International Journal of Strategic Management (IJSM)

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

Aggrey Mulumbi, Dr. Caleb Odhiambo Onjure and Prof. Jane Muriithi

IPRJB

International Journal of Strategic Management
Vol.4, Issue 1, No.4, pp 66 - 79, 2025
ISSN: 2958-9681 (Online)

www.iprjb.org

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

[1*]Aggrey Mulumbi
PhD Student, Business Administration and Management (Strategic Management), Africa International University

[2]Dr. Caleb Odhiambo Onjure
School of Business and Economics, Africa International University

[3]Prof. Jane Muriithi
Africa International University

Article History

Received 8th April 2025

Received in Revised Form 12th May 2025

Accepted 16th June 2025

How to cite in APA format:

Mulumbi, A., Onjure, C., & Muriithi, J. (2025). Influence of Pricing Strategy on Microinsurance Uptake among Micro and Small Enterprises in Nairobi City County, Kenya. *International Journal of Strategic Management*, *4*(1), 66–79. https://doi.org/10.47604/ijsm.3393

Abstract

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

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

Findings: Strong positive associations between microinsurance adoption and pricing techniques were found by the study ($r = 0.672$), notably at $p < 0.01$. Regression models revealed that pricing explained 45.2% of the microinsurance adoption variation. The ANOVA findings show an F-statistic of 247.449 with a p-value of 0.000 further indicating that the association between microinsurance acceptance and pricing strategy approach was statistically significant at the 95% confidence level. With an unstandardized coefficient (B) for the pricing strategy of 0.409, one unit increase in the pricing strategy resulted in 0.409 units rise in microinsurance adoption.

Unique Contribution to Theory, Practice and Policy: The study therefore recommended that microinsurance providers should implement flexible pricing structures tailored to the financial realities of MSEs. This includes staggered payment plans, seasonal premium adjustments, income-based premiums, and loyalty discounts. Additionally, transparent communication of costs and benefits must accompany any pricing model to enable informed decision-making by businesses.

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

JEL Codes of Classification: *M21, M31, G22, L26*

INTRODUCTION

Microinsurance is a financial risk-transfer mechanism designed to provide low-premium, high-access insurance solutions to economically vulnerable populations (Churchill, 2020). It has emerged as an essential tool in helping micro and small enterprises (MSEs), which are crucial for job creation, income generation, and poverty alleviation, mitigate significant risks like theft, illness, market fluctuations, natural disasters, and business interruptions (World Bank, 2021; Adepoju et al., 2020). Despite its importance, MSE adoption of microinsurance remains strikingly low.

Recent trends indicate growing awareness of microinsurance's capacity to protect businesses from various risks such as market swings, theft, and natural catastrophes, which could otherwise compromise their sustainability (Research and Markets, 2023). The sector is projected to grow at a compound annual growth rate (CAGR) of 6.2% from 2023 to 2031, largely driven by rising demand for affordable and accessible insurance solutions, particularly for underserved communities (Research and Markets, 2023). The spread of microinsurance programs in regions like Asia and Africa, where financial inclusion is crucial, has contributed significantly to this growth. Collaborations between insurers and microfinance institutions (MFIs), leveraging the trust and local presence of MFIs, have been successful in extending microinsurance products to low-income businesses, addressing affordability issues that typically impede adoption in these regions (Insurance Business America, 2023).

Affordability, however, remains a major barrier to microinsurance uptake. MSEs, particularly those in informal sectors, often face irregular incomes, making regular premium payments challenging. Pricing strategy refers to the approach used by insurers to set premiums for microinsurance products in a way that aligns with the financial capabilities of low-income individuals or small businesses, ensuring affordability while maintaining sustainability (Rayamajhee et al., 2021). This strategy involves balancing affordability, flexible payment terms, and perceived value to encourage greater adoption and coverage among economically vulnerable populations. World Bank (2021) emphasize that microinsurance pricing models need to be flexible and tailored to accommodate the unpredictable income levels of small businesses. Failure to provide affordable premiums or flexible payment options discourages many MSEs from considering insurance a priority.

