

CUSTOMER TRUST IN THE DIGITAL ERA: THE ROLE OF TRANSPARENCY AND ACCOUNTABILITY IN INSURANCE SERVICES

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ABSTRACT

Digital transformation has changed the way the insurance industry operates and interacts with customers. Digitization of services brings efficiency and ease of access, but also poses new challenges related to transparency, accountability, and customer trust. This study aims to analyze the influence of service digitization on customer trust with transparency and accountability as mediation variables. The research method employed an explanatory quantitative approach with 101 respondents who are digital insurance customers in Indonesia. The data was analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with the help of SmartPLS 4. The results of the study show that the digitization of services has a positive and significant effect on customer accountability and trust, and accountability plays a role as a partial mediating variable in this relationship. Meanwhile, the transparency variable does not meet the criteria of convergent validity, so it is excluded from the empirical model, although it is still maintained in theoretical discussions. These findings confirm that customer trust in the digital era is built not only through technological innovation but also through the company's responsibility and integrity in providing accountable digital services. Theoretically, this study expands the *literature on digital trust governance* by emphasizing that accountability is the core of digital trust formation. In practical terms, the study's results provide recommendations for insurers and regulators to strengthen digital accountability systems, ensuring that technological transformation aligns with the principles of ethics, transparency, and fairness for customers.

Key words: digital insurance; customer trust; transparency; accountability; digital services; government

INTRODUCTION

Digital transformation has brought significant changes in the financial services industry, including the insurance sector. The application of digital technology allows companies to provide online services such as policy registration, premium tracking, and claim submission quickly and efficiently (Pashkov & Pelykh, 2020). Digitalization offers convenience, but it also poses new challenges related to transparency, accountability, and customer trust (Bodemer, 2023)

In the insurance industry, customer trust is a key to long-term success (Leninkumar, 2017). In the digital era, trust is built not only through a company's reputation but also through digital governance that emphasizes transparency and accountability. Transparency reflects the extent to which information is conveyed clearly and openly to customers (Hosseini et al., 2018), while accountability describes a company's ability to account for decisions and services to the public (McGrath & Whitty, 2018).

Previous research has shown that digitalization can increase customer satisfaction and loyalty (Eling & Lehmann, 2018). However, the effect is highly dependent on the level of transparency and accountability that companies implement (Karsono, 2023). In Indonesia, the digitalization of insurance services has grown rapidly, but it still faces challenges in implementing these two key aspects (Jurriëns & Tapsell, 2017). Research by (Rahmawati & Nur, 2021) shows that some customers still doubt the disclosure of digital information and the clarity of corporate responsibility, which can hinder the formation of trust.

Based on this, the study aims to analyze the influence of service digitalization on customer trust, with transparency and accountability as mediating variables. However, as will be explained in the results section, the transparency variable did not meet the validity criteria. It was therefore excluded from the final model, while accountability was still tested as the primary mediator. Conceptually, both variables remain important in explaining the formation of customer trust in the digital era

METHOD

This study uses an explanatory quantitative approach to analyze the influence of service digitization (X) on customer trust (Y) with transparency (M1) and accountability (M2) as mediating variables. The population of this study consists of active customers of insurance companies in Indonesia. A total of 101 respondents were obtained through the purposive sampling method, based on the criterion of having used insurance digital services for at least six months. The research instrument was developed based on indicators from previous research:

- a. Digital Services: (Pashkov & Pelykh, 2020), Eling & Lehmann (2018)
- b. Transparency: Hosseini et al. (2018)
- c. Accountability: (McGrath & Whitty, 2018), O’Neill (2020)
- d. Customer Trust: Božič et al (2020)

Each indicator is measured using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). Data analysis was carried out using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with the help of SmartPLS 4. In the analysis process, the results of the convergent validity test showed that the transparency variable did not meet the *loading factor* and AVE values ≥ 0.5 , so the variable was excluded from the final structural model. The following analysis focused on the relationship between digital services, accountability, and customer trust.

