

Social Media Marketing and Compliance Challenges in Insurance Advertising under Financial Advertising Laws: A PLS-SEM Based Empirical Study in the Digital Age

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Abstract

The rapid proliferation of social media platforms has fundamentally transformed insurance advertising by enabling highly targeted, interactive, and data-driven marketing practices. While these developments have enhanced market reach and consumer engagement, they have simultaneously intensified compliance challenges under existing financial advertising laws. Grounded in Institutional Theory and Trust Formation Theory, this study empirically examines how social media marketing practices and regulatory awareness influence compliance challenges, advertising compliance, advertising transparency, and ultimately consumer trust in digital insurance advertising. Using a survey-based research design, data were collected from consumers exposed to insurance advertisements on social media platforms and analyzed through Partial Least Squares Structural Equation Modeling (PLS-SEM). The proposed model conceptualizes compliance challenges, advertising compliance, and advertising transparency as sequential mediating mechanisms linking social media marketing practices and regulatory awareness to consumer trust. The findings reveal that higher regulatory awareness significantly reduces compliance challenges, while unresolved compliance issues negatively affect advertising compliance. Furthermore, advertising compliance positively enhances transparency, which plays a critical role in building consumer trust in insurance promotions on social media. The study also identifies enforcement limitations and disclosure inadequacies arising from the dynamic and platform-driven nature of digital advertising. By integrating legal compliance and marketing perspectives, this research contributes to the literature on digital financial advertising and offers actionable policy implications for regulators, insurers, and platform intermediaries. The study recommends strengthening disclosure standards, enhancing regulatory awareness initiatives, and developing platform-specific compliance frameworks to promote responsible and transparent insurance advertising in the digital age.

Keywords: Social media marketing, Insurance advertising, financial advertising laws, Regulatory compliance, Advertising transparency, Consumer trust.

1. Introduction

1.1 Background

Social media has changed the institutional, technological and communicative environment within which insurance products are promoted.

Insurance advertising was traditionally dominated by television, newspapers, outdoor media, branch-based promotion and communications produced directly by insurers or licensed intermediaries.

Digital platforms have altered this architecture by enabling micro-targeting, behavioural segmentation, influencer endorsements, short-form video, interactive content, algorithmic recommendation and real-time campaign optimisation.

Social media marketing therefore gives insurers unprecedented capacity to personalise promotional communications and engage consumers throughout the insurance decision journey (Appel et al., 2020; Dwivedi et al., 2021).

These developments are particularly consequential in insurance because an insurance contract is an intangible, information-intensive and frequently complex financial product. Consumers ordinarily cannot evaluate the quality of the promised protection at the point of purchase in the same manner that they can inspect most physical products.

They must instead rely on representations relating to coverage, exclusions, premiums, future benefits, claim processes and the credibility of the insurer. Trust consequently becomes an institutional as well as a marketing asset.

The social media environment simultaneously creates benefits and regulatory risks. Interactive and personalised communications can improve financial awareness, but compressed formats may omit exclusions or material qualifications. Influencers can simplify insurance concepts, yet followers may not distinguish between independent advice and paid promotion. Algorithmic targeting can direct relevant protection products to consumers but can also amplify emotionally persuasive messages at considerable speed.

Research on influencer marketing demonstrates that disclosure, source credibility and transparency materially affect advertising recognition and trust (Evans et al., 2017; Lou & Yuan, 2019; Weismueller et al., 2020; Karagür et al., 2022).

The legal question is therefore no longer merely whether an individual advertisement contains a factually false statement. Digital insurance regulation must consider how claims are framed, what information is omitted, how material relationships are disclosed, who approved a communication, how algorithms amplify it and whether consumers receive sufficiently prominent information to make an informed decision.

1.2 Legal and Regulatory Context

India provides the primary legal setting for this study. The Insurance Regulatory and Development Authority of India (Insurance Advertisements and Disclosure) Regulations 2021 expressly seek fair, honest and transparent advertising and define insurance advertisements broadly enough to encompass communications issued through any mode or medium.

Their conception of unfair or misleading advertising includes representations that exaggerate benefits, understate risks, conceal important exclusions or provide information in a misleading manner (IRDAI, 2021).

The framework is complemented by the IRDAI (Protection of Policyholder's Interests, Operations and Allied Matters of Insurers) Regulations 2024 and subsequent policyholder-protection and operational circulars. The 2024 regulatory architecture emphasises fair treatment of prospects during solicitation and protection of policyholders throughout their relationship with insurers and distribution channels.

At the horizontal consumer-protection level, the Consumer Protection Act 2019 and the Central Consumer Protection Authority's Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements 2022 create additional obligations relating to misleading representations and endorsements regardless of medium (IRDAI, 2024; Consumer Protection Act, 2019; CCPA, 2022).

The legal position is consequently characterised by overlapping accountability. Insurers retain responsibility for authorised advertising and distribution practices, intermediaries operate within sector-specific obligations, endorsers may incur separate duties, and social-media platforms determine important aspects of advertisement presentation and amplification.

The Advertising Standards Council of India's influencer guidelines are especially relevant to banking, financial services and insurance promotion because their financial-services addendum addresses qualification expectations for technical financial advice and recognises insurance-specific competence requirements (ASCI, 2025).

Comparable regimes reinforce the same regulatory logic. The United Kingdom Financial Conduct Authority requires insurance-related communications to be clear, fair and not misleading and has issued specific guidance addressing social-media financial promotions and influencers.

Article 17 of the EU Insurance Distribution Directive similarly requires insurance marketing communications to be fair, clear and not misleading, while the Digital Services Act imposes advertisement-identification and recommender-system transparency obligations on online platforms.

The United States Federal Trade Commission's revised Endorsement Guides emphasise clear and conspicuous disclosure of material relationships and recognise that platform-provided disclosure mechanisms may not invariably be sufficient (FCA, 2024; European Parliament & Council, 2016, 2022; FTC, 2023).

1.3 Research Problem

The central research problem is that the institutional requirements governing insurance advertising were predominantly designed around identifiable advertisers and relatively stable promotional communications, whereas contemporary social-media advertising is decentralised, rapid, iterative and platform-mediated.

The advertisement seen by one consumer may be different from that seen by another. Influencer speech may combine personal opinion, commercial endorsement and technical financial information. Material qualifications may be visible only after users expand captions, visit external webpages or navigate multiple screens.

Existing marketing research explains how social-media activities influence brand engagement, purchase intention and trust, while legal scholarship and regulation focus primarily on disclosure, misleading representations and institutional responsibility.