Globally, microinsurance is designed to meet the needs of low-income populations and MSEs, offering vital risk mitigation benefits (World Bank, 2021). However, its uptake is uneven, with socio-economic, cultural, and structural factors influencing adoption rates across regions. In developed economies like the United States, traditional insurance products often overshadow microinsurance for small businesses (NAIC, 2022). However, MSEs in low-income areas are increasingly turning to microinsurance as a feasible option. According to the NAIC (2022), nearly 30% of small business owners in low-income areas lack awareness of affordable insurance options, hindering their ability to protect their businesses.

In Africa, MSEs are key to economic development. In Ghana, MSEs make up 92% of businesses and employ 60% of the workforce, yet microinsurance penetration remains low, at just 5% (IFC, 2021). Similarly, in Tanzania, where MSEs contribute 35% to the GDP, insurance penetration among these businesses is only 2%, primarily due to low income and irregular cash flows (Wanyama & Mshana, 2020). Initiatives like Kilimo Salama, an agricultural microinsurance product in Tanzania, have shown potential but have yet to scale significantly (Wanyama & Mshana, 2020).

In Kenya, fewer than 5% of MSEs have insurance coverage, mainly due to low awareness and a lack of education about available products (Mutua, 2017). Additionally, Kamau et al. (2022) highlight that microinsurance providers face difficulties in reaching the informal sector with educational campaigns, limiting product uptake. Affordability remains a significant barrier, as many MSEs, especially those in the informal sector, have inconsistent income streams, making it difficult to afford regular premium payments (Rayamajhee et al., 2021). Furthermore, many microinsurance products in Kenya are criticized for being too expensive for low-income businesses, which struggle with the financial unpredictability associated with their operations (Kamau et al., 2022).

Statement of the Problem

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

Despite the increasing recognition of microinsurance as a crucial tool for protecting micro and small enterprises (MSEs) in Kenya against economic risks, its uptake remains low in Nairobi City County. Studies have shown that factors such as affordability and awareness significantly influence the adoption of microinsurance products (Churchill, 2020), while poor distribution channels hinder their reach (Makau & Abeka, 2021). However, the influence of market strategies such as pricing, in driving uptake has not been fully explored. This study sought to fill this gap by analyzing the impact of pricing strategy on the uptake of microinsurance among MSEs in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Expected Utility Theory (EUT) is a foundational framework explaining decision-making under risk by focusing on the perceived utility of outcomes rather than their monetary value (Bernoulli, 1978). EUT introduces the concept of diminishing marginal utility, which suggests that the additional satisfaction derived from increased wealth diminishes as wealth increases, a crucial idea in understanding consumer choices for financial products such as microinsurance. Neumann and Morgenstern (1944) formalized EUT with rational choice axioms, while Savage (1954) expanded it by introducing subjective probabilities under uncertainty. According to EUT, individuals evaluate outcomes based on their perceived utility, weighing them by their likelihood, and favoring those with the highest expected utility. This directly influences the pricing strategies for microinsurance, where pricing models aim to align premiums with MSEs' perceived utility (Von Neumann & Morgenstern, 1944).

In the context of microinsurance, the price sensitivity of MSEs reflects key assumptions of EUT. MSE owners, like other decision-makers, are motivated by the utility that a product provides relative to its cost. Given that EUT posits individuals seek to maximize expected utility, MSE owners will be more likely to purchase insurance products that offer a high utility-to-cost ratio, aligning with their economic constraints and risk aversion. Pricing strategies that minimize perceived financial loss (such as tiered pricing or lower initial premiums) can increase the expected utility by making microinsurance more accessible while ensuring that the product meets the specific needs of MSE owners. This highlights the relevance of EUT in shaping pricing models that make insurance affordable and attractive to risk-averse consumers.

