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Influence of Distribution Strategy on Microinsurance Uptake among Micro and Small Enterprises in Nairobi City County, Kenya

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Abstract

Purpose: The study aimed to investigate influence of distribution strategies on microinsurance uptake among micro and small enterprises in Nairobi County, Kenya.

Methodology: The study used a descriptive research methodology and positivist mindset. From a population of 12,429 registered MSEs in Nairobi County (MSEA, 2024), a representative sample of 387 MSEs was chosen using multistage random sampling. Structured questionnaires were used for data collecting; a pilot test was carried out to guarantee dependability and validity. SPSS version 27 was used to examine quantitative data. While inferential analysis used several regression and correlation methods to assess hypotheses at a 95% confidence level ($p < 0.05$), descriptive statistics including means and standard deviations were computed.

Findings: The analysis revealed strong positive correlations between distribution strategies and microinsurance uptake ($r = 0.570$), significant at $p < 0.01$. Regression models showed that the distribution strategy accounted for 32.5% of the variance in microinsurance uptake. The ANOVA results indicate an F-statistic of 144.547 with a p-value of 0.000 further suggesting that the relationship between distribution strategy and microinsurance uptake was statistically significant at the 95% confidence level. The unstandardized coefficient (B) for distribution strategy was 0.444, indicating that a one-unit increase in distribution strategy led to 0.444 units increase in microinsurance uptake.

Unique Contribution to Theory, Practice and Policy: The study recommended that insurers need to expand and diversify distribution channels to enhance reach and accessibility among MSEs. In addition to traditional agents and brokers, mobile-based platforms, digital apps, and partnerships with mobile network operators should be prioritized to enhance distribution of microinsurance.

Keywords: *Distribution Strategy, Microinsurance Uptake, Micro and Small Enterprises (MSEs), Market Development Strategy*

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INTRODUCTION

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

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

Furthermore, the growing use of digital platforms and mobile technologies serves as an additional catalyst. These technologies facilitate MSEs' access to microinsurance products and enhance their comprehension of the associated advantages, therefore surmounting conventional obstacles such as inadequate financial literacy and trust deficits. Nonetheless, obstacles to the adoption of microinsurance persist, including the need for more consumer education and the need to confront cultural norms that may hinder insurance acceptance.

Nevertheless, the problem of microinsurance uptake among MSEs has persisted for decades, with recent studies highlighting that most small business owners in developing economies lack any form of formal insurance. Finmark Trust (2021) reports that less than 5% of low-income families and enterprises in developing nations get insurance products, despite their increased risks. The minimal adoption is alarming as it leaves MSEs vulnerable to dangers that may result in financial devastation, hence prolonging cycles of poverty and economic instability. Chummun (2017) ascribes this low uptake to insufficient knowledge, subpar product design, and a deficit of confidence in insurance providers. The disparity between the availability of microinsurance products and their use by small enterprises indicates underlying problems that need examination.

Distribution challenges have been identified as a major constraint to microinsurance uptake. In microinsurance, the distribution strategy refers to the methods and channels used to deliver microinsurance products to low-income individuals and small businesses (Towo et al., 2021). These strategies are designed to make insurance accessible, affordable, and convenient, overcoming common barriers such as geographical limitations, financial literacy, and trust issues. Distribution strategies include agent-based models, mobile platforms, bundled products, or partnerships with microfinance institutions (MFIs). The goal is to ensure that insurance

products are available to underserved populations, particularly in remote or informal markets, by using channels that are familiar, cost-effective, and efficient.

Many MSEs operate in remote or informal settings where access to formal financial services is limited. Towo et al. (2021) argue that traditional insurance distribution models are ill-suited to the realities of small business operations, which require innovative delivery mechanisms such as mobile-based platforms or partnerships with local agents and microfinance institutions.

