

Exploring the Impact of Risk Perception and Cultural Factors on the Adoption of Insurance in Kuwait's SME Sector: A Qualitative Study

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Abstract

This paper aims to investigate the determinants of insurance uptake amongst small and medium enterprises (SMEs) in Kuwait, which is an important segment for the country's Vision 2035 diversification strategy. Employing interpretivist approach, it demonstrates why cultural and religious factors, and organizational factors like lack of trust in providers and policy voids, are barriers to adoption. SMEs mainly address risks in operational and financial contexts and insurance is viewed as a cost that is incurred once an event occurs. Potential drivers include low cost Takaful products, efforts in trust creation, and policy support that encourages Takaful. Recommendations are made with a view of ensuring that insurance strategies are made to fit cultural and economical environment in order to enhance SMEs' resilience and growth.

Key Words: Takaful Insurance, Small and Medium Enterprises (SMEs), Risk Management, Emerging Economies, Kuwait, Behavioural Economics.

1. INTRODUCTION

1.1 Background

SMEs are a crucial element of diversification strategy in Kuwait, especially in the process of shifting the Kuwait's economy from oil-oriented economy. SMEs account for less than 3% of the Kuwait's total GDP as compared to the global figure of 40-50% while at the same time, they continue to gain strategic value in realizing Kuwait Vision 2035 (Abu-Aisheh, 2018). The government policies like the creation of national funds for SME have been intended to foster entrepreneurship and innovation (Callen et al., 2014).

Management of risks is crucial for SMEs in Kuwait due to the uncertain economic environment that currently characterizes the business world. The risks are particularly acute for SMEs because these businesses have few resources and a lower ability to recover from losses than large companies (Tok, 2018). According to AlAli et al. (2024) comprehensive insurance as a risk management approach can help to reduce the financial risks and maintain the operations of a business. Nonetheless, the application and perception of insurance as a risk management tool in Kuwait's SMEs are still not well studied.

1.2 Research Gap

Despite a plethora of literature on insurance drivers at the global level that encompasses macroeconomic, demographic, and business factors (Mishrif et al., 2015), there is a lack of literature on the socio-cultural, psychosocial, and Islamic factors pertaining to the insurance uptake in the GCC countries, especially Kuwait. A study of similar economies shows that cultural factors, religion and faith in the providers greatly influence the insurance density (Nosova, 2018).

Studies on insurance adoption by SMEs in Kuwait are limited making it difficult to ascertain how culture influences SMEs' insurance adoption decisions including Islamic finance and the Kuwaiti culture. To fill this gap is essential in order to adapt insurance products to cultural and religious context of the country (Miniaoui & Schilirò, 2016).

1.3 Research Problem

SMEs are crucial in Kuwait's process of economic diversification; however, they suffer from inadequate insurance coverage that exposes them to a range of financial and operational risks. This is made worse by the lack of cultural insurance products, which means that available products may not be relevant to the cultural norms of the region or even satisfactory to SMEs. It is only possible when the cultural and psychological factors that affect risk perception and insurance adoption are well understood so that the barriers can be effectively dealt with.

1.4 Objectives

- The aim of this study is to make an exploratory investigation of SME owners in Kuwait and their perception of risk and their attitude towards insurance as a form of risk management.
- To examine culture, religion, and institutions that influence insurance in order to identify the causes of its limited use.
- To establish facilitators and challenges to the adoption of insurance in SME risk management strategies.

1.5 Significance of the Study

This research is relevant to Kuwait's Vision 2035 as it identifies the major challenges that SMEs encounter in implementing risk management solutions that would support a diversified and sustainable economy (Olver-Ellis, 2020). Knowledge derived from this study will be useful to policy makers, as it will help them design favourable structures and policies that will encourage the uptake of insurance among SMEs. Further, the study will assist insurance suppliers to develop culturally sensitive policies and communication policies that will encourage the local enterprises to engage in risk management activities (Arman et al., 2022).

Besides, this research contributes not only to the theoretical literature on insurance adoption in Kuwait but also to the practical application of improving the stability and sustainability of SMEs to achieve the general economic objectives of the country.

2. LITERATURE REVIEW

2.1 Insurance Trends across the World

The Insurance adoption has changed over the years in terms of different regions and sectors due to the factors such as, socio-economic factors, regulation and technology. Currently, insurance penetration differs from one country to another; however, the developed countries like United States and Europe have higher insurance uptake because of better infrastructure, well developed regulatory environment and sound financial systems. On the other hand, the emerging markets in Asia and Africa have the following constraints: low insurance awareness, high cost of insurance, and weak insurance distribution channels.

