigations acknowledged the significant role played by claims settlement in the lifetime of an insurance firm. It argues that insurance firm growth is dependent on people who consume its services. It is therefore important that an insurer observes adequate rules and procedures that would promote the claims experience in the eyes of an insured. It is at the time of claims that insureds get to see the real value of insurance and the role played by insurance companies in economic development. The study focused on claim procedures, clarity of settlement advises and effects that payment has on customer satisfaction. To positively impact an insurance company's reputation, claims need to be settled promptly and equitably.

Chishala, Musawa, and Kabwe (2018) investigated the primary reasons why SMEs do not have insurance for their firms where one hundred and twenty SMEs participated in a survey that was conducted in Ndola. The results showed that lack of government interventions and faith in insurance firms were found to be the primary factors that prevented small businesses from purchasing insurance.

Kang'ethe (2019) surveyed licensed insurance agents in Kenya to get their take on the effects of the country's regulatory climate and public knowledge on insurance penetration. Cross-sectional research using a descriptive technique was used in the methodology. IRA authorised insurance agents were chosen as the study's population. Data was obtained from a sample of insurance agents by handing out questionnaires during agent meetings held at their individual insurance company locations. The research found out that in Kenya, the regulatory framework had slightly more than 1% influence on insurance penetration. The dependent variable, insurance penetration, was significantly affected by only public awareness and customer service. Consequently, more study is required to determine the other variables on insurance penetration.

Mwongela (2022) examined the different ways in which regulatory framework affected Kenya's insurance penetration. The objectives were centred on regulations related to setting product and service prices, settlement of claims, distribution channels management and creation of awareness. It was noted that in management of claims settlement and process, timely reporting of claims was important. This also required accurate, complete and proper documents so that back and forth in the processing of claims is eliminated. The experience is summed up in the timeliness with which claims are paid in the eyes of an insured. Insurance firms bearing delays in processing of claims were avoided by customers whereas those that honoured claims in a timely manner attracted more customers.

Inconsistencies in findings and conclusions based on theoretical propositions are evident across the studies on insurance penetration and insurance regulatory framework influencing SMEs' failure to insure their businesses. Chishala, Musawa, and Kabwe (2018) attribute the reluctance of SMEs to insure their businesses to the lack of government policy and confidence in insurance companies. Conversely, Kang'ethe (2019) suggests that the regulatory environment in Kenya has only a marginal impact on insurance penetration, with other factors playing a more significant role. This finding contrasts with Damtew and Muraguri (2021), who assert that government interventions positively and significantly influence insurance penetration rates.

Moreover, Mwongela (2022) emphasizes the importance of regulatory frameworks in claims settlement processes, highlighting the impact of timely and equitable claims settlement on customer satisfaction and insurance penetration. Similarly, Adhikari (2021) underscores the pivotal role of claims settlement in shaping customer perceptions and insurance company reputation. However, Kang'ethe (2019) indicates a minimal impact of regulations on insurance penetration, suggesting a discrepancy in the perceived influence of regulatory frameworks on insurance uptake. These noted inconsistencies suggest that there is a need for further research to reconcile divergent findings and provide clarity on the factors shaping insurance penetration in Kenya, considering both regulatory environments and other contextual factors. Additionally, the theoretical frameworks employed in these studies may offer differing perspectives on the relationships between regulator and insurance penetration, contributing to variations in findings and conclusions.

A common thread among the studies is the understanding that effective regulation drives insurance market growth by instilling trust and stability. In both developing and developed countries, regulatory bodies have significantly contributed to the improvement of market conditions, as seen in Pakistan and Nepal (Khan & Khan, 2020; Adhikari & Khatri, 2021), where regulators aimed at affordable and accessible insurance. Similar insights emerge from Brazil and Canada, where regulations ensuring solvency and consumer protection (Santos & Silva, 2019; Davies & Tran, 2018) encouraged wider participation. For instance, in Brazil, SUSEP's focus on transparency and consumer protection increased consumer confidence (Santos & Silva, 2019), a finding that resonates with the study by Lemoine and Martin (2017) on France, where consumer protection led to higher adoption rates. The role of regulatory measures in increasing transparency and affordability is therefore a critical factor in driving market penetration across diverse regions.

While the studies underscore the importance of regulation, they often overlook the influence of socio-cultural factors, such as financial literacy and risk perception, on the effectiveness of these frameworks. Mkhize and Le Roux (2016) discuss how over-regulation can increase costs and limit growth, but they do not address how different cultural attitudes toward insurance in South Africa may hinder or support these regulations. Moreover, while regulatory frameworks are deemed crucial, few studies, such as Ayodele and Oloyede's (2018) work on Nigeria, analyze how rapidly evolving markets, driven by digital innovations, challenge existing regulatory systems. Further research is needed to explore the role of digital insurance platforms and how regulators can adapt to these changes. Longitudinal studies, particularly in developing regions, could provide more comprehensive insights into the long-term effects of regulation, as highlighted in the work of Al-Saleh and Abdel-Mohsen (2020) on Egypt, which examined how regulatory reforms contributed to market growth over time. Hence the study seeks to test the following hypothesis.

H03: Regulatory framework does not have material effect on the uptake of general insurance in Kenya.

2.4 Research Gaps

Investigations on the regulatory influence on insurance uptake was inconclusive, Morrow (2012). Nonetheless, Kwon (2013) found that a country's insurance usage was related to its regulatory environment. A correlation exists between product awareness, consumer perceptions, and product adoption: IRA (2015), Nirjhar (2015), and Chakrabarti and Shankar (2015). From the insurance agents in Kenya perspective, the research aimed at examining the connection between public awareness and insurance penetration. Park and Lemaire (2012), Chui and Kwok (2008), Francois (2015), and IRA (2015) all found that cultural factors influence consumers' choices while making a purchase and that there is conflicting evidence about the effect of culture on insurance penetration; certain cultural aspects are positively correlated with it, while others are negatively correlated. Masood and Tripti (2010) found that several aspects of service quality affect customers' happiness with the business, their agents, and the service itself. Both the insurance sectors in Ghana (Duodu and Amankwah, 2011) and India (Ramamoorthy et al., 2018) found that the dependability and responsiveness of customer service were crucial factors in purchase and referral choices.

Table 2. 1: Summary of Knowledge Gaps

Author	Focus of Study	Findings	Knowledge Gap	Filling Gaps
Kaunda and Chowa (2022)	Issues affecting small holder farmers' propensity to purchase agriculture index insurance: A Case of study of Kasama District in Zambia	The research found that smallholder farmers in Kasama area were influenced by age, understanding of WII, and other sources of income when it came to uptaking WII.	The study was conducted among farmers in Zambia leaving significant contextual and geographical gaps There was no triangulation of quantitative and qualitative results	The study was conducted among traders in Gikomba Market.
Musonda and Chowa (2022)	Factors that impact the uptake of general insurance	While variables including family size, savings rate, and kind of job were left out of the analysis, the impact of education on insurance uptake was highlighted	The study was conducted in Zambia making it impossible to generalize the findings. Besides using mixed methodology, the study failed to triangulate results from various sources.	The current study was conducted among traders in Gikomba Market.
Liu, Chen and Hill (2020)	Differences in insurance coverage and investment choices made by smallholder farmers in rural China as a result of postponed premium payments	The data demonstrate that the rate of uptake is 10% higher for those who have the option to pay later, and three times higher for those who do not.	The study was conducted in rural China making it difficult to be generalize in Gikomba market. Conceptually, the study used delayed premium payment as measure of insurance product characteristics	The current study was conducted among traders in Gikomba Market focusing on general insurance. Besides premium payment, other measures was used to conceptualize product characteristics
Aketch (2023)	Influence of product-related factors on the uptake of insurance products among the youth.	Main finding was that insurance uptake had material relationship with product related factors.	The study only targeted youth while the current study focused on all traders in Gikomba Market	The current study was conducted among traders in Gikomba Market focusing on general insurance.

Foya and Ncube (2023)	The variables impacting the adoption of insurance products in the Zimbabwean banking sector. It used First Capital Bank as a case.	The study concluded that insurance policy characteristics significantly influence consumption of insurance at FCB was low.	Besides using mixed methodology, there was no evidence of triangulation.	The current study was conducted among traders in Gikomba Market focusing on general insurance.
Mwongela (2022)	Different ways that regulatory framework within the insurance industry affected insurance penetration in Kenya	It was noted that in management of claims settlement and process, timely reporting of claims was important.	The study concentrated on insurance penetration. This study however focused on insurance uptake	The current study focused on insurance uptake
Damtew and Muraguri (2021)	Investigating Kenya's industry dynamics on insurance penetration.	Actions of the government had positive material influence on insurance penetration.	It dwelt on insurance penetration rate. Further, it sampled senior managers in the industry.	This study focused on insurance uptake using on SMEs owners/managers as the target.
Musonda and Chowa (2022)	Factors impacting uptake of general insurance in Zambia	Results revealed that education influences insurance adoption while finding no connection on religion, nature of employment, savings, and family size	Besides using mixed methodology, the study failed to triangulate results from various sources. The study was done in Zambia	The current study triangulated results from qualitative and quantitative sources. The investigations was conducted in Kenya.
Munene (2021)	Cultural impact on purchase of general insurance policy in Embu County	Culture was noted as having moderate positive effect in marketing general insurance in Embu County.	Study focused on marketing of insurance policies in Embu County.	Current research focused on the uptake of general insurance and location chosen is Nairobi County
Kamara and Makori (2017)	To investigate determinants of Kenya's SMEs insurance adoption.	The entrepreneurial culture affects uptake of insurance services	Methodologically, the study did not indicate how 100 SMEs were sampled	Current Investigations were conducted among the registered SMEs in Gikomba Market, Nairobi. The study used stratified random sampling

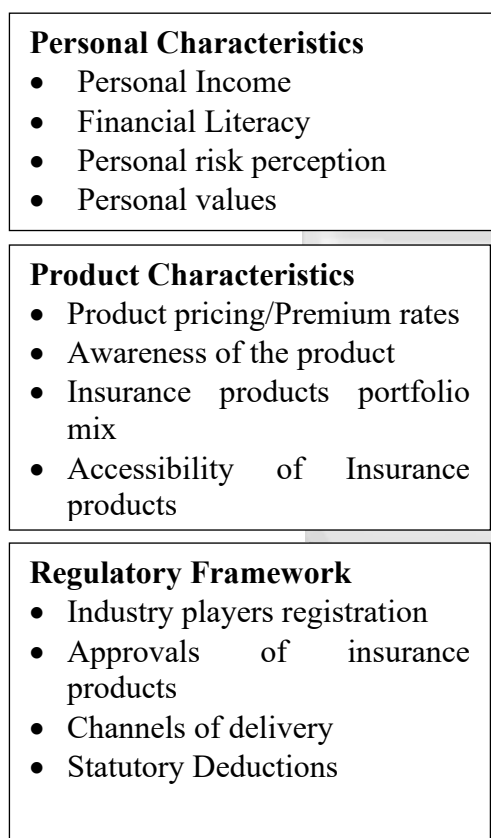
Source: Researcher (2024)

2.5 Conceptual Framework

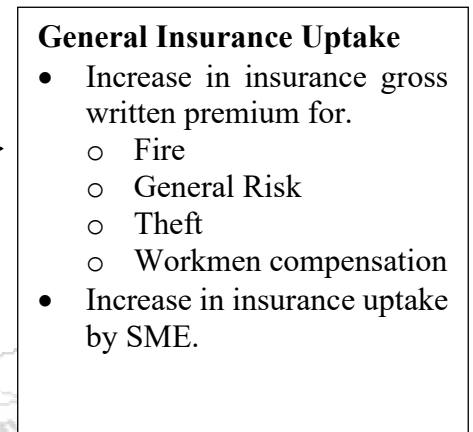
Presentation of interconnectedness of ideas that a researcher is examining in a study (Burns & Burns, 2012). To illustrate the linkages and interactions between the many variables and categories, it shows them and connects them using lines and arrows. The independent variables for the study are: Personal characteristic, Product characteristics, Regulatory framework, and National Culture. The Dependent variable for the study is general insurance uptake.

Figure 2.1: Conceptual Framework

Independent Variables



Dependent Variable



Source: Researcher (2024)

The conceptual framework for this study outlines the relationship between independent variables (factors influencing insurance uptake) and the dependent variable (general insurance uptake among SMEs in Gikomba Market). The independent variables are categorized into three main groups: personal characteristics, product characteristics, and regulatory framework. Personal characteristics include factors such as personal income, financial literacy, personal risk perception, and personal values, which influence how SMEs perceive and prioritize

insurance. Product characteristics encompass product pricing or premium rates, awareness of the product, the diversity of the insurance products portfolio, and the accessibility of insurance products, all of which determine whether SMEs find insurance products attractive and feasible to purchase. The regulatory framework includes industry player registration, product approvals, channels of delivery, and statutory deductions, which can either facilitate or hinder the uptake of insurance. The dependent variable, general insurance uptake, refers to the extent to which SMEs in Gikomba Market actively purchase and utilize general insurance products, and it is influenced by the aforementioned independent variables.

To operationalize general insurance uptake, measurable indicators that reflect the extent of insurance adoption among SMEs need to be defined. Based on the discussion in Section 1.1.1, the following measures can be used: increase in insurance gross written premium (GWP), which measures the total premiums collected by insurance companies for general insurance products and indicates higher uptake among SMEs; increase in insurance uptake by SMEs, which can be measured through surveys or insurance company data to determine the percentage of SMEs in Gikomba Market that have purchased general insurance products; insurance penetration rate, which measures the ratio of total insurance premiums to the GDP of the region and provides context for the level of insurance adoption in the market; and specific product uptake rates, which include the uptake rates for specific insurance products such as fire insurance, theft insurance, and workmen's compensation insurance, reflecting the percentage of SMEs with coverage for these products.

The Protection Motivation Theory (PMT) directly aligns with the conceptual framework developed for this study, particularly in how personal characteristics influence general insurance uptake. PMT highlights that individuals' decisions to adopt protective measures, such as insurance, are based on cognitive appraisals of threats (severity and vulnerability) and coping mechanisms (response efficacy and self-efficacy). In the conceptual framework, personal income, financial literacy, and personal risk perception directly interact with these appraisals. For example, SME owners with higher income levels may perceive insurance as a more feasible coping strategy due to their ability to afford premiums, which in turn enhances their perceived efficacy. Similarly, better financial literacy allows for a more accurate risk assessment, making it easier for individuals to recognize the value of insurance, aligning with the theory's emphasis on self-efficacy in adopting protective behaviors. Thus, PMT provides a theoretical lens for understanding how personal factors shape insurance uptake decisions.