In the UK, the microinsurance market for MSEs is relatively more developed, but the uptake is still far from universal. MSEs in the UK often face financial risks related to business interruption, legal liabilities, and employee health issues. According to The Federation of Small Businesses (FSB) (2020), around 40% of small businesses in the UK do not have business insurance, leaving them vulnerable to various operational risks. The marketing of microinsurance in the UK has become more consumer-centric in recent years

On the other hand, South Africa has a relatively advanced insurance market compared to other Sub-Saharan countries, yet microinsurance uptake among MSEs is still suboptimal. According to a report by FinMark Trust (2021), the penetration of microinsurance among MSEs is estimated at 14%. Small businesses in townships, such as spaza shops, face frequent risks like theft and fire, yet most operate without insurance coverage. Providers like Hollard Insurance have introduced innovative products like *Pay-As-You-Go* microinsurance to cater to MSEs, but uptake remains constrained by inadequate awareness and distribution challenges (FinMark Trust, 2021).

MSEs make up around 33% of Kenya's GDP, highlighting their significance in maintaining the country's economy. Many MSEs confront substantial risks despite their economic significance, particularly in industries like manufacturing, retail, and agriculture. Due to the high susceptibility of these businesses to hazards such crop failures, theft, and fire outbreaks, business owners may face significant financial difficulties (KNBS, 2023).

The high vulnerability of MSEs is compounded by the limited insurance coverage among these businesses. This leaves them exposed to catastrophic losses in the event of unforeseen risks, further threatening their survival

Problem Statement

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

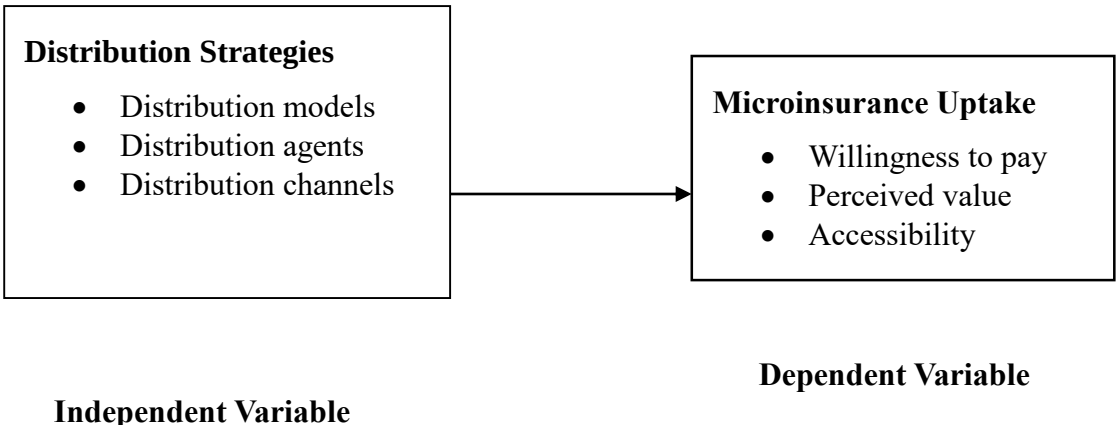
Despite increasing recognition of microinsurance as a crucial tool for protecting MSEs in Kenya against economic risks, its uptake remains low in Nairobi City County. Several studies have highlighted that factors such as affordability and awareness significantly influence the adoption of microinsurance products (Churchill, 2020). However, the role of distribution strategies in driving uptake has not been fully explored. This study aims to fill this gap by analyzing the impact of distribution strategies on the uptake of microinsurance among MSEs in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Information Asymmetry Theory (IAT), introduced by Akerlof (1970) in his study "The Market for Lemons," explains how unequal information among market participants leads to inefficiencies such as adverse selection and moral hazard. In insurance, especially microinsurance, insurers often lack knowledge about clients' risk profiles, while clients may not fully understand the products offered (Siloya, 2022). Adverse selection occurs when high-risk clients are overrepresented due to their incentive to seek coverage, while moral hazard arises when insured parties engage in riskier behavior post-coverage (Dror & Eling, 2021). Spence (1973) advanced the theory by introducing signaling, whereby credible communication (e.g., certifications, transparent pricing) helps reduce asymmetry. Stiglitz (1975) added the concept of screening to segment clients by risk. In microinsurance, trusted intermediaries like SACCOs and digital platforms help bridge information gaps and build client trust (Bauchet et al., 2019). Critics, including Tsang and Blevins (2015), argue that affordability, distrust, and behavioral factors complicate the theory's predictive power. Technological tools have also reduced some information asymmetries (Siloya, 2022). In this study, IAT was applied to analyze how distribution strategies affect microinsurance uptake among MSEs in Nairobi. The theory proved instrumental in identifying how targeted communication and accessible platforms can enhance adoption, supporting broader financial inclusion goals.