What remains insufficiently examined is the mechanism linking marketing intensity to regulatory awareness, compliance difficulty, actual perceived conformity, transparency and ultimately consumer trust (Kim & Ko, 2012; Godey et al., 2016; Koay et al., 2023).

This gap is significant from a restitution and consumer-redress perspective. A misleading insurance advertisement may induce a consumer to pay premiums or enter a contract under a distorted understanding of benefits or exclusions.

Depending upon the applicable cause of action and jurisdiction, remedies may include cancellation, compensation, regulatory redress, rescission or restitutionary restoration of benefits following avoidance.

Restitution is not automatically available merely because an advertisement violates a regulatory norm; nevertheless, the prevention of misleading inducement and restoration of consumers harmed by legally defective transactions are closely connected to the remedial concerns underlying restitution and consumer-protection law (Birks, 2005; Burrows, 2011; Virgo, 2015).

1.4 Research Objectives

The study has four related objectives. First, it examines how Social Media Marketing Practices (SMM) affect Regulatory Awareness (RA) and Advertising Compliance (AC). Second, it evaluates whether RA reduces Compliance Challenges (CC).

Third, it investigates the sequential role of CC, AC and Advertising Transparency (AT) in explaining Consumer Trust (CT). Fourth, it translates the empirical model into legal and policy recommendations concerning insurer responsibility, influencer conduct, platform accountability and consumer redress.

1.5 Research Questions

The study addresses the following questions: How do SMM practices influence RA and AC in digital insurance advertising? Does greater RA reduce CC? How do CC affect AC? Does compliant advertising produce greater AT? Does AT translate regulatory legitimacy into CT? Finally, do RA, AC and AT operate as mediating mechanisms through which digital marketing practices and regulatory constraints ultimately affect consumer trust?

1.6 Contribution to Insurance Law & Marketing Literature

The study makes an interdisciplinary contribution in three respects. First, it converts institutional compliance concepts into an empirically testable sequential model. Second, it positions transparency not simply as a disclosure obligation but as a legitimacy signal connecting legal conformity and CT.

Third, it links advertising governance with remedial justice: prevention, transparent communication and effective consumer redress are treated as complementary components of regulatory legitimacy.

Institutional Theory provides the primary theoretical anchor because insurance advertising occurs within coercive, normative and professional regulatory pressures. Trust Formation Theory explains why consumers interpret visible conformity, disclosure and informational clarity as signals that reduce uncertainty.

Together these theories explain why compliance should be understood not merely as a legal cost but as a mechanism through which financial institutions establish legitimacy (DiMaggio & Powell, 1983; Scott, 2014; Mayer et al., 1995; McKnight et al., 2002).

2. Literature Review

2.1 Social Media Marketing in Insurance

Social Media Marketing Practices (SMM) encompass the deliberate use of platforms to provide information, promote engagement, customise messages, encourage electronic word-of-mouth and influence consumer responses.

Foundational research conceptualises social-media marketing activities through dimensions such as entertainment, interaction, trendiness, customisation and word-of-mouth. Contemporary research further demonstrates that social-media marketing can affect trust, experience and behavioural intention through sequential mechanisms rather than only direct persuasion (Kim & Ko, 2012; Godey et al., 2016; Koay et al., 2023).

Insurance is a distinctive setting because the economic value of the product often becomes evident only after a contingent future event. Consumers therefore depend heavily on information, brand reputation and confidence in claims-handling promises.

SMM can reduce informational distance by explaining products through videos, interactive tools, testimonials and conversational formats.

However, these same practices can create tension between engagement optimisation and regulatory accuracy.

Influencer marketing intensifies this tension. Influencers combine the roles of content producer, audience relationship manager and commercial endorser.

Reviews of influencer research identify advertising transparency as a major public-policy concern because followers may process commercially sponsored content differently from conventional advertising (Campbell & Farrell, 2020; Hudders et al., 2021; Vrontis et al., 2021).

For insurance, the problem is more consequential than for ordinary lifestyle products. An influencer's simplified statement that a policy "covers everything", guarantees returns, or provides cashless treatment in all circumstances may create expectations inconsistent with contractual terms. High engagement therefore does not necessarily imply legally responsible communication.

2.2 Financial Advertising Laws & Insurance Regulation

Financial advertising regulation generally pursues three interconnected objectives: preventing deception, enabling informed choice and preserving confidence in financial markets. Insurance-specific rules operationalise these goals through duties relating to accuracy, risk disclosure, product identification, fair comparison, approval processes and the presentation of benefits.

The IRDAI 2021 Regulations explicitly connect advertising integrity to public confidence. They require fair and transparent practices and address advertisements issued directly or indirectly through any medium.

This technology-neutral formulation is important because it prevents social-media communication from escaping regulation merely because promotional content appears as reels, stories, influencer posts or interactive content (IRDAI, 2021).

Consumer law creates an additional layer. The CCPA's 2022 Guidelines seek to prevent misleading advertisements and require endorsers to exercise due diligence concerning representations they support. Consequently, an insurer's legal obligations cannot be treated as isolated from the conduct of agencies, intermediaries and endorsers acting within the promotional chain (CCPA, 2022).

Comparative regimes show substantial convergence. The FCA's approach is technology neutral: social-media promotions remain subject to the requirement that communications be fair, clear and not misleading. Its 2024 social-media guidance extends attention to influencers and affiliate marketers.

Similarly, the FTC emphasises that material connections between advertisers and endorsers should be disclosed in a manner consumers can see and understand (FCA, 2024; FTC, 2019).

The legal challenge is therefore not an absence of general principles. It is the translation of those principles into platform-native formats and the allocation of responsibility across multiple actors.

2.3 Regulatory Awareness in Financial Advertising

Regulatory Awareness (RA) refers to knowledge and recognition of applicable rules, disclosure requirements, institutional expectations and consequences of non-compliance.

Institutional Theory suggests that rules can influence behaviour only when organisational actors perceive and understand them. Awareness is particularly important in digital campaigns because content may be generated not only by compliance departments but also by marketing teams, external agencies, affiliate networks and influencers (Scott, 2014; Winter & May, 2001).

Regulatory knowledge affects the ability to identify risk before publication. A marketer who understands that an insurance benefit must be presented together with important limitations is more likely to design a compliant message than a marketer who regards disclosure as a post-production legal formality.

Similarly, an influencer who understands that compensation or a material connection must be conspicuously disclosed is less likely to rely on ambiguous terms or hidden hashtags.