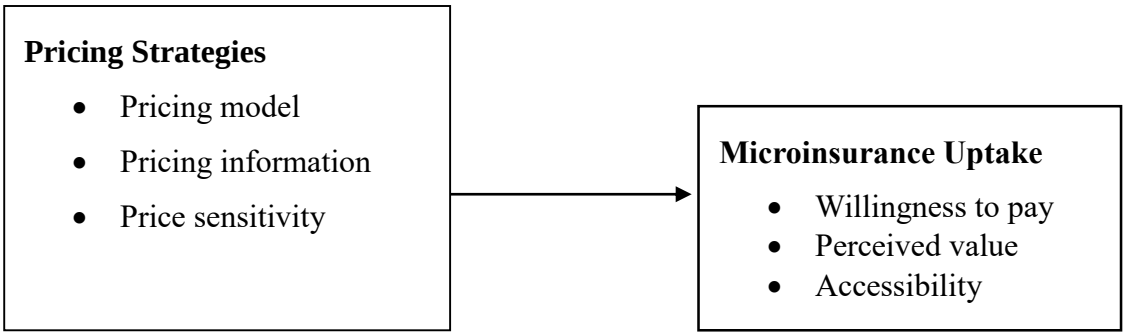
Price-framing or flexible terms are essential in increasing the perceived utility of microinsurance. EUT suggests that the subjective perception of outcomes, such as the framing of premiums and benefits, significantly impacts decision-making. By framing premiums in ways that emphasize long-term benefits or offering more flexible terms, microinsurance providers can enhance the perceived utility for MSE owners. This is particularly effective if terms align with the MSEs' financial capacity, as it helps mitigate the psychological impact of paying premiums upfront, which may be seen as a financial burden. By applying these strategies, insurers can effectively alter the way MSE owners perceive the trade-off between premium payments and the benefits provided by microinsurance, thus enhancing the likelihood of adoption.

MSE owners may disproportionately fear premium losses (loss aversion), even when expected benefits are high, a core insight of Prospect Theory (Kahneman & Tversky, 1979). This theory emphasizes that individuals tend to weigh potential losses more heavily than gains, which may discourage MSE owners from purchasing microinsurance products, despite their long-term benefits. Even when the expected utility of the insurance product is high, the fear of losing money by paying premiums, especially if the risk event does not occur, can outweigh the perceived benefits. Prospect Theory's insights suggest that microinsurance providers should design pricing and product structures that minimize the perception of losses, such as offering partial refunds or flexible payment options, which may make MSEs more comfortable with purchasing insurance.

In addition to EUT, integrating diffusion of innovation theory provided a more comprehensive understanding of microinsurance adoption. This theory, developed by Rogers (1962), suggests that the adoption of new products is influenced by factors such as relative advantage, compatibility, complexity, trialability, and observability. MSE owners may be more likely to adopt microinsurance if it aligns with their existing risk management strategies, is perceived as beneficial in addressing specific challenges, and is easily integrated into their current financial practices. By considering these factors, insurers can tailor their microinsurance offerings to increase adoption among MSEs, ensuring that the product is perceived as both innovative and compatible with the needs of the target market.

International Journal of Strategic Management
Vol.4, Issue 1, No.4, pp 66 - 79, 2025
ISSN: 2958-9681 (Online)
www.iprjb.org

Conceptual Framework



Independent Variable

Dependent Variable

Empirical Review

Boateng (2016) collected data from 400 families in the Kumasi metropolitan of Ghana using a cross-sectional survey that used a multistage sampling approach. According to the binary logit result, premium, income, trust, risk aversion, financial literacy, quality, coverage, and accessibility of services were the main factors influencing families' desire for microinsurance. The multinomial outcome demonstrated that education, cost, risk aversion, financial literacy, peer pressure, and service quality are the factors that determine both property microinsurance and educational microinsurance programs.

Using three case studies and a qualitative methodology, Gabrah et al. (2020) examined, evaluated, and researched the effect of microinsurance in reducing poverty. According to the study, the demand for insurance products is influenced by a number of factors, including low government support for microinsurance programs, low-income levels of respondents, lack of innovative microinsurance products, insufficient distribution channels, lack of a supportive legal framework, uncompetitive pricing of microinsurance products, and religious or cultural considerations. Another element influencing the demand for microinsurance products is lack of public confidence.