Conceptuel Framework



Empirical Review

Nguyen et al. (2022) study aimed to explore the impact of brand equity on customer purchase decisions, specifically in the retail distribution sector. The researchers employed a quantitative

research design with a survey methodology, targeting retail customers in urban Vietnam. The study utilized a structured questionnaire to collect data from 300 respondents, analyzing the responses through regression analysis. The findings indicated that brand equity significantly influences customer purchase decisions, with brand awareness, loyalty, and perceived quality playing pivotal roles. However, the study's geographical scope was limited to Vietnam, presenting a research gap in applying the findings to other regions, such as Kenya.

Bintang et al. (2022) study examined how factors such as product, price, promotion, distribution, and after-sales service affect consumer purchasing decisions. It employed a mixed-method approach, combining both qualitative interviews and quantitative surveys. The target population was consumers in Indonesia, with a sample size of 400 respondents selected through stratified random sampling. The study found that all five factors significantly influenced purchasing decisions, with distribution being one of the most crucial. The methodological approach in this study contrasts with the current study, which uses a purely quantitative research design. Additionally, the geographical focus on Indonesia introduces a contextual gap in applying these findings to Nairobi's MSEs and microinsurance products.

Sukmawan (2024) study investigated consumer perceptions regarding microinsurance purchasing decisions, particularly beyond conventional marketing practices. The research uses a descriptive research design with a target population of low-income consumers in Indonesia. A sample of 500 participants was surveyed, and data were analyzed using factor analysis and regression. The findings suggest that trust, affordability, and accessibility are significant determinants of microinsurance purchasing decisions. The study highlights a gap in the understanding of distribution strategy's role in microinsurance uptake, which is relevant to the current study, which focuses on how distribution strategies impact MSEs in Nairobi, a distinct socio-economic environment.

Keller (2021) study delved into the microinsurance market in East Africa, with a focus on the distribution channels used in the region. The research utilized a qualitative case study methodology, targeting insurance providers and distribution agents across Kenya, Tanzania, and Uganda. The study identified several key distribution channels, including mobile networks and agent-based models, and found that the informal sector plays a crucial role in the adoption of microinsurance. While this study provides valuable insights into distribution strategies, it lacks a quantitative approach, which is a key aspect of the current study. Furthermore, the study’s findings on distribution channels do not directly correlate with MSEs' uptake in Nairobi, Kenya, due to potential regional differences.

Tam et al. research focused on the factors influencing low-income customers' intentions to purchase microinsurance in Ho Chi Minh City. The study employed a survey-based quantitative approach, targeting 500 low-income individuals. The data is analyzed using structural equation modeling (SEM) to determine the impact of factors like trust, affordability, and convenience. The findings indicated that convenience and affordability are the most significant drivers of microinsurance purchase intentions. This study’s geographical context was in Vietnam presents a gap in understanding how these factors may apply to the MSEs in Nairobi, especially regarding distribution strategies, which the current study aims to address.

Chen et al. (2010) study explored the relationship between distribution channel strategies and efficiency in the Taiwanese life insurance industry. The researchers used a quantitative approach, focusing on a sample of 200 life insurance companies in Taiwan. Data were collected through structured surveys and analyzed using regression analysis. The study found that direct

distribution channels were more efficient than intermediaries. Although this study provides valuable insights into distribution strategies, its focus on the life insurance sector and Taiwanese market limits its applicability to the microinsurance context in Nairobi, Kenya, which has different market dynamics.