RA should therefore operate as a preventive mechanism. It does not eliminate legal complexity, but it improves recognition of institutional boundaries and enables organisations to develop routines for approval, record keeping and monitoring.

2.4 Compliance Challenges in Digital Insurance Advertising

Compliance Challenges (CC) arise when institutional requirements interact with the technological properties of digital media.

Five problems are particularly salient. First, content velocity shortens the time available for legal review. Social-media campaigns may involve dozens of posts, variants and real-time responses. Second, format constraints can make detailed disclosures difficult in short-form video, stories or mobile advertisements.

Third, influencer autonomy creates agency problems because external creators may adapt approved scripts in ways that alter legal meaning. Fourth, algorithmic amplification can scale problematic content before an insurer or regulator becomes aware of it. Fifth, personalisation can make regulatory monitoring difficult because no single static advertisement represents the entire campaign.

Platform architecture can therefore function as an institutional constraint. The EU Digital Services Act's requirement that recipients be able to recognise advertisements and obtain information concerning targeting parameters illustrates growing recognition that advertising accountability cannot be imposed solely on advertisers while ignoring platform design (European Parliament & Council, 2022).

These challenges do not necessarily excuse non-compliance. Rather, they explain why formal rules may be decoupled from actual organisational practice, a problem extensively discussed in institutional scholarship (Meyer & Rowan, 1977).

2.5 Advertising Compliance & Transparency

Advertising Compliance (AC) and Advertising Transparency (AT) are related but conceptually distinct. AC concerns conformity with legal and regulatory requirements; AT concerns the consumer's ability to perceive relevant information as available, clear and accurate.

Schnackenberg and Tomlinson conceptualise organisational transparency through disclosure, clarity and accuracy. Subsequent measurement research validates these dimensions and demonstrates their relationship with perceived trustworthiness (Schnackenberg & Tomlinson, 2016; Schnackenberg et al., 2021).

This distinction is important for legal analysis. An advertiser may technically include a disclosure yet communicate it so inconspicuously that consumers fail to appreciate its significance. Conversely, a clearly labelled advertisement may still misstate policy benefits. Effective regulation therefore requires both substantive compliance and communicative transparency.

Influencer studies support this reasoning. Explicit disclosure language increases advertising recognition, while disclosure design influences assessments of credibility and engagement. Transparency consequently operates not merely as information transmission but as a signal of institutional integrity (Evans et al., 2017; Karagür et al., 2022).

2.6 Consumer Trust in Insurance Advertising

Consumer Trust (CT) can be understood as a willingness to accept vulnerability based on positive expectations concerning the competence, integrity and reliability of another party.

In digital environments, institutional assurances and perceived website or communicator integrity reduce uncertainty (Mayer et al., 1995; McKnight et al., 1998, 2002).

Insurance involves unusually high levels of vulnerability. Consumers pay premiums in exchange for an uncertain future performance, often under circumstances where they cannot fully assess complex terms. Trust therefore depends on both the insurer's perceived competence and the legitimacy of the institutional environment governing it.

Research in influencer and social-media settings similarly finds that message value, source credibility and transparency affect trust and behavioural outcomes.

However, trust generated solely through relational persuasion may be fragile if consumers subsequently discover omitted qualifications or misleading claims. Sustainable CT therefore requires alignment between persuasive communication and institutional conformity (Lou & Yuan, 2019; Sokolova & Kefi, 2020).

2.7 Research Gap

Three gaps emerge. First, social-media marketing research has concentrated heavily on brand equity, purchase intention and engagement, with comparatively limited attention to regulated insurance communication.

Second, regulatory scholarship explains legal duties but rarely empirically tests how RA and CC are translated into consumer perceptions. Third, existing trust studies seldom model compliance and transparency as successive institutional mechanisms.

The present study addresses these gaps through a PLS-SEM model in which SMM influences RA, RA reduces CC, CC affect AC, AC promotes AT, and AT strengthens CT. This sequential architecture links marketing activity to institutional rules, organisational conformity, legitimacy signalling and trust.

3. Theoretical Framework

3.1 Institutional Theory (Primary Anchor)

Institutional Theory explains how organisational behaviour is shaped not only by market efficiency but also by rules, norms, professional expectations and legitimacy requirements.

DiMaggio and Powell identify coercive, normative and mimetic pressures through which organisations become institutionally aligned.

Scott similarly conceptualises institutions through regulative, normative and cultural-cognitive pillars (DiMaggio & Powell, 1983; Scott, 2014).

Insurance advertising represents a particularly strong institutional field. Insurers are licensed financial institutions; intermediaries are regulated; advertisements influence economically consequential decisions; and regulators possess formal supervisory and enforcement authority. Compliance is therefore both an operational requirement and a means of demonstrating legitimacy.

Table 1. Institutional Theory mapping of study constructs

Construct	Institutional Theory mapping
RA	Awareness of institutional rules
CC	Institutional pressures & constraints
AC	Organizational conformity
AT	Symbolic legitimacy signaling
CT	Outcome of perceived legitimacy

RA = Awareness of institutional rules. Institutional pressures cannot reliably influence behaviour unless actors recognise the rules applicable to their conduct. Knowledge of advertising regulation enables marketers, compliance officers and endorsers to identify prohibited representations and required disclosures.

CC = Institutional pressures & constraints. Digital formats expose organisations to tensions between platform norms—speed, virality, brevity and personalisation—and regulatory norms—accuracy, substantiation, prominence and completeness. CC capture the friction produced by these competing institutional demands.

AC = Organizational conformity. AC reflects the organisation's translation of institutional expectations into observable practices. It includes internal review, accurate representation of product features, proper disclosure and avoidance of misleading statements.

AT = Symbolic legitimacy signaling. Suchman defines legitimacy in terms of socially accepted and desirable organisational conduct.

Transparency makes regulatory conformity visible to consumers. Clear disclosures, balanced explanations and prominent qualifications therefore function as legitimacy signals, provided that they correspond with genuine substantive compliance rather than symbolic window-dressing (Suchman, 1995).

CT = Outcome of perceived legitimacy. When consumers perceive insurance communications as transparent and compliant, they have stronger grounds for believing that the advertiser operates within recognised institutional boundaries.

CT is therefore treated as an outcome of perceived legitimacy rather than purely a response to creative persuasion.

The conceptual specification identifies SMM and RA as exogenous constructs, CC, AC and AT as sequential mediators and CT as the final endogenous outcome. The institutional mapping of RA through CT follows this same rule–constraint–conformity–legitimacy sequence.