On the other hand, the Public Interest Theory of Regulation ties in with the regulatory aspects of the conceptual framework, especially in explaining how government actions influence insurance uptake among SMEs. Public Interest Theory emphasizes that regulation should protect consumers and ensure market stability, addressing market failures such as information asymmetry and financial instability. In the framework, the regulatory framework elements like industry player registration, product approval processes, and statutory deductions align with this theory by enhancing trust and transparency in the insurance market. For instance, the role of the Insurance Regulatory Authority (IRA) in ensuring solvency and fair pricing boosts consumer confidence and mitigates fears of insolvency or fraud, thus encouraging SMEs to engage with insurance providers. Therefore, Public Interest Theory supports the regulatory components of the framework, providing a rationale for why sound regulatory practices are essential in improving insurance adoption, especially in developing markets like Kenya.

2.6 Study Variables operationalization.

Table 2. 2: Study variables operationalization

Dependent Variable	Indicator	Measure	Supporting Literature
General Uptake	Insurance Increase in insurance gross written premium.	Ordinal	Angappan and Baker (2017). Musonda and Chowa (2022)
SMEs personal characteristics	Proprietor characteristics <ul style="list-style-type: none"> • Household Income • Financial Literacy • Household decision • Proprietor perception 	Ordinal	Munene (2021) Kamara and Makori (2017)
Product Characteristics	<ul style="list-style-type: none"> • Product pricing/Premium rates • Awareness of the product • Insurance products portfolio • Distribution/Delivery channels 	Ordinal	Damtew and Muraguri (2021) Mesfin (2021) Kang'ethe (2019)
Regulatory Framework	<ul style="list-style-type: none"> • Industry players registration • Approvals of insurance products • Channels of delivery • Statutory Deductions 	Ordinal	TGA (2015) Mwongela (2022) Chishala, Musawa and Kabwe (2018)

Source: Researcher (2024)

2.7 Chapter summary

The chapter examined the results of previous studies about insurance uptake in various contexts. The theoretical foundations of the investigation are first presented in this chapter. Customer perceived value theory and public interest theory of Regulation anchored this research and guided the study. The empirical review section has reviewed literature on personal characteristics, insurance products characteristics, insurance regulatory framework and uptake of general insurance. The study identified the gaps in existing research using a literature survey. These gaps were then provided, together with a conceptual structure and finally was operationalize the variables.



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter covers the research design, describes the population and how a representative sample was selected, identifies data was collected and how it was carried out, identify quality measures that were put in place and finally the issues of ethics that was observed.

3.2 Research Philosophy

Lewis, and Thornhill (2019), clarified that "research philosophy" is the body of knowledge that is used by academics and researchers in the process of carrying out their investigations. There are two distinct approaches to study that are in direct opposition to one another: positivism and interpretivism. The concept of pragmatism fits into the middle ground between the two extremes. This study was based on positivism. Positivist philosophy is applicable to this study as it aligns with the objective of establishing empirical relationships between variables and deriving generalizable findings. Bryman (2016) states that positivism places an emphasis on the objective understanding of social processes by methodical investigation, measuring, and experimenting.

The research targets measurable factors like personal characteristics (demographics), insurance product features (coverage, pricing), and the regulatory framework (regulations, requirements). Positivism emphasizes objective data collection and analysis of these observable variables to understand the phenomenon (insurance uptake). The study used questionnaires to gather data from small and medium enterprises. This aligns with the positivist preference for structured, quantitative methods that generate numerical data for statistical analysis (Lewis & Thornhill, 2019).

3.3 Research Design

The study adopted a descriptive survey design which describes the characteristics of a population or phenomenon under investigations (Gitau & Sile, 2016). In this type of design, researchers aim to systematically gather information about variables of interest without manipulating or intervening in the study subjects' natural environment (Essendi, 2013). The research design explained the reasons and sources of the observed events, characteristics, and correlations. This method also allowed the investigator to gather detailed information about various factors influencing insurance uptake among SMEs in Gikomba Market.

The study also used cross-sectional design which gathers population's information at a certain moment and is classified as an observational study (Hunziker, & Blankenagel, 2024). In this approach, researchers gather information from a sample of individuals or groups representing the population of interest, without following them over a period. This method was appropriate because it enabled collection of substantial data within very short time. The targeted respondents also provided information that is descriptive in nature which helped build a profile on the topic under study.

3.4 Target Population

This is the individuals or things that forms that are subjected to an investigation to draw conclusions or make suggestions. According to Mugenda & Mugenda (2003), for a study's findings to be applicable to a larger population, the sample group should exhibit certain obvious traits. Population under study consisted of all registered SMEs as per the selected location under study. The Nairobi County data indicated that there are 4201 SMEs registered to operate within Gikomba Market in Nairobi County. Majority of these enterprises in trade in various commodities.

Table 3. 1: Target Population

Business Type	Registered population
Secondhand clothes	742
Hardware and Furniture's	562
Textiles	609
Fruits	260
Beverages and Cafeterias	226
Cereals	694
Grocery vendors	710
Poultry	398
Total	4201

Source: Nairobi City Council Licensing Department 2024

3.5 Sampling Design and Sample Size

As clarified Bryman (2016), a sampling frame is a description element that the researcher considers as identical in the study population. The research utilized stratified random sampling in determining the participants from 8 strata of businesses operating within the location under study. Kothari (2009) affirms that simple random sampling is a situation whereby all members in the population have same selection probability.

A sample size is the unit of representation where a researcher can come up with a sample. This, for the sake of this study, was arrived at using the Yamane formula because the sample frame is large. As indicated here below; the sample size for this survey was 365 traders drawn from the said market as shown:

$$n = \frac{N}{1 + (e)^2}$$

Where n = Sample size

N = population under study

E = margin error (0.05)

I = constant

Therefore.

$$n = \frac{4201}{1 + (4201)(0.05)^2}$$

$$n = 365.2249511 \text{ which is } 365$$

From the calculation 365 participants. Respondents were selected through stratified random sampling as shown in the table 3.2. The study sampled the owners/managers of these small and medium enterprises during data collection. Owners/managers are directly involved in managing insurance buying process as they possess firsthand knowledge of their businesses' operations, financial status, and risk exposures, making them key informants regarding factors influencing insurance decisions.

Table 3. 2: Sample Size

Business Type	Target population	Proportion	Sample size
Secondhand clothes (Mitumba)	742	0.086	64
Hardware and Furniture's	562	0.086	49
Textiles	609	0.086	53
Fruits	260	0.086	23
Beverages and Cafeterias	226	0.086	20
Cereals	694	0.086	60
Grocery vendors	710	0.086	62
Poultry	398	0.086	34
Total	4201	0.086	365

To identify respondents within the strata, the research team collaborated with multiple stakeholders to ensure a systematic and credible selection process. The team first engaged the

Market Master, who oversees daily operations within Gikomba Market, to gain insights into the different business categories, their locations, and the approximate number of traders operating in each category. Additionally, the study consulted the Nairobi City County's Department of Trade and Markets, which provided official records and trader registrations to verify the number of businesses within each stratum, ensuring an accurate sampling frame.

While the ideal stratified sampling approach relies on a complete list of all population elements (i.e., a full list of SME owners), such a list was not entirely available. As a result, the team employed a modified approach. From the validated records and physical mapping exercises conducted jointly with county officials and the Market Master, an approximate and verified sampling frame was developed. From this frame, a proportionate number of SMEs were randomly selected from each stratum. Where full listings were not available within certain strata, systematic random sampling was used during peak trading hours, selecting every *n*th trader who met the inclusion criteria. In such cases, the approach incorporated elements of purposive and convenience sampling, consistent with recommendations by Etikan, Musa, and Alkassim (2016) for use in constrained field conditions.

Regarding sample size, the use of Yamane's (1967) formula is well-supported in social science research, especially when dealing with finite and known populations. A sample of 365 respondents from a total population of 4,201 SMEs was deemed statistically sufficient to achieve a 95% confidence level with a 5% margin of error, which is standard for empirical studies aiming for both reliability and feasibility (Israel, 1992). The sample size also aligns with recommendations in similar insurance uptake studies conducted in emerging markets, where representative sub-samples enable nuanced analysis without overextending resources (Etikan et al., 2016).

3.6 Data Collection Methods

Questionnaire was used to collect data. It contained closed ended questions to standardize responses (Appendix I). Primary data has been defined by Kothari (2004) as the first time collected data in a given study while the secondary is one which has already been collected and processed for other purposes. The study prepared a set of questionnaires covering different factors and uptake of general insurance among business entrepreneurs. The questionnaire comprised five distinct sections as per the variables and demographics. Section A collected data on demographic characteristics, personal characteristics data collected in section B, insurance product characteristics in section C, Section D collected data on insurance regulatory framework and Section E collected data on the uptake of general insurance. The question was

based on structured format with Sections B, C, D and E on five Likert scale from 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree. The questionnaires were administered to the targeted SMEs proprietors or their representatives in the business to ensure that the targeted respondents filled in and return on time. Research assistants randomly selected businesses from each stratum, giving every trader an equal chance of participation within their respective category. The survey was self-administered using a drop-and-pick method, where questionnaires were distributed to the selected respondents and collected later. This approach was chosen to allow traders enough time to respond without disrupting their daily business operations in addition to giving them a chance to have a one on one interactions with the research assistants

3.7 Research Quality

To ensure reliability, a pilot test was conducted with a sample of 36 SME owners, which constituted 10% of the total intended sample size of 365 respondents. The pilot participants were strategically selected from comparable business categories operating in a different marketplace within Nairobi County—outside the Gikomba Market area specifically, Toi Market in Kibera. This precaution was taken to prevent respondent bias and ensure that those participating in the main study had not been previously exposed to the instrument, thereby maintaining the integrity of the data collection process. The pilot test served multiple purposes: first, it helped the research team assess the clarity and comprehensibility of the questionnaire items, ensuring that respondents could easily interpret and respond to the questions without confusion. Second, it allowed for the evaluation of the relevance and appropriateness of the content, especially in terms of how well the questions captured the constructs under investigation (e.g., awareness, product perception, and regulatory influences on insurance uptake). Third, and most importantly, the pilot test provided a preliminary analysis of the instrument's validity and internal consistency reliability, which was assessed using Cronbach's Alpha.

3.7.1 Validity Tests

This is the extent to which a study captures the construct it claims to measure (Forrer, Oosterman, Tharner & Schuengel, 2024). The researcher conducted appropriate validity test to ascertain if the research instrument measures are valid without distortion. This was based on reliability of information together with the rightfulness present in the variable being measured. To ascertain the content validity, the researcher prepared and sought advice from

experts mainly the supervisor guiding the study. The validity therefore ensured that all the operationalised constructs of the study variables are captured by the data extraction tool.

3.7.2 Reliability Tests

Reliability refers to the consistency and stability of a research instrument in measuring what it is intended to measure across different occasions (Bryman, 2016). A reliable instrument yields similar results under consistent conditions. This study was checked through retesting, administering different businesspeople. Reliability of data was verified through Cronbach's Alpha which needs to be above 0.7 thresholds (Gliem & Gliem, 2003). Consistency was maintained in such that if another study is to be repeated by a different scholar, they still ended up with similar outcome. From the findings shown in Table 3.3 depicts that all the variables are reliable since they exceeded the threshold value of 0.7.

Table 3. 3: Reliability Analysis

Variable	Number of Items	Cronbach Alpha
Personal characteristics	8	0.882
Product characteristics	8	0.923
Insurance regulatory framework	8	0.942
Uptake of general Insurance	8	0.968

3.8 Data Analysis and Presentation

Data was inspected for completeness, have necessary editing done to ensure accuracy, consistency and completeness. Incomplete data was set aside to limit distortion of the results. Cleaned data was then tabulated according to classes or themes of the research. The study used descriptive statistics for quantitative data that included means generation, frequencies, standard deviation, and percentages to help generalize the findings. Tables and figures in the form of pie charts and bar graphs was adopted for presentation of data. The degree was done by carrying out inferential statistics including the Spearman correlation. Linear regression model was adapted as below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where Y= Uptake of General Insurance `

X₁= SMEs Personal Characteristics

X_2 = Insurance Products Characteristics

X_3 = Regulatory Framework

ϵ = Error

3.9 Multiple Regression Model Assumptions

Before diving into inferential statistics, the study ran diagnostic tests to make sure assumptions about Pearson correlation and multiple regression are correct. The following is the outline.

3.9.1 Normality test

Numerous parametric techniques, like as t-tests, analysis of variance, correlation, and regression, depend on the presumption of a normal or Gaussian distribution, which leads to an abundance of statistical errors in the literature. Visual normality assessment utilizing a Q-Q plot to demonstrate deviation from the approximate to the line of fit, in addition to the Shapiro-Wilk test, is recommended by Ghasemi and Zahedias (2012). The test was important in deciding the level of central tendency.

3.9.2 Multicollinearity

This is when the correlation between several independent variables exists, and it is indicated by very strong correlations ($r = 0.9$ and higher) between the independent variables. For a number of regressions, this is a major concern. Be wary of mixing variables in a single research if their bivariate correlation is 0.7 or greater, say Tabachnick and Fidell (2001). Multicollinearity was tested in the research using the VIF and the tolerance level. Tolerance levels greater than 0.1 or VIFs lower than 10 are sufficient.