The use of digital solutions, for example, mobile and artificial intelligence has also become popular within the insurance sector facilitating policy transactions and claims handling. For example, micro-insurance solutions have rapidly developed in India and Kenya; these products are designed specifically for low-income entities and smaller companies with reasonable product prices (Khuzhamov et al., 2020). Such innovations help to solve the problem of coverage, including in areas where people have little access to financial services.

Industry specific trends indicate that health and life insurance is more popular in the developed world due to the increasing ageing population and costs of health care. On the other hand, agricultural and property insurance are relevant in the sub-Saharan Africa and Southeast Asia countries, which are at high risk of climate shocks (Munich Re, 2023). New fields such as cybersecurity insurance are growing fast especially in developed countries, because companies want to hedge against losses due to cyber threats.

2.2 Culture and Personality Influences in Risk Assessment

Cultural and psychological characteristics are the key determinants of risk perception of individuals and businesses in adopting insurance. For instance, in using Hofstede's cultural dimensions theory, one can learn that collectivist cultures are more likely to opt for risk-mitigating strategies such as informal insurance rather than technical insurance, with options like involving only friends and family members (Chui et al., 2023). In contrast, cultures containing individualism will be more accepting of insurance as an individual duty.

Another factor that greatly influence insurance adoption is religion. In Islamic nations, the belief that conventional insurance is forbidden by Shariah law has led to the expansion of Takaful (Islamic insurance) which is acceptable under religious law due to its mutual co-participation feature (Ali et al., 2022). These keep many from purchasing insurance; others who may consider it do so half-heartedly due to factors like distrust in the insurance companies, fear of falling victim to frauds, and policies deemed complicated to comprehend and engage with, especially in less developed markets.

Cognitive biases can be explained by behavioural economics, and how they influence insurance choices. For instance, the "availability heuristic" makes people overestimate the risks inherent in current severe events and, therefore, demand more insurance after calamities (Slovic, 2022). On the other hand, optimism bias, we get under insurance because people do not feel they are at risk.

Solutions to these cultural and psychological attributes cannot be easily given. Low insurance uptake in culturally diverse communities requires alteration of the communication approach, use of less complex language in policy documents, and community engagement and high levels of transparency to increase insurance uptake.

2.3 The Influence of Religious Beliefs, Social Stigma and Trust on Insurance Adoption

This paper identifies religion, perceived stigma and trust as key factors that shape the insurance uptake decisions of individuals and SMEs. In Kuwait and most of the Islamic countries the conventional insurance is perceived greatly by religious principles. Most consider it as being inapplicable with Islamic Shariah law that frowns on activities such as gharar (uncertainty) and riba (interest) (Ali et al., 2022). Due to this perception, there is development of Islamic insurance model known as Takaful which is based on mutual assistance and is more preferable and recommended to be adopted by more people than conventional insurance (Maysami & Williams, 2020).

Insurance also experiences social stigma where people in the Gulf Cooperation Council (GCC) countries rely on family and community support more than insurance services (Ayadi & de Groen, 2023). This stays with the idea that, people who seek insurance do so because they do not trust their families or have thought about the future thereby hindering insurance adoption.

Still another factor that defines the extent of uptake is trust in the insurance providers. Many individuals experience distrust due to factors such as; un-clear policy terminologies, delay in processing claims, and concerns towards unethical conduct from the insurance firms (Dehghanpour & Rezvani, 2015). Hochschulstudien prove that cultural sensitivity in behaviours and openness significantly reduces these barriers (Schwarcz et al. 2024). In Kuwait, trust deficits are even more severe due to a lack of understanding of insurance advantages, which in turn slows down the market's expansion even more.

2.4 SMEs and Risk Management in Kuwait

SMEs play a significant role in the diversification of Kuwait's economy, but their risk management plans are still in their infancy. Private sector enterprises in Kuwait are about 90% small and medium sized enterprises but their contribution to the GDP is relatively insignificant, mainly because they are often exposed to financial and operational risks (Oxford Business Group, 2024). The insurance cover is a key component of implementing good risk management practices that would make them more sustainable.

However, insurance penetration among the Kuwaiti SMEs is still very limited which is due to factors such as cultural and institutional factors. The issue of insurance in SMEs indicates that the companies lack a long-term vision to cover themselves against identified risks, perceiving insurance as an unprofitable expenditure (Hortovanyi et al., 2024). Poor awareness of insurance products and the need they satisfy only aggravates this problem.