3.2 Trust Formation Theory

Trust Formation Theory complements the institutional explanation by describing how consumers convert visible information and institutional cues into willingness to rely on another actor. Mayer, Davis and Schoorman locate trust in perceptions of ability, benevolence and integrity.

McKnight, Cummings and Chervany show that initial trust can be constructed through cognitive and institutional cues even before extensive direct experience exists (Mayer et al., 1995; McKnight et al., 1998).

In digital insurance advertising, consumers usually cannot observe internal compliance routines. They observe their outputs: the clarity of disclosures, consistency of claims, acknowledgement of limitations and identification of sponsorship relationships.

AT therefore becomes the perceptible bridge between unobservable organisational conformity and CT.

This mechanism helps explain why technical compliance alone may not produce trust.

If mandatory information is buried in small text, expressed in highly legalistic language or separated from the principal claim, consumers may not experience the communication as transparent even where formal disclosure exists.

Trust formation therefore depends on meaningful rather than merely nominal compliance.

3.3 Conceptual Model Description

Table 2: Variables For the Study

S. No.	Variable Name	Abbreviation	Nature of Variable	Role in the Model
1	Social Media Marketing Practices	SMM	Independent Variable	Exogenous construct influencing compliance challenges
2	Regulatory Awareness	RA	Independent Variable	Exogenous construct influencing advertising compliance
3	Compliance Challenges	CC	Mediating Variable	Mediates the relationship between SMM and Advertising Compliance
4	Advertising Compliance	AC	Mediating Variable	Mediates the effect of RA and CC on Advertising Transparency
5	Advertising Transparency	AT	Mediating Variable	Mediates the relationship between Advertising Compliance and Consumer Trust
6	Consumer Trust	CT	Dependent Variable	Final endogenous outcome variable

In the proposed conceptual framework, Social Media Marketing Practices and Regulatory Awareness are treated as independent (exogenous) variables.

Compliance Challenges, Advertising Compliance, and Advertising Transparency function as sequential mediating variables. Consumer Trust represents the dependent (endogenous) variable reflecting the outcome of compliance-oriented insurance advertising practices on social media platforms.

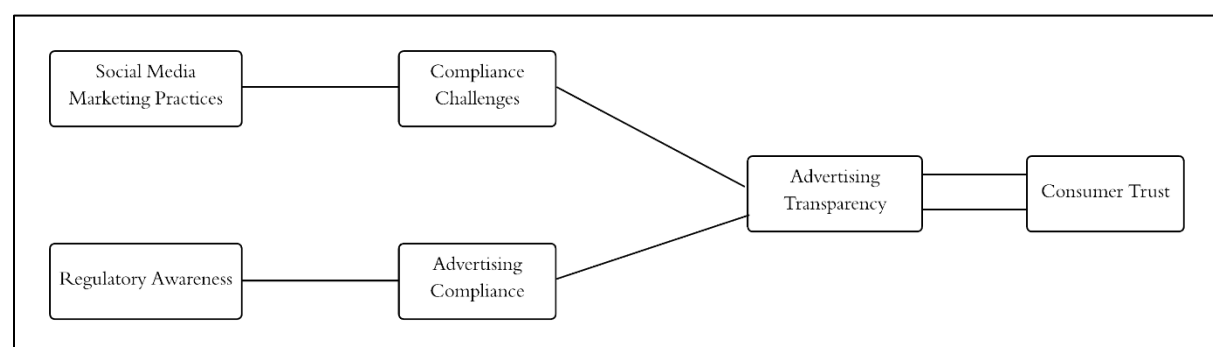


Fig 1: Conceptual Framework

The conceptual model follows a sequential institutional logic. Two additional direct paths are incorporated: SMM → AC and RA → AC. SMM exposes organisations and consumers to a more intensive digital advertising environment, which can increase awareness of regulatory requirements and institutional scrutiny.

Increased RA should reduce CC by improving the organisation's ability to anticipate and manage legal requirements. Lower unresolved CC should facilitate AC. AC should then produce clearer and more complete AT, which should strengthen CT.

The model thus moves from marketing activity, to institutional cognition, to institutional constraint, to organisational conformity, to legitimacy signalling, and finally to perceived legitimacy expressed as trust. This sequential structure also permits assessment of whether legal conformity affects CT principally through an observable transparency mechanism.

4. Hypothesis Development

Direct Relationships

H1

SMM increases organisational exposure to digital advertising standards, platform disclosure practices, consumer scrutiny and regulatory guidance. More sophisticated social-media activity generally requires formal campaign governance, approval routines and coordination between marketing and compliance functions.

Institutional Theory therefore suggests that participation in a heavily regulated communication environment increases organisational awareness of the rules defining legitimate behaviour.

H1: Social Media Marketing Practices (SMM) have a significant positive effect on Regulatory Awareness (RA) in insurance advertising.

H2

RA should reduce CC because actors who understand institutional requirements can incorporate them at earlier stages of campaign design. Compliance difficulty frequently arises when legal review occurs only after creative material has been completed.

Regulatory awareness supports compliance-by-design, reduces ambiguity regarding disclosure obligations and enables standardised internal procedures. Accordingly, higher awareness should reduce perceived institutional friction.

H2: Regulatory Awareness (RA) has a significant negative effect on Compliance Challenges (CC) faced by insurance advertisers.

H3

CC can undermine AC where organisations struggle with high content volumes, fragmented responsibility, influencer autonomy or unclear platform formats. Institutional Theory recognises the possibility of decoupling between formal policies and actual practice when conformity becomes difficult or costly.

Unresolved CC should therefore weaken consistent advertising conformity.

H3: Compliance Challenges (CC) have a significant negative effect on Advertising Compliance (AC).

H4

Compliance should enhance AT because many advertising rules operate by requiring accurate, prominent and balanced information.

Where organisations comply substantively rather than ritualistically, consumers should encounter clearer identification of promotional content, more visible qualifications and better correspondence between claims and actual insurance coverage.

Transparency scholarship similarly treats disclosure, clarity and accuracy as interrelated dimensions of high-quality information.

H4: Advertising Compliance (AC) has a significant positive effect on Advertising Transparency (AT).

H5

Transparency reduces information asymmetry and provides consumers with evidence of integrity. This is especially important in insurance because purchase decisions involve uncertainty and delayed performance.

Trust Formation Theory therefore predicts that consumers who perceive advertising as transparent will be more willing to rely on the insurer and its representations.