3.9.3 Test of Linearity

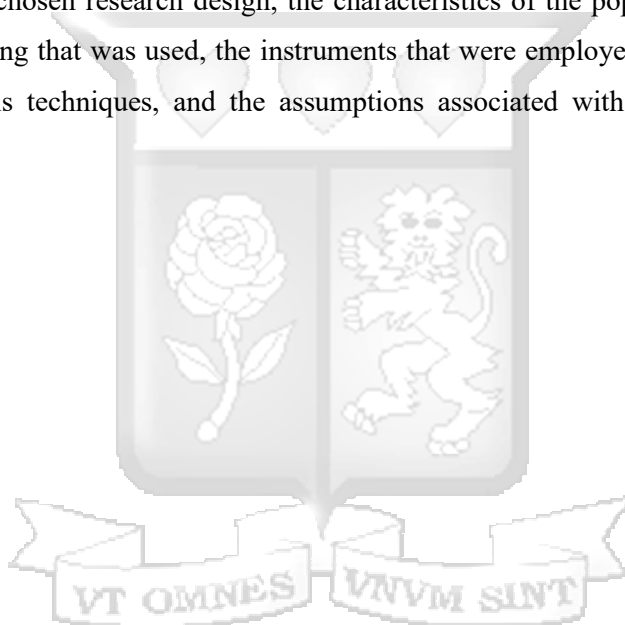
In statistics, linearity describes the relationship's strength between dependent and independent variables. Because regression only considers linear connections, it follows that the dependent and independent variables must also be linear. With the use of Pearson correlation and scatter plots, this research checked all predictor variables to see whether they were significantly correlated with the dependent variable.

3.10 Ethical issues

The researcher sought authorization from Strathmore University. Confidentiality was observed as the data involved is very sensitive to the reputation of the targeted respondents. This helped ensure that the participants do not suffer any harm by unauthorized access to the data collected. The researcher also sought research permission from NACOSTI which issues research permit. The targeted respondents also participated in the study on their voluntary choice, and none was influenced in any way to participate.

3.11 Summary of the Chapter

The chapter outlined key elements of the research, including underlying philosophical approach, the chosen research design, the characteristics of the population under study and method sampling that was used, the instruments that were employed for collecting data, the chosen analysis techniques, and the assumptions associated with the multiple regression model.



CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.1 Introduction

This chapter provides an overview of the study's outcomes, discoveries, and deliberations in line with its objectives. It outlines the results through descriptive examination, Pearson correlation, and regression analysis methodologies. Information was gathered via structured surveys, subsequently encoded, and examined for each separate variable utilizing SPSS version 26. The outcomes were then deliberated upon and depicted via tables and models.

4.2 Response Rate

Out of the 365 questionnaires issued to participants, 292 were successfully collected, resulting in an 80% response rate. The remaining 73 questionnaires, constituting 20% of the total, were not retrieved. Mugenda and Mugenda (2013) suggest that a response rate exceeding 50% is sufficient for analysis. Additionally, Babbie (2004) indicates that a return rate of 60% is favorable, while a 70% return rate is considered exceptionally high. The distribution method involved issuing questionnaires through drop-off and pick-up, a factor that likely contributed to the favorable response rate observed in this study. Furthermore, respondents were assured of anonymity, which likely encouraged participation as they did not need to disclose identifiable information.

Table 4. 1: Response Rate

Category	Frequency	Percent
Response	292	80.0
Non-Response	73	20.0
Total	365	100.00

Source: Primary Data (2024)

4.3 Characteristics of the Sample

The sample respondents in Gikomba Market were required to state to the type of business category. Table 4.2 below shows the results.

Table 4. 2: Business Type

Business Type	Frequency	Percentage
Secondhand clothes	57	19.5
Hardware and Furniture's	36	12.3
Textiles	42	14.4
Fruits	21	7.2
Beverages and Cafeterias	16	5.5
Cereals	44	15.1
Grocery vendors	55	18.8
Poultry	21	7.2
Total	292	100.0

Source: Primary Data (2024)

Second-hand clothes had the highest frequency among respondents, with 57 businesses, representing 19.5% of the total surveyed SMEs. Second-hand clothes trading is a common entrepreneurial activity in markets like Gikomba, reflecting the demand for affordable clothing options. 36 respondents reported engaging in hardware and furniture businesses, accounting for 12.3% of the total SMEs surveyed. This sector involves the sale of construction materials, tools, and furniture items, catering to both residential and commercial customers. The textile sector is represented by 42 businesses, constituting 14.4% of the total SMEs surveyed. Textile trading encompasses several products such as fabrics, clothing materials, and accessories, indicating a diverse market for clothing-related goods. Twenty-one (21) respondents reported operating fruit businesses, representing 7.2% of the total surveyed SMEs. This sector involves the sale of fresh fruits, catering to both individual consumers and businesses such as restaurants and juice bars. The study revealed that second-hand clothes businesses had the highest representation (19.5%), followed by grocery vendors (18.8%) and cereals traders (15.1%). This suggests that Gikomba Market is predominantly driven by the trade of essential goods and affordable commodities. These findings imply that the types of businesses present may influence the uptake of general insurance, as sectors with higher perceived risks (e.g., hardware businesses dealing with expensive stock) may have different insurance needs compared to lower-risk businesses such as grocery vendors.

Beverages and Cafeteria category includes 16 businesses, accounting for 5.5% of the total SMEs surveyed. Beverages and cafeterias typically offer a variety of drinks and food items, serving the needs of customers looking for refreshments while shopping or working. 44 respondents reported engaging in cereal businesses, making up 15.1% of the total surveyed SMEs. Cereal trading involves the sale of grains such as maize, wheat, rice, and millet, serving as staple food items for many households. The grocery sector was represented by 55 businesses, constituting 18.8% of the total SMEs surveyed. These businesses offer a wide

range of food and household items, catering to the daily needs of consumers. Twenty-one (21) respondents reported operating poultry businesses, accounting for 7.2% of the total surveyed SMEs. Poultry farming and trading involve the production and sale of chicken, eggs, and related products, contributing to both food security and economic livelihoods.

The sample respondents in Gikomba Market were required to state the period their business has been in operations. The results are shown in Table 4.3

Table 4. 3: Period in Years

Period	Frequency	Percentage
Less than 2 years	57	19.5
2-5 years	36	12.3
Above 5 years	42	14.4
Total	292	100.0

Source: Primary Data (2024)

Fifty-seven (57) respondents reported that their businesses have been operating for less than 2 years, representing 19.5% of the total surveyed businesses. This suggests a material proportion of relatively new businesses in the market, which could indicate entrepreneurial dynamism or turnover. Thirty-six (36) respondents indicated that their businesses have been operating for 2 to 5 years, accounting for 12.3% of the total surveyed businesses. This category represents businesses that have passed the initial startup phase and may be in a phase of growth and development. Forty-two (42) respondents reported that their businesses have been operating for more than 5 years, constituting 14.4% of the total surveyed businesses. These businesses demonstrate longevity and stability in the market, potentially indicating established enterprises with a loyal customer base. The high proportion of relatively new businesses suggests a dynamic market environment where new enterprises are constantly emerging. However, the lower percentage of businesses that have survived beyond five years aligns with global SME failure rates, where many new businesses struggle with sustainability due to financial constraints, competition, and operational risks (Klapper et al., 2016). These findings imply a need for financial risk management strategies, including insurance uptake, to enhance business longevity. Businesses that have operated for longer periods may already have a greater awareness of financial planning and risk mitigation, potentially influencing their likelihood of purchasing general insurance.

The sample respondents in Gikomba Market were required to state how many employees they have in their firms. The results are shown in Table 4.4.

Table 4. 4: Number of Employees

Number of Employees	Frequency	Percentage
Below 3 employees	26	8.9
3-5 employees	162	55.5
6-10 employees	90	30.8
Above 10 employees	14	4.8
Total	292	100.0

Source: Primary Data (2024)

Below 3 employees comprised 8.9% of the total businesses surveyed. These are likely smaller businesses or startups with limited manpower, possibly operating with a lean structure to keep costs low or due to the nature of their operations not requiring a large workforce. Most businesses were having between 3 and 5 employees accounting for 55.5% of the total. This suggests that a significant portion of businesses in Gikomba Market operate with a small to medium-sized workforce. Such businesses may have enough resources to expand beyond sole proprietorships or partnerships but are not yet large-scale enterprises.

Between 6-10 employees represented 30.8% of the total businesses surveyed. These businesses have slightly larger teams compared to the previous category, indicating a level of growth or stability that allows them to support a moderately sized workforce. They may have more complex operations, or a broader scope of services compared to smaller businesses. Only a small proportion of businesses, 4.8% of the total, have more than 10 employees. These are likely larger enterprises or established businesses with more extensive operations, requiring a substantial workforce to manage various tasks and departments effectively.

This suggests that a majority of SMEs in the market are micro or small enterprises with limited capacity for large-scale operations. According to the International Labour Organization (ILO, 2022), micro and small enterprises often operate with minimal staffing due to financial constraints, which may also affect their ability to invest in general insurance. This finding implies that insurance providers need to develop affordable, flexible insurance products tailored to small businesses with limited financial resources.

The sample respondents in Gikomba Market were required to state whether they are owners or operational managers of SMEs. The results are shown in Table 4.5

Table 4. 5: Roles in business

Roles	Frequency	Percentage
Operations Managers	89	30.5
Owners	203	69.5
Total	292	100.0

Source: Primary Data (2024)

Operations Managers comprised 30.5% of the total respondents. A company's day-to-day operations are the responsibility of its operations manager, who is responsible for making sure everything runs well. Their presence suggests a level of organizational structure within SMEs in Gikomba Market, with designated individuals tasked with managing operational aspects. 69.5% of the total respondents identify themselves as owners of SMEs. These are likely entrepreneurs or business proprietors who have founded or acquired SMEs in Gikomba Market. As owners, they hold decision-making authority and bear the responsibility for the overall business success and direction.

4.3 Descriptive Statistics

4.3.1 Personal characteristics

In regards to the effect personal characteristics on the uptake of general insurance? Please choose the option that best describes your opinion using the 5 Likert scale

Table 4. 6: Personal characteristics

	1. Personal characteristics	Mean	S. D
1	I contend that my income level influences my decision to purchase general insurance for my business.	3.89	.999
2	The affordability of insurance premium rates plays major role in my decision to buy insurance	4.04	1.071
3	I actively seek information and educate myself about different insurance options available for my business.	3.72	1.047
4	I believe that being financially literate positively impacts my ability to make informed decisions regarding general insurance uptake for my business.	3.75	1.030
5	I perceive the potential risks to my business as significant factors influencing my decision to purchase general insurance.	3.73	1.011
6	I am concerned about the potential financial losses my business could face due to unforeseen events.	3.65	.908

7	Protecting my business assets and ensuring continuity align with my personal values.	3.89	1.101
8	I prioritize risk management and financial security for my business based on my personal values.	3.66	1.010
Overall Mean		3.79	

Source: Primary Data (2024)

On average, respondents tended to agree (Mean = 3.89) that their income level influences their decision to purchase general insurance for their business, indicating that income plays a significant role in insurance adoption. This suggests that businesses with higher financial stability may be more inclined to invest in insurance as a risk management strategy, while those with lower income levels may struggle to allocate funds toward premiums. Insurers should consider introducing flexible payment plans or microinsurance products to accommodate businesses with varying financial capacities.

Respondents generally agreed (Mean = 4.04) that the affordability of insurance premium rates is a major factor in their decision to buy insurance, reinforcing the idea that cost remains a critical barrier to insurance uptake. This aligns with prior research indicating that SMEs in developing markets often face financial constraints that limit their ability to purchase insurance (Lusardi & Mitchell, 2014). Insurers should explore strategies such as tiered pricing models and government-supported insurance subsidies to enhance affordability.

On average, respondents somewhat agreed (Mean = 3.72) that they actively seek information and educate themselves about different insurance options available for their business. This suggests that while some business owners are proactive in learning about insurance, there is still a knowledge gap that may hinder informed decision-making. Targeted financial literacy programs, workshops, and digital resources can help bridge this gap and encourage more informed insurance purchasing behaviors.

Respondents tended to agree (Mean = 3.75) that being financially literate positively impacts their ability to make informed decisions regarding general insurance uptake. This highlights the importance of financial education in promoting insurance adoption. Studies show that financially literate individuals are more likely to recognize the benefits of risk management tools like insurance (Lusardi & Tufano, 2015). Governments and insurers should therefore collaborate on educational initiatives to improve financial literacy among SME owners.

Respondents generally perceived (Mean = 3.73) the potential risks to their business as significant factors influencing their decision to purchase general insurance, suggesting a

recognition of the importance of risk management. However, while risk awareness is evident, this does not necessarily translate into insurance adoption. This highlights the need for stronger risk education programs that emphasize the financial consequences of being uninsured.

Respondents expressed concern (Mean = 3.65) about the potential financial losses their business could face due to unforeseen events, further indicating a recognition of the need for insurance coverage to mitigate such risks. However, despite this recognition, the uptake of insurance remains relatively low, possibly due to cost constraints, lack of trust in insurance providers, or a perception that alternative financial coping mechanisms are sufficient. This suggests that insurers must work on building trust, simplifying claims processes, and demonstrating tangible benefits of insurance coverage.

Protecting business assets and ensuring continuity align with respondents' personal values, as indicated by the agreement (Mean = 3.89) with this statement. This suggests that entrepreneurs who place a strong emphasis on long-term business sustainability are more likely to invest in insurance. This insight could be leveraged in marketing campaigns that position insurance as a tool for business longevity and resilience.

Finally, respondents generally agreed (Mean = 3.66) that they prioritize risk management and financial security for their business based on their personal values. This finding underscores the role of personal attitudes and financial behavior in influencing insurance uptake. Insurers can tailor their messaging to appeal to entrepreneurs' desire for financial security and stability by highlighting real-life case studies demonstrating how insurance has safeguarded similar businesses.

4.3.2 Product characteristics

In regards to the effect product characteristics on the uptake of general insurance? Please choose the option that best describes your opinion using the 5 Likert scale:

Table 4. 7: Product characteristics

	Product characteristics	Mean	S. D
1	I consider the affordability of insurance premiums as a crucial factor in my decision to purchase general insurance for my business.	3.99	1.165
2	The competitiveness of premium rates significantly influences my choice of insurance provider for my business.	3.71	1.096
3	I actively seek information and updates about new insurance products and offerings relevant to my business.	3.97	1.099

4	I believe that increasing awareness and knowledge about general insurance products can positively impact uptake among SME owners like me.	3.86	1.043
5	Having a diverse range of insurance products available from the same provider encourages me to invest in multiple policies for my business.	3.92	1.135
6	The availability of customizable insurance packages influences my decision to purchase general insurance, as it allows me to tailor coverage to my business requirements.	3.53	1.162
7	Easy accessibility to insurance products through online platforms or local agents positively influences my likelihood to purchase general insurance for my business.	3.69	1.173
8	I perceive accessibility to insurance products as a key factor in facilitating the uptake of general insurance among SMEs.	4.01	.887
Overall Mean		3.84	

Source: Primary Data (2024)

Respondents, on average, agreed (Mean = 3.99) that the affordability of insurance premiums is a crucial factor in their decision to purchase general insurance for their business. This suggests that premiums play a significant role in their decision-making process, indicating that many SMEs may forego insurance coverage if premiums are perceived as too high. However, the considerable variability in opinions, as shown by the standard deviation, suggests that while cost is important, some respondents may prioritize other aspects such as coverage benefits and claim reliability.