Other factors are institutional too. The Kuwaiti regulation of SMEs has not well-developed adequate measures to encourage risk management practices among the businesses and thus many of them remain vulnerable to operational risks. Previous comparative studies in comparable settings indicate that tax exemptions, sensitisation, and financial literacy can greatly improve insurance adoption (Puri & Sun, 2021; Reshmi et al., 2021).

The following challenges can therefore be managed by aligning risk management strategies with Kuwait's Vision 2035. Through encouraging risk management and developing insurance products which are compatible with the cultural and religious characteristics of the target country, one can help policymakers and insurers to promote SMEs' development and minimize economic risks.

2.5 New Economics, Culture, and Institutions of Kuwait

Despite a rather advanced state of economic diversification in comparison to other countries of the Middle East and North Africa, Kuwait is uniquely positioned within the GCC. SMEs are central to the government's diversification strategy, but they account for a minuscule share of the GDP relative to the global mean (Alameeri, 2023). This underperformance is associated with structural rigidities, low level of financial access, and little adoption of new forms of doing business (Yap et al., 2023).

On the cultural level, Kuwait's collectivist culture, as well as its Islamic background, organizes perceptions of the formal economic institutions like insurance. The culture of risk sharing within families and within the community makes the community less sensitive to insurance products (Alrumaih, 2015). This shows that reliance on conventional forms of safety nets is essential to develop culturally appropriate insurance solutions. At the institutional level, Kuwait's legal and financial frameworks are relatively young and cannot effectively cater for the development of the SMEs. Although the Kuwait National Fund for SME Development and other government programs are designed to support entrepreneurship, bureaucratic red-tape and lack of policy implementation consistency slows the process (Kshetri & Ajami, 2008). Similarly, there is inadequate commitment in the legal structures of insurance that provide incentives for SMEs to embrace risk management thus exposing many businesses to risk shocks.

These peculiarities make insurance penetration difficult in the country and require solutions that will take into consideration cultural taboos and support institutionalization of insurance as a risk management instrument.

2.6 Theoretical Framework

The study draws upon several theoretical frameworks to explore insurance adoption in Kuwait's SME sector:

1. **Behavioural Economics:** Behavioural economics gives an understanding of how individuals make decisions in situations characterized by ambiguity. For instance, optimism bias makes many SMEs owners to lack adequate appreciation of their vulnerability to risks and hence underinsuring. Another cognitive bias that affects perception on insurance products is anchoring and framing effects, which call for right marketing approach (Thaler & Sunstein, 2009). It is used in this framework to analyse the psychological factors that hinder the uptake of insurance.
2. **Cultural Dimensions Theory:** Following the critical analysis of the Hofstede cultural dimensions theory, it can be concluded that it is pivotal to comprehend how societal culture influences the perception of risk and insurance. This is because Kuwait has high power distance and is collectivist; hence, people prefer to rely on interpersonal informal risk sharing instead of insurance. Also, uncertainty avoidance shapes insurance as a security instrument or a complicated and unneeded addition (Hofstede et al., 2010).
3. **Institutional Theory:** Institutional theory focuses on the ways in which regulatory systems, all the more norms and practices within organizations affect economic performances. This lens can be used to understand the underdevelopment of insurance sector in Kuwait, where the institutional voids include absence of financial incentives, poor regulation and lack of trust in providers (Al-Jassar, 2009). Filling these institutional voids is crucial in creating an insurance friendly environment.
4. **Theory of Planned Behaviour:** This paper also applies the Theory of Planned Behaviour (Ajzen, 1991) to understand the SME owners' attitude, subjective norm, and perceived behavioural control regarding the insurance decision. For example, social perception of specific forms of insurance and complexity of policy language may have impact on the rates of adoption.

This paper combines the use of the two frameworks to give a multiple perspective on the factors influencing insurance uptake in Kuwait, information that is culturally and contextually relevant.