To build sustainable value in microinsurance, Mazambani and Mutambara (2018) suggested integrating supply-side and demand-side aspects. According to theoretical study, the demand-side variables that were highlighted prevented low-income clients from fully participating. Product customization, R&D, pricing information, distribution, complementary partners, technological improvement, reduced transaction costs, reasonably priced premiums, sharing product expertise, and fostering trust were some of these elements.

Ndurukia et al. (2017) evaluated the variables affecting the demand for microinsurance services in Kenya's insurance sector. The cross-sectional survey design was used in the study's research technique. The Insurance Regulatory Authority (IRA) - licensed insurance service providers in Kenya were the target population. The results of the study showed that the demand for microinsurance was positively and significantly influenced by the following factors: price, income level, risk exposure, and credit availability.

Using a cross-sectional survey study approach, Abdallah (2019) evaluated 2015 data from 170 insurance service providers in Kenya to investigate the financial factors influencing the

demand for microinsurance services in the insurance sector. According to the study's findings, the demand for microinsurance is influenced by financial variables such as risk exposure, cost, credit availability, and income level, and its potential has not yet been fully realized.

Using a descriptive research approach, which enables the study findings to be used as a general reflection of the wider population, Odenyo (2018) sought to identify the determinants influencing microinsurance penetration in Kenya. A sample of 32 insurance businesses was selected from the 55 registered insurance companies in Kenya, which made up the study's population. The study found that low microinsurance penetration is caused by several internal and external factors, including distribution channels, income levels, pricing, publicity, cultural factors, and a lack of sufficient research to develop products that meet customer needs.

Chache (2014) doctoral dissertation examined the effect of product pricing on the growth of microinsurance by insurance underwriters in Kenya. The study employed a descriptive research design, focusing on insurance companies offering microinsurance in Kenya. A purposive sampling method was used to select key informants, and data was analyzed using descriptive statistics, presented in tables and percentages. The study found that pricing strategies significantly influenced the uptake and growth of microinsurance in Kenya. The affordability of premiums and strategic pricing led to higher adoption rates. However, the research primarily targets insurance companies, neglecting the role of SMEs and consumers in the process, which presents a contextual gap for the current study focusing on MSEs in Nairobi.

Ndirangu (2015) study investigated the microinsurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantages. A descriptive research design was used, targeting insurance companies in Kenya. Stratified random sampling selected participants, and qualitative data analysis methods were employed. The study found that firms using strategic pricing, targeted marketing, and tailored microinsurance products gained competitive advantages. The study's emphasis was on insurance companies, with little attention to the perspectives of MSEs representing a gap in examining MSE-driven factors influencing microinsurance uptake.

Jain (2021) study reviewed variables influencing product pricing and decision-making processes in microinsurance. This was a literature review, synthesizing secondary research on the factors affecting product pricing decisions in the microinsurance sector. The review highlighted several critical factors such as market demand, cost structures, competition, and consumer perception of value in pricing decisions. The study lacked empirical research and focused solely on pricing mechanisms without examining the impact of these decisions on MSEs specifically, which is a gap for the current research.

Zhao et al. (2021) study investigated how pricing and product information affect consumer buying behavior, with customer satisfaction as a mediator. The study employed quantitative design, using surveys to collect data from consumers, and used structural equation modeling for data analysis. The study found that both pricing and product information significantly influenced consumer behavior, with customer satisfaction playing a significant mediating role. However, the study’s focus on general consumer behavior overlooks the specific context of MSEs and microinsurance in Kenya, presenting a conceptual gap when compared to the current study.

Chikumbu (2024) investigated the factors determining the supply of microinsurance in South Africa’s insurance market. A case study approach was used, collecting qualitative data through interviews with insurance firms in South Africa. Data was analyzed using thematic analysis.

The study found that regulatory policies, market demand, and competition were major determinants influencing the supply of microinsurance. The geographical focus on South Africa limits the study's applicability to Kenya, creating a geographical gap when addressing the uptake of microinsurance by MSEs in Nairobi.