Respondents agreed (Mean = 3.71) that the competitiveness of premium rates significantly influences their choice of insurance provider. This implies that SMEs assess different providers based on price comparisons before committing to a policy. However, the notable variability in responses (SD = 1.096) indicates that while some SMEs prioritize competitive pricing, others may focus on factors such as customer service, reputation, or policy flexibility. This finding suggests that insurers need to develop strategic pricing models that balance affordability with comprehensive coverage to remain attractive to SMEs.

The importance of staying informed about insurance options was highlighted, with respondents agreeing (Mean = 3.97) that actively seeking information and updates about new insurance products is essential. This underscores the role of awareness in insurance adoption, as SMEs that frequently update themselves on new insurance offerings are more likely to consider coverage options. However, the moderate level of variability in responses (SD = 1.099) suggests that information-seeking behavior differs among SMEs, with some actively searching for insurance options while others remain passive. This finding reinforces the need

for targeted educational campaigns by insurance companies and financial institutions to enhance SME awareness and engagement with insurance products.

Respondents also expressed agreement (Mean = 3.86) that increasing awareness and knowledge about general insurance products can positively impact uptake among SME owners. This suggests that financial literacy and insurance education programs could significantly improve insurance penetration rates among SMEs. The implication here is that many SME owners may lack detailed knowledge about insurance benefits, leading to low uptake despite recognizing its potential importance.

The study further found that respondents agree (Mean = 3.92) that having a diverse range of insurance products available from the same provider encourages them to invest in multiple policies. This suggests that SMEs value the convenience of purchasing various forms of insurance from a single provider, making bundling and cross-selling strategies effective for insurers. However, the relatively high standard deviation (SD = 1.135) implies that while some SMEs appreciate diversity in insurance products, others may prefer more specialized or streamlined options. This highlights the need for insurers to offer customizable insurance solutions that cater to different business preferences and risk profiles.

Customization of insurance packages was another important factor, with respondents expressing moderate agreement (Mean = 3.53) that the availability of customizable insurance packages influences their decision to purchase insurance. This suggests an appreciation for flexible policies that can be tailored to specific business needs. However, the relatively high standard deviation (SD = 1.162) indicates differing opinions, with some SMEs strongly valuing customization while others may prioritize simpler, more standardized policies. This implies that insurers should offer both standardized and customizable policy options to meet the diverse needs of SME clients.

Accessibility emerged as another critical factor, with respondents agreeing (Mean = 3.69) that easy access to insurance products through online platforms or local agents positively influences their likelihood to purchase insurance. This confirms the importance of convenience in the purchasing process, particularly in an era where digital solutions are transforming service delivery. However, the notable variability in responses (SD = 1.173) suggests that while digital access is valuable to many, some SMEs may still prefer traditional, face-to-face insurance transactions. This highlights the need for a hybrid approach, where insurance providers leverage both digital and physical distribution channels to get hold of a number SMEs.

The strongest level of agreement was recorded for the statement that accessibility to insurance products is a key factor in facilitating uptake among SMEs (Mean = 4.01). This indicates a broad consensus that ease of access plays a critical role in insurance adoption. The relatively low standard deviation (SD = 0.887) suggests a strong consistency in this view, reinforcing the importance of making insurance more accessible through diverse distribution channels, such as online platforms, mobile applications, and local agents.

4.3.3 Insurance regulatory framework

In regards to the effect insurance regulatory framework on the uptake of general insurance? Please choose the option that best describes your opinion using the Likert scale: Out of 5 possible responses.

Table 4. 8: Insurance regulatory framework

	Insurance regulatory framework	Mean	S. D
1	A well-regulated insurance industry encourages me to consider purchasing general insurance for my business	4.09	1.167
2	I believe that streamlining the registration procedures for insurance companies can contribute to a more competitive market and better options for SMEs.	3.72	1.050
3	I believe that insurance products approved by regulators offer adequate coverage for the risks faced by my business	3.98	1.114
4	I am more likely to trust general insurance products that have been reviewed and approved by the government.	3.91	1.026
5	Regulations that promote diverse and accessible delivery channels for insurance products, such as online platforms and mobile apps, enhance my convenience and likelihood to purchase insurance for my business.	3.63	1.026
6	I believe that regulations should support innovation and flexibility in delivery channels to adapt to the dynamic needs and preferences of SMEs.	3.38	1.050
7	High statutory deductions leave me with limited resources to invest in additional insurance products for my business.	3.53	1.205
8	Clear guidelines on statutory deductions related to insurance premiums help me understand the financial implications of purchasing insurance for my business.	3.66	1.150
	Mean	3.74	

Source: Primary Data (2024)

Respondents agreed (Mean = 4.09) that a well-regulated insurance industry encourages them to consider purchasing general insurance for their business. This suggests a high level of trust and confidence in the regulatory framework's ability to ensure reliability and fairness within

the insurance market. The standard deviation of 1.167 indicated some variability in opinions, with some respondents holding even stronger convictions about the importance of regulation in fostering trust and confidence, indicating that regulatory oversight plays a crucial role in boosting SME confidence in insurance products and their providers. A strong regulatory system can increase insurance penetration by reassuring SMEs that their interests are protected.

Respondents expressed agreement (Mean = 3.72) that streamlining the registration procedures for insurance companies can contribute to a more competitive market and better options for SMEs. This suggests that simplifying bureaucratic procedures could lead to increased participation by insurance providers, expanding product availability and affordability. A more efficient regulatory system could encourage innovation and attract new insurers into the market, ultimately benefiting SMEs through better service delivery and competitive pricing.

On average, respondents agreed (Mean = 3.98) that insurance products approved by regulators offer adequate coverage for the risks faced by their business. This finding indicates that SMEs recognize the role of regulatory approval in ensuring comprehensive and reliable insurance products. It suggests that businesses may be more inclined to purchase insurance if they are assured that approved policies meet industry standards and offer adequate protection against key business risks.

Respondents are inclined to trust (Mean = 3.91) general insurance products that have been reviewed and approved by the government. This suggests a preference for products with official endorsement, potentially due to perceived reliability and compliance with regulatory standards. The relatively low standard deviation of 1.026 indicates a consistent tendency among respondents to favor government-approved insurance policies. This finding implies that regulators and insurers should emphasize transparency and official endorsements in their marketing strategies to build consumer trust and enhance uptake.

Respondents agreed (Mean = 3.63) that regulations promoting diverse and accessible delivery channels for insurance products enhance their convenience and likelihood to purchase insurance for their business. This underscores the importance of regulatory initiatives in facilitating access to insurance services through modern platforms such as digital applications, mobile-based policies, and local insurance agents. The standard deviation of 1.099 suggests varying levels of emphasis on the role of regulations in improving accessibility, implying that while some SMEs benefit from these channels, others may still face barriers to entry.

On average, respondents expressed agreement (Mean = 3.38) that regulations should support innovation and flexibility in delivery channels to adapt to the dynamic needs and preferences of SMEs. This finding highlights the importance of regulatory frameworks that foster innovation and responsiveness to evolving market trends. Insurance providers should leverage technology-driven solutions and policy innovations that align with SME operational needs while ensuring compliance with regulatory requirements.

Respondents expressed concern (Mean = 3.53) that high statutory deductions leave them with limited resources to invest in additional insurance products for their business. This suggests that current tax and deduction policies may discourage SMEs from allocating funds toward insurance premiums. If statutory deductions are perceived as excessive, SMEs may prioritize other financial obligations over insurance, limiting overall industry growth. Policymakers should consider adjusting tax structures to incentivize insurance uptake among small businesses.

On average, respondents agreed (Mean = 3.66) that clear guidelines on statutory deductions related to insurance premiums help them understand the financial implications of purchasing insurance for their business. This underscores the importance of transparent regulatory frameworks that provide businesses with clarity and certainty regarding their financial commitments. If businesses have a clear understanding of insurance-related deductions, they may be more willing to engage in long-term insurance planning, reducing their vulnerability to financial shocks.

4.3.4 Uptake of General Insurance

In regards to uptake of general insurance? Please choose the option that best describes your opinion using the Likert scale: Out of 5 possible responses.

Table 4. 9: Uptake of General Insurance

	Uptake of General Insurance	Mean	S. D
1	I have taken a general insurance in the past	3.26	1.320
2	I am currently enrolled for a general insurance	3.38	1.353
3	Most of my business friends have general insurance cover	3.46	1.373
4	I perceive the rise in insurance premiums for fire coverage as a necessary step to adequately protect my business assets against fire-related losses.	3.67	1.368
5	I understand the importance of providing adequate insurance coverage for workmen compensation to protect my employees and comply with legal requirements	3.50	1.312
6	I willing to buy burglary insurance to protect my business from theft risks	3.51	1.430

7	I believe that the recent increase in insurance uptake by SMEs signifies a growing recognition of the importance of insurance as a risk management tool.	3.54	1.338
8	I am considering increasing my insurance coverage in response to the observed increase in insurance uptake among other SMEs	3.54	1.420
	Mean	3.48	

Source: Primary Data (2024)

The findings indicate that respondents exhibit a level of neutrality and uncertainty regarding their past and present insurance status. With a mean score of 3.26, respondents showed hesitancy in confirming whether they had taken general insurance in the past. This could suggest low record-keeping, lack of awareness, or infrequent engagement with insurance services among SMEs. The relatively high standard deviation of 1.320 further supports the idea that opinions and experiences with past insurance uptake vary significantly among respondents. Some respondents may have previously purchased insurance but failed to maintain continuity, while others may have never engaged in insurance at all.

Similarly, respondents were uncertain about their current enrollment in general insurance (Mean = 3.38), suggesting a lack of clear understanding of their insurance status or limited proactive engagement with their policies. This could be attributed to low financial literacy levels, reliance on informal financial mechanisms, or administrative challenges in tracking active policies. The inconsistency in responses could also reflect a lack of trust in insurers or dissatisfaction with insurance services, which may discourage business owners from renewing or maintaining coverage.

Additionally, respondents expressed uncertainty about whether their business peers had insurance coverage (Mean = 3.46). This suggests a lack of discussion or shared knowledge about insurance among SMEs. In many cases, business owners may not openly share information regarding their insurance status, either due to lack of interest or because insurance is not considered a priority within their networks. This finding implies that peer influence is not a major driver of insurance uptake, and efforts to encourage uptake may require targeted awareness campaigns rather than relying on social diffusion.

However, respondents recognized the importance of adequate coverage, particularly for fire insurance. The agreement with the statement that the rise in insurance premiums for fire coverage is a necessary step to protect business assets (Mean = 3.67) indicates that SMEs understand the high risk of fire-related losses and the need for insurance despite increased costs. This is significant, as previous research suggests that fire hazards are a recurrent problem

in informal markets such as Gikomba, leading to devastating financial losses (Giné & Yang, 2009). The findings suggest that fire insurance awareness is higher than other types of coverage, which may be due to past fire incidents serving as a strong motivator for uptake.

In contrast, the importance of workmen's compensation insurance received a moderate level of agreement (Mean = 3.50), suggesting mixed perceptions about its necessity. This could indicate a gap in knowledge regarding legal obligations to protect employees or a belief that workers can seek alternative compensation methods. Some SMEs, especially small enterprises, may perceive workmen's compensation as an extra cost rather than an essential protective measure, which can affect its adoption rates.

Additionally, respondents showed some level of agreement (Mean = 3.51) about purchasing burglary insurance to protect against theft risks. However, the moderate response suggests that there may be hesitancy or reluctance in investing in this type of coverage. This could be due to a perceived lack of immediate necessity, reliance on alternative security measures such as physical surveillance or community policing, or concerns about claims processing challenges. The insurance industry may need to better communicate the advantages of burglary insurance, particularly for businesses that deal with high-value stock.

Respondents expressed a moderate level of agreement (Mean = 3.54) on whether the recent increase in insurance uptake among SMEs reflects growing recognition of its importance as a risk management tool. This finding suggests that awareness is improving, but there is still some skepticism about the underlying reasons behind the increased uptake. The moderate standard deviation of 1.338 indicates varied perceptions, with some respondents strongly believing in this trend while others remain uncertain or unconvinced. The variations could be due to differences in exposure to financial education, past experiences with insurance, or disparities in how insurance is promoted within different SME networks.

Finally, respondents showed some level of agreement (Mean = 3.54) with considering increasing their insurance coverage in response to observed trends in uptake among other SMEs. This implies that while insurance adoption may not be a top priority for many SMEs, there is potential for future growth in demand if proper incentives, education, and policy improvements are implemented. However, the variability in responses suggests that some SMEs remain hesitant or constrained by financial limitations.

4.4 Inferential Statistics

This section investigates inferential statistics by initially scrutinizing the assumptions of linear regression, Pearson correlation analysis, and linear regression analysis. It concludes by delving into multiple linear regression analysis.

4.4.1 Assumptions of Linear Regressions

Assumptions of multicollinearity, normality and linearity were tested in order to compute multiple regression between the dependent variable (the uptake of general insurance) and the independent variables (personal characteristics, product characteristics, and the insurance regulatory framework). The results of these tests are displayed below.

4.4.1.1 Normality Test

Many parametric techniques in correlation, regression, analysis of variance, and t-test rely on the assumption of a normal or Gaussian distribution, which can lead to common statistical errors in research literature. However, parametric approaches can often be justified, especially with large samples (>30 or 40), as the sampling distribution tends to approximate normality. To assess normality visually, Ghasemi and Zahedias (2012) recommend using a normal q-q plot. In our study, the data points were observed to be approximately normally distributed, as evidenced by their clustering around the line of best fit, as illustrated in Appendix III.

