

Empirical Study of Factors Enhancing Purchase of Life Insurance in Sri Lanka

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Introduction

Life is full of risks and uncertainties since, people are social human beings, and they have certain responsibilities too to minimize these risks. Sri Lankans are emotional and rational in their buying decisions and they believe in future rather than the present and desire to have a better and secured future. In this direction, life insurance services have their own value in terms of serving as savings, investment and risk protection.

“Life insurance is the business of affecting the contracts of insurance upon human life including any contract whereby the payment of money is assured on death or the happening of any contingency dependent on human life and any contract which is subject to the payment of premiums for a term dependent on human life” (Epetimehin, 2011)

The literature reviewed has shown that life insurance business has a high growth rate in Sri Lanka and on the other hand, relatively low penetration of the sector (Insurance board of Sri Lanka, 2011). It indicates that there is still a considerable unexplored potential. The developments in the finance sector are the main triggers of the expected future purchase (Outreville J.F., 1996) and life insurance companies having a bad reputation in terms of reliability (Oldenboom and Abratt, 2000). The rising customer awareness and aspiration of quality service and availability of alternative service providers in Sri Lankan market has made customers more demanding. The insurance company’s ability to attract and retain new customer is a function of not only what it offers but also how it serves its existing customers ((Jha, S.M., 2000). Since, insurance companies are not different from other industrial organizations with respect to selling of their products, i.e., insurance policies; product differentiation can make an impact.

IBSL annual report has shown that Sri Lanka is a country where the average selling or purchase of a life insurance policy is still lower than many other Asian countries. This has led to a considerable unexplored potential of life insurance in Sri Lanka. With so many life insurance products available, one continues to wonder why the majority of Sri Lankan population does not have any life insurance policy.

The objectives of the study were to identify the factors enhancing the purchase of life insurance and to compare the differences in consumer perception of male and female consumers.

Methodology

The study was conducted by interviewing 150 life insurance policy holders. These 150 respondents were selected as 75 male and 75 female representing three districts, Colombo, Kandy, and Galle using the multi stage cluster sampling technique. The required data were collected by investor administered questionnaire with Likert’s type scale where 1, 2, 3, 4 and 5 used for strongly disagree, Disagree, Undecided, Agree, and Strongly Agree respectively. Descriptive analysis was applied to identify the underlying factors which are recommended by the past researcher (Epetimehin, 2011).

The factors are Consumer loyalty, service quality, company-client relationship, ease of procedure, satisfaction level and company image. Two sample t-test was applied to find out the significant differences between male and female investors.

Results and Discussion

The study revealed that all the factors studied are fallen in to the moderate zone or the moderate acceptance ($2.5 < x < 3.5$ = Moderate agreed) and it is important since they do not fall into almost disagree or the not acceptance. Consumer loyalty, service quality, company-client relationship, ease of procedure, satisfaction level and company image have been rated in different means. The factor considered most important and ranked mean was company image and the lowest was consumer loyalty, but it is also in the moderate zone and results have been summarized in the following table.

	N	Minimum	Maximum	Mean	Std. deviation	Coef. Var (%)
Consumer loyalty	150	1.4000	5.0000	3.196	0.8544	26.76
Service quality	150	1.6000	5.0000	3.3599	0.7561	22.47
Company-Client relationship	150	2.0000	5.0000	3.3244	0.8059	24.68
Ease of procedures	150	1.7500	5.0000	3.3117	0.7595	23.1
Satisfaction level	150	1.8000	5.0000	3.324	0.7116	21.42
Company image	150	1.6667	5.0000	3.4333	0.8388	24.49

Further the result of the Two-sample T-Test revealed that there is no significant difference between the male and female perception towards the investment in life insurance policy.

Conclusion

The findings of this study provide important insights to the insurance companies in designing their product-mix. Therefore, consumers who intend to buy the insurance products will have a list of factors and thus can take an informed decision in selecting an insurance product. The study will also assist in improving the market share of companies and further help in the development of the insurance sector.

The study recommended that the insurance companies should concentrate on consumers' loyalty, service quality, ease of procedures, satisfaction level, company image and company-client relationship even though those are fallen into moderate zone.

Based on the results of this study, any life insurance company can design its products offerings in such a way that can attract wide range of potential customers and provide them

with the best products and services and also Insurance companies must spend more on increase of consumer loyalty and company image.

Marketing communication objectives should be based on creating awareness of the benefits inherent in life insurance and to reinforce the purchasing decision. The study can also help to evaluate the current offerings of the service providers, find gaps in the same and rectify them.

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