3. RESEARCH METHODOLOGY

3.1 Rationale for Qualitative Research

This study is well suited for a qualitative approach because it enables the understanding of how and why SMEs in Kuwait adopt insurance. Quantitative data on the other hand is more of numerical data while qualitative analysis gives elaborate and major features of cultural and psychological aspects that are paramount when understanding attitudes and behavioural patterns and decision makings of individuals (Creswell & Poth, 2018). As for the Kuwaiti SMEs, qualitative research facilitates exploration of the main constructs that are religiosity, social pressure, and institutions of Kuwait. Semi-structured interviews and case studies are popular examples of qualitative data gathering methods because they allow for gaining comprehensive and in-depth first-hand narratives from participants, and the context and culture that might shape and/or be reflected in their behaviours and actions, which can be quite hard to capture when using quantitative methods (Bryman, 2016). This approach is consistent with the objective of this study of identifying the facilitators and inhibitors to insurance uptake from a cultural perspective.

3.2 Research Design

This research work adopts a two-phase qualitative research approach that uses both the semi-structured interviews and case studies to establish the factors that determine insurance uptake among the SMEs in Kuwait. This approach is chosen because it is versatile in the way that it can offer the most extensive view of the relations between cultural, psychological, and institutional aspects.

Semi-Structured Interviews

Semi-structured interviews are used as the main data collection technique from stakeholders such as SMEs, insurers and regulatory authorities. These stakeholders are chosen in order to get diverse perspectives on insurance adoption in the SME segment. This method enables the researcher to go with some specific subjects of interest but at the same time be able to follow up on other areas that may be raised by the participants (Gill et al., 2008). For example, questions might be asked about the participants' opinions on risk and insurance but the researcher can probe on cultural or religious aspects of the participants' beliefs as the interview progresses.

This flexibility is especially important for such a subject as social stigma and trust in insurance companies. For instance, SME owners may be hesitant to talk about issues that they feel are related to societal pressure or may question the credibility of insurance firms, however, since semi structured interviews are flexible the researcher is able to navigate around such issues. The particular structure of the conversation leads to trust and makes people open about their experiences and opinions which provides a wide range of data which reflects all the particularities of the SME insurance market.

Case Studies

In addition to the interviews, the case studies of successful insurance adoption in similar cultural and economic environments – the other GCC countries – add more detail and comparison. Another established approach is case studies where specific concepts are examined with reference to actual performances; for instance, companies have embraced insurance as a tool in their risk management programmes. Consequently, the study can learn from these cases and deduce practices that can be applied in the Kuwaiti environment (Yin, 2014). For example, a specific topic can be that the role of barriers to insurance adoption by SMEs: a case of Saudi Arabia another GCC country with similar cultural and economic profiles as that of KSA has used or adopted innovative insurance product development or insurance awareness creation campaigns. The results of this study can be useful for Kuwaiti authorities and insurance companies, as they can identify the approaches that can encourage SMEs to use insurance services.

Integration of Methods

Needless to say, both semi-structured interviews and case studies give a broad picture of the research objectives. The interviews give an understanding directly from the stakeholders involved while the case studies bring in context and comparison to support and complement the research findings. This approach guarantees that the study not only reveals the facilitators and inhibitors of insurance uptake but also offers tangible, culturally appropriate solutions to policy makers and insurers. Combining these methods, the research design successfully responds to the complexity of the research problem and contributes to the understanding of the phenomena in question.

3.3 Sampling: Description of Purposive and Snowball Sampling Strategies

The study uses purposive sampling and snowball sampling to get an adequate number of participants that offer diverse and quality information. Convenience sampling is a deliberate selection that involves choosing participants who are most knowledgeable about the insurance adoption among the SMEs in Kuwait. The sample is purposively selected with criteria including the ownership of SMEs in targeted sectors, insurance company employees especially of conventional and Takaful, and policymakers engaged in economic or regulatory activities. This method helps in recruiting participants with a broad view to the research topic thus increasing the understanding of the study (Etikan et al., 2016).

Snowball sampling works hand in hand with purposive sampling in that it uses the contacts of the first respondents to identify other members of the population of interest. It stands out as suitable for use in settings where some target audience members may be reluctant to participate because of cultural barriers or other reasons. For example, SME owners who may not be aware of proper insurance products or shy to discuss such issues are more likely to complete the survey if invited by a friend. Snowball sampling therefore guarantees the coverage of marginalized participants while at the same time keeping the sample diverse and rich (Noy, 2008).

3.4 Data Collection

Semi-structured interviews and focus group discussion are two main data collection techniques used in the study since these approaches afford an opportunity to gain deeper insights from the participants' views, opinions and feelings. The interviews are semi-structured with SME owners, insurance providers, and policymakers. This method is chosen because it allows the researcher to follow certain themes that have been selected while at the same time allowing the participant to come up with new themes that are relevant to their lived experiences. Closed questions are used in an interview schedule to maintain a high level of standardization across interviews while being flexible enough to attend to the knowledge base of the participant (Bryman, 2016). Face-to-face and/or telephone interviews are used, depending on the participant's preferences and practicalities, and interviews are recorded with permission for transcription and analysis.

