

Factors Affecting Decisions to Purchase Insurance for State Civil Services in Indonesia

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Abstract

This study aims to examine the factors that influence the decision to purchase insurance for government employees. The factors tested consisted of Agent Competence, Service Quality and Company Credibility. Questionnaires were distributed to 250 people using the convenience sampling method through online questionnaires. Of the 250 questionnaires distributed, there are 210 questionnaires that have been completely filled out. Data testing is done with SPSS software. The results of this study found that company credibility has a significant effect on insurance purchasing decisions for Government employees (ASN), Service Quality has a significant influence on insurance purchasing decisions for ASN in Indonesia and the competence of insurance agents has no significant effect on insurance purchasing decisions for ASN in Indonesia. Indonesia. The Novelty / Value of this research lies in the object under study, namely government employees (ASN) who have never existed in previous research.

Keywords

insurance policy purchase decision; agent competence; service quality; company credibility; government employee



I. Introduction

Along with the increase in people's welfare, the consumption of goods other than basic needs such as food, clothing, and housing is also increasing. So does the need to increase comfort and satisfaction. This is what is called a great leap forward in the service sector (Lupiyoadi, 2001). One of the services that are increasingly needed by society today is insurance services. Insurance promises protection to the insured against the risks faced by individuals and the risks faced by the company (Darmawi, 2004).

In line with the fairly good growth of the insurance industry, it creates increasingly competitive competition among insurance companies. Based on data from the Indonesian Life Insurance Association (AAJI), the number of life insurance companies in Indonesia is 65 companies consisting of 60 life insurance companies and 5 reinsurance companies which are national and multinational companies operating in Indonesia. Although it continues to grow, insurance penetration in Indonesia is still low. Currently, the penetration of life insurance in Indonesia has fallen to 1.1 percent. Insurance penetration is the ratio of the amount of funds in the insurance industry to gross domestic product (GDP). In addition, the ability of the public to purchase insurance products or density insurance in Indonesia throughout 2020 decreased by 64 percent compared to the position in the previous year.

According to Assauri (2007), purchasing decisions are a series of purchasing decisions that contain what to buy or not where the decision is a series of previous activities. The decision to purchase insurance is a very complex matter where there are many factors that can influence a person in deciding to buy an insurance product. In general, prospective buyers will first consider the product to be purchased, assess the

benefits of insurance products and compare them with other similar products. According to Barnes (2001), many factors influence the decision to purchase insurance, including the competence of agents. Therefore, it is important for insurance companies to have competent agents to provide understanding to potential customers. Agents who have high competence, are more professional in providing information and services needed by consumers so that they can create a sense of trust that can influence consumer purchasing decisions (Kennedy et al., 2001). Budiarto (2019) states that the agent's competence variable is an important factor in shaping insurance purchasing decisions. The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020). The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

In addition to the competence of the agent, consumers will consider the quality of service and the credibility of the insurance company in deciding to buy an insurance policy. According to Olsen and Wyckoff in Yamit (2010), service quality is a comparison of consumer desires for services that are actually provided. In addition, the credibility of the insurance company is an important aspect that can influence consumer purchasing decisions. The credibility of insurance companies greatly determines the success of selling insurance products and services because with good credibility consumers will easily trust and companies will easily gain consumer loyalty (Famiyeh et al., 2018; Xu et al., 2005).

Suter et al. (2017) conducted research in Europe with a high penetration rate showing that insurance purchasing decisions are strongly influenced by the credibility of insurance companies where consumers will make assessments and make comparisons with other insurance companies. This research was conducted in Indonesia, where based on world bank data, it shows that Indonesia has a low penetration rate in 2020 at the level of 2.92. This indicates that there are still many assets, economic activities and the community that have not been protected from various risks. It is important for an individual to realize that insurance is very useful to avoid unexpected risks that can have an impact on their lives (Stein, 2010).

Research on insurance purchasing decisions has been widely studied. The results of previous research conducted by Laura et al. (2020) show that the decision to purchase insurance for the private sector is influenced by individual experiences with insurance companies ranging from interactions with insurance agents, service quality and reputation of insurance companies. This study aims to examine the factors that influence the decision to purchase insurance for government employees. This is interesting because government employees have different preferences from the private sector. Government employees in Indonesia are mandatory to have four protections consisting of old age insurance, pension insurance, work accident insurance and death insurance.

