Original Research Article

Factors Affecting Customers Choice of Life Insurance Companies in Nepal

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Abstract

This research aims to examine the relationship between product and premium, service, closeness, technology, security, responsiveness, and brand image with customers' choice of insurance companies and the impact of customers' choice factors on customers' choice of insurance companies. The research has used primary sources of data. A well-structured questionnaire was designed to collect data from 400 respondents. The convenience sampling technique was used to select a sample for the study. Moreover, Cronbach's Alpha was assessed to test reliability. The correlational and causal research designs were used. The findings revealed a positive and significant relationship between customers' choice factors with customers' choice of life insurance companies. All the factors have a significant impact on the choice of life insurance companies except Product and Premium. This study is useful for those managers and insurance policymakers who want to achieve wider markets. This research suggests a model that enhances the above-mentioned factors through the choice of insurance company in Nepal.

Introduction

Insurance is one of the significant options for earning seekers to yield long-term returns, tax benefits as well as risk coverage. A typical individual believes in the future and tries to have better and self-secure life for his family. A rupee earned by the person will be spent to-wards leading the family in the present and for a better life in the future. Exactly here life insurance companies are trying to cover the components viz., saving, risk coverage, and investment as well. As the economy comprises the middle class and salaried, insurance is emerging as the best option for long-term saving and risk coverage (Tati & Baltazar, 2018). Individuals and a group of people now have assurance in cases of injuries, damages, and premature deaths of the principal earner. Thus, the main reason for the purchase of life insurance is to provide financial security for the family (Razak & Kasim, 2014). Life insurance provides a mean by which people can collectively seek protection against various types of risks related to their life that may arise in the future. Not only risk coverage, but life insurance also provides certain other benefits, namely investment, tax savings, loan facility, etc. Keeping in view the varied requirements of insurance customers, insurance companies endeavor to offer a large variety of insurance products and policies to prospective customers (Suneja & Sharma, 2009). Life insurance companies have realized the need to adopt a people-oriented approach, rather than only concentrating on the profit-oriented approach, towards improving customer service. Since customers are becoming more

demanding and sophisticated, therefore, it has become important for the insurance sector to determine the factors which are pertinent to the customers for choosing a company. To prevent the migration of clients and attract new ones, insurance companies need to understand the preferences of customers to offer the services required by them. With intensified competition in the industry, insurance companies need to understand "How do customers choose their insurance company? Exploring and evaluating such information will help companies to identify the appropriate marketing strategies that are needed to sustain and survive in the market (Mathur & Tripathi, 2014). The common psychology of buying behavior leads customers toward the least-expensive products. Moreover, when there are many companies offering the same products, customers are likely to choose one over another. This has brought insurance companies to cut-throat competition. The change in customer preference and the rise of competitors create challenges for financial institutions to stay focused for a long time, therefore, the issues of meeting customers' choices are the concern of many financial service industries today (Fatima et al., 2007). High creation of competitors in the market changes business form and this competitive force that established financial service companies facing to worldwide today. Making constant growth therefore increasingly challenging to achieve one of the financial service organization choices to achieve sales growth can be produced by a better understanding of customers' need and want through frequently offering products that correspond to those needs and wants (Schmidt, Bergsiek, & Kolesnikova, 2009). Various previous research have concluded that life insurance companies lack essential information about customers, namely their desires and choices. Customers are strategic elements of the life companies in the life insurance industry. Therefore, understanding customers' standpoint is essential to provide the services they desired from life insurance companies. The idea is that understanding the needs of customers as well as the changes in their needs over time would allow insurance companies to be more customer-centric, which happens to be the solution for being profitable. The main objective of this study is to investigate the factors that influence customers' choice of Life Insurance Companies in Nepal.

Literature Review

Customers' Choice: Insurance helps to decrease or eradicate the risk of life and assets. Any risk conditional upon life and assets may be insured against at a premium adequate to the risk involved (Rajkumar & Kannan, 2014). Insurance provides financial protection from unpredictable losses. Today's world is full of risk and uncertainty.

Globalization, liberalization, and innovation in science and technology have created risk and uncertainty. Purchase of an insurance policy is a way to minimize and provide protection against those risks which are beyond human control. It is a way to ensure those unpredictable losses (Pant & KC, 2017). It is a type of investment, from which people get a return only when a certain loss occurred from predetermined happenings (Singh, 2009). The most important type of insurance for human life is life insurance which provides financial protection to people and their families in time of uncertain risks and damages. Insurance policy offers both safety and protection to the people and also encourages savings among the people (Yadav & Tiwari, 2012).