The use of focus groups allows to gather information on the opinions of people and compare the opinion of different individuals or groups of individuals. For instance, SME owners may talk about typical issues related to the insurance adoption, whereas the issues that emerge within a group may point to cultural or societal issues. This method promotes the open-ended responses that enable one participant to develop a response that draws from another's response hence promoting depth of understanding of the issues (Kitzinger, 1995). All data collection activities are done in the language preferred by the participants, although translators may be used in order to ensure validity and reliability of the data.

3.5 Data Analysis

In order to make the analysis of the data, the study uses thematic analysis, which is a rigorous approach of making a thematic analysis of the data within the qualitative research. Thematic analysis is most appropriate to this research as it is a relatively unstructured approach for analysing cultural and psychological factors affecting insurance uptake. The process starts with data familiarization whereby interview transcripts and focus group recordings are read and listened to more than once in order to understand what is being said in detail. The first coding is then done in which chunks of text are given meaningful tags so as to identify ideas or issues.

After coding, related codes are clustered to create initial themes that are further developed and modified to be in line with the study aims and objectives and to offer a logical understanding of the data. For instance, the themes may be on religion, insurance companies' credibility, or perceived impediments to use. Inductive and deductive methods are employed for analysis to guarantee that the research incorporates both data analysis and theory. To address the research questions and to analyse the collected qualitative data, NVivo or MAXQDA software is used. These tools enable fast coding, categorization of themes and putting into display patterns thereby making the analysis process more accountable and accurate (Woolf & Silver, 2018).

3.6 Ethical Considerations

The research used the principles of ethical practice when conducting research with participants to avoid violating their rights. One of the fundamental principles that lie within the notion of the methodology involves informed consent which makes the participants understand the rationale and aims of conducting the study, functions and steps, and possible advantages and/or disadvantages. Participant information sheet is translated in the participant's preferred language and the consent form contains elaborate details on the participant's withdrawal from the study at any given time. Informed consent is given through writing or verbally at the initial stage of data collection (Orb et al., 2001).

Participant identification information is removed and pseudonyms are employed in the transcripts and reports, to maintain participant anonymity. All data is collected and stored on password protected encrypted systems accessible only by the research team. In addition, voluntary participation is used in the research design and participants are told that they are free to decline to answer any question they do not wish to answer. Due to the tendentious nature of some of the behaviours addressed such as financial behaviour and religious practices, extra precaution is used when addressing the issues with the participants so as to avoid undervaluing the participants.

In line with cultural expectations in Kuwait, the researcher avoids any form of cultural insensitivity when addressing the research issues and ideas that might be deprecated by the culture of the Kuwaiti people. These ethical measures help in maintaining the trust of the participants, and helps in arriving at a direct and truthful form of communication in the study and, by extension, the validity of the investigation.

4. FINDINGS AND DISCUSSION

4.1 Risk Perception among SME Owners

The research shows that the identified risks are operation and financial, including supply chain disruption, fluctuations in the market, and cash flow problems for SMEs in Kuwait. Some of them pointed out that their businesses are very vulnerable to various factors in the external environment, including business cycles or global political risks because the country is an oil exporter and the businesses are relatively small. Nevertheless, the perception of risk differs significantly depending on the owner's characteristics, the size of the SME, its industry, and their experience in losses.

Notably, despite the recognition of risk management by most participants, there was a poor appreciation of insurance as a risk management strategy. Many small business owners saw insurance as a passive approach, which should be taken only after a major loss had been incurred. This view is consistent with other studies conducted in emerging markets where, as the current research shows, SMEs tend to focus on their short-term financial requirements rather than on long-term strategic planning (Done et al., 2021).

The issue of mistrust of insurance providers was seen quite frequently, especially the tendency of SME owners to doubt the fairness of claims of non-settlement or low compensation and the kind of policies being offered. Some of the participants narrated instances that they have come across, or heard of, of people who had their claims denied by insurers which strengthened their negative attitudes towards insurance companies. Furthermore, insurance policies were mentioned as being very complicated and insufficient information available to the public was also reported as a problem; many of the SME owners complained about the fact that they could not understand most of the terms used by insurance companies and could not make a proper decision regarding the types of insurance that would be best for their companies.