Shari et al. (2024) exploratory study investigated consumer perceptions of distribution channels for the Malaysian micro takaful scheme, a form of Islamic microinsurance. Using qualitative methods; the researchers conducted in-depth interviews with 50 low-income participants in Malaysia. The study found that consumers prefer face-to-face interactions through agents but are also open to digital platforms. This study's findings may not directly apply to Nairobi's MSEs due to differences in cultural and economic contexts, especially since it is focused on the Islamic microinsurance model, which is not directly analogous to Kenya's microinsurance market.

Magati's (2021) research examined how distribution channels affect consumer behavior in Kenya's life insurance sector. The study used a mixed-method approach, involving both surveys and interviews with 300 consumers and agents of Britam Life Assurance. The findings showed that digital channels and agent-based models are the most effective in influencing consumer behavior. While the study's focus on life insurance in Kenya provides a strong contextual basis, it does not address microinsurance specifically or consider MSEs as a target demographic, representing a gap in the literature relevant to the current study.

Riyadi and Arif (2023) study explored how distribution strategy and price impact consumer purchasing decisions in minimarkets in Surabaya, Indonesia. Using a quantitative approach with 400 respondents, the study found that both price and distribution strategy significantly affect purchasing behavior. The study employed regression analysis to examine the relationship. The focus on minimarkets in Surabaya presents a geographical gap when comparing it to Nairobi, especially considering the differences in market types and consumer behavior in the two locations.

Ikbal et al. (2021) study examined the effect of sales distribution channels and promotional policies on consumer buying behavior in Indonesia. It employed a quantitative approach with a survey methodology, targeting 500 respondents. The study used multiple regression analysis to determine the impact of distribution and promotion on consumer behavior. The findings showed that both distribution channels and promotions significantly impacted consumer purchasing behavior. The study's findings on sales volume and behavior are relevant to the current research, but the focus on Indonesian consumers creates a contextual gap in understanding how these factors would apply to Nairobi's MSEs.

Mmurlikrishna et al. (2022) study explored consumer choices in acquiring insurance products through a multi-channel distribution system. It uses a quantitative research design, surveying 600 consumers in India. The study finds that a multi-channel distribution approach is more effective in reaching a broad consumer base. The research gap lies in applying these findings to the microinsurance sector, as the study's focus is on broader insurance products in India, which presents a need for further research on how MSEs in Nairobi would respond to multi-channel distribution systems in microinsurance uptake.

Varshini and Suresh (2013) used a convenience sample of 50 people having a BPL Card to examine the factors contributing to poor microinsurance penetration using questionnaires and in-person interviews. The findings highlighted that the primary cause of the poor penetration

of micro insurance is lack of knowledge about the products. Some other factors were preference for life microinsurance, ease of purchase when informed, methods for paying premiums, and avoiding middlemen in favor of purchasing straight from insurance companies.

In their quantitative study, Ofori et al. (2023) used a survey research methodology to investigate how insurance demand is affected by supply-side characteristics and how sales agent performance modifies these interactions. There were 520 homes in Ghana that were included for this research. Product design, customer service, and market positioning are three supply-side elements that impact insurance acceptance, according to the data. As sales agents grow more successful, the connections between insurance product design, customer service, market positioning, and insurance adoption continue to strengthen.

Microinsurance customer value aspects were investigated by Minani et al. (2018) in relation to PAM (Partner – Agent Model) practice. From 10 areas in Tanzania, 229 managers of MFIs engaging in PAM were randomly chosen and surveyed to gather quantitative data. Using structural equation modeling specifically regression analysis, this research investigated how PAM practice influences the suitability, availability, cost, and responsiveness of PAM microinsurance. There is a favorable correlation between PAM practice and microinsurance client values, according to the study. However, across all four aspects of client value-appropriacy, accessibility, affordability, and responsiveness - client value scores poorly.

