

Factors Affecting Purchase Decision of Life Insurance Policy of Customer in Chitwan

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ABSTRACT

Background: Life insurance policy enjoys a unique position in the field of investments and should be judged in this light. The policy owner behaviour towards life insurance than the conventional savings and protection view. The objective of this research was to assess the intentions of people towards purchasing decision of life insurance, to analyze the awareness level of life insurance in Chitwan and to examine the relationship among perception, attitudes, awareness and purchase decision.

Methods: An analytical cross-sectional study was conducted among 150 policy holder respondents in Bharatpur, Chitwan, Nepal. Non probability purposive sampling technique was used for data collection. Data was analyzed by using descriptive and inferential statistical tools. In this research Independent Variables was (Purpose of Buying, perception and evaluation alternatives, trust) while dependent Variable was (Purchase of Life Insurance Policy). Data was analysed by using SPSS 20. P-value <0.05 was considered as statistically significant.

Results: Majority of the respondents are between 30-40 years age group which is 37.3 percent of the respondents, 26.7 percent of the respondents are 20-30 age groups. Correlation coefficient between the independent variables purpose of buying and dependent variable factor affecting customer purchase life insurance policy is found to be statistically significant.

Conclusions: The study concludes that the factors affecting customer purchase on life insurance policy includes education, economic status, medical emergencies, better returns, comparison with other insurance companies, perception of individuals, available alternatives and trust.

Keywords: purpose of buying; perception and evaluation alternatives; trust, purchase of life insurance policy.

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INTRODUCTION

Life insurance policy enjoys a unique position in the field of investments and should be judged in this light. The policy owner behaviour towards life insurance than the conventional savings and protection view.¹⁻³ It is evident that opinion of professionals and academicians towards perception of consumers towards insurance products is a researchable issue. Generally, people are exposed to risks everywhere and anytime in today's modern life. Insurance may be a method to scale back personal exposure to loss by guaranteeing a specified sum of money when a particular event occurs.⁴⁻⁶ Insurance is viewed as an economic device an individual pays a premium to protect against large financial loss from an individual's viewpoint. The primary function of insurance is to provide a sense of security and the counterpart of risk. It is an economic parameter to

eliminate or reduce risks by transferring the risks from an individual level to the society.³ The insurance sector is getting more and more competitive because of increased awareness level, the consumers demand higher qualitative services. Consumers are becoming increasingly aware of the options and offer in relation to the rising standards of service.⁷⁻¹⁰ Life insurance is a bond that offers protection to the human by auguring the nominees would receive a fixed sum of money if the insured person dies. The money received in the form of life insurance is meant to be seen as an income substitute for the beneficiaries of the life insured if he or she dies unexpectedly.¹¹ The goodwill of the company is the most influencing factor that affects the policy buying decision.¹² The attributes which affect the decision making of consumers of life insurance policies are return on investment, company reputation, premium outflow, service quality and

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product quality.¹³ The objective of this research was to assess the intentions of people towards purchasing decision of life insurance, to analyze the awareness level of life insurance in Chitwan and to examine the relationship among perception, attitudes, awareness and purchase decision.

METHODS

An analytical cross-sectional study was conducted among 150 policy holder respondents in Bharatpur, Chitwan, Nepal. Non probability purposive sampling technique was used for data collection. Data was analyzed by using descriptive and inferential statistical tools. In the descriptive statistics for categorical variable frequency and percentage was calculated while for continuous variable mean and standard deviation was calculated. In the inferential statistics correlation, regression analysis was done. In this research Independent Variables was (Purpose of Buying, perception and evaluation alternatives, trust) while dependent Variable was (Purchase of Life Insurance Policy). Data was analysed by using SPSS 20. P-value <0.05 was considered as statistically significant.

RESULTS

Majority of the respondents are between 30-40 years age group which is 37.3 percent of the respondents, 26.7 percent of the respondents are 20-30 age groups, 19.3 percent of the respondents are 40-50 age groups, 11.3 percent of the respondents are above 50 age groups and 5.3 percent lies under 20 age groups. out of total 150 respondents the majority of the respondents are male followed by 81.3 percent and female respondents were 18.7 percent only. Regarding level of education status, 68 percent respondent were master degree and above, 20.7 percent were bachelor degree and 11.3 percent

respondents were +2 level (Table 1).