II. Review of Literature

2.1 Buying Decision

Purchasing decisions are a problem-solving approach to buying goods or services in human activities to fulfill their wants and needs which consist of the introduction of needs and desires, information search, evaluation of purchasing alternatives, purchase decisions,

and behavior after purchase (Swastha, 2008). Purchase decision can also be defined as the time when an individual has paid for the product or has made a commitment to buy the product at a certain price for a period (Quester et al., 2011). In another perspective, Thaker and Sakaran (2016) state that purchasing decisions are a series of events that arise from understanding the purpose of buying and measuring related factors before deciding to make a purchase. The decision to purchase an insurance policy is important because it becomes the basis for consideration for insurance companies in planning their product marketing strategies (Rusuli & Mustapha, 2018).

2.2 Insurance Agent Competence

Insurance agent is someone who already has the requirements and has qualifications as a certified insurance agent to carry out insurance sales duties in accordance with the job description given by each insurance company (Prameswari, 2016). The competence of insurance agents consists of several aspects including dependable, likeable, honest, has good knowledge of the product, has expertise, has experience, and is a solution (Kristina, 2020). Insurance agents have an important role in providing knowledge and understanding of the importance of insurance to the public. Therefore, insurance agents require certification, competence and qualified communication so that they can provide information needed by prospective customers and be able to influence purchasing decisions for insurance policies (Suhelmi, 2018).

2.3 Service Quality

Service is defined as an effort to provide human resources and facilities that support business activities with the aim of increasing customer satisfaction (Barata, 2003). The biggest challenge for service quality is providing and maintaining customer satisfaction. One of the keys to successfully surviving in a competitive environment is a service-focused strategy (Lindskold, 1978). A company must provide a superior service experience to its customers, the quality of services provided by the company to customers can determine purchasing decisions (Gounaris et al., 2010). High and quality services often affect consumer behavioral intentions (Brady and Robertson, 2001). The company's service quality can be measured through reliable service, speed of response, and facilities owned by the company (Parasuraman et al., 1985).

The service quality of insurance companies is a dynamic condition in which insurance companies will try to meet consumer expectations (Tjiptono, 2006). The quality of services created based on consumer perceptions can make insurance companies create excellent service. Therefore, the quality of the insurance company's service depends on the insurer's ability to continue to meet the expectations of its consumers. By prioritizing service quality to satisfy its customers, insurance companies should act as contractual institutions that attract funds from the public by offering contracts to protect customers against the risk of uncertainty by paying attention to service quality. This is a theoretical concept that becomes a benchmark for the various phenomena of a person's decision to use insurance services (Maryani, 2016).

2.4 Company Credibility

Good credibility is a strategic asset for the company where the credibility of the company is measured as a result of an assessment that describes the company's image according to the community (Laura et al., 2020). The company's credibility can be achieved maximally if the company remains focused on its core business, because this will reflect its capabilities (Moorman and Mine, 2018). The credibility of the insurance

company will determine the success of selling insurance policies. Insurance companies that have good credibility are companies that are able to produce quality products that consumers like and use (Punyatoya, 2018). Insurance companies with high credibility are companies that have good integrity and prestige in the eyes of the wider community so that they can attract people to buy insurance products (Setyanto, 2019). The credibility of the insurance company can be seen from the competence of the company and the advantages it has compared to its competitors (Herbig et al., 2012).

2.5. Hypothesis Framework

The factors that influence purchasing decisions are quite complex and intertwined with each other (Kotler and Keller, 2012). The job of an insurance agent is to try to understand buyer behavior at each stage and the factors that can influence it. This understanding encourages insurance agents to develop marketing programs effectively and efficiently for the target market (Abdullah and Tantri, 2013). The competence possessed by insurance agents is the belief in the existence of special knowledge possessed by the sales force that supports business relationships (Liu and Leach, 2011). The competence possessed by insurance agents greatly influences consumers in determining insurance purchasing decisions (Prameswari, 2016). Research conducted by Blut (2016) also explains that the competencies possessed by marketers can influence consumers in determining purchasing decisions. The success of selling insurance policies is highly dependent on the performance of the agents owned, where insurance agents play a significant role in increasing sales of insurance policies (Holloway and Beatty, 2008). Therefore, this study will test the following hypotheses:

H1. Insurance agent competence has a positive effect on insurance purchasing decisions

In general, good service quality will make consumers interested in purchasing insurance products (Prameswari, 2016). The quality of service owned by insurance companies is a factor that significantly influences consumer purchasing decisions for insurance products (Blut, 2016). Research conducted by Setyanto (2019) states that the service quality factor is the highest factor that influences consumers in purchasing insurance policies. The facilities and infrastructure owned by insurance companies strongly support the provision of good services to consumers. Therefore, this study will test the following hypotheses:

H2. Service quality has a positive effect on insurance purchasing decisions

Factors that influence insurance purchasing decisions include the credibility of the insurance company (Shephred, 2014). The credibility of insurance companies is a grouping of types of work that have similar activities in one group of fields of work, for example, promotion, sales and billing activities are grouped into one, namely the marketing field (Wibowo, 2007). Research conducted by Anggraini (2018) states that the company's credibility factor positively influences consumers in purchasing insurance products. This is reinforced by the results of research conducted by Sulistiyanto (2019) that the credibility of insurance companies has a positive influence on insurance purchasing decisions. Therefore, this study will test the following hypotheses:

H3. Company credibility has a positive effect on insurance purchasing decisions

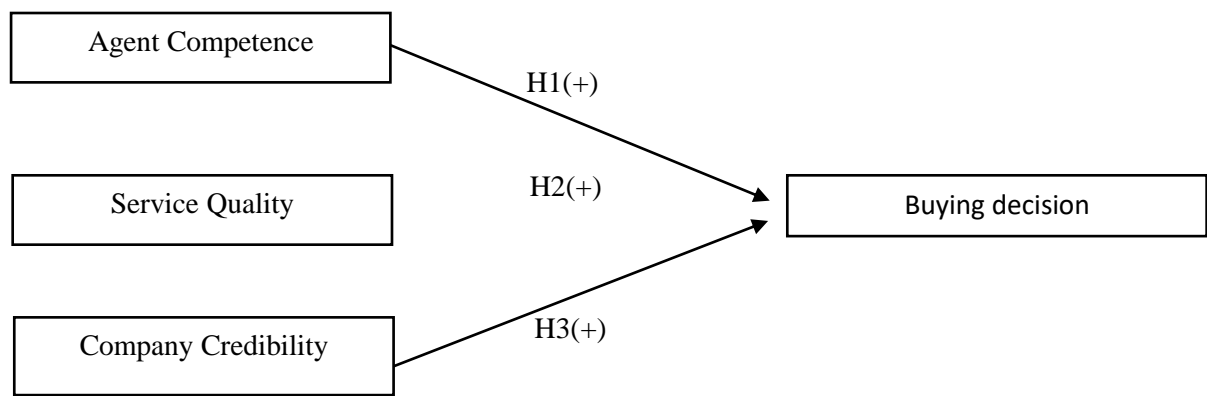


Figure 1. Research Model

III. Research Method

3.1 Measurement

The questionnaire in this study consisted of multi-item measurements of insurance agent competence, service quality, corporate responsibility and purchasing decisions. The variables of insurance agent competence and service quality use five items of measurement, each adapted from Blut's (2016) research. The company variable uses a five-item measurement adapted from the research of Anggraini et al. (2019). The decision variable was measured using five items adapted from the research of Che and Cheung (2017). This study uses a five-point Likert scale with answers ranging from strongly disagree to strongly agree to measure all the instrument factors involved.

3.2 Data collection

Respondents in this study were State Civil Apparatus (ASN) who already had insurance policies in five provinces (Banten, DKI Jakarta, West Java, Central Java and East Java). The location choice was based on data from the State Personnel Agency (BKN) which stated that Java Island has the highest ASN density where about 33% of the total ASN in Indonesia are located on Java Island. The data in this study were collected using the convenience sampling method through an online questionnaire. Of the 250 questionnaires distributed, there are 210 questionnaires that have been completely filled out. The questionnaire in this study consisted of two parts. The first part deals with the demographic data of the respondents, while the second part is a statement of the measurement of research variables which are answered by choosing according to the given scale.