Oppong et al. (2024) study investigated the impact of Outreville's four-factor framework and firm and product characteristics on microinsurance adoption in Ghana. A quantitative research design was used, with surveys collected from consumers and insurance firms in Ghana. Regression analysis was applied to analyze the data. The study showed that product characteristics, firm reputation, and market demand significantly influenced microinsurance adoption. The study's focus on Ghana creates a geographical gap, and its reliance on broad frameworks misses MSE-specific dynamics, which are central to the current research in Nairobi.

Research Gaps

The research on microinsurance revealed several gaps across different studies. While factors like income, education, and trust influence demand, Huber (2012) study's geographical focus on urban Ghana creates a gap in applying the findings to other regions like Kenya. Gabrah et al. (2020) noted that low government support and cultural factors hinder microinsurance demand but did not explore the role of pricing strategies, leaving a gap in understanding how these factors specifically affect MSEs. Mazambani and Mutambara (2018) emphasized demand-side variables but overlooked firm-level dynamics, leaving a gap in how MSEs' unique characteristics impact microinsurance adoption. Ndurukia et al. (2017) and Abdallah (2019) explored financial factors but primarily targeted insurance firms and regulators, creating a gap in understanding MSE-driven pricing for microinsurance. Chache (2014) identified that pricing strategies influence adoption but focused only on insurers, neglecting the MSE perspective. Ndirangu (2015) and Jain (2021) concentrated on insurance firms, not considering MSEs as consumers, which presents a conntextual gap. Zhao et al. (2021) explored general consumer behavior but did not address the specific needs of MSEs, while Chikumbu (2024) and Oppong et al. (2024) focused on other regions, specifically South Africa and Ghana, which presents geographical gaps in applying their findings to Nairobi's MSEs.

METHODOLOGY

This study used a positivist research paradigm, prioritizing scientific procedures and empirical data to ascertain causal linkages 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 the 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 implementing random sampling to reduce bias and improve reliability (Table 1).

Table 1: Target Population and Sample Size

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

The data gathering used standardized questionnaires, facilitating fast and anonymous replies from managers and firm proprietors (Greener, 2008; Krosnick, 2018). Ethical approval was obtained by NACOSTI and AIU, and data were gathered by qualified research assistants via in-person interviews. A pilot study with 38 MSEs in Embu County evaluated the research tools 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 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), autocorrelation (Durbin-Watson), and multicollinearity (VIF), guaranteeing robust, 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 company characteristics on microinsurance adoption. Hypotheses were examined at a 5% significance threshold, using ANOVA to assess the overall significance of the model. Ethical guidelines guaranteed voluntary participation, confidentiality, and data protection during the research.

FINDINGS AND DISCUSSION

Descriptive Findings

Respondents were asked to indicate their level of agreement with statements related to pricing strategy in their organizations. Table 2 presents the findings. Most respondents (94.7%) found the microinsurance pricing structure clear and understandable, with a mean score of 4.03 and low response variation (SD = 0.813). Payment options were viewed as flexible and convenient by 92.6%, with a mean of 4.05. Incentives and discounts influenced purchasing decisions for 94.7% of respondents (mean = 4.05), while affordability was highly valued, scoring a mean of 4.19. Most felt well-informed about costs and coverage (92.1%, mean = 4.03), and 91.5% agreed that transparent pricing made microinsurance more appealing (mean = 4.00). Overall, pricing strategies were positively perceived, averaging a mean of 4.06 with moderate consistency.

International Journal of Strategic Management
Vol.4, Issue 1, No.4, pp 66 - 79, 2025
ISSN: 2958-9681 (Online)
www.iprjb.org