The research implies the necessity to increase awareness and knowledge about insurance among SMEs owners. This may require development of targeted insurance communication messages that focused on the anticipatory utility of insurance to protect the futures of businesses. Moreover, insurance companies should aim at cultivating trust through elements such as clear practices and policies to help in the perceived idea of insurance as a risk management tool.

4.2 Culture and Religion

Religious and cultural influences predetermine the perception of SMEs in Kuwait towards insurance. The collectivist culture of Kuwait has been seen to make people rely on family and community as informal sources of risk management and hence give little regard to insurance. Several respondents admitted that they turn to

relatives and friends for help when facing some financial problems, and describe such arrangements as more reliable than others from the standpoint of tradition.

Religious beliefs also affect insurance perceptions especially in SME owners who are Muslims. Conventional insurance is considered with high risks of suspicion on two grounds namely gharar (excessive uncertainty) and riba (interest) which are unlawful under Shariah law (Ali et al., 2022). This has culminated into adoption of Takaful which is an Islamic insurance model that operates on mutual fund and ethical investment. Nonetheless, awareness and understanding are still low within the Takaful system, with some participants expressing their confusion between Takaful and conventional systems.

Another less obvious but important finding was that of social stigma. A few of the SME owners regarded purchasing insurance as a sign of weakness or a failure in confidence to manage risks personally. This stigma was even worse among the older participants they viewed insurance as a product of a Westernized mind-set that is alien to the culture of their society.

These findings imply that there is a need to undertake culture-sensitive strategies in the insurance uptake. For instance, insurance firms under Takaful could focus on how their products are Shariah compliant and seek to butter up local leaders or scholars for recognition. Further, effective public awareness campaigns could redefine insurance as overcoming social stigma by presenting insurance as thoughtful and responsible approach to protecting businesses and contributing to national economic development.

4.3 Organizational and System Constraints

There are also institutional and market constraints which limit the insurance uptake by SMEs in Kuwait. Participants expressed distrust in insurance providers and the policies which they offer and the manner in which they handle claims. Some self-employed respondents had heard of others having their claims delayed or denied, or heard of other SMEs experiencing this, which created a general lack of trust in insurance firms (Dehghanpour & Rezvani, 2015). This lack of trust is further exacerbated by the fact that many of the participants complained that the terms of the policies were hard to comprehend without consulting a professional.

Another issue is the regulatory one. Lack of sound frameworks to encourage insurance uptake among the SMEs was raised by the participants. As it has been described in the case of the other GCC countries, there are no mandates or subsidies from the government to promote risk management practices among SMEs and the regulatory environment for SME insurance is still in its infancy in Kuwait. This gap means that most SMEs lack the institutional support that is required to incorporate insurance into their business systems.

There is also very little insurance product awareness and understanding among markets regarding the value of insurance policies. SME owners especially those in conventional or small businesses may lack adequate knowledge on the available types of insurance. Even when they are aware of these products, they usually do not have adequate understanding of how the products can meet their risk management requirements. A failure on the part of insurance providers to market their products and services to such clients also widens this gap and results in a gap between potential customers and the insurance industry.

Such barriers can only be eliminated through collective effort of the policymakers and the insurance companies. Trust can be established by reporting on best practices, avoiding or explaining complicated policy language, and the introduction of government incentives such as tax exemptions or subsidies on insurance premiums can greatly improve the uptake. Also, advertising activities and focused popularization activities will also enable to close the gap in the lack of market knowledge and increase the activity of the audience.

4.4 Facilitators to Insurance Penetration

There are several factors that may be considered as the enablers for enhancing the insurance consumption among the SMEs in Kuwait. Religious and cultural differences which exist at the moment can be overcome by the culturally sensitive products like Takaful. That is why, by stressing the compliance of Takaful products with the tenets of Shariah and providing proofs of their ethical nature, the providers can attract more clients' attention.

Another important enabler is government support. Measures like, providing subsidies for the insurance premium, provision of tax incentives or insisting on certain forms of insurance coverage will ensure that SME's perceive insurance as essential tool in their risk management portfolio. Other ways of reducing the level of resistance could be through public awareness created by the government to encourage insurance for business continuity.

Also, good and sustainable distribution methods like e-commerce and collaboration with local non-profit organizations can favour access and cost. Mobile-based micro-insurance models for instance have been tested and adopted in other emerging markets in order to extend a cover to the unserved. Adapting such approaches to Kuwait's reality may eliminate logistical and financial challenges to insurance and make it more available to SMEs.