4.4.1.2 Multi-Collinearity Test

Table 4.10 presents the findings from the assessment of multicollinearity. This form of analysis is employed when there exists a significant level of correlation among two or more independent variables. The interpretation of regression coefficients as predictors becomes more intricate with increased multicollinearity, as it leads to coefficient variability (Cooper & Schindler, 2011). To identify multicollinearity, either tolerance values or variance inflation factors (VIF) were utilized. Typically, multicollinearity is not a concern if VIF values are below 10 or if tolerance values are less than 1.

Table 4. 10: Multi-Collinearity Test

Independent variable	Tolerance	VIF
Product characteristics	0.301	3.326
Insurance regulatory framework	0.359	2.783
Personal characteristics	0.211	4.729

4.4.1.3 Linearity

Figure 4.1 illustrates a scatter plot depicting the relationship between the uptake of general insurance and independent variables. The plot reveals a slight deviation of data points from the straight line intersecting the plane. Based on this observation of a linear relationship between the dependent and independent variables, this study employed a multivariate linear regression model.

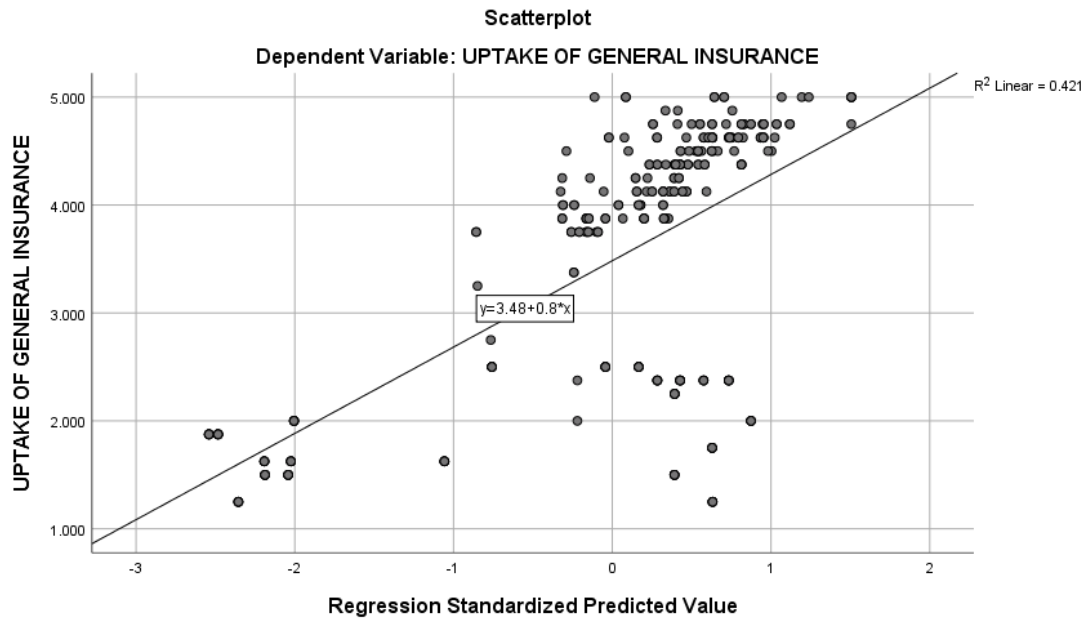


Figure 4. 1:Linearity Test

Source: Primary Data (2024)

4.4.2 Correlation Analysis

Once the variables were computed successfully, the correlation between the Uptake of general insurance and the overall mean of each dimension on the combination strategy scales was established. Following this, the mean of all the combination strategy scales was aggregated, and multiple linear regression was utilized to further establish a correlation with the Uptake of general insurance. A significance level of 0.05 (p-value) was selected for all correlations, indicating that data pertaining to this relationship were handled with a 95% confidence interval. Table 4.7 shows the correlation coefficient (r).

Table 4. 11: Correlation between Combination strategies and performance

		Personal Characteristics	Insurance Product Characteristics	Regulatory Framework
Personal Characteristics	Pearson Correlation	1		
	Sig. (2-Tailed)			
	N	292		
Insurance Product Characteristics	Pearson Correlation	.835**	1	
	Sig. (2-Tailed)	.000		
	N	292	292	
Regulatory Framework	Pearson Correlation	.696**	.799**	1
	Sig. (2-Tailed)	.000	.000	
	N	292	292	292
Uptake Of General Insurance	Pearson Correlation	.590**	.630**	.570**
	Sig. (2-Tailed)	.000	.000	.000
	N	292	292	292

** . Correlation Is Significant At The 0.01 Level (2-Tailed).

Source: Primary Data (2024)

There is a strong positive correlation ($r = 0.590$, $p < 0.001$) between Personal Characteristics and the Uptake of General Insurance. This indicates that as the Personal Characteristics of individuals in the sample vary positively, there is a corresponding increase in the uptake of general insurance. In simpler terms, individuals with certain personal characteristics are more likely to have higher uptake of general insurance.

There is a strong positive correlation ($r = 0.630$, $p < 0.001$) between Insurance Product Characteristics and the Uptake of General Insurance. This suggests that as the characteristics of insurance products, such as affordability, competitiveness, and diversity, improve, there is a corresponding increase in the uptake of general insurance. Customers are more inclined to purchase insurance products that meet their specific needs and preferences.

There is a strong positive correlation ($r = 0.570$, $p < 0.001$) between Regulatory Framework and the Uptake of General Insurance. This implies that a well-structured and supportive regulatory environment positively influences the uptake of general insurance. Regulatory measures that enhance consumer trust, ensure product quality, and promote accessibility contribute to increased adoption of insurance among individuals and businesses.

4.4.3 Analysis of Linear Regression

This test focussed on the direct influence of independent variables (product characteristics, personal characteristics and insurance regulatory framework) on uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya. This computation was done by SPSS version 26 through transforming categorical data into continuous data to validly run linear regression analysis.

4.4.3.1 Linear influence of Personal characteristics on uptake of general insurance

An analysis on simple linear regression was conducted to establish direct influence of personal characteristics and uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya. Shown in Table 4.12 below are the results.

Table 4.12: Model Summary for Personal characteristics and uptake of general insurance

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate		
1	.590 ^a	.349	.346	.996700		
A. Predictors: (Constant), Personal Characteristics						
B. Dependent Variable: Uptake Of General Insurance						
Anova ^a						
Model		Sum Of Squares	df	Mean Square	F	Sig.
1	Regression	154.146	1	154.146	155.168	.000 ^b
	Residual	288.089	290	.993		
	Total	442.235	291			
A. Dependent Variable: Uptake Of General Insurance						
B. Predictors: (Constant), Personal Characteristics						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-.157	.298		-.528	.598
	Personal Characteristics	.960	.077	.590	12.457	.000
A. Dependent Variable: Uptake Of General Insurance						

Source: Primary Data (2024)

One way to find out how much of a change in one variable (Uptake Of General Insurance) can be predicted by changing another (Personal Characteristics) is to look at the coefficient of

determination (R Square). R Square = 0.349, implied that approximately 34.9% of the variance in the Uptake of General Insurance can be explained by Personal Characteristics. The ANOVA table suggests that the regression model, which includes Personal Characteristics as a predictor variable, significantly predicts the Uptake of General Insurance. The predictor variable contributes significantly to explaining the variance in the dependent variable, as indicated by the low p-value (< 0.001) associated with the F-statistic. The coefficient is 0.960, indicating that for every one-unit increase in Personal Characteristics, there is a predicted increase of 0.960 units in the Uptake of General Insurance. For the intercept, Sig. = 0.598, and for Personal Characteristics. Sig. = 0.000 (or < 0.001), indicating that the coefficient for Personal Characteristics is statistically significant at P<0.05. The regression model is as shown below.

$$Y = -0.157 + 0.960X_1$$

4.4.3.2 Linear influence of product characteristics on uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya

An analysis on simple linear regression was conducted to establish direct influence of product characteristics and uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya. Shown in Table 4.13 below are the results.

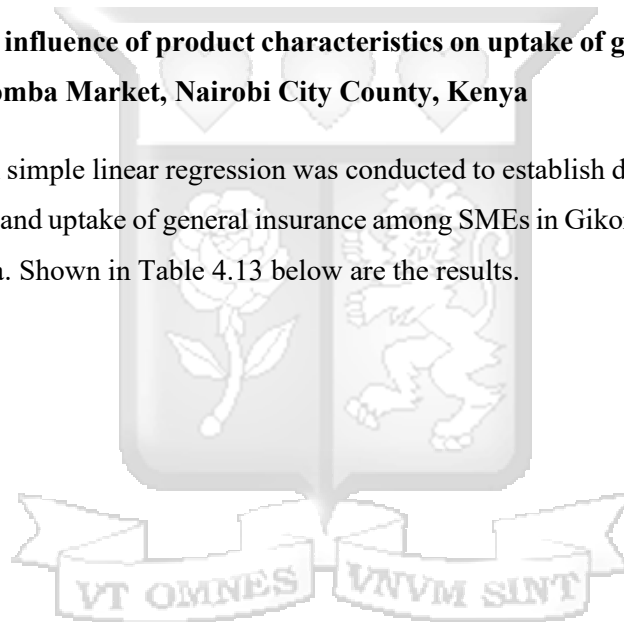


Table 4.13: Product characteristics and uptake of general insurance

Model Summary^b						
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate		
1	.630 ^a	.397	.395	.958737		
A. Predictors: (Constant), Product Characteristics						
B. Dependent Variable: Uptake Of General Insurance						
ANOVA^a						
Model		Sum Of Squares	Df	Mean Square	F	Sig.
1	Regression	175.674	1	175.674	191.121	.000 ^b
	Residual	266.561	290	.919		
	Total	442.235	291			
A. Dependent Variable: Uptake Of General Insurance						
B. Predictors: (Constant), Product Characteristics						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	T	
1	(Constant)	.122	.250		.487	.626
	Product Characteristics	.876	.063	.630	13.825	.000
A. Dependent Variable: Uptake Of General Insurance						

Source: Primary Data (2024)

One way to find out how much of a change in one variable (Uptake Of General Insurance) can be predicted by changing another (Product Characteristics) is to look at the coefficient of determination (R Square). R Square = 0.397, implied that approximately 39.7% of the variance in the Uptake of General Insurance can be explained by Insurance Product Characteristics. The ANOVA table suggests that the regression model, which includes Insurance Product Characteristics as a predictor variable, significantly predicts the Uptake of General Insurance. The predictor variable contributes significantly to explaining the variance in the dependent variable, as indicated by the low p-value (< 0.001) associated with the F-statistic. The coefficient is 0.876, indicating that for every one-unit increase in Insurance Product Characteristics, there is a predicted increase of 0.876 units in the Uptake of General Insurance. Sig. = 0.000 (or < 0.001), indicating that the coefficient for insurance product characteristics is statistically significant at P<0.05. The regression model is as shown below.

$$Y = 0.122 + 0.876X_2$$

4.4.3.3 Linear Influence of Insurance regulatory framework on uptake of general insurance

An analysis on simple linear regression was conducted to establish direct influence of insurance regulatory framework on uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya. Shown in Table 4.14 below are the results.

Table 4.14: Insurance regulatory framework and uptake of general insurance

Model Summary^b						
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate		
1	.570 ^a	.325	.322	1.014905		
A. Predictors: (Constant), Insurance regulatory framework						
B. Dependent Variable: Uptake Of General Insurance						
ANOVA^A						
Model		Sum Of Squares	df	Mean Square	F	Sig.
1	Regression	143.526	1	143.526	139.342	.000 ^b
	Residual	298.709	290	1.030		
	Total	442.235	291			
A. Dependent Variable: Uptake Of General Insurance						
B. Predictors: (Constant), Insurance regulatory framework						
Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
1	(Constant)	.652	.247		2.641	.009
	Insurance regulatory framework	.758	.064	.570	11.804	.000
A. Dependent Variable: Uptake Of General Insurance						

Source: Primary Data (2024)

One way to find out how much of a change in one variable (Uptake of General Insurance) can be predicted by changing another (Insurance regulatory framework) is to look at the coefficient of determination (R Square). The R Square value of 0.325 indicated that about 32.5% of the variance in the dependent variable (Uptake of General Insurance) is explained by the independent variable(s) included in the model. The regression model is highly significant, with an F-value of 139.342 and a significance level (p-value) of .000 (very close to zero). This indicates that the regression model as a whole explains a significant amount of the variance in the dependent variable. The unstandardized coefficient (B) for "insurance regulatory

framework" is 0.758. This indicates that for a one-unit increase in the "insurance regulatory framework", the predicted increase in the Uptake of General Insurance is 0.758 units. The significance level (p-value) for "insurance Regulatory Framework" is 0.000, indicating that the coefficient is highly statistically significant. The regression model is as shown below.

$$Y = 0.652 + 0.758X_3$$

4.4.3.5 Multiple Linear Regression

The aim of this research was to establish the factors that affect uptake of general insurance among SMEs in Gikomba Market, Nairobi City County, Kenya. This was accomplished by doing typical multiple regressions using a model that included each of the three factors identified in this study. The research aimed to ascertain the model summary results to establish the total percentage change in uptake of general insurance explained by the three factors, using R². The data in Table 4.22 displays the values for R, R², Adj R², F ratio, and Sig. value.

Table 4. 15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.649 ^a	.421	.415	.942995

A. Predictors: (Constant), Regulatory Framework, Personal Characteristics, Insurance Product Characteristics
 B. Dependent Variable: Uptake Of General Insurance

Source: Primary Data (2024)

The model summary in Table 4.15 provides an overview of the model's overall uptake of general insurance. Upon examining the R square column, it becomes evident that all the three factors collectively explain 42.1% of the significant variation in the uptake of general insurance (R square = .421, P = 0.000). This suggests that 57.9% of the variation in uptake of general insurance is attributed to other factors that are not included in this model.

Table 4. 16: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	186.134	3	62.045	69.773	.000 ^b
1 Residual	256.101	288	.889		
Total	442.235	291			

a. Dependent Variable: Uptake of general insurance

b. Predictors: (Constant), Personal characteristics, Insurance regulatory framework, Product characteristics

Source: Primary Data (2024)

To evaluate the importance of the model, the research used the F Ratio to determine whether the study model is a more accurate predictor of uptake of general insurance compared to utilizing the mean score, which is considered an estimate. The F value obtained from the research data represents the extent to which the model's ability to forecast outcomes has improved compared to the remaining inaccuracies or mistakes in the study model. The regression model is highly significant, with an F (3,288) of 69.773 and a significance level (p-value) of .000 (very close to zero). The presence of a big F value is very improbable to occur randomly (99.0% probability), indicating that the final research model exhibits a considerable enhancement in its capacity to predict uptake of general insurance. This indicates that the regression model as a whole is statistically significant.