RESULTS AND DISCUSSION

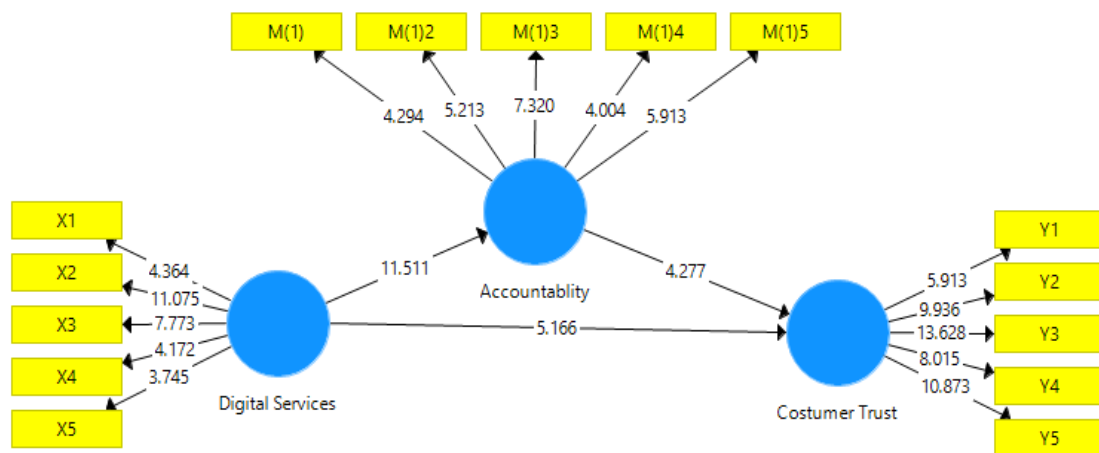
The results of the reliability and validity tests show that all constructions are eligible except for the transparency variable. Composite Reliability and AVE values for digital services, accountability, and customer trust are > 0.7 and > 0.5 , indicating good internal consistency (Hair, 2017). However, the AVE transparency value is < 0.5 , indicating that convergent validity is not fulfilled (Fornell & Larcker, 1981). Therefore, the transparency variable is excluded from the final model.

Table 1. Construct Reliability and Validity Test Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Accountability	0,574	0,572	0,744	0,571
Customer Trust	0,762	0,770	0,839	0,511
Digital Services	0,650	0,658	0,779	0,615

(Source: Output SEM PLS (2025))

Structural model analysis was carried out to test the direct and indirect influences between variables. This research model examines the influence of Digital Services (X) on Customer Trust (Y) with Accountability (M) as a mediating variable. The results of the PLS-SEM model estimation are shown in Figure 1, while the results of the hypothesis testing are presented in Table 2.



Source: Output SEM PLS (2025).

Figure 1 Final Structural Model

Table 2. Results of the Intervariable Relationship Test

Relationships Between Variables	Coefficient (β)	T-Statistics	P-Value	Information
Digital Services → Accountability	0.651	11.511	0.000	Significant
Accountability → Customer Trust	0.369	4.277	0.000	Significant
Digital Services → Customer Trust	0.476	5.166	0.000	Significant
Digital Services → Accountability → Customer Trust	0.240	3.585	0.000	Partial mediation

Source: Output SEM PLS (2025)

The test results showed that all paths of intervariable relationships had a t-statistical value of > 1.96 and a p-value of < 0.05 , so that all hypotheses were accepted. The Digital Services variable has a positive effect on Accountability ($\beta = 0.651$; $p = 0.000$), which means that the higher the level of digitization of services, the stronger the company's responsibility in conveying information and following up on services. These findings support the study by Eling & Lehmann (2018), which shows that digitalization improves the speed, accuracy, and efficiency of insurance data management.

Furthermore, Accountability was shown to have a significant effect on Customer Trust ($\beta = 0.369$; $p = 0.000$). This means that the higher the company's accountability in serving customers, the greater their level of trust in digital insurance institutions. These results are in line with O'Neill (2020), who stated that accountability is a major driver of trust formation in the digital environment because it fosters a perception of ethics and corporate responsibility.

In addition, Digital Services also has a direct effect on Customer Trust ($\beta = 0.476$; $p = 0.000$), indicating that technology-based service innovation can directly strengthen customer confidence in the company's credibility. The mediation test showed that Accountability mediated the effect of digitalization on trust ($\beta = 0.240$; $p = 0.000$), indicating that the effect of digitalization would be more optimal if accompanied by increased accountability.

These findings support the digital trust governance (Iqbal, 2024), which asserts that digital trust is built through a combination of reliable technology and responsible governance practices. In the Indonesian context, these results align with Setiawati et al. (2022), who found that accountability affects the trust of PT Taspen insurance participants, and Hasudungan (2025), who highlighted the importance of digital accountability in maintaining the credibility of insurance institutions under the supervision of the OJK.

Thus, it can be concluded that the success of digitizing insurance services depends not only on technology but also on companies' ability to be ethically and professionally responsible to customers. Accountability is a key factor that bridges digital innovation and customer trust, ensuring that technological advancements truly deliver reliability and security value for insurance service users.

CONCLUSION

This study concludes that the digitization of insurance services significantly increases customer trust, both directly and through accountability as a mediating variable. Although the transparency variable does not meet the validity criteria and is excluded from the empirical model, conceptually, the information disclosure aspect remains relevant in shaping the perception of digital trust.

Theoretically, these results reinforce the theory of *Digital Trust Governance*, which emphasizes the importance of accountability in building customer trust. This research contributes by showing that trust is not only formed by technological capabilities, but also by the company's responsibility in managing digital interactions with customers.

Practically, insurers in Indonesia are advised to strengthen digital accountability mechanisms, such as transparent claims tracking, rapid response systems, and open reporting. Regulators such as the OJK need to ensure that digitalization goes hand in hand with ethical values and corporate social responsibility, so that public trust in digital insurance services can grow sustainably.

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