Finally, there are the measures that help to build trust to ensure that the adoption is encouraged. The insurance sectors need to act responsibly to meet the expectations of the policyholders by providing clear policies and an efficient claims process. Teaching the frontline employees how to share the right message and show concern to potential customers can also increase trust and customer relations. By addressing these enablers in a comprehensive manner insurance providers and policymakers can help SMEs to create more conducive conditions in order to use insurance as an essential risk management tool.

4.5 Key Drivers to Insurance Demand in SMEs

The following factors were identified from the study as relevant to the promotion of insurance uptake among the SMEs in Kuwait. Of all the factors that lead to the adoption of a technology, awareness and education is one of the most dominant. Those SME owners who were able to receive the information through informational campaigns or educational initiatives will be able to understand the importance of insurance as a risk mitigation measure. As an example, people mentioned that insurance companies' clear and concise descriptions of insurance policies and focusing on what insurance gives – protection during emergencies, can help people make the right choice. For instance, the conducting of capacity building sessions to address risks faced by SMEs or simple and easy to understand introduction to insurance products and claims processing.

Another important factor is the question of cost – a school simply cannot afford to send out lush, inviting cards that are out of reach of most families' budgets. Due to limited financial resources, SMEs are pressured to spend their available capital efficiently, and the cost of insurance discourages many from researching coverage. He noted that introducing lower premiums, or instalment payment plans, or micro-insurance products that could be marketed to small businesses could go a long way to improving the uptake. They said they were willing to take insurance if it was sold to them not as a cost but as a value added expense.

Insurance providers' actions that foster trust were also considered another enabler that was discovered. SME owners are more confident with transparent communication, the clear policy terms, and other proofs of fair claim settlement processes. A few of the participants provided positive experiences wherein timely adjudication of claims by insurers helped in keeping or encouraging them to retain or increase their insurance with the respective insurers. These cases demonstrate the need to maintain quality service provision in order to foster long-term partnerships with SMEs.

Other antecedents that were identified as influential were peer pressure and word of mouth. A large number of SME owners indicated they were aware of peers or competitors who benefited from insurance to cover losses or continue operations. This social proof effect shows that case studies and testimonials should be used in the marketing initiatives to explain how insurance is useful in the real world.

Last but not the least; there is cultural and religious values that need to be aligned with for the Kuwaiti context. Takaful, the Islamic insurance model, was mentioned by the participants as the most appropriate solution in the cultural context to the traditional insurance. Religious perplexities can be appeased when Takaful product is marketed with centrality in the ethical operations and the Shariah ban.

4.6 Case Studies: Compared to Other GCC or Contexts of Similar Culture

To enrich the analysis of the results, the study also examined case studies from other GCC countries and other regions with comparable cultural and economic characteristics. These cases demonstrate how the barriers to insurance uptake can be surmounted and provide useful lessons for Kuwait.

Saudi Arabia: Kuwait has cultural and religious ties with Saudi Arabia and has adopted measures to increase insurance take up by SMEs. The compelling sectors including health and motor have seen increased uptake after the inception of mandatory insurance. Also, to ensure affordable insurance solutions for SMEs, the Saudi Small and Medium Enterprises General Authority (Monsha'at) has joined forces with insurance providers. These measures show that regulatory mandates together with financial incentives are efficient strategies in promoting adoption.

United Arab Emirates (UAE): The UAE has been quite successful in its efforts to develop insurance through the use of technology. A number of mobile based applications and online portals have made the buying and managing of insurance much easier and therefore more accessible to SMEs. For instance, SME owners are able to make comparisons, make calculations on premiums, and file their claims online, which also minimizes hassle. The UAE's focus on custom offerings also shows the ability of technology to overcome logistical and informational challenges.

Qatar: In Qatar, both government ministries and insurance companies have played key roles in promoting insurance to SMEs. This shows that bundling insurance with government-backed loans or any other financial services has been a success in this area. That this insurance is being delivered in conjunction with other SME development efforts shows the need for synergy in creating the right environment.

Malaysia: Even though Malaysia is not in the GCC region, the experience it has had with Takaful is enlightening to other Islamic markets. Malaysian government encourage Takaful through policy support, publicity crusade and intertwining with the provision of Islamic banking. This has placed Takaful in a strategic

market as a shariah compliant insurance system showing how product development based on culture and religion can boost the insurance market.