Table 4. 17: Coefficients on influence of Constructs of Combination strategies on uptake of general insurance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.332	.285		-1.164	.245
Personal characteristics	.318	.133	.196	2.391	.017
Product characteristics	.464	.136	.334	3.421	.001
Insurance regulatory framework	.222	.099	.167	2.234	.026

Dependent Variable: Uptake of general insurance

Source: Primary Data (2024)

The multiple linear regression model was built by regressing the three factors against the uptake of general insurance. The results of this regression may be seen in Table 4.17:

$$Y = -0.332 + 0.318X_1 + 0.464X_2 + 0.222X_3$$

Where;

Y = Uptake of general insurance

X₁ = Personal characteristics

X₂ = Product characteristics

X₃ = Insurance regulatory framework

From the data supplied in Table 4.17, we examine the model outputs and analyze the unstandardized coefficients B column. If the three factors are set to zero or are missing, the uptake of general insurance would be considerably -0.332, with a p-value of greater than 0.05. A one-unit increase in Personal Characteristics is associated with a 0.318 unit increase in the Uptake of General Insurance, holding all other variables constant. A p-value of 0.017 indicates that this coefficient is very significant. Keeping all other factors fixed, there is a correlation between an increase of one unit in Insurance Product Characteristics and a 0.464 unit rise in the Uptake of General Insurance. A p-value of 0.001 indicates that this coefficient is statistically significant. By keeping all other factors equal, there is a correlation between a one-unit rise in Regulatory Framework and a 0.222 unit increase in the Uptake of General Insurance. With a p-value of 0.026, this coefficient might be considered statistically significant.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The primary results of the study, which are aligned with the research goals, are presented by summarizing the content of chapter four. The conclusions are derived from the data to address the study's goals and questions, and subsequently provide recommendations both for policy and practice

5.2 Summary of the Findings

A total of 365 SMEs in the Gikomba market were surveyed for the research. Two hundred and ninety-two people (or 80.0% of the total) filled out and returned the surveys. With an R-squared value of 0.421 and a p-value of 0.000, the three variables explain 42.1% of the statistically significant variance in the adoption of general insurance. Based on these results, it seems that other variables account for 57.9% of the variance in general insurance uptake.

5.2.1 Personal Characteristics and Uptake of General Insurance

Descriptive statistics revealed that personal characteristics, particularly income, financial literacy, and risk awareness, played a significant role in determining the uptake of general insurance among SME owners. Respondents generally agreed that their income level (Mean = 3.89) and financial literacy (Mean = 3.75) influenced their insurance purchasing decisions, suggesting that individuals with better financial stability and knowledge are more likely to adopt insurance. Pearson's correlation analysis showed a strong positive relationship between personal characteristics and insurance uptake ($r = 0.590$, $p < 0.001$), reinforcing the importance of these factors. Simple linear regression indicated that personal characteristics explained about 34.9% of the variance in insurance uptake ($R^2 = 0.349$), with a significant positive coefficient ($\beta = 0.960$, $p < 0.001$), suggesting a strong direct influence. The multiple regression analysis further confirmed that for every one-unit increase in personal characteristics, insurance uptake increased by 0.318 units ($p = 0.017$).

5.2.2 Insurance Product Characteristics and Uptake of General Insurance

Descriptive statistics showed that insurance product characteristics, including affordability (Mean = 3.99), competitiveness (Mean = 3.71), and customization (Mean = 3.53), were key factors influencing the decision to adopt insurance. Respondents placed significant importance on affordable premiums and competitive pricing when considering insurance options. Pearson's correlation analysis demonstrated a strong positive correlation between insurance product characteristics and insurance uptake ($r = 0.630$, $p < 0.001$), indicating that improvements in

product features lead to higher adoption rates. Simple linear regression revealed that insurance product characteristics accounted for 39.7% of the variance in insurance uptake ($R^2 = 0.397$), with a highly significant coefficient ($\beta = 0.876$, $p < 0.001$). Multiple regression analysis further supported this, indicating that for each one-unit increase in product characteristics, the uptake of general insurance increased by 0.464 units ($p = 0.001$).

5.2.3 Insurance Regulatory Framework and Uptake of General Insurance

Descriptive statistics highlighted the importance of the insurance regulatory framework, with respondents generally agreeing that a well-regulated market encourages insurance uptake (Mean = 4.09). Factors such as simplified registration procedures (Mean = 3.72) and clarity on statutory deductions (Mean = 3.66) were also considered important. Pearson's correlation analysis revealed a moderate positive correlation between the regulatory framework and insurance uptake ($r = 0.570$, $p < 0.001$), suggesting that regulatory measures play a significant role in promoting insurance adoption. Simple linear regression showed that the regulatory framework explained 32.5% of the variance in insurance uptake ($R^2 = 0.325$), with a significant coefficient ($\beta = 0.758$, $p < 0.001$), indicating the positive impact of regulation on insurance uptake. The multiple regression analysis further confirmed that for each unit increase in the regulatory framework, insurance uptake increased by 0.222 units ($p = 0.026$).

5.3 Discussions of the Findings

5.3.1 Personal characteristics and uptake of general insurance

Income significantly influences the decision to buy general insurance for businesses, with cost being a major factor. Respondents show some agreement in seeking information about insurance options but indicate a need for more clarity. Financial literacy is seen as important for making informed decisions. Research supports the idea that income greatly affects businesses' willingness to purchase general insurance, often citing cost as a primary barrier to entry (Baker & English, 2003; Cummins et al., 2002). It is evident that people require more guidance in navigating the complexities of the insurance market (Foster, 2010). Financially literate individuals are likely to make more informed choices, especially since financial knowledge reduces uncertainty (Lusardi & Mitchell, 2007).

Potential risks and financial losses are recognized as significant factors impacting the decision to purchase insurance. Protecting business assets and ensuring continuity align with respondents' personal values, and they prioritize risk management and financial security based on these values. Additionally, risks and potential financial losses serve as prominent catalysts for procuring insurance (Kunreuther & Pauly, 2006). Prioritizing risk management and

financial stability fits within respondents' personal values, which guide their actions (Hoffmann & Spitzer, 2015). Furthermore, researchers have discovered similar connections between personality traits and insurance uptake (Jaffee & Russell, 1997; Kaji & Tsutsui, 2007).

The analysis of the correlation between personal characteristics and the uptake of general insurance among SMEs in the Gikomba market unveils significant insights into the intricate dynamics of insurance adoption within this business segment. The strong positive correlation coefficient underscores a robust association between personal attributes and the decision to acquire insurance coverage. This indicates that as personal characteristics, including factors such as personal income, financial literacy, personal risk perception, and personal values, improve or become more favorable, there is a corresponding increase in the likelihood of SMEs opting for general insurance (Jones & Farnsworth, 2019).

The coefficient of determination (R Square) provides further depth to the analysis by elucidating the proportion of variance in insurance uptake explained by personal characteristics. With an R Square value of 0.349, approximately 34.9% of the variability in insurance adoption among SMEs in the Gikomba market can be attributed to variations in personal attributes. This underscores the considerable influence exerted by individual factors on the decision-making process regarding insurance, highlighting the need for tailored interventions that address these specific characteristics (Mwaura et al., 2021).

Furthermore, the regression analysis offers valuable insights into the magnitude of the impact of personal characteristics on insurance uptake. A one-unit increase in personal characteristics, encompassing personal income, financial literacy, risk perception, and values, is associated with a 0.318 unit increase in the uptake of general insurance, holding all other variables constant. This indicates that improvements in these personal attributes significantly enhance the propensity of SMEs to invest in insurance coverage, thereby mitigating risks and safeguarding their businesses (Asindua, 2022).

These findings underscore the multifaceted nature of insurance decision-making among SMEs, where personal characteristics play a pivotal role in shaping attitudes and behaviors towards insurance adoption. For instance, higher personal income levels may enable SME owners to afford insurance premiums, while greater financial literacy equips them with the knowledge to assess insurance options effectively. Additionally, heightened risk perception and values aligned with protecting business assets and ensuring continuity may drive SMEs to prioritize risk management through insurance (Gatzert & Schmit, 2018). This aligns with PMT, which suggests that people are more likely to adopt protective measures, which in this case is insurance covers, if the perceived rewards outweigh the costs (Norman et al., 2005).

The analysis underscores the significant role played by personal characteristics in shaping insurance decision-making among SMEs in the Gikomba market. The results are supported by Kaunda and Chowa (2022) who found age, knowledge, and alternative income to be significant factors affecting insurance uptake positively, others, like Djomo and Koudjou (2021), suggest that factors like gender, age, household size, and insurance premium can have mixed effects on insurance subscription. Additionally, Musonda and Chowa (2022) found education to be a significant factor, while Mwaura et al. (2021) emphasize income, education, gender, and employment status.

Despite evidence confirming the nexus between personal characteristics and insurance uptake, contradictory conclusions do emerge. For instance, Brown and Goolsbee (2002) argue against any material bond between demographic properties and insurance subscriptions. Similarly, Finkelstein and McGarry (2006) contend that gender, age, race, and marital status wield no discernible sway over insurance procurement. Nevertheless, current findings substantiate earlier arguments posited by Baker and English (2003), asserting that personal traits indeed hold consequential bearing on general insurance subscription patterns.

While the study by Jones & Farnsworth (2019) and Mwaura et al. (2021) highlights a strong positive correlation between personal characteristics and the uptake of general insurance among SMEs, other studies present contrasting findings. For instance, Omondi and Muturi (2020) found no significant relationship between personal income and insurance adoption among SMEs in Kenya, arguing that structural barriers such as high premiums and lack of trust in insurance providers play a more critical role. Similarly, Kariuki and Oketch (2018) reported that financial literacy had minimal impact on insurance uptake, with SMEs prioritizing immediate business needs over long-term risk management. Additionally, Ngugi et al. (2022) observed that personal risk perception did not significantly influence insurance adoption, as SMEs in informal markets like Gikomba often rely on informal risk-sharing mechanisms rather than formal insurance. These studies suggest that while personal characteristics may play a role, broader systemic and market-related factors are often more influential in shaping insurance uptake among SMEs.

5.3.2 Product characteristics and uptake of general insurance

The findings indicate that affordability and competitiveness in insurance premiums are crucial factors influencing SMEs' decision to purchase general insurance. Respondents prioritize seeking information about insurance options and believe that increased knowledge enhances uptake. They also prefer diverse product offerings from a single provider, alongside customizable packages that allow businesses to tailor coverage to their specific risks.

Additionally, accessibility of products through online platforms or local agents positively influences purchasing decisions. However, budgetary limitations remain a major concern for many SMEs, reinforcing the importance of cost-effective insurance plans with competitive premiums to improve accessibility (Afolabi, 2017). Many SMEs may not be fully aware of the different insurance options available to them. Targeted marketing campaigns and educational initiatives can play a critical role in raising awareness about the benefits of insurance and specific product offerings (Mesfin, 2021). Providing a variety of insurance options allows SMEs to choose plans that cater to their specific risks, such as coverage for fire, theft, business interruption, or targeted plans for specific industries within Gikomba Market (Nderitu et al., 2018). Expanding insurance distribution beyond traditional agents to include online platforms and mobile applications can enhance accessibility for geographically dispersed SMEs within Gikomba Market (Luvisia & Nzulwa, 2018).

An analysis of the relationship between insurance product characteristics and the uptake of general insurance among SMEs in Gikomba Market highlights a strong positive correlation indicating a robust association between the quality of insurance products and the likelihood of SMEs investing in coverage. This suggests that as product characteristics improve especially affordability, competitiveness, and diversity SMEs are more likely to purchase insurance (Wang et al., 2019). The Protection Motivation Theory (PMT) supports this finding, as individuals are more likely to take protective actions when they perceive a solution as both effective and accessible (Floyd et al., 2000).

The coefficient of determination (R Square) of 0.397 indicates that variability in insurance adoption among SMEs in Gikomba Market can be attributed to variations in insurance product attributes. This reinforces the argument that product characteristics strongly influence purchasing decisions and highlights the importance of designing tailored products to meet the specific needs of SMEs (Aketch, 2023). However, some studies challenge this premise, with Damtew and Muraguri (2021) arguing that premium contributions negatively and insignificantly affect insurance penetration rates. This divergence suggests that while affordability remains important, other external factors such as regulatory policies and economic stability may also influence insurance uptake.

Regression analysis further supports the strong influence of product characteristics on insurance uptake. This suggests that enhancements in product affordability, accessibility, and diversity significantly increase the likelihood of SMEs investing in insurance coverage (Liu et al., 2020). These results are consistent with PMT, which argues that when individuals perceive a higher efficacy of a protective measure and lower costs associated with it, their motivation to adopt it increases (Maddux & Rogers, 1983). However, contradictory empirical evidence

exists, with Ofori, Boateng, and Atiku (2023) noting that while product design is essential, the effectiveness of sales agents in communicating product value plays a more significant role in insurance uptake.

Trust in insurance products also emerged as a critical factor in the decision-making process. SMEs exhibit a preference for insurers who offer diverse and transparent coverage options. Respondents agreed that having a range of product options from a single provider encourages businesses to invest in multiple policies. However, high premium costs continue to deter SMEs from adopting insurance, suggesting that insurers must implement flexible pricing models and bundled insurance packages to lower cost barriers (Foya & Ncube, 2023). This aligns with PMT, which suggests that people are more likely to adopt protective measures if the perceived rewards outweigh the costs (Norman et al., 2005).

However, some empirical studies provide conflicting evidence. Damtew and Muraguri (2021) found no significant relationship between insurance premiums and penetration, arguing that other factors, such as regulatory frameworks and economic stability, exert stronger influences. Similarly, Ofori et al. (2023) suggest that insurance agent performance plays a more critical role in adoption than product design. These discrepancies highlight the complexity of insurance uptake and suggest that while product characteristics are important, other external factors must also be considered when designing strategies to improve penetration.