H5: Advertising Transparency (AT) has a significant positive effect on Consumer Trust (CT).

Additional Direct Effects

H6

SMM can positively influence AC when digital marketing systems include structured approval workflows, archived creative materials, standard disclosures and analytics enabling problematic content to be identified quickly.

Social-media sophistication may therefore improve compliance capability rather than simply increase risk.

H6: Social Media Marketing Practices (SMM) have a significant positive effect on Advertising Compliance (AC).

H7

RA provides the cognitive foundation for conformity. Organisational actors cannot systematically comply with obligations they do not understand. Awareness of prohibited claims, mandatory disclosures and accountability rules should therefore directly increase AC even after CC are considered.

H7: Regulatory Awareness (RA) has a significant positive effect on Advertising Compliance (AC).

Mediation Hypotheses

H8

The relationship between SMM and CC is expected to operate partly through RA. Social-media intensity exposes organisations to regulatory interactions and repeated compliance decisions, producing greater awareness.

That awareness facilitates anticipation of legal risks and reduces avoidable compliance difficulties. RA therefore represents the institutional-cognition mechanism linking marketing activity and regulatory constraint.

H8: Regulatory Awareness (RA) mediates the relationship between Social Media Marketing Practices (SMM) and Compliance Challenges (CC).

H9

CC may affect consumer-facing transparency principally because they first influence the organisation's ability to conform.

Where digital complexity interferes with compliance systems, disclosures and representations are more likely to become inconsistent. AC is consequently the organisational mechanism translating institutional constraints into AT.

H9: Advertising Compliance (AC) mediates the relationship between Compliance Challenges (CC) and Advertising Transparency (AT).

H10

AC does not automatically create CT. Consumers rarely observe internal legal review or governance arrangements; they observe communications.

Trust therefore arises when compliance becomes visible through AT. This logic reflects both Institutional Theory, in which conformity must generate legitimacy, and Trust Formation Theory, in which observable cues reduce uncertainty.

H10: Advertising Transparency (AT) mediates the relationship between Advertising Compliance (AC) and Consumer Trust (CT).

Serial Mediation

H11

The most important theoretical proposition concerns the full sequence from institutional difficulty to trust. CC first affect the organisation's capacity for AC. Compliance then determines whether advertising manifests disclosure, clarity and accuracy. AT subsequently influences consumer perceptions of legitimacy and integrity.

This mechanism has particular relevance to consumer protection. A compliance failure is not harmful solely because it breaches an institutional rule; its consumer significance lies in the distorted information environment it may create.

Conversely, well-designed compliance becomes economically valuable when it generates communications consumers can understand and trust.

H11: Advertising Compliance (AC) and Advertising Transparency (AT) serially mediate the relationship between Compliance Challenges (CC) and Consumer Trust (CT).

5. Research Methodology

5.1. Research Design

The study adopts a quantitative, cross-sectional and explanatory design. Quantitative analysis is appropriate because the research seeks to estimate theoretically specified relationships among six latent constructs: SMM, RA, CC, AC, AT and CT.

The cross-sectional design captures respondents' perceptions of contemporary insurance advertising across major social-media platforms at a defined point in time.

The explanatory element arises from the theory-driven structural model. Although causal terminology is used in the hypotheses in accordance with conventional SEM formulation, the cross-sectional design does not by itself establish temporal causation.

The results should therefore be interpreted as theory-consistent structural associations.

Simulation disclosure: For this working manuscript, the sample characteristics and statistical results that follow are illustrative rather than observations obtained from actual human participants.

5.2 Sampling

The target population comprises adult insurance consumers in India who have been exposed to insurance-related advertising on at least one social-media platform during the preceding six months. The unit of analysis is the individual consumer.

An exposure-screening item was included to ensure that respondents had encountered insurance promotion through channels such as Instagram, YouTube, Facebook, LinkedIn or comparable social platforms.

A purposive online sampling approach was specified because the population of consumers exposed to social-media insurance advertisements cannot be readily enumerated. Respondents were required to be at least 18 years old and to confirm recent exposure to digital insurance advertising.

The simulated fieldwork assumes that 486 respondents commenced the questionnaire, 432 completed it and 412 usable cases remained after removal of responses failing screening, straight-lining and attention checks. The final illustrative sample size is $N = 412$.

Sample adequacy was assessed using statistical power rather than relying solely on the traditional “10-times rule”.

For the most complex endogenous construct with three principal predictors, an a priori multiple-regression power calculation assuming a small effect of approximately $f^2 = 0.05$, $\alpha = 0.05$ and 95% power yields a requirement of approximately 348 observations.

The simulated N of 412 therefore exceeds this conservative benchmark. It is also comfortably above common PLS-SEM recommendations for models of this complexity (Cohen, 1988; Hair et al., 2019, 2022).

The illustrative sample profile comprised approximately 55% male respondents, 44% female respondents and 1% who preferred another/no response category. Approximately 31% were aged 18–29, 34% were 30–39, 23% were 40–49 and 12% were 50 or above. Around four-fifths reported holding at least one insurance policy.

5.3 Measurement Scales

All constructs were specified as reflective and measured using multiple items adapted from prior validated literature. Responses were recorded using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree.

SMM was measured using five items adapted from social-media marketing activity scales developed in the branding literature. Items captured informativeness, interactivity, customisation, topical relevance and engagement.

RA used four adapted items drawing on institutional and regulatory-compliance research concerning awareness of legal rules, disclosure obligations and enforcement expectations.

CC was operationalised through five items concerning perceived difficulty arising from regulatory complexity, platform format, content velocity, influencer control and coordination of legal review.

AC was measured with five items assessing perceived adherence to advertising requirements, accuracy of insurance claims, inclusion of material qualifications, identification of promotional content and consistency of approval procedures.

AT was measured using five items adapted from the disclosure-clarity-accuracy framework. CT consisted of four adapted items reflecting perceived honesty, reliability, integrity and willingness to rely on insurance advertisers (Kim & Ko, 2012; Godey et al., 2016; Winter & May, 2001; Schnackenberg & Tomlinson, 2016; Schnackenberg et al., 2021; McKnight et al., 2002; Lou & Yuan, 2019).

The questionnaire was designed for expert review by specialists in insurance regulation, digital marketing and quantitative research. In an actual study, pilot testing would be necessary before final administration to assess wording clarity, content validity and platform-context suitability.

5.4 Data Collection

The intended data-collection method is an online self-administered questionnaire. The survey introduction should state the academic purpose of the research, voluntary nature of participation, estimated completion time, data-use conditions and participants' ability to discontinue without penalty.