Key Lessons for Kuwait:

- The legal mandates for specific kinds of insurance together with the carrots like subsidies or tax exemptions help set the minimum usage level.
- Using technology to enhance the insurance process can work on the side of accessibility and can also be of interest to the modern SME owner.
- The Kuwaiti market requires the promotion of Takaful as a culturally and religiously acceptable solution since Islamic principles play a significant role in decision making.
- Some of the ways of increasing insurance penetration include packaging insurance with financial services that are underwritten by the government or with SME development initiatives.

The case studies presented in this paper show how the barriers and enablers highlighted in this study can be overcome, and provide a clear map of how insurance penetration among SMEs in Kuwait can be enhanced.

5. CONCLUSION

5.1 Summary of Findings

This paper sought to establish the factors that affect the uptake of insurance among SMEs in Kuwait based on risk perception, culture, and institutions; the research used qualitative research methods to elicit rich data. The study established that the SME owners' risk perception is short-term and reactive, and they are not well informed about the long-term gains of professional risk management tools, such as insurance. Insurance is often considered as an optional product and many owners do not trust insurance companies because the policies are often unclear and the claims handling is unpredictable.

Cultural and religious constraints were mentioned as important, and the use of family or community support instead of insurance was reported. Religious issues relating to conventional insurance products add to the challenge, although Takaful products that have been developed based on Islamic law may provide a culturally acceptable solution. Other challenges are regulatory exclusions, lack of incentives, and low consciousness which are also exacerbated by institutional and market constraints. Nonetheless, aspects like cost, credibility building and new ways of reaching out were seen as important success factors that need to be addressed to increase the usage.

5.2 Theoretical and Practical Implications

This research endeavours to fill the existing academic research gap by examining the socio-cultural and institutional factors that affect insurance uptake in the GCC particularly Kuwait. The findings enrich theoretical concepts such as behavioural economics theory, by presenting how optimism and familiarity heuristics influence SME decisions and Hofstede's cultural dimension theory, by showing how collectivism and uncertainty avoidance affect financial decisions.

In practical terms, the study offers recommendations for policymakers, insurers and SMEs. The implications for insurers are that the results support culturally sensitive product development initiatives, especially the growth and marketing of Takaful products. This is why, it is imperative that SME owners are engaged in activities that break down barriers and create trust with the government. These findings can be useful for policymakers to develop specific strategies that will ensure the insurance product adoption corresponds to the country's Vision 2035 economic diversification plan.

5.3 Policy Recommendations

Based on the study findings, the following policy recommendations are proposed:

- Offer incentives like subsidies or tax exemptions or lower premiums to insurance adopting SMEs. Other GCC countries have used mandates for specific insurance types as a method that could be used to establish the baseline usage level.
- Organize culturally appropriate campaigns that will make people appreciate the practical uses of insurance in managing risks. Such campaigns should include testimonials of SME owners and majorly concentrate on the myths surrounding the insurance products.
- Engage with Islamic scholars and other influential leaders of the Muslim community to popularize Takaful as a Shariah compliant product. It is recommended that Takaful providers be very open and should operate very closely to the Islamic laws to gain confidence of the potential clients.
- Provide awareness creation involving training courses for SME owners to increase their knowledge of financial management and risk-taking. Such programs could be training sessions in local workshops, online classes, or individual consultations.
- Link insurance with government sponsored SME financing or development programs, so that insurance becomes part of a suite of services that SMEs can access when obtaining financing or development support.

5.4 Limitations and Future Research

This research has the following limitations that create opportunities for future research: First, the use of only qualitative methods, although allowing to study the problem in detail, reduces the external validity of the results. Perhaps a bigger quantitative research could confirm these results in a more inclusive sample of SMEs in Kuwait. Second, the study was conducted only among SMEs; future research could incorporate the views of other stakeholders, including employees and industry associations to give a more comprehensive view of the insurance adoption.

Furthermore, since the study was limited to Kuwait, future research comparing Kuwait with other GCC countries may be useful in establishing the extent of variation in insurance behaviours across the region. Subsequent research could also explore the continued effects of Takaful adoption on SME vulnerability, to substantiate the advocating for Islamic insurance products.

Therefore, this research contributes to the understanding of the factors affecting the adoption of insurance among the Kuwaiti SMEs in relation to risk perception, cultural factors, and institutional environment. When the mentioned barriers are addressed and with the help of enablers, stakeholders can create environment that will encourage insurance and thus help SMEs to become more resilient and sustainable in the developing Kuwaiti economy.

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