Considering economic, financial, and social considerations, Keller (2021) assessed distribution channels that might promote microinsurance products in the East African market using certain criteria from the supply and demand side. Primary research for this study came from four semi-structured interviews with experts, while secondary data came from a variety of sources. The study's overall methodology was qualitative. Trust and financial literacy were shown to be variables causing limited adoption; distributing goods via cooperatives and community-organizations is a good choice as it guarantees sustainability, transparency, and trust. Merchant financial institutions (MFIs), retail establishments, and mobile network operators (MNOs) were among the distributors whose businesses were advised to include microinsurance products.

Using data from focus groups, Giesbert and Steiner (2015) studied when and why micro life insurance product customers' in Ghana perceive value. They demonstrated that advantages, expenses, service quality, emotions, and social benefits all contribute to a product's worth. The client's unique circumstances and the degree to which their expectations and experiences with the insurance line up both contribute to their valuation perceptions.

Why people in Ghana choose to acquire microinsurance policies was the subject of an empirical study by Yeboah (2018). In order to analyze the data collected from 612 unofficial shop owners in certain urban marketplaces, the probit estimation method was used. Findings show that company operators in the informal commercial sector are more likely to purchase micro-insurance policies if they have a high level of financial literacy. Factors such as income, marital status, family headship status, trust, market pricing, and availability to credit were also identified as significant predictors of micro-insurance ownership choice.

Research Gaps

The reviewed literature portrayed various gaps contextually, conceptually, methodologically and geographically. Nguyen et al. (2022) and Bintang et al. (2022) both focused on consumer behavior in retail and purchasing decisions but their findings were geographically specific

Vietnam and Indonesi, which was practically not applicable in applying them to MSEs and microinsurance in Nairobi. Sukmawan (2024) and Keller (2021) emphasized microinsurance perceptions and distribution channels but lacked a focused on distribution strategy, a key aspect of this study. Besides, Tam et al. (2021) and Chen et al. (2010) provided insights into microinsurance in Vietnam and Taiwan, respectively, yet their findings did not address the unique socio-economic environment in Nairobi. Shari et al. (2024) and Magati (2021) highlighted distribution channels but focused on micro takaful and life insurance, respectively, overlooking microinsurance in MSEs. Studies by Riyadi and Arif (2023) and Ikbal et al. (2021) examined distribution strategies in Indonesia, which created a geographical gap when applied to Nairobi's market. Mmurlikrishna et al. (2022) and Varshini and Suresh (2013) focused on broader insurance products and Indian consumers, while Ofori et al. (2023) and Minani et al. (2018) highlighted supply-side characteristics but lacked insights specific to Nairobi's MSE sector. Finally, Yeboah (2018) and Giesbert and Steiner (2015) exploreed factors influencing microinsurance adoption in Ghana, but which demonstrated a geographical gap. Therefore, this study sought to address these gaps by assessing the influence of distribution strategies in microinsurance uptake among MSEs in Nairobi.

METHODOLOGY

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

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

Table 1: Population and Sample Size

Sector	Population	Sample size	Percentages
Agri-Business	809	25	0.06%
Manufacturing	2,421	75	19.38%
Services	3,961	123	31.78%
Traders	5,196	162	41.86%
Uncategorized	42	2	0.005%
Total	**12,429**	**387**	**100%**

The data gathering used standardized questionnaires, facilitating fast and anonymous replies from managers and firm proprietors (Greener, 2008; Krosnick, 2018). Ethical approval was obtained by NACOSTI and AIU, and data were gathered by qualified research assistants via face-to-face interviews. A pilot study with 38 MSEs in Embu County evaluated the research

tools for validity and reliability (Taherdoost, 2021). Validity was confirmed by expert review and factor analysis (Rahi, 2017), with concept validity shown by factor loadings above 0.4. Reliability was established with a Cronbach's alpha value of 0.7 (Creswell, 2017).