5.3.3 Insurance regulatory framework and uptake of general insurance

Clear and efficient procedures for registering insurance companies and agents operating within Gikomba Market foster healthy competition within the market. This can lead to a wider variety of insurance products and potentially more competitive pricing, making insurance more attractive to cost-conscious SMEs (Harrington, 2016). Additionally, streamlined processes for approving insurance products ensure they meet specific risk profiles, offering relevant coverage to SMEs. Regulations that facilitate diverse delivery channels, such as online platforms or mobile applications, can significantly enhance accessibility for geographically dispersed SMEs in informal markets like Gikomba (Scott, 2018). This allows them to research and purchase insurance plans conveniently, overcoming some of the geographical barriers that might otherwise hinder uptake. A robust regulatory framework promotes transparency within the insurance industry. Clear guidelines regarding product offerings, pricing structures, and claim settlement procedures empower SMEs to make informed decisions about insurance purchases (Chishala et al., 2018). Furthermore, regulations that address statutory deductions, such as taxes or levies, ensure clarity and predictability in insurance costs for SMEs. This

transparency fosters trust in insurance companies and regulators, which can be a significant barrier for SMEs hesitant to enter the formal insurance market (Kang'ethe, 2019).

The correlation between regulatory framework and the uptake of general insurance among SMEs in the Gikomba market is a crucial indicator of the impact of regulatory environments on insurance adoption. The statistical analysis reveals a strong positive correlation coefficient indicating that as the regulatory framework becomes more structured and supportive, there is a corresponding increase in the uptake of general insurance. This finding aligns with the intuitive understanding that well-designed regulations can foster trust, confidence, and stability in insurance markets, thereby encouraging businesses to invest in insurance coverage (Mwongela, 2022).

The coefficient of determination (R Square) further elucidates the relationship by depicting that approximately 32.5% of the variance in the uptake of general insurance can be explained by variations in the regulatory framework. This suggests that regulatory factors is critical in shaping the decisions of SMEs regarding insurance adoption. A higher R Square value implies a stronger predictive power of the independent variable, reinforcing the importance of regulatory frameworks as determinants of insurance uptake in the Gikomba market (Adhikari, 2021).

Moreover, the regression analysis demonstrates that a one-unit increase in the regulatory framework is associated with a 0.222 unit increase in the uptake of general insurance, holding all other variables constant. This implies that improvements in the regulatory environment have a positive effect on insurance uptake among SMEs in Gikomba. As regulatory frameworks become more supportive, businesses are likely to perceive insurance as a reliable and trustworthy risk management tool, leading to increased adoption rates (Chishala, Musawa & Kabwe, 2018).

These results underscore the critical role of regulatory policies and institutions in shaping the dynamics of insurance markets, particularly in emerging economies like Kenya. Effective regulation not only safeguards consumer interests but also fosters market growth and stability by providing a conducive environment for insurers to operate and innovate (Damtew & Muraguri, 2021). Therefore, policymakers and regulatory authorities should prioritize the development and implementation of robust regulatory frameworks that balance consumer protection with industry competitiveness and innovation.

The findings highlight the significance of regulatory framework as a determinant of insurance uptake among SMEs in the Gikomba market. A well-structured and supportive regulatory environment positively influences businesses' decisions to invest in general insurance

coverage. Chishala, Musawa, and Kabwe (2018) revealed that lack of government interventions and faith in insurance firms were found to be the primary factors that prevented small businesses from purchasing insurance. Kang'ethe (2019) surveyed licensed insurance agents in Kenya to get their take on the effects of the country's regulatory climate and public. The research found out that in Kenya, the regulatory framework had slightly more than 1% influence on insurance penetration. Mwangela (2022) examined the different ways in which regulatory framework the affected Kenya's insurance penetration. Insurance firms bearing delays in processing of claims were avoided by customers whereas those that honoured claims in a timely manner attracted more customers.

5.4 Conclusions of the Study

The study concluded that personal characteristics has significant positive effect on uptake of general insurance among SMEs in Gikomba market. This indicates that as the personal characteristics of individuals in the sample vary positively, there is a corresponding increase in the uptake of general insurance. Therefore, personal characteristics is a significant predictor of uptake of general insurance among SMEs in Gikomba market. Personal characteristics such as income level, affordability, financial literacy, risk perception, and values significantly influence SMEs' decisions to purchase general insurance. Concerns about potential risks and losses, coupled with a focus on protecting business assets and ensuring continuity, drive insurance uptake.

The study concluded that insurance product characteristics has significant positive effect on uptake of general insurance among SMEs in Gikomba market. This suggests that as the characteristics of insurance products, such as affordability, competitiveness, and diversity, improve, there is a corresponding increase in the likelihood of SMEs opting for general insurance. Therefore, insurance product characteristics is a significant predictor of uptake of general insurance among SMEs in Gikomba market. Essentially, SMEs place great importance on affordability, competitiveness, and diversity in selecting general insurance products. Improving these features results in higher uptake, with accessibility playing a key role in driving interest among SMEs.

The study concluded that insurance regulatory framework has significant positive effect on uptake of general insurance among SMEs in Gikomba market. This implies that a well-structured and supportive regulatory environment positively influences the uptake of general insurance. Therefore, insurance regulatory framework is a significant predictor of uptake of general insurance among SMEs in Gikomba market. SMEs value a well-regulated insurance industry for its reliability and fairness, highlighting the importance of effective regulation in

fostering trust and accessibility. Streamlined registration procedures are seen as promoting market competition and convenience, while confidence varies regarding regulator-approved products.

5.5 Research Contributions

5.5.1 Theoretical Contribution

This study makes several significant contributions to the existing body of knowledge on the uptake of general insurance among SMEs, particularly within the context of Gikomba Market, Nairobi City County. Theoretically, the study extends the understanding of how personal characteristics, insurance product characteristics, and the insurance regulatory framework impact insurance adoption. Previous research has mostly focused on either economic or demographic factors, but this study integrates these elements with a particular emphasis on their direct influence on the decision-making processes of SME owners. By introducing new perspectives on financial literacy, the role of risk perception, and regulatory influence, this study enriches the theoretical frameworks used to understand the uptake of insurance in developing markets. Additionally, it provides a nuanced understanding of how market conditions, such as regulatory structures and product accessibility, can influence insurance decisions at the SME level.

5.5.2 Managerial Contribution

From a managerial perspective, the findings of this study have practical implications for insurance providers and SME owners. Insurers can use these insights to better understand the factors influencing the adoption of general insurance within SMEs. Specifically, the study highlights that personal financial literacy, product affordability, and regulatory support are critical to increasing insurance uptake. Insurers can tailor their products to meet the unique needs of SMEs by offering flexible premium options, promoting financial literacy, and improving the transparency and accessibility of their services. For managers of insurance companies, the results suggest that a deeper focus on product diversity and competitive pricing, as well as customer education, could enhance market penetration among SMEs. Furthermore, incorporating aspects of the regulatory environment into product offerings can foster greater trust and encourage more SMEs to engage in risk management practices like insurance.

5.5.3 Policy Contribution

This study also offers valuable insights for policymakers aiming to increase insurance penetration among SMEs. The findings suggest that a robust regulatory framework, which emphasizes transparency, streamlining of insurance registration processes, and promoting financial literacy programs, is crucial for fostering a more conducive environment for insurance uptake. Policymakers can focus on adjusting the regulatory landscape to provide better support to SMEs, such as offering subsidies or incentives for SMEs to invest in insurance and lowering barriers to entry through simplified procedures. The study further highlights that educating SME owners on the importance of insurance and the availability of affordable, customized policies could lead to a more resilient and protected SME sector. Therefore, policymakers are encouraged to design regulations that incentivize SMEs to purchase insurance while ensuring that these regulations are easy to understand and implement.

5.5.4 Recommendations

5.5.4.1 SMEs and Insurance Companies and Intermediaries

In regards to personal characteristics, SME operators need to improve their financial literacy skills to fully grasp the essence and importance of general insurance. By doing so, these entrepreneurs will become increasingly aware of the potential risks involved in operating a business and subsequently make informed decisions about the right type and amount of insurance needed. Insurance providers should invest in educational resources and support services to help SMEs navigate the insurance landscape effectively. This could include dedicated customer service representatives, online guides, or workshops focused on insurance literacy. Policymakers, insurers, and other stakeholders should design targeted interventions that address the specific personal characteristics influencing insurance uptake among SMEs. Initiatives aimed at enhancing financial literacy, raising risk awareness, and fostering a culture of insurance among SME owners can be instrumental in promoting greater adoption of insurance coverage.

In regards to insurance products characteristics, insurance companies need to expand their product offerings to include diverse insurance packages that cater to the unique needs of SMEs in Gikomba Market. Further, they need to allow for customization to accommodate varying risk profiles and budgets. This could involve bundling different types of coverage or offering add-on options to enhance flexibility. This will make insurance more accessible and attractive. SMEs management need to invest time in gathering information about available insurance

products and evaluate their suitability based on enterprise-specific needs and objectives. Furthermore, they need to compare insurance premiums and product features across different insurers to identify the best deals and maximize returns on insurance expenditure.

In regards to insurance regulatory framework, insurance companies and agencies should ensure active collaboration with regulatory authorities to address emerging issues and collaboratively develop innovative solutions. Strengthen the regulatory environment, streamline registration procedures, and issue clear guidelines on statutory deductions which may impact insurance premiums. Further, SMEs should provide feedback to regulatory authorities regarding concerns and suggestions for improvements in the insurance market.

5.5.4.2 Policy Makers

In regards to personal characteristics, there is need to implement policies aimed at enhancing financial literacy among SME owners and employees. This could involve partnering with educational institutions, NGOs, or financial institutions to provide workshops, seminars, or online resources on topics such as insurance options, risk management, and understanding insurance policies.

In regards to insurance products characteristics, Policies should be directed towards fostering product innovation by encouraging insurance providers to develop diverse, customizable insurance packages that prioritize affordability and competitiveness. Policies can incentivize insurers to offer tailored solutions that meet the specific needs of SMEs while maintaining affordability.

In regards to insurance regulatory framework, continuously refine and strengthen insurance regulations to ensure they are robust, transparent, and supportive of market growth. Regular reviews should be conducted to address emerging challenges and foster innovation while maintaining consumer protection.

5.5.4.3 Academia

There is need to integrate topics related to insurance regulation, market dynamics, and risk management into academic programs relevant to business, economics, and finance. Furthermore, there is need of equipping students with the necessary skills to understand and navigate the insurance landscape effectively. Besides, there is need of conducting research to understand the evolving needs and preferences of SMEs regarding insurance products. Explore factors influencing decision-making, such as affordability, competitiveness, and accessibility, to inform the development of tailored insurance solutions.

5.6 Limitations of the Study

At the initial stage of the study, the researcher met some resistance as some of the respondents were initially afraid of reprisals from their superior. After explaining and assuring them that the study was conducted for academic reasons alone, the researcher was able to allay their fears and go forward with data gathering after receiving the university's official letter of approval. Another notable challenge was lack of time to respond to questionnaires due to busy schedule of the respondents. The researcher organized with some of the respondents who had time challenges by administering the questionnaires at their most convenient and free time.

5.7 Areas of Further Studies

The study limited itself to three factors affecting uptake of general insurance: Insurance regulatory framework, personal characteristics and product characteristics. The R-squared value indicates that there are other variables at play, which might restrict its usefulness and open the door to more research. There is need of deepening research interests in identifying other latent predictors of general insurance uptake besides Personal Characteristics. Future studies should investigate whether external environmental factors (such as macroeconomic indicators, regional unemployment rates, etc.) exert any significant influence on the adoption of general insurance products.

Methodologically, the study focused on SMEs found in Gikomba Market in Nairobi City. This implies there are other traders who were excluded in the same market and at the same time, other SMEs in other markets within Nairobi City market were not considered. Therefore, further studies should focus on all traders in Gikomba market. Further, a comparative should be done between SMEs in Gikomba market and other markets within Nairobi City County.

Surveys with predetermined questions were employed to compile numerical data for the study. In order to improve and arrive at more certain conclusions, it is advised that future research projects use qualitative approaches such focus groups, open-ended surveys, and interviews.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Sir/Madam

Ref: **Research Data Collection Request**

Hello, I, PAUL SEWE, pursuing Master of Commerce degree at Strathmore University. To fulfil the partial requirements for my Master of Commerce, I am doing research that aims to address a specific need in knowledge and improve uptake of general insurance among SMEs. I am now doing research on the FACTORS AFFECTING UPTAKE OF GENERAL INSURANCE IN KENYA: A CASE OF SMALL AND MEDIUM ENTERPRISES IN GIKOMBA MARKET, NAIROBI CITY COUNTY, KENYA.

I respectfully seek permission to obtain pertinent information from the target respondents which will aid in resolving the research challenge. The research findings will be important to the government bodies, insurance industries, academicians, and research scholars. The gathered study data will be only for the specified goals. If desired, the study findings will be posted to your esteemed office. We would really appreciate any support provided.

With Regards,



Paul Sewe.

REG: MCOM 150130

APPENDIX II: CONCENT FORM

Dear Sir/Madam,

RE: YOUR CONSENT TO PARTICIPATE IN MY RESEARCH AS RESPONDENT IN DATA COLLECTION.

I am researching on the “**FACTORS AFFECTING UPTAKE OF GENERAL INSURANCE IN KENYA: A CASE OF SMALL AND MEDIUM ENTERPRISES IN GIKOMBA MARKET, NAIROBI CITY COUNTY, KENYA.**” I would like to invite you to participate in this study. This study consists of answering questions using a paper questionnaire. All respondents will remain anonymous and confidential. Your participation in this study is voluntary and you may withdraw your participation at any time without explanation or retaliation. If you agree to participate in this study, please sign the consent form attached to this letter before submitting the completed questionnaire. Thank you in advance for your help in this important research. If you have any questions about consent to participate in research, please contact us at any time.

In case of any queries that you may have regarding ethical issues.

Respondent Acceptance:

I hereby freely give my informed consent and confirmation to voluntarily participate in the above-mentioned research.

Sign:

Date:

Researcher Details:

NAME PAUL SEWE



APPENDIX III: RESEARCH INSTRUMENT

Introduction

The purpose of this questionnaire is to gather data related to the subject being studied. As far as you are aware, please answer each question. No unapproved parties will have access to this data; its only purpose is to be used in an academic research.