3.3. Data analysis technique

The data in this study will be analyzed using multiple linear regression with the help of the SPSS program. Multiple linear regression method can be used to find out how much influence the independent variable has on the dependent variable (Sugiyono, 2016).

IV. Result and Discussion

4.1 Respondent Profile

Table 1 shows that 58.33% of ASN only have one insurance product while the remaining 41.67% have more than one insurance product. It also shows that the majority of respondents are women (66.67%), married (87.50%), and have a bachelor's level of education (73.96%). Meanwhile, 85.42% of respondents are Civil Servants (PNS) and 14.58% are Government Employees with Work Agreements (PPPK).

Table 1. Profile of respondents

	Total	Percentage
Gender		
Male	70	33,33%
Female	140	66,67%
Length of Ownership of Insurance Policy		
< 1 year	74	35,42%
1 sd 2 year	66	31,25%
> 2 year	70	33,33%
Ownership of Other Insurance Policies		
Yes	88	41,67%
No	122	58,33%
Work		
Civil Service	179	85,42%
Government Employees with Employment Agreement	31	14,58%
Allocation of 1 Month Insurance Premium		
< Rp 500.000,-	87	41,67%
Rp 500.001,- sd Rp 1.000.000,-	37	17,71%
> Rp 1.000.000,-	86	40,63%
Age		
< 30 year	22	10,42%
31 sd 40 year	57	27,08%
41 sd 50 year	24	11,46%
51 sd 60 year	63	30,21%
> 60 year	44	20,83%
Marital status		
Marry	26	12,50%
Not yet/Not Married	184	87,50%
Last education		
Senior High School	31	14,58%
bachelor	155	73,96%
Master	24	11,46%
Doctor	0	0,00%
Average Income in One Month		
< Rp 5.000.000,-	50	23,96%
Rp 5.000.001,- sd Rp 10.000.000,-	120	57,29%
Rp 10.000.001,- sd Rp 15.000.000,-	26	12,50%
> Rp 15.000.000,-	14	6,25%
Domicile		
DKI Jakarta	55	26,04%
West Java	22	10,42%
Banten	68	32,29%
Central Java	50	23,96%
East Java	15	7,29%

4.2 Validity Test and Reliability Test

The results of the construct validity test show that all instruments in this study are valid as they are the KMO value with a limit of 0.5 then Bartlett's Test with a limit of less than 0.05 with a significance value (sig.) less than 0.05 (Hair, 2014). The factor loading value is more than 0.5 so that the instrument in this study has a good correlation value with

the measured variables (Hair, 2014). Thus all the instruments used in this study are valid. All variables are also reliable for use in this study because each of them has a Cronbach's alpha value above 0.60 (Hair, 2014).

Table 2. Validity and Reliability Test Results

Variable	Item	KMO and Bartlett test		Factor Loading	Cronbach's Alpha
		KMO	p-value		
Insurance Agent Competence (COM)	COM1	0,762	0,000	0,855	0,831
	COM2			0,843	
	COM3			0,736	
	COM4			0,749	
	COM5			0,728	
Service Quality (SQ)	SQ1	0,871	0,000	0,877	0,919
	SQ2			0,904	
	SQ3			0,893	
	SQ4			0,889	
	SQ5			0,781	
Company Credibility (CRD)	CRD1	0,807	0,000	0,860	0,861
	CRD2			0,885	
	CRD3			0,857	
	CRD4			0,710	
Buying decision (BUY)	BUY1	0,794	0,000	0,834	0,865
	BUY2			0,917	
	BUY3			0,833	
	BUY4			0,793	

4.3 Regression Analysis

Multiple regression analysis in this study uses Purchase Decision (BUY) as the dependent variable and involves Insurance Agent Competence (COM), Service Quality (SQ), Company Credibility (CRD) as independent variables. Table 3 shows that Company Credibility (CRD) has the strongest influence on purchasing decisions with a beta coefficient value of 0.482 followed by Service Quality (SQ) of 0.301, while the Insurance Agent Competence (COM) variable has no significant effect on purchasing decisions because its significance value is higher. of 0.05.