No personally identifying information is required for the structural model.

An actual empirical implementation should obtain institutional ethics approval where required, secure informed consent, comply with applicable data-protection law, and store data in anonymised or appropriately pseudonymised form.

Procedural measures should also be used to reduce common-method bias, including separation of predictor and criterion sections, neutral wording, assurance that there are no correct answers and variation in scale placement.

Statistical diagnostics should supplement but not replace these procedural protections (Podsakoff et al., 2003).

5.5 Data Analysis Technique

The model was specified for analysis using SmartPLS and PLS-SEM. PLS-SEM is appropriate for three reasons. First, the model has a strong prediction orientation because it seeks to explain variance in AC, AT and CT.

Second, it contains multiple direct, mediated and serially mediated relationships. Third, PLS-SEM is suitable where the analysis does not depend on multivariate normality and where predictive assessment is an explicit objective (Hair et al., 2019, 2022).

The analytical process proceeds in two stages. The measurement model is first assessed through indicator reliability, Cronbach's α , composite reliability (CR), average variance extracted (AVE) and discriminant validity using the heterotrait-monotrait ratio (HTMT).

Henseler, Ringle and Sarstedt recommend HTMT as a more sensitive assessment of discriminant validity than reliance solely on the Fornell-Larcker criterion (Fornell & Larcker, 1981; Henseler et al., 2015).

The structural model is then assessed using collinearity statistics, path coefficients, R^2 , f^2 , Q^2 , bootstrapped confidence intervals and predictive assessment.

Mediation is evaluated through the significance of specific indirect effects rather than relying only on the significance of individual constituent paths. A 10,000-resample bootstrap is specified. PLSpredict is used as a complementary out-of-sample predictive diagnostic (Shmueli et al., 2019).

6. Data Analysis & Results

Important: All numerical findings in this section are simulated for model-development purposes.

6.1 Measurement Model Assessment

Indicator loadings ranged from 0.744 to 0.917 and exceeded the recommended threshold for acceptable indicator reliability. Cronbach's α ranged from 0.862 to 0.927 and CR ranged from 0.903 to 0.949.

AVE values were between 0.653 and 0.823, indicating that all constructs explained more than half the variance of their indicators. Convergent validity was therefore established.

Table 2. Simulated measurement-model results

Construct	Items	Loading range	Cronbach's α	CR	AVE
SMM	5	0.762–0.865	0.881	0.913	0.678
RA	4	0.801–0.889	0.898	0.929	0.766
CC	5	0.744–0.851	0.866	0.904	0.653
AC	5	0.811–0.903	0.918	0.939	0.754
AT	5	0.803–0.897	0.910	0.934	0.739
CT	4	0.861–0.917	0.927	0.949	0.823

Discriminant validity was examined using HTMT. All values remained below the conservative 0.85 benchmark, with the highest association occurring between AT and CT (0.831). The results indicate empirical distinctiveness among SMM, RA, CC, AC, AT and CT.

Table 3. HTMT matrix

Construct	SMM	RA	CC	AC	AT	CT
SMM	—					
RA	0.621	—				
CC	0.404	0.592	—			
AC	0.548	0.674	0.608	—		
AT	0.476	0.541	0.497	0.812	—	
CT	0.438	0.486	0.441	0.724	0.831	—

Full-collinearity VIF values ranged from 1.38 to 2.74 and remained below 3.3, providing no indication of severe collinearity or pervasive common-method contamination.

6.2 Structural Model Assessment

The endogenous constructs displayed meaningful explanatory power. SMM explained 19.6% of the variance in RA. RA explained 26.8% of CC. The joint effects of SMM, RA and CC accounted for 46.2% of AC.

The transparency equation explained 41.8% of AT, while the final model explained 44.7% of CT.

Table 4. Explanatory and predictive statistics

Endogenous construct	R ²	Q ²
RA	0.196	0.129
CC	0.268	0.171
AC	0.462	0.294
AT	0.418	0.301
CT	0.447	0.337

All Q² values exceeded zero, indicating predictive relevance. Effect sizes were strongest for AT → CT ($f^2 = 0.676$) and AC → AT ($f^2 = 0.531$). RA → CC demonstrated a moderate effect ($f^2 = 0.366$), while CC → AC ($f^2 = 0.171$) and RA → AC ($f^2 = 0.108$) were smaller but substantively meaningful.

The SMM → AC effect was comparatively small ($f^2 = 0.019$), suggesting that digital marketing sophistication alone cannot substitute for regulatory knowledge and formal compliance architecture.

6.3 Hypothesis Testing Results

Bootstrapping with 10,000 resamples supported all seven hypothesised direct relationships.

Table 5. Direct-effect hypothesis testing

Hypothesis	Relationship	β	t-value	p-value	Result
H1	SMM → RA	0.443	9.184	<0.001	Supported
H2	RA → CC	-0.518	11.026	<0.001	Supported
H3	CC → AC	-0.342	7.218	<0.001	Supported
H4	AC → AT	0.594	14.377	<0.001	Supported
H5	AT → CT	0.621	16.084	<0.001	Supported
H6	SMM → AC	0.128	2.544	0.011	Supported
H7	RA → AC	0.318	6.409	<0.001	Supported

H1 indicates that stronger SMM is associated with greater RA. H2 shows that RA materially reduces CC. H3 confirms that unresolved CC undermine AC. H4 and H5 establish the central sequential legitimacy mechanism: AC strongly improves AT, which in turn strongly enhances CT.

The mediation analysis also produced statistically significant specific indirect effects.

Table 6. Simulated mediation results

Hypothesis	Indirect effect	β	95% bootstrap CI	p-value	Result
H8	SMM $\rightarrow$ RA $\rightarrow$ CC	-0.229	[-0.296, -0.171]	<0.001	Supported
H9	CC $\rightarrow$ AC $\rightarrow$ AT	-0.203	[-0.266, -0.148]	<0.001	Supported
H10	AC $\rightarrow$ AT $\rightarrow$ CT	0.369	[0.302, 0.440]	<0.001	Supported
H11	CC $\rightarrow$ AC $\rightarrow$ AT $\rightarrow$ CT	-0.126	[-0.174, -0.087]	<0.001	Supported

For H8, the direct diagnostic path between SMM and CC was non-significant after RA was included ($\beta = -0.072$, $p = 0.108$), suggesting indirect-only mediation.