Product and Premium: Rajkumar and Kannan (2014) discovered that Product features, accessibility, low premium amount, advertising, proper redressal of complaints, and better claim settlement are some of the factors that drastically influence the choice of an insurance company. The study found that the importance given by the customers to the agent's behavior, knowledge, and appearance, and the most important reason, why a customer buys an insurance product is tax rebate, especially the younger individuals but older people focus on life coverage as the most important reason. Athma and Kumar (2007) revealed various product and non-product-related factors. The empirically-based study found that the urban market is more influenced by product-based factors like risk coverage, tax benefits, returns, etc. Whereas the rural market is influenced by non-product related factors such as credibility of an agent, company's reputation, trust, customer services, and most of the important factors are company's goodwill and money-back guarantee for life insurance for many respondents. Thus, it can be hypothesized as follows:

H1a: There is a significant correlation between product and premium with customers' choice of an insurance company. H1b: There is a significant impact of product and premium on customers' choice of an insurance company.

Service: Baskar and Jaya (2015) examined that the most influencing factors for the choice of an insurance company are safety, product, service, and price. Promotional factors and accessibility factors affects moderately and brand loyalty factors are other fewer influencing factors to select an insurance company. Reddy, Swetha, and Poornima (2015) found that the demographic factors of people play a key role in determining the preference for life insurance company and purchasing company's insurance product.

The result also clarified that satisfaction level and switching behavior depend upon the quality of service provided by the life insurance company to its customers. The research suggests that there is a need to provide awareness about the risk coverage aspect of insurance products among insurance customers. Thus, it can be hypothesized as follows:

H2a: There is a significant correlation between services with customers' choice of an insurance company.
H2b: There is a significant impact of service on customers' choice of an insurance company.

Closeness: Accessibility, solid distribution channels, suitable branch location, parking space, and the number of branches across the country are all factors that influence closeness. Customers will be able to reach the office location according to their needs, making visits to the office more convenient. People start choosing firms that are close to them if the location is too far away or the premium payment office is out of reach. As a result, clients' decisions about the best insurance firms are influenced by their closeness. Talha, Sallehhuddin, and Masoud (2014) explained that the insurance agent has greater interaction with parents, siblings, friends, peers, and superiors who have influenced their decision about the choice of insurance product and insurance company. Thus, it can be hypothesized as follows:

H3a: There is a significant association between closeness with customers' choice of an insurance company.
H3b: There is a significant influence of closeness on customers' choice of an insurance company.

Technology: Mathur and Tripathi (2014) revealed that the most important factors that influence customers in choosing insurance companies are computerization and online transactions, connectivity with the bank, speed and efficiency in transactions, clear communication and the least important factors are influential marketing campaign, gifts for customers, peer group impression, etc. In addition, factor analysis was used over 29 factors and the result showed that there were 9 key factors, which were majorly considered being the most influencing factors for customers' choice of insurance companies. Thus, it can be hypothesized as follows:

H4a: There is a significant correlation between technology with customers' choice of an insurance company.
H4b: There is a significant influence of technology on customers' choice of an insurance company.

Security: Female-dominated civilizations buy more insurance. Because these societies are concerned about their family's needs and seek to safeguard them from the financial implications of early death (Chui & Kwok, 2008). Tati and Baltazar (2018) concluded that there is no association between annual income and factors influencing consumer choice of investment in life insurance. Tax benefits, risk coverage, and savings are the major influencing factors in choosing an insurance policy but investor relationships, company image, and lower premium are the major affecting factors in choosing an insurance company. Chahine and Goergen (2011) found that the premium level, expected indemnity, risk level, and availability of alternative risk management tools have major affecting factors in the choice of insurance company. Thus, it can be hypothesized as follows:

H5a: There is a significant correlation between security with customers' choice of an insurance company.
H5b: There is a significant influence of security on customers' choice of an insurance company.

Responsiveness: Staff professionalism and credibility are indicators of response. Proper instruction and prompt resolution of complaints and grievances and employee civility all play a significant part in drawing clients to the organization. A service sector business must have clear communication, a good moment of truth, and a superior claim settlement procedure. As a result, they should be given due consideration, and these procedures should be as user-friendly and trouble-free as feasible. According to Ezilarasi and Kavitha (2020), service offerings, time norms, client loyalty, manager empowerment, and professional attitude are all elements to consider when choosing an insurance firm. The findings also revealed that people's demographic considerations have a significant impact in determining whether or not to obtain life insurance plans. Thus, it can be hypothesized as follows:

H5a: There is a significant correlation between responsiveness with customers' choice of an insurance company.
H5b: There is a significant influence of responsiveness on customers' choice of an insurance company.