Table 2: Pricing Strategy

Statements	SD	D	N	Agree	SA	Mean	Std Dev
The pricing structure of microinsurance products is clear and easy to understand.	0%	5.3%	15.6%	50%	29.1%	4.03	0.813
The payment options provided for microinsurance products are flexible and convenient for my business.	5.3%	0%	2.6%	66.2%	23.8%	4.05	0.861
Discounts or incentives on microinsurance premiums encourage me to consider purchasing these products.	2.6%	2.6%	10.6%	55%	29.1%	4.05	0.861
The affordability of microinsurance premiums positively influences my decision to purchase them.	2.6%	2.6%	18.2%	26.2%	50.3%	4.19	0.999
I am well-informed about the cost of microinsurance products and what they cover.	5.3%	2.6%	18.2%	31.5%	42.4%	4.03	1.092
Transparent communication about pricing makes microinsurance products more appealing to me.	2.6%	5.3%	18.5%	36.8	36.8%	4.00	1.003
Average						**4.06**	**0.94**

Inferential Findings

Correlation Results

A strong positive correlation ($r = 0.672$, $p < 0.01$) was found between pricing strategy and microinsurance uptake, highlighting affordability as a critical determinant of adoption. Birech (2023) reported that flexible, income-based pricing models enhance microinsurance penetration among small businesses. Likewise, Oppong et al. (2024) demonstrated that transparent and tiered pricing structures lower financial barriers and encourage participation.

Table 3: Correlation Findings between Pricing Strategy

		Pricing Strategy	Micro-insurance uptake
Pricing Strategy	Pearson Correlation	1	.672**
	Sig. (2-tailed)		.000
Microinsurance uptake &demand	Pearson Correlation	.672**	1
	Sig. (2-tailed)	.000	

Regression Analysis of Influence of Pricing Strategy on Microinsurance Uptake

A regression analysis was conducted to assess the influence of pricing strategy on microinsurance uptake among MSEs in Nairobi, Kenya. The results are presented in Table 4. The R Square value of 0.452 indicates that 45.2% of the variance in microinsurance uptake among MSEs in Nairobi was explained by pricing strategy. This suggests that pricing plays a

crucial role in determining whether MSEs adopt microinsurance. However, the remaining 54.8% of the variation was not accounted for by the model, implying the presence of other significant influencing factors that were not included in this analysis.

Table 4: Model fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.672[a]	.452	.450	.3497437

a. Predictors: (Constant), AV_Pricing

The ANOVA results (Table 5) indicate an F-statistic of 247.449 with a p-value of 0.000, demonstrating that the regression model is highly significant. The large F-value suggests that pricing strategy strongly influences microinsurance uptake. These findings align with Nguyo & Anene (2024), who found that an F-statistic above 200 in insurance-related regression models signals a strong predictive relationship. Similarly, Mundia (2024) observed that a significant F-statistic in microinsurance studies confirms pricing as a key driver of insurance uptake.

Table 5: ANOVA for Pricing Strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.268	1	30.268	247.449	.000[b]
	Residual	36.696	300	.122		
	Total	**66.964**	**301**			

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

The unstandardized coefficient (B) for the constant was 2.608, indicating that when no pricing strategy is implemented, the predicted level of microinsurance uptake among MSEs in Nairobi would be 2.608. This reflects the baseline uptake level in the absence of any pricing strategy influence. The unstandardized coefficient for pricing strategy was 0.409, meaning that for every one-unit increase in pricing strategy, microinsurance uptake increases by 0.409 units.The t-value of 15.731 and p-value of 0.000 confirm that pricing strategy has a statistically significant influence on microinsurance uptake. These findings align with Boateng & Atiku (2023), who emphasized that affordable pricing models significantly enhance microinsurance adoption. Similarly, Goga (2022) reported that microinsurance pricing strategies directly impact uptake, reinforcing the need for flexible and transparent pricing structures to drive adoption.