Variables	Frequency (%)
Age Groups	
Under 20	8(5.3)
20-30	40(26.7)
30-40	56(37.3)
40-50	29(19.3)
Above 50	17(11.3)
Gender	
Male	122(81.3)
Female	28(18.7)
Education	
+2 Level	17(11.3)
Bachelor Degree	31(20.7)
Master Degree and above	102(68)

The highest mean value of perception is the highest i.e. 3.5233 and the highest standard deviation of factor affection purchase is the highest i.e. 0.5466 (Table 2).

Correlation coefficient between the independent variable purpose of buying and dependent variable factor affecting customer purchase life insurance policy is 0.692, which implies that the two variables are positively correlated and there is correlation between purpose of buying and factor affecting customer purchase life insurance policy. The positive coefficient of correlation is 0.692 at 1% significant level. Pearson Correlation coefficient between the independent variable perception and dependent variable factor affecting customer purchase life insurance policy is 0.591, which implies that the two variables are positively correlated and there is correlation between perception and factor affecting customer purchase life insurance policy. The positive coefficient of correlation is 0.591 at 1% significant level. Pearson Correlation coefficient between the independent variable evaluation alternative and dependent variable factor affecting

Variables	Minimum	Maximum	Mean	Std. Deviation
Factors Affecting Purchase (FA)	2.17	4.5	3.17	0.54666
Purpose of Buying (PB)	2.2	4.8	3.52	0.52431
Perception (PER)	2.25	4.63	3.5233	0.48018
Evaluation Alternative (EA)	1.8	4.6	3.3493	0.48394
Trust (TR)	2	4.75	3.4233	0.48721

customer purchase life insurance policy is 0.504, which implies that the two variables are positively correlated and there is correlation between evaluation alternatives and factor affecting customer purchase life insurance policy. The positive coefficient of correlation is 0.504 at 1% significant level. Pearson Correlation coefficient between the independent variable trust and dependent variable factor affecting customer purchase life insurance policy is 0.724, which implies that the two variables are positively correlated and there is correlation between trust and factor affecting customer purchase life insurance policy. The positive coefficient of correlation is 0.724 at 1% significant level (Table 3).

Variables	FA	PB	PER	EA	TR
FA	1	.692**	.591**	.504**	.724**
		<0.001	<0.001	<0.001	<0.001
PB		1	.550**	.437**	.570**
			<0.001	<0.001	<0.001
PER			1	.543**	.517**
				<0.001	<0.001
EA				1	.472**
					<0.001
TR					1

***. Correlation is significant at the 0.01 level (2-tailed).*

The coefficients of determination ($R^2=0.480$) which implies 48.0 percent of factor affecting customer purchase of life insurance policy is affected by buying purpose. So, the relationship between the buying purpose and factor affecting customer purchase of life insurance policy (t-value = 136.36 and p-value = 0.001). The finding shows that there is significantly association between factor affecting customer purchase of life insurance policy with buying purpose. Same as, the findings revealed that there is moderate degree of positive correlation ($R=0.591$) between the factor affecting customer purchase of life insurance policy with perceptions. The coefficients of determination ($R^2=0.350$) which implies 35 percent of factor affecting customer purchase of life insurance policy is affected by perception. So, the relationship between the perception and factor affecting customer purchase of life insurance policy (t-value = 79.64 and p-value = 0.001). The finding shows that there is significantly