Table 3. Results of Multiple Regression Analysis

Hypothesis	R ²	Beta Coefficient	Standard Error	t	p-value	Conclusion
H1: COM→BUY	0,428	-0,014	0,145	-0,096	0,924	Not supported
H2: SQ→BUY		0,301	0,144	2,094	0,039	Supported
H3: CRD→BUY		0,482	0,169	2,847	0,005	Supported

4.4 Discussion

The results of this study found that the credibility of the company has a significant effect on purchasing decisions for insurance for the State Civil Apparatus (ASN). Companies that have good credibility can produce quality products that consumers like and use. Insurance companies that have high credibility are able to create insurance products that suit consumer needs. This finding confirms previous research by Blut (2016); Prameswari et al. (2018); Che and Cheung (2017); who found a significant effect of the company's credibility factor on insurance purchasing decisions. The results of this study

indicate that the integrity of the insurance company occupies the highest position in the company's credibility factor. Integrity owned by insurance companies plays a role in influencing consumers to make insurance purchasing decisions.

Service quality has a significant influence on insurance purchasing decisions for ASN in Indonesia. Service quality is the second most important factor after the credibility of the insurance company. In the midst of intense competition in the insurance industry, insurance companies are competing to provide the best service to consumers. The results of this study indicate that the guarantee or insurance protection guarantee occupies the highest position in the service quality factor. Consumers need certainty of the rights obtained, in the midst of the phenomenon of default where insurance companies are unable to pay for consumer rights that have matured. This is in line with the results of previous studies which state that the quality of services provided by insurance companies to consumers has a positive effect on insurance purchasing decisions (Blut, 2016; Nursiana et al., 2021).

Meanwhile, the insurance agent's competence factor has no significant effect on insurance purchasing decisions for ASN in Indonesia. This is contrary to previous research conducted by Prameswari (2016). The difference in the results of this study occurs due to several factors including differences in the characteristics of the object of research. ASN which is the government sector has unique characteristics that are different from the private sector. The private sector is strongly influenced by the laws of supply and demand, while the government sector is influenced by resource requirements. In addition, the private sector is a market instrument while ASN is a government instrument.

V. Conclusion

This study was conducted to determine the effect of insurance agent competence, service quality and company credibility on insurance purchasing decisions for the State Civil Apparatus (ASN) consisting of Government Employees with Work Agreements and Civil Servants. The results show that the credibility of insurance companies is the main consideration for ASN in making insurance purchasing decisions followed by the quality of services provided by insurance companies to consumers.

Basically, ASN has been given protection by the government in the form of old age insurance, pension insurance, work accident insurance and death insurance. Even though it has received a mandatory protection program. The results showed that ASN still felt the need to add additional protection through insurance. ASN is a potential market share considering the significant number spread throughout Indonesia. This is an opportunity for insurance companies.

In the context of the company's credibility, ASN expects insurance companies to have high integrity and honesty so that they can foster consumer trust. This greatly affects the purchase decision. Insurance companies can increase their credibility by designing and creating insurance products according to the needs and abilities of their consumers. In general, consumers will see the credibility of the insurance company and tend to compare it with other insurance companies before deciding to buy insurance products. In addition, insurance companies can increase the company's credibility through various things including maintaining integrity and focusing on the core business, because this will reflect their capabilities (Moorman and Miner, 1997).

The service quality factor also has a positive effect on insurance purchasing decisions. One of the keys to success for insurance companies to survive in a competitive environment is a service-focused strategy (Lindskold, 1978). Every consumer wants certainty of rights from insurance companies. Insurance companies are said to have good

service quality if they are able to provide guarantees or guarantees of protection to their consumers. Insurance companies can improve service quality with easy, fast and cheap claim services and timely payments. This can be done by integrating services using technology.

The agent's competence factor has no significant effect on insurance purchasing decisions. Insurance companies generally implement an agency system where the agent is an extension of the company to do marketing to potential customers. The insurance agent competence factor has not shown a positive effect on insurance sales. One of the reasons is that the competence of insurance agents owned by the company is uneven and does not meet the standards of consumer expectations. For this reason, insurance companies must pay attention to and improve the competence of their agents and standardize agencies so that they are able to provide good information and avoid mis-selling or selling products that are not suitable for consumers.

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