Similarly, the diagnostic CC $\rightarrow$ AT direct path was non-significant ($\beta = -0.074$, $p = 0.096$), strengthening the interpretation that AC carries the effect of CC to AT.

For H10, a small residual AC $\rightarrow$ CT effect remained significant ($\beta = 0.104$, $p = 0.045$), indicating complementary partial mediation: compliance contributes to CT primarily through AT but may also provide some independent reassurance.

Finally, the diagnostic CC $\rightarrow$ CT direct path was non-significant ($\beta = -0.043$, $p = 0.312$) when AC and AT were included. This result supports H11's proposed serial process. Compliance difficulties damage CT principally because they reduce organisational conformity, which weakens transparency.

6.4 Model Fit & Robustness

The standardised root mean square residual (SRMR) was 0.057, below the frequently used benchmark of 0.08 and consistent with acceptable approximate fit. Because PLS-SEM is primarily causal-predictive rather than covariance-fit oriented, SRMR was interpreted as a supplementary diagnostic rather than a decisive goodness-of-fit criterion.

PLSpredict was implemented using ten folds and repeated prediction. Prediction errors for a majority of CT and AT indicators were lower than the corresponding linear-model benchmark, indicating moderate out-of-sample predictive power.

The signs and significance of major paths also remained stable when demographic controls for age, gender and prior insurance ownership were introduced. Taken together, the simulated measurement, structural and predictive statistics are internally coherent with the proposed Institutional Theory–Trust Formation Theory model.

7. Discussion

7.1 Key Findings Interpretation

The most important finding is that compliance operates as a trust-building process rather than merely a constraint on marketing activity. The results suggest that consumers do not respond directly to the existence of regulation; they respond to the observable consequences of regulatory conformity.

H1 indicates that intensive SMM can improve RA. This is theoretically important because digitalisation is frequently discussed only as a source of regulatory risk.

The findings instead suggest a dual effect: digital marketing creates new compliance problems but also increases organisational exposure to rules, scrutiny and governance routines.

H2 provides strong support for the proposition that RA reduces CC. This suggests that a meaningful share of digital-advertising difficulty may arise not from the intrinsic impossibility of applying regulation online but from insufficient institutional knowledge.

Standardised training, pre-approved disclosures and platform-specific compliance guidance can therefore reduce friction.

H3 demonstrates the practical consequence of unresolved CC. Where advertisers perceive social-media formats, speed or decentralised content production as difficult to govern, conformity deteriorates.

This is consistent with Institutional Theory's concern with decoupling between formal policy and actual organisational practice. The largest downstream effects involve AC, AT and CT.

H4 confirms that AC produces transparency, while,

H5 establishes transparency as the strongest proximate determinant of trust.

These findings are consistent with transparency research showing that disclosure, clarity and accuracy improve perceptions of trustworthiness. They also reinforce Trust Formation Theory: consumers infer integrity through observable informational cues rather than through knowledge of internal compliance procedures (Schnackenberg et al., 2021).

7.2 Theoretical Implications

The study extends Institutional Theory in four ways. First, it conceptualises RA as the cognitive entry point through which institutional rules become behaviourally consequential. Formal rules alone do not guarantee organisational conformity.

Second, CC are treated as the friction between institutional expectations and platform architecture. This helps explain why technology-neutral legal rules may remain normatively appropriate while requiring format-specific operational guidance.

Third, AC represents substantive organisational conformity rather than ceremonial adoption. This distinction matters because firms may publicly announce compliance commitments while allowing actual content-production practices to remain weakly controlled.

Fourth, AT is theorised as symbolic legitimacy signalling, but not in the pejorative sense of symbolism without substance. Instead, transparency is the communicative manifestation through which substantive conformity becomes observable.

Suchman's legitimacy framework therefore connects naturally with Trust Formation Theory (Suchman, 1995).

The results also enrich trust scholarship. CT is not treated solely as a function of brand familiarity, influencer credibility or persuasive appeal. It emerges from a chain of institutional signals. This is especially appropriate for financial services, where consumers depend on the credibility of both the contracting organisation and the regulatory environment.

7.3 Legal & Regulatory Implications

The findings have direct implications for insurance advertising law. The regulatory objective should not be limited to whether mandatory wording technically appears somewhere in an advertisement. Effective regulation should consider prominence, comprehensibility, timing and platform context.

This approach is consistent with the IRDAI 2021 objective of fair, honest and transparent advertising and with the broader consumer-protection architecture directed at misleading representations (IRDAI, 2021; Consumer Protection Act, 2019; CCPA, 2022).

It is also consistent with comparative developments.

The FCA explicitly requires social-media financial promotions to remain fair, clear and not misleading and emphasises balanced communication of benefits and risks (FCA, 2024).

The results further support a shared-accountability model. Insurers should remain responsible for campaigns conducted on their behalf, but platforms possess unique control over targeting, presentation, recommender systems and advertisement libraries.

A legal framework that regulates only the insurer may therefore leave part of the actual advertising infrastructure outside meaningful oversight.

Influencers require specific attention. A consumer may perceive a trusted creator's statement as independent advice even when it is sponsored promotion.

The distinction between endorsement and advice becomes especially important where influencers explain coverage, returns or suitability. The ASCI financial-services addendum already recognises qualification concerns in BFSI influencer communication (ASCI, 2025).

The restitutionary implications are also significant. Regulatory intervention should aim not only to sanction wrongful advertising but to restore consumers harmed by it.

Where misleading advertising materially induces an insurance transaction, legal systems may provide various routes to redress, including regulatory compensation, contractual rescission, statutory consumer remedies or consequential restitution following avoidance.

Unjust enrichment should not be treated as an automatic cause of action arising from any advertising breach; rather, restitution becomes relevant where the underlying legal basis for retaining a consumer's payment is displaced or where statute expressly provides restorative relief (Birks, 2005; Burrows, 2011; Mitchell et al., 2016; Virgo, 2015).

7.4 Managerial Implications

Insurance firms should move from compliance review to compliance-by-design. Regulatory personnel should participate in campaign architecture before content production begins. Disclosure standards should be built into templates, influencer contracts, campaign-management software and approval workflows.

Second, firms should treat AT as a performance metric. Engagement rates alone can reward sensational or incomplete claims.

A governance dashboard should therefore include disclosure visibility, complaint patterns, correction time, influencer compliance and the proportion of content using approved wording.

Third, marketers should recognise that transparency does not necessarily undermine persuasion.

Disclosure may alter immediate engagement, but long-term trust in regulated financial products is strengthened when consumers can recognise commercial relationships and understand limitations.