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

RESULTS AND DISCUSSION

Descriptive Findings

The descriptive findings in Table 2 indicated that most respondents agreed that distribution strategies enhanced microinsurance accessibility, with an overall mean score of 4.07 and a standard deviation of 0.89, indicating consistent responses. Availability of multiple distribution channels (97.4% agreement, mean = 4.16) and convenience of access (97.2%, mean = 4.11) were strongly supported. Digital platforms also received favorable responses (92% agreement, mean = 3.97). Integrating microinsurance with business services (92.1%, mean = 4.03) and support from distribution agents (94.7%, mean = 4.11) were positively perceived. Trust in local agents influenced purchasing decisions (92.1%, mean = 4.05). These findings highlight the effectiveness of diverse, accessible distribution strategies in boosting uptake.

Correlation between Distribution Strategy and Microinsurance Uptake

To assess the strength and direction of the linear relationships between distribution strategies and microinsurance uptake, pearson's correlation coefficient (r) was applied. The correlation analysis in Table 3 revealed a positive relationship ($r = 0.570$, $p < 0.01$) between distribution strategy and microinsurance uptake. Keller (2021) emphasized that diverse distribution channels, including mobile platforms and agent networks, enhance accessibility, particularly for informal businesses. Siloya (2022) further noted that mobile technology significantly improves microinsurance penetration in developing economies. Given that many MSEs lack the time to visit physical offices, insurers should adopt digital platforms, partnerships with financial institutions, and agent-based models to enhance accessibility and ease of policy acquisition.

Table 2: Correlation Matrix

		Distribution Strategy	Micro-insurance uptake
Distribution strategy	Pearson Correlation	1	.570**
	Sig. (2-tailed)		.000
Microinsurance uptake	Pearson Correlation	.570**	1
	Sig. (2-tailed)	.000	

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Regression Analysis of Influence of Distribution Strategies on Microinsurance Uptake

Regression analysis was done to determine the influence of distribution strategies on the microinsurance uptake among MSEs in Nairobi, Kenya. Results were presented in Table 3.

Table 3: Model Fitness for Distribution Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.570[a]	.325	.323	.3881171

a. Predictors: (Constant), AV_Distribution

The R Square value of 0.325 indicated that 32.5% of the variance in microinsurance uptake among MSEs in Nairobi was explained by distribution strategies. This implies that how insurance products are delivered and made accessible plays a crucial role in adoption. However, 67.5% of the variation in microinsurance uptake was not accounted for by the model, implying that other factors such not in the model significantly influenced the uptake.

Table 4: ANOVA for Distribution Strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.774	1	21.774	144.547	.000[b]
	Residual	45.190	300	.151		
	Total	**66.964**	**301**			

a. Dependent Variable: AV_Microinsurance_uptake
b. Predictors: (Constant), AV_Distribution

The ANOVA results showed an F-statistic of 144.547 with a p-value of 0.000, confirming that the model is statistically significant. The high F-value suggests that distribution strategies meaningfully impact microinsurance uptake. These findings align with Nguyo & Anene (2024), who reported that a high F-statistic in insurance studies indicates a strong predictive relationship. Additionally, Mundia (2024) found that physical agent networks, mobile insurance platforms, and partnerships with financial institutions enhance insurance accessibility and uptake.

Table 5: Regression of Coefficient for Distribution Strategy

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.457	.152		16.155	.000
	AV_Distribution	.444	.037	.570	12.023	.000

a. Dependent Variable: AV_Microinsurance_uptake

The unstandardized coefficient (B) for the constant was 2.457, indicating that when distribution remains constant, microinsurance uptake among MSEs would be 2.457. The unstandardized coefficient for distribution strategies was 0.444, meaning that for every one-unit increase in distribution strategy, microinsurance uptake increases by 0.444 units. The t-value of 12.023 and the p-value of 0.000 confirm that this relationship is statistically significant. These findings align with Boateng & Atiku (2023), who reported that digital insurance platforms and localized agent models significantly boost microinsurance adoption. Goga (2022) also found that multi-channel distribution strategies, including mobile banking and community-based agents, improve accessibility and uptake rates.