Table 6: Regression of Coefficients for Pricing Strategy

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.608	.107		24.298	.000
	AV_Pricing	.409	.026	.672	15.731	.000

a. Dependent Variable: AV_Microinsurance_uptake

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

International Journal of Strategic Management
Vol.4, Issue 1, No.4, pp 66 - 79, 2025
ISSN: 2958-9681 (Online)
www.iprjb.org

Where **Y** = Microinsurance uptake

β_0 = 2.608

β_1 = 0.409

X= Pricing strategy

Y = 2.608+ 0.409X ……. Equation 2

Hypothesis Testing

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

The rejection of H_{02}, pricing strategies do not significantly influence microinsurance uptake among MSEs in Nairobi, Kenya based on the statistical findings ($t_{calc} = 8.487 > t_{crit} = 1.96$ and p-value = 0.000 < $p_{critical} = 0.05$) suggests a strong and significant relationship between pricing strategies and the adoption of microinsurance among MSEs. This finding highlights the importance of pricing as a critical determinant of microinsurance uptake, corroborating various empirical studies that emphasize pricing as a key factor influencing insurance adoption, particularly among low-income enterprises. Platteau, De Bock, and Wouter (2017) highlighted that while ignorance about insurance is a significant barrier, cost and trust in the insurer are central to understanding microinsurance adoption. In line with this, Boateng (2016) found that premiums, financial literacy, and trust were key determinants of microinsurance demand among families in Ghana, with pricing being one of the most influential factors. These studies highlight that affordable pricing is critical for making insurance accessible to low-income groups, such as MSEs, which often face liquidity constraints and may be deterred by high premiums.

Similarly, Gabrah et al. (2020) identified that uncompetitive pricing of microinsurance products contributes to low uptake. Their findings suggest that when microinsurance products are priced higher than what low-income consumers or small enterprises can afford, they become inaccessible. This aligns with Mazambani and Mutambara (2018), who emphasized that pricing, along with other demand-side factors such as product customization and trust, plays a crucial role in the adoption of microinsurance. In the Kenyan context, pricing strategies must therefore balance affordability with sustainability, ensuring that premiums are not only within reach of MSEs but also aligned with the risk profiles of the target market.

The study conducted by Ndirukia et al. (2017) in Kenya revealed that price is one of the significant factors influencing microinsurance demand. In their study, they showed that low premiums and flexible pricing models significantly increase the likelihood of microinsurance adoption. This is particularly relevant to the current study in Nairobi, where many MSEs are hesitant to adopt insurance products due to cost-related concerns. This study supports the finding that pricing strategies, including flexible premium payments or micro-insurance models, can enhance uptake.

Furthermore, Abdallah (2019) analyzed financial factors influencing the demand for microinsurance in Kenya and found that the cost of insurance is a major determinant. This reinforces the importance of pricing strategy in improving accessibility for small businesses in Nairobi, which often operate on tight budgets and can be highly sensitive to price fluctuations. The combination of affordable premiums and financial literacy increases the likelihood of

MSEs purchasing microinsurance, suggesting that insurance providers must design products that cater specifically to the financial constraints of their target market.

Odenyo (2018) also identified several internal and external factors influencing microinsurance penetration, including pricing, distribution channels, and consumer awareness. This further supports the notion that the pricing strategy is pivotal, not only in making the product affordable but also in aligning it with the needs and capacity of MSEs. In Kenya, where the microinsurance market has faced significant barriers to adoption, strategic pricing that aligns with the economic realities of MSEs is crucial to expanding the reach of these products. Therefore, these results from the current study reinforce the importance of affordable pricing as a primary driver of microinsurance uptake among MSEs in Nairobi.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The objective of the study was to determine the influence of pricing strategy on microinsurance uptake of MSEs in Nairobi City County, Kenya. The study found that pricing strategy play a significant role in the uptake of microinsurance among MSEs in Nairobi County, Kenya. It was therefore concluded that pricing strategy critically determines microinsurance uptake among SMEs since affordable pricing, transparency of costs, and the introduction of flexible payment structures emerged as powerful incentives for adoption.

Recommendations

Based on the study results, microinsurance providers should implement flexible pricing structures tailored to the financial realities of MSEs. This includes staggered payment plans, seasonal premium adjustments, income-based premiums, and loyalty discounts. Additionally, transparent communication of costs and benefits must accompany any pricing model to enable informed decision-making by businesses. Furthermore, insurers should consider integrating microfinance facilities that allow premium financing, enabling cash-constrained businesses to pay over a period without disrupting their cash flows.