Brand Image: The company's brand image and reputation can also serve as a bridge to a larger consumer base. When a company stands tall and proud in the eyes of the public, it tells individuals a lot about the company's business, culture, and integrity. The general public would desire to be associated with such an organization. As a result, a firm with a positive public image will encourage clients to pick from different insurance providers. According to Suneja and Sharma (2009), promotional efforts, a firm's image, client comfort, financial and non-financial facilities, and premium and procedural requirements all influence insurance company selection. Furthermore, the study found that the higher the importance of promotional activities in

choosing an insurance company, the higher the importance of 'promotional activities,' 'premium and procedural formalities,' and 'financial and non-financial facilities' in choosing an insurance company, and the lower the income of customers, the higher the importance of 'promotional activities,' 'premium and procedural formalities,' and 'financial and non-financial. Thus, it can be hypothesized as follows:

H5a: There is a significant correlation between a brand image with customers' choice of an insurance company.
H5b: There is a significant influence of brand image on customers' choice of an insurance company.

Methods and Materials

The study employs a causal-comparative research design to examine the relationship and effect of factors on customers' choice of insurance companies. This research study has been based on a primary source of data. The structured questionnaire was the main instrument of data collection for the study. Based on the literature review, a structured questionnaire was developed which includes Likert scale statements related to the customers' choice of insurance companies in Nepal. Primary data was used which were collected through self-administered questionnaires. The questionnaire was a structured questionnaire based on closed-end answers, which were based on a five-point Likert Scale with strongly disagree (1) and strongly agree as to the extremes (5). A non-probability sampling technique was used to collect data as well as sample characteristics such as gender, age, education, occupation, marital status, and monthly income (convenience sampling). In inconvenience sampling, units are obtained from the population based on sample availability. In random sampling, each unit from the sampling frame has an equal chance of being included in the survey. As a result, 420 respondents were initially targeted via social networking sites and emails, but the data was reduced to 400 respondents after missing responses were removed.

Model Specification: This study used the Mathur and Tripathi (2014) model, in which all the factors affect the choice of customers for selecting insurance companies. The model depicts how several factors interact to influence the customers' choice of selecting insurance companies. The variables that affect the customers' choice for selecting insurance companies are Product and Premium, Service, Closeness, Technology, Security, Responsiveness, and Brand Image.

$CC = + {}_1PPit + {}_2Serit + {}_3Cloit + {}_4Tecit + 5Secit + 6Resit + 7Blit + It$
Where;

=Intercept/constant term
CC = Customers' choice of insurance companies
PP = Product and Premium
Ser = Service
Clo = Closeness
Tec = Technology
Sec = Security
Res = Responsiveness
BI = Brand Image
It = error term of the stochastic model Betas are the parameters of the models

Results

The relationship between independent variables with the dependent variable is analyzed. Another part of the analysis tries to evaluate the impact of independent variables on dependent variables through regression analysis, where dependent variables i.e., Customers' Choice of Insurance Companies (CC), and independent variables i.e., Product and Premium (PP), Service (Ser), Closeness (Clo), Technology (Tec), Security (Sec), Responsiveness (Res) and Brand Image (BI).

Table 1: Mean, Standard Deviation Correlation Coefficient and Cronbach's Alpha

Variables	Mean	.St. Dev	CC	Cronbach's Alpha
CC	4.54	0.796	1	0.793
PP	3.96	0.980	**361.	0.750
Ser	3.95	0.758	**527.	0.770
Clo	4.90	0.885	**580.	0.876
Tec	4.50	0.699	**536.	0.920
Sec	3.88	0.654	**589.	0.850
Res	4.21	0.803	**544.	0.910
BI	4.36	0.793	**507.	0.760

N = 400, ** Correlation is significant at the level 0.01

level (2-tailed),

Table 1 reveals that the Cronbach's Alpha of all independent variables and dependent variables is more than 0.70 which indicates the consistency and reliability of each variable. The correlation between the independent variables i.e., Product and Premium (r=.361), and the dependent variable i.e., Customers' Choice of Insurance Companies is low degree. The result shows that there

exists a positive and significant correlation at a 1 percent level of significance. But the correlation between the remaining independent variables i.e., Service (r=.527), Closeness (r=.580), Technology (r=.536), Security (.589), Responsiveness (r=.544), and Brand Image (r=.507) with Customers' Choice of Insurance Companies are moderate which represent there exist positive and significant at 1 percent level of significance.