$Y = \beta_0 + \beta_1 X$ ……. Equation 1

Where **Y** = Microinsurance uptake

β_0 = 2.457

β_1 = 0.444

X= Distribution Strategy

$Y = 2.457 + 0.444X$ ……. Equation 2

Hypothesis Testing

Distribution strategies does not significantly influence microinsurance uptake among MSEs in Nairobi, Kenya.

The rejection of H_{03}, distribution strategies do not significantly influence microinsurance uptake among MSEs in Nairobi, Kenya based on the statistical results (tcalc = 4.824, p-value = 0.000 < pcritical = 0.05), underscores the pivotal role that distribution strategies play in driving microinsurance adoption among MSEs. This finding is consistent with theoretical and empirical studies that explored the impact of various distribution channels on the uptake of insurance products, especially in underserved markets. The role of distribution strategies is crucial, as it not only affects accessibility but also shapes consumer perceptions and decision-making.

Distribution channels are key to delivering microinsurance products to potential consumers. These channels, which include digital platforms, mobile agents, and physical outlets, directly influence accessibility and convenience for consumers. Nguyen et al. (2022), in their study on brand equity in the retail distribution sector in Vietnam, demonstrated that the accessibility and convenience of distribution channels significantly impacted consumer purchase decisions. Similarly, Bintang et al. (2022) identified distribution as one of the most crucial factors influencing consumer purchasing decisions, further reinforcing the importance of strategically chosen channels in reaching potential microinsurance customers. Their findings support the current study, which focuses on MSEs in Nairobi, where the appropriate distribution strategy can bridge the gap between microinsurance providers and target clients.

The findings from Sukmawan (2024), which highlighted the role of trust and accessibility in microinsurance adoption, emphasize the need for insurers to consider consumer perceptions when selecting distribution channels. The study found that trust in the distributor and product understanding are key determinants of microinsurance decisions. In Nairobi, where MSEs may be skeptical of formal financial products, choosing the right distribution model, whether digital, agent-based, or through community organizations, could significantly influence the decision to adopt microinsurance. This finding supports the hypothesis that distribution strategies can enhance microinsurance uptake, as they influence both the accessibility of the product and the level of trust in the insurer.

Research from Keller (2021), which focused on distribution channels in East Africa, noted that mobile networks and agent-based models play a crucial role in distributing microinsurance products. The findings suggest that in regions like Kenya, where informal sector workers and MSEs dominate, using mobile platforms and community-based agents is essential for expanding microinsurance reach. These channels are more familiar to local populations and thus more likely to gain consumer trust.

The Ikbal et al. (2021) study on consumer buying behavior in Indonesia highlighted that a multi-channel distribution strategy, which combines both digital and physical interactions, enhances consumer engagement. By offering a mix of mobile platforms, agent networks, and community-based outreach, microinsurance providers can enhance accessibility and trust, thereby increasing adoption among MSEs.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The objective of the study was to determine the influence of distribution strategy on microinsurance uptake of MSEs in Nairobi, Kenya. Both descriptive and inferential findings revealed a positive relationship between distribution strategy and microinsurance uptake, confirming that effective distribution channels are crucial for increasing adoption. It was therefore concluded that distribution strategy is crucial in improving access to microinsurance products since the convenience and accessibility of these channels

Recommendations

The study recommends that insurers need to expand and diversify distribution channels to enhance reach and accessibility among MSEs. In addition to traditional agents and brokers, mobile-based platforms, digital apps, and partnerships with mobile network operators should be prioritized. Collaborations with local institutions like cooperatives, SACCOs, and community organizations can leverage trust networks to promote uptake. Investments in digital literacy and simplifying policy purchasing procedures will further lower barriers for small businesses, encouraging broader coverage. This is because MSEs value convenience and accessibility in financial services. As a result, broadening distribution channels will reduce barriers to access, enhance customer trust, and ensure that microinsurance reaches a wider range of businesses, particularly in underserved areas.

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