REFERENCES

Adepoju, A. A., Akinlabi, B. H., & Adebayo, A. D. (2020). Microinsurance as a tool for enhancing sustainability of micro and small enterprises. *Journal of African Business, 21*(3), 382-396. https://doi.org/10.1080/15228916.2019.1705302

Bernoulli, D. (1978). Exposition of a new theory on the measurement of risk. *Econometrica, 22*(1), 23–36.

Churchill, C. (2020). Protecting the poor: Microinsurance solutions to risk. Oxford University Press.

IFC (International Finance Corporation). (2021). Ghana: Opportunities in microinsurance. Washington, DC: World Bank Group.

Insurance Business America. (2023). The future of microinsurance: Growth and opportunities. Insurance Business America. https://www.insurancebusinessmag.com/us/news/breaking-news/the-future-of-microinsurance-220902.aspx

Insurance Regulatory Authority (IRA). (2023). Annual Insurance Industry Report. Nairobi.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica, 47*(2), 263–291.

Kahneman, D., & Tversky, A. (1979). *Prospect theory: An analysis of decision under risk*. Econometrica, 47(2), 263-291.

Kamau, G., Macharia, M., & Mutua, A. (2022). Barriers to microinsurance adoption among small businesses in Kenya. *Journal of African Business, 23*(1), 85-104.

Kenya National Bureau of Statistics (KNBS). (2020). Kenya Economic Survey 2020. Nairobi: Government Printer.

Makau, J., & Abeka, J. (2021). Challenges of microinsurance in Sub-Saharan Africa. *African Journal of Business Studies, 10*(4), 123-139.

Mutua, M. (2017). The challenges of microinsurance adoption among MSEs in Kenya. *Journal of Risk Management, 14*(3), 50-67.

National Association of Insurance Commissioners (NAIC). (2022). Small business insurance awareness and access report. NAIC Publications.

Neumann, J. V., & Morgenstern, O. (1944). *Theory of games and economic behavior*. Princeton University Press.

Njuguna, M., & Arunga, E. (2022). Risk management practices among small businesses in Kenya. *Journal of Business Development, 15*(2), 56-72.

Nkwor, N. N., & Ozor, K. C. (2022). MSMEs and Insurance Consumption Gap in Nigeria: An Assessment of the Impact of Regulatory Origin and Trust. *Journal of Insurance and Financial Management, 5*(4), 78-100.

Rayamajhee, M., Rai, P., & Parajuli, R. (2021). Microinsurance: A review of models and barriers in developing economies. *International Journal of Financial Services, 11*(4), 22-34.

Research and Markets. (2023). Microinsurance market size, share, & trends analysis report by type (life, health, property, agriculture), by distribution channel (agents, brokers), by region (Asia Pacific, Latin America, MEA), and segment forecasts, 2023-2031. Research and Markets. https://www.researchandmarkets.com/reports/5320119/microinsurance-market-size-share-and-trends

Rogers, E. M. (1962). *Diffusion of innovations*. Free Press.

Savage, L. J. (1954). *The foundations of statistics*. Wiley.

Savage, L. J. (1954). The foundations of statistics. Wiley.

Simon, H. A. (1957). Models of Man: Social and Rational. Wiley.

Tversky, A., & Kahneman, D. (1991). *Loss aversion in riskless choice: A reference-dependent model*. Quarterly Journal of Economics, 106(4), 1039-1061.

UNDP. (2022). Effective market development strategies such as product development, pricing, distribution, and promotion are critical for driving uptake. United Nations Development Programme.

Von Neumann, J., & Morgenstern, O. (1944). *Theory of games and economic behavior*. Princeton University Press.

Von Neumann, J., & Morgenstern, O. (1944). Theory of games and economic behavior. Princeton University Press.

Wanyama, L., & Mshana, P. (2020). Microinsurance for agribusiness in Tanzania: Challenges and prospects. *Journal of African Insurance Studies, 15*(3), 103-121.

World Bank. (2021). Micro, small, and medium enterprises (MSEs) and their role in economic development. World Bank Report. https://www.worldbank.org/en/topic/poverty/brief/micro-small-and-medium-enterprises