SECTION A: BACKGROUND INFORMATION

1. Registered business name (Optional) _____
2. Please select the business category
Second-hand clothes()
Hardware and Furniture ()
Textile ()
Fruits ()
Beverage and Cafeterias ()
Cereals ()
Grocery Vender ()
Poultry ()
3. Period the business has been in operations.
Less than 2 years () 2-5 years () above 5 years ()
4. How many employees are there in your organization?
Below 3 () 3-5 () 6-10 () Above 10 ()
5. What is roles do you have in your organization?
Operations Manager () Owner () Other (please specify)

SECTION B: PERSONAL CHARACTERISTICS

6. Below are several statements on the influence of insurance premium rates and uptake of general insurance among businessmen. Kindly score your level of acceptance, ticking appropriately.

	1	2	3	4	5
Statement					
1. I contend that my income level influences my decision to purchase general insurance for my business.					
2. The affordability of insurance premium rates plays major role in my decision to buy insurance					
3. I actively seek information and educate myself about different insurance options available for my business.					
4. I believe that being financially literate positively impacts my ability to make informed decisions regarding general insurance uptake for my business.					

5. I perceive the potential risks to my business as significant factors influencing my decision to purchase general insurance.					
6. I am concerned about the potential financial losses my business could face due to unforeseen events.					
7. Protecting my business assets and ensuring continuity align with my personal values.					
8. I prioritize risk management and financial security for my business based on my personal values.					

SECTION C: INSURANCE PRODUCT CHARACTERISTICS

7. Below are several statements on the influence of claims experience and uptake of general insurance among businessmen. Kindly score your level of acceptance by ticking appropriately.

	1	2	3	4	5
Statement					
1. I consider the affordability of insurance premiums as a crucial factor in my decision to purchase general insurance for my business.					

<p>2. The competitiveness of premium rates significantly influences my choice of insurance provider for my business.</p>					
<p>3. I actively seek information and updates about new insurance products and offerings relevant to my business.</p>					
<p>4. I believe that increasing awareness and knowledge about general insurance products can positively impact uptake among SME owners like me.</p>					
<p>5. Having a diverse range of insurance products available from the same provider encourages me to invest in multiple policies for my business.</p>					
<p>6. The availability of customizable insurance packages influences my decision to purchase general insurance, as it allows me to tailor coverage to my business requirements.</p>					
<p>7. Easy accessibility to insurance products through online platforms or local agents positively influences my likelihood to purchase general insurance for my business.</p>					
<p>8. I perceive accessibility to insurance products as a key factor in facilitating the uptake of general insurance among SMEs.</p>					

SECTION D: REGULATORY FRAMEWORK

8. Below are several statements on regulatory framework and uptake of general insurance among businessmen. Kindly score each statement by ticking your acceptance level.

	1	2	3	4	5
Statements					
1. A well-regulated insurance industry encourages me to consider purchasing general insurance for my business					
2. I believe that streamlining the registration procedures for insurance companies can contribute to a more competitive market and better options for SMEs.					
3. I believe that insurance products approved by regulators offer adequate coverage for the risks faced by my business					
4. I am more likely to trust general insurance products that have been reviewed and approved by the government.					
5. Regulations that promote diverse and accessible delivery channels for insurance products, such as online platforms and mobile apps, enhance					

my convenience and likelihood to purchase insurance for my business.					
6.I believe that regulations should support innovation and flexibility in delivery channels to adapt to the dynamic needs and preferences of SMEs.					
7.High statutory deductions leave me with limited resources to invest in additional insurance products for my business.					
8.Clear guidelines on statutory deductions related to insurance premiums help me understand the financial implications of purchasing insurance for my business.					

SECTION E: UPTAKE OF GENERAL INSURANCE

9. Below are several statements on uptake of general insurance among businessmen. Kindly score each statement by ticking your acceptance level.

	1	2	3	4	5
Statements					
1. I have taken a general insurance in the past					
2. I am currently enrolled for a general insurance					

<p>3. Most of my business friends have general insurance cover</p>					
<p>4. I perceive the rise in insurance premiums for fire coverage as a necessary step to adequately protect my business assets against fire-related losses.</p>					
<p>5. I understand the importance of providing adequate insurance coverage for workmen compensation to protect my employees and comply with legal requirements</p>					
<p>6. I willing to buy burglary insurance to protect my business from theft risks</p>					
<p>7. I believe that the recent increase in insurance uptake by SMEs signifies a growing recognition of the importance of insurance as a risk management tool.</p>					
<p>8. I am considering increasing my insurance coverage in response to the observed</p>					

increase in insurance uptake among other SMEs					
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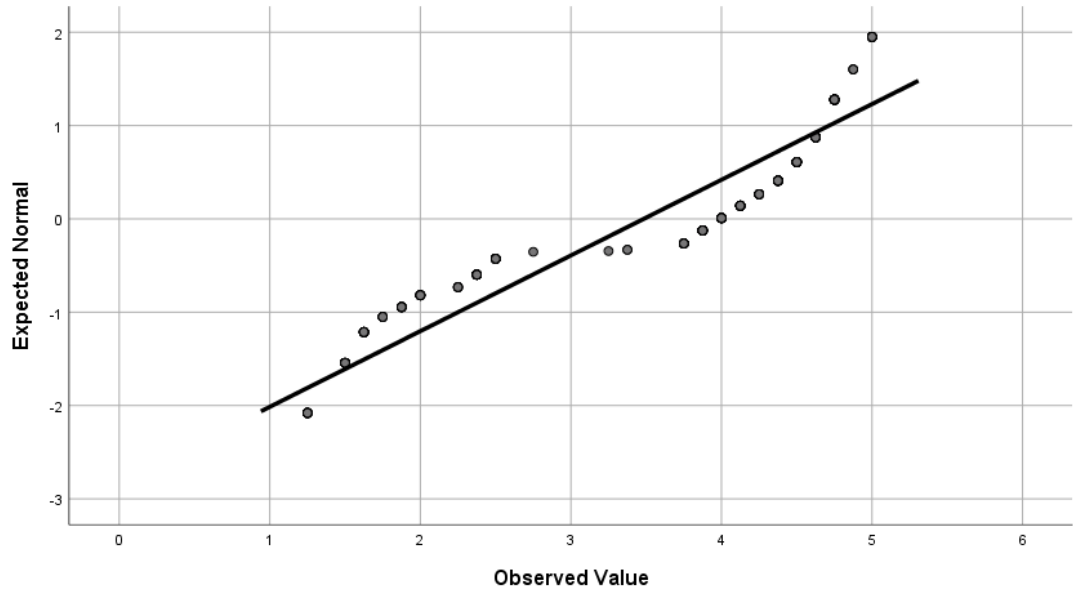
The end

Thank you for your participation.

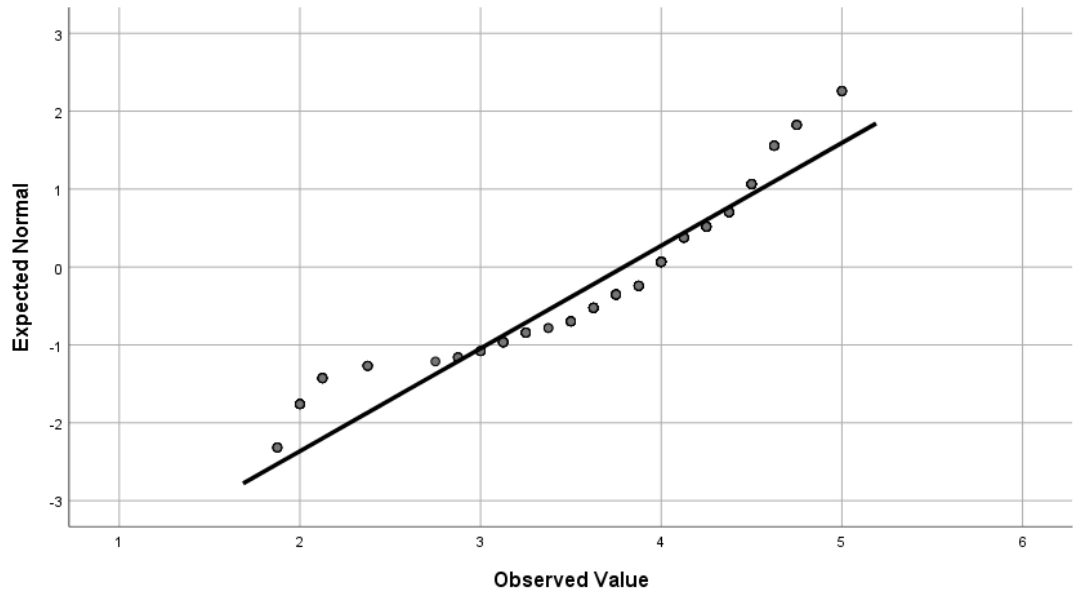


APPENDIX IV: NORMAL Q-Q PLOT

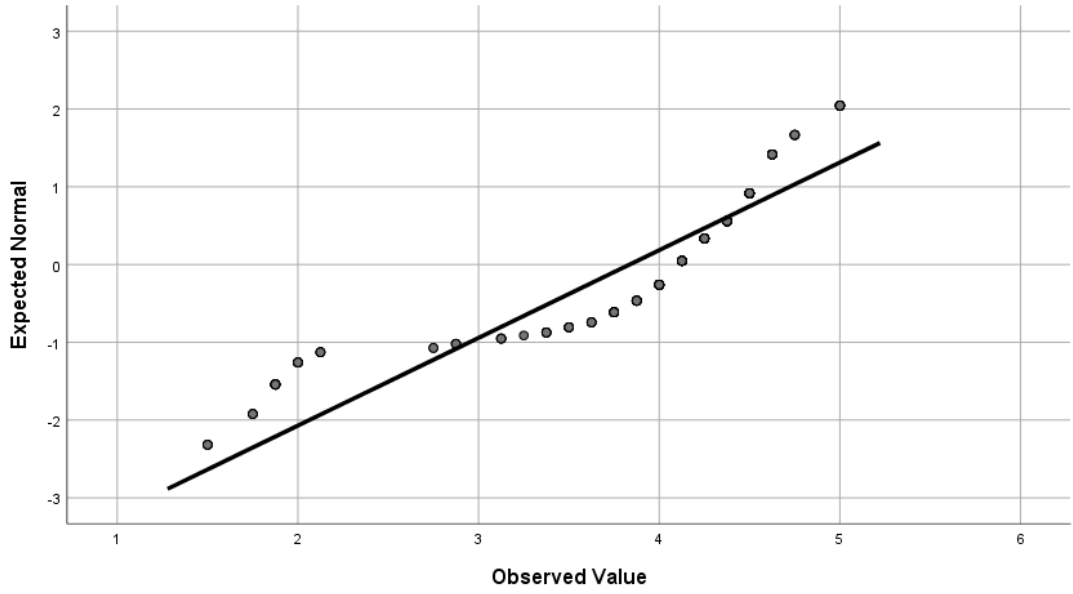
Normal Q-Q Plot of UPTAKE OF GENERAL INSURANCE



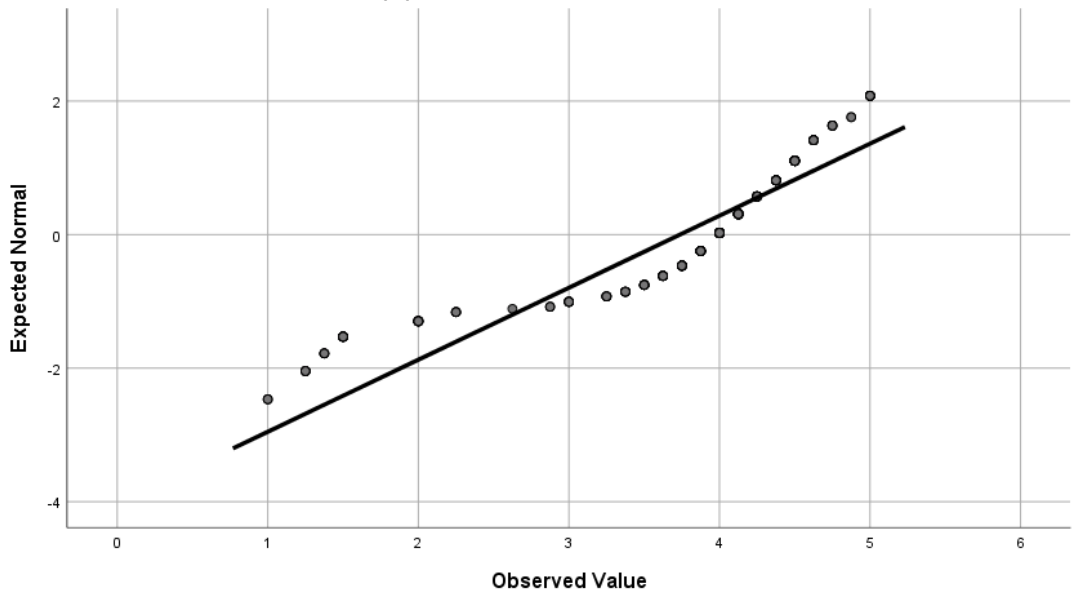
Normal Q-Q Plot of PERSONAL CHARACTERISTICS



Normal Q-Q Plot of INSURANCE PRODUCT CHARACTERISTICS



Normal Q-Q Plot of REGULATORY FRAMEWORK



APPENDIX V: STRATHMORE ETHICAL APPROVAL LETTER



21st May 2024

Mr Sewe Paul,
paul.sewe@strathmore.edu

Dear Mr Sewe,

RE: Factors Affecting Uptake of General Insurance in Kenya: A Case of Small and Medium Enterprises in Gikomba Market, Nairobi City County, Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2228/24**. The approval period is from **21st May 2024 to 20th May 2025**.

This approval is subject to compliance with the following requirements:

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

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

Yours sincerely,


Mr Ambrose Rachier,
Chairperson; SU-ISERC

APPENDIX VI: NACOSTI PERMIT

Republic of Kenya
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 921106

RESEARCH LICENSE




This is to Certify that **Mr. Paul OWINO Sewe** 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: **FACTORS AFFECTING UPTAKE OF GENERAL INSURANCE IN KENYA: A CASE OF SMALL AND MEDIUM ENTERPRISES IN GIKOMBA MARKET, NAIROBI CITY COUNTY, KENYA** for the period ending : **03/June/2025**.

License No: **NACOSTI/P/24/36254**

Applicant Identification Number: **921106**

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



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See overleaf for conditions