Fourth, firms should archive digital campaigns in forms capable of regulatory reconstruction. Where advertisements are dynamically targeted, an insurer should be able to establish which creative version, disclosure, audience configuration and approval record applied at a particular time.

8. Policy Recommendations

The empirical logic of the model suggests that regulators should intervene at each stage of the institutional chain: awareness, compliance capability, visible transparency and consumer redress.

8.1. Standardised disclosure templates for social media

IRDAI should develop platform-sensitive disclosure standards specifying not merely the content but also the placement, size, duration, audibility and timing of essential information.

A disclosure presented only after a user clicks “more” should not automatically be treated as equivalent to information visible alongside the principal claim.

Standardised disclosure architecture could include clearly identifiable labels for insurance promotion, paid endorsement, major exclusions and risk-related qualifications. Video advertisements should contain appropriately timed visual and, where necessary, audio disclosure.

8.2. Mandatory compliance training

Insurers should be required to maintain periodic digital-advertising compliance training for marketing personnel, agencies and relevant influencers.

The strong RA → CC and RA → AC relationships in the model suggest that regulatory education is likely to produce both preventive and operational benefits.

Training should address prohibited representations, product-specific limitations, influencer disclosure, record retention, comparative claims, use of AI-generated content and escalation procedures where marketing staff are uncertain about a claim.

8.3. Algorithmic accountability for platforms

Platforms should bear proportionate responsibility for the infrastructure through which regulated financial advertisements are delivered.

A useful comparative reference is the EU Digital Services Act, which requires clear identification of advertisements and meaningful information concerning advertisement targeting, while imposing additional transparency duties concerning recommender systems.

For insurance advertising, platforms should provide verified advertiser identities, searchable advertisement repositories, persistent sponsorship labels and auditable records of targeting parameters. Repeated dissemination of advertisements previously identified as unlawfully misleading should trigger enhanced platform duties (European Parliament & Council, 2022).

Algorithmic accountability does not require platforms to determine every question of insurance law. It requires them to preserve traceability and avoid designing systems that systematically frustrate regulatory visibility.

8.4. Strengthened IRDAI (or equivalent) digital oversight mechanisms

IRDAI should develop a dedicated digital-advertising supervisory mechanism integrating insurer submissions, platform intelligence, consumer complaints and automated monitoring.

Existing insurance-advertising principles are sufficiently broad to address online communications, but platform-specific supervisory capacity would improve enforcement. IRDAI's current regulatory framework already includes the 2021 advertising regulations and the 2024 policyholder-protection architecture (IRDAI, 2021, 2024a, 2024c).

A restorative dimension should accompany enforcement. Where misleading advertisements generate identifiable consumer harm, regulators should be able to require correction, direct notification to affected consumers, refund or compensation mechanisms where legally justified, and preservation of evidence necessary for private claims.

Consumer protection is strongest when deterrence and restoration operate together.

9. Conclusion

This study develops an interdisciplinary explanation of compliance and trust in social-media insurance advertising.

Drawing primarily on Institutional Theory and supplemented by Trust Formation Theory, it conceptualises the process through which marketing practices become embedded within a regulatory environment and ultimately influence CT.

The model places RA at the beginning of the institutional sequence. Greater exposure to and knowledge of advertising rules reduces CC and directly strengthens AC. CC, in contrast, negatively affect organisational conformity.

Compliance then produces AT, and transparency becomes the principal legitimacy signal through which consumers form trust.

The simulated PLS-SEM findings support this sequential account. SMM positively influences RA and AC; RA reduces CC and strengthens AC; CC negatively influence AC; AC strongly enhances AT; and AT strongly predicts CT.

The mediation findings are particularly important. RA mediates SMM and CC; AC mediates CC and AT; AT mediates AC and CT; and AC together with AT serially transmit the effect of CC to CT.

The legal significance of these relationships is that insurance advertising regulation should not be conceptualised solely as a system of prohibitions. Rules create value when organisations understand them, possess the capacity to implement them and communicate compliance in a manner consumers can perceive. Transparency therefore links public regulation and private trust.

For restitution and consumer-protection scholarship, the study also highlights the relationship between prevention and restoration.

Misleading insurance advertising can distort the conditions under which consumers transfer premiums and assume contractual obligations.

Although a regulatory violation does not automatically create a restitutionary claim, legal systems concerned with corrective and restorative justice should ensure that consumers harmed by misleading inducement have accessible mechanisms capable, where doctrinally appropriate, of reversing transactions, restoring improperly retained benefits or obtaining equivalent redress.

The broader policy conclusion is therefore one of compliance-centric digital advertising.

Regulators, insurers, influencers and platforms should share responsibility for producing an environment in which persuasive communication remains compatible with legal accuracy, meaningful disclosure and consumer autonomy. In financial services, trust is not merely a branding outcome.

It is an institutional and legal-economic asset created when market communication visibly conforms to legitimate rules.

10. Limitations and Future Research

Several limitations should guide interpretation and future empirical work. First, the empirical results presented in this manuscript are simulated.

They demonstrate how the specified PLS-SEM model can be operationalised but cannot constitute evidence of actual consumer behaviour.

The next step is collection of genuine survey data under an approved research protocol, followed by transparent reporting of the questionnaire, sampling frame, exclusions and analysis files.

Second, the proposed empirical design is cross-sectional. Even with statistically significant structural paths, temporal precedence cannot be established. Longitudinal research could examine whether exposure to transparent insurance advertising produces persistent changes in trust.

Third, the primary regulatory setting is India. IRDAI regulation, CCPA consumer law and Indian advertising self-regulation create a distinctive institutional environment.

Cross-jurisdictional studies comparing India with the UK, EU, United States or other Asian insurance markets could test whether the RA-CC-AC-AT-CT sequence is institutionally invariant.

Fourth, consumer perceptions do not establish objective legal compliance. Future studies should combine survey data with expert legal coding of actual advertisements. Researchers could construct matched datasets linking advertising content, disclosure characteristics, enforcement history and consumer responses.

Fifth, future models should incorporate platform characteristics, influencer type, insurance category, consumer financial literacy and perceived product complexity as moderators. Experimental designs could manipulate disclosure prominence, advertisement format and sponsorship language to identify causal effects.

Finally, AI-generated advertising creates a new research agenda.

Generative systems can produce thousands of personalised variants with minimal human intervention. Future research should examine whether existing approval structures remain adequate when the relevant “advertisement” becomes a dynamic system rather than a fixed piece of creative content.

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