association between factor affecting customer purchase of life insurance policy with perceptions. Similarly, the findings revealed that there is low degree of positive correlation ($R=0.504$) between the factor affecting customer purchase of life insurance policy with evaluation alternatives. The coefficients of determination ($R^2=0.254$) which implies 25.4 percent of factor affecting customer purchase of life insurance policy is affected by evaluation alternatives. So, the relationship between the evaluation alternatives and factor affecting customer purchase of life insurance policy (t-value = 50.34 and p-value = 0.001). The finding shows that there is significantly association between factor affecting customer purchase of life insurance policy with evaluation alternatives. Same as, the findings revealed that there is high degree of positive correlation ($R=0.724$) between the factor affecting customer purchase of life insurance policy with trust. The coefficients of determination ($R^2=0.525$) which implies 52.5 percent of factor affecting customer purchase of life insurance policy is affected by trust. So, the relationship between the trust and factor affecting customer purchase of life insurance policy (t-value = 163.41 and p-value = 0.001). The finding shows that there is significantly association between factor affecting customer purchase of life insurance policy with trust. Pearson Correlation coefficient between the independent variable purpose of buying and dependent variable factor affecting customer purchase life insurance policy is 0.692, which implies that the two variables are positively correlated. Factor affecting customer purchase life insurance policy is 0.591, which implies that the two variables are positively correlated and there is correlation between perception. Evaluation alternative and dependent variable factor affecting customer purchase life insurance policy is 0.504, which implies that the two variables are positively correlated. Trust and dependent variable factor affecting customer purchase life insurance policy is 0.724, which implies that the two variables are positively correlated. There is moderate degree of positive correlation ($R=0.692$) between the factor affecting customer purchase of life insurance policy with buying purpose. There is significantly association between factor affecting

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Table 4. Model Summary of Dependent with Independent Variables.						
Variable	R	R²	Adjusted R²	SE	F	p-value
Buying Purpose	0.692	0.48	0.476	0.396	136.36	<0.001
Perceptions	0.591	0.35	0.345	0.442	79.64	<0.001
Evaluation Alternatives	0.504	0.254	0.249	0.473	50.34	<0.001
Trust	0.724	0.525	0.522	0.378	163.41	<0.001

Dependent Variable: Factor Affecting Customer Purchase Life Insurance Policy

DISCUSSION

Pearson Correlation coefficient between the independent variable purpose of buying and dependent variable factor affecting customer purchase life insurance policy is 0.692, which implies that the two variables are positively correlated. Factor affecting customer purchase life insurance policy is 0.591, which implies that the two variables are positively correlated and there is correlation between perception. Evaluation alternative and dependent variable factor affecting customer purchase life insurance policy is 0.504, which implies that the two variables are positively correlated. Trust and dependent variable factor affecting customer purchase life insurance policy is 0.724, which implies that the two variables are positively correlated. There is moderate degree of positive correlation ($R=0.692$) between the factor affecting customer purchase of life insurance policy with buying purpose. There is

factor affecting customer purchase of life insurance policy with trust. Customer's perception is one of the important tools for measuring the health insurance performance of health insurance clients through which the insurance company can identify the behaviors of clients regarding customer's perception in order to attain a set of objectives oriented towards the growth and stability of the insurance companies.³⁻⁵ It was found that income constraints, liquidity constraints, lack of information, availability of subsidized government health care, linkage with government, risk exposure and trust of the clients have the significance positive relationship on enrollment of health insurance in Nepal. But in this study the factor affecting behaves influenced by family member is the highest mean and influence by some on at decision is the lowest mean. The create a pool of extra money for medical emergencies is the highest mean and dual benefits of risk coverage and investment is the lowest mean. The there will be no

insurance fund abuse in life insurance is the highest mean and trust on life insurance product is the lowest mean.

CONCLUSIONS

The study concludes that the factors affecting customer purchase on life insurance policy includes education, economic status, medical emergencies, better returns, comparison with other insurance companies, perception of individuals, available alternatives and trust. The purpose of this study was to identify the factor affecting customer purchase on life insurance policy. Clients of

Chitwan district have been chosen as sample for the study to know the consumer's perceptions on life insurance. The factors that were identified as the explanatory variable were purpose of buying, perceptions, evaluate alternatives and trust. Therefore, these variables play an important role in analyzing factors affecting customer purchase of life insurance policy. The factor affecting behaves influenced by family member is the highest mean and influence by some on at decision is the lowest mean. The create a pool of extra money for medical emergencies is the highest mean and dual benefits of risk coverage and investment is the lowest mean.

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