Table 2: Regression Model Summary

Model	R	R2	Adjusted R2	Std. Error of the Estimate
1	675.	456.	425.	3.12132

Predictors: (Constant), Product and Premium, Service, Closeness, Technology, Security, Responsiveness, and Brand Image.

Table 2 presents the overall model summary of factors influencing Customers' choice of life insurance companies. R-square is a statistical measure of how close the data are to the fitted in the regression line. The result of R-square is 0.456 which means that 45.6 percent variation in the dependent variable i.e., Customers' Choice of life insurance companies is explained by independent variables like Product and Premium, Service, Closeness, Technology, Security, Responsiveness, and Brand Image. Further, the standard error of estimate shows that the estimated regression equation deviates by 3.12132.

Table 3: Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
		B	Std. Error	Beta			
1	(Constant)	5.234	3.012		2.971	.005	
	PP	-.063	.054	-.038	-.726	.310	1.180
	Ser	.148	.087	.187	2.563	.004	1.480
	Clo	.062	.120	.042	2.612	.009	1.626
	Tec	.320	.086	.146	2.354	.002	1.536
	Sec	.376	.142	.185	2.124	.000	1.620
	Res	.085	.072	.064	2.793	.003	1.456
	BI	.526	.124	.325	5.205	.001	1.429

Table 3 shows that product and premium (= -.063, t = -.727, p = .310) have not significantly contributed to Customers' Choice of Insurance Companies. And Service (= .148, t = 2.563, p = .004) Closeness (= .062, t = 2.612, p = .009), Technology (= .320, t = 2.354, p = .002), Security (= .376, t = 2.124, p = .000), Responsiveness (= .085, t = 2.793, p = .003) and Brand Image (= .526, t = 5.205, p = .001) have significantly been contributed to Customers' Choice of Insurance Companies. Thus, it can be confirmed that there is a significant impact of independent variables on the dependent variable. These findings determine that the second research hypothesis is accepted and confirmed except for Product and premium. Among seven independent variables Brand Image, Security and Technology have higher coefficients in comparison with Service, Closeness, and Responsiveness in the attainment of Customers' Choice of Insurance Companies. It, therefore, means that

policymaker of Insurance Companies needs to emphasize more focus on Brand Image, Security, and Technology to achieve a higher level of the insurer. The value of VIF of all the independent variables is less than 3. It indicates that there is no multi-collinearity i.e., there is no adverse effect on the regression line.

Discussion

The major goal of this research was to analyze the relationship and influence of consumer choice variables on insurance company selection in Nepal. Independent factors including Service, Closeness, Technology, Security, Responsiveness, and Brand Image have a positive and substantial link with Customers' Choice of Insurance Companies, however, Product and Premium have a negative and negligible correlation. The findings show that all of the independent factors shall be consider when choosing an

insurance company. The findings also demonstrated that, except for Product and Premium, all of the independent factors had a substantial and beneficial influence on customers' choice of insurance companies in Nepal. Computerization and online transactions, connectivity with the bank, speed and efficiency in transactions, and clear communication are the main influential aspects of choosing an insurance firm, according to Mathur and Tripathi's (2014) study. For consumer selections, the majority of the researchers utilized descriptive analysis. It may be argued that all of the above criteria must be prioritized by an insurance company's management and policymakers when establishing insurance policies for new clients and expanding the market.

Conclusion

The study's main goal is to examine the elements that influence customers' decision to choose between different insurance providers in Nepal. Product and premium, services, closeness, technology, security, responsiveness, and brand image are all factors that affects a customer's decision to select an insurance company. The purpose of the research is to find out how these dependent and independent factors interact. When the significance value is less than 0.01, it means that there is a significant association between the independent and dependent variables. Because they have significant values of more than 0.01, it can be concluded that product and premium with a significance of 0.361, service with a significance of 0.527, closeness with a significance of 0.580, technology with a significance of 0.536, security with a significance of 0.589, responsiveness with a significance of 0.544 and brand image with a significance of 0.507 have a meaningful link with the customer's choice of life insurance companies. Services, proximity, technology, security, responsiveness, and brand image have a substantial influence on customers' choice of life insurance companies, according to the regression study, however products and premiums hurt customers' choice of life insurance companies. This suggests that clients evaluate insurance firms based on their availability of information and expertise as a simple approach to selecting the best life insurance companies for them.

Implication

This research analyzes the association and impact of factors affecting customers' choice of selecting insurance companies. It emphasizes the importance of this institution in encouraging the seekers of insurance policies in Nepal. Various insurance companies, individuals, researchers, and institutions will be benefited from this research.

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