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# Examine the impact of attitudes and social factors on customer's willingness to buy electronic insurance (Case Study: Insurance companies in Khorasan Razavi province)

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## ABSTRACT

Global trends indicate that electronic commerce has become the most important field of activity in the developed countries over the last century and financial services sector, particularly the insurance industry, has not been exempt from this. So, the aim of this study is to examine effects of attitudes and social factors on buying electronic insurance intention. This research is in terms of practical and descriptive approach. Statistical sample of study is insurance companies in Khorasan Razavi province and cluster sampling method was used to determine size sampling. Pasargad and Parsian insurance companies were selected as the cluster samples and then a random sample is taken from each cluster, Thereby the sample size was 156 persons. In the present study, the required information was collected through a questionnaire. The reliability of the questionnaire was assessed by Cronbach's alpha coefficient. To test the hypotheses, Student's t-test was used and also Friedman test was applied for ranking variables. The results showed that attitudes and social effects variables have a significant impact on buying electronic insurance intention.

**Keywords:** Electronic Insurance, Attitude, Social Impact.

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## Introduction

Today, with the advent of the global village phenomenon, organizations have to transfer their business from real world to the virtual world through the deployment of new strategies. The rapid development of Internet has created new opportunities that are rarely seen in the world economy. E-commerce environment that is based on internet

allowing customers to search information of products and purchase goods and services through direct communication with online stores (Hasanzadeh&Paryab, 2012). Also, statistics show the increasing number of users and increasing willingness to buy and sell through internet. However, the general publics have different concerns in

transactions through the Internet. Much of these concerns come from internet security issues in terms of disclosing personal or financial information and also insecurity of financial transactions. Therefore, companies have to think about strategies to reduce anxiety and increase customers' trust (Javanmard&Soltanzadeh, 2010). Application of information technology creates extensive development in administrative affairs and information systems of insurance industry, so that makes electronic transferring of data, records, various documents and correspondence possible through computer and telecommunications lines.

### **Importance of Issue**

In today's world which economic development of any countries marks its international standing, countries are trying to strengthen their economy and play influential role on the world stage via improving their economic situation and consequently increasing their effective role in order to have something to say in the international arena. Insurance industry has been introduced as one of the indicators of development and also as one of the largest economic entity on the one hand and it also supports other activities of institutions on the other hand. In other words, insurance industry plays an important role in economic development through collecting received premiums and facilitates the process of progress by creating security and confidence for manufacturing activities, services activities, etc. (Rezayian,2007).

Global trends indicate that E-commerce has become an important field of activity in the developed countries over last century. Financial services sector and especially the insurance industry has not been exempted in this regard and considerable studies have been done in this respect that most of them have been conducted in industrialized and developed countries, but sporadic studies

have been carried for underdeveloped or developing countries. Interactions in E-commerce can generally be classified into five sections: Searching, evaluation, distribution and delivery, transaction (payment) and after sales services. In other words, The first step in buying insurance policy through the internet is looking for insurance sites and then evaluation of each insurance policy in terms of price, benefits, and related services and so on. In the next steps, after agreement between the insurer and policyholder, presentation and delivery of insurance along with payment of premiums are related issues to electronic commerce in the insurance industry. After sales service in the insurance industry has lower importance in comparison to other industries (Dasgupta&Sengupta, 2002).

Hence, one of the necessities that should be reviewed by researchers is purchasing intention in E-insurance markets. But this topic has been given scant attention in the insurance industry and this research is intended to fill this gap. Despite the major and determining role of insurance industry in the in the development of financial markets, active institutions in these markets do not have enough organized and operating traditionally that this will cause an adverse impact on the process of development in other sectors of the economy Hence the aim of this study is to examine this issue in the insurance companies of Khorasan Razavi Province.

### **Literature Review**

#### **Electronic Insurance**

The insurance industry as an important part of national economy has a special status. Currently, insurance services are presented through traditional and electronic methods in developed and developing countries. Electronic insurance has a special place according to the goals and citizenship

participation in the international economy. Generally, Electronic insurance attempts to provide facilities for customers in order to make access to insurance services possible by using safety mediation without physical presence. Electronic insurance is presentation and exchange services with low prices through electronic channels (Alikhani, & Bahrami, 2007).

### **Electronic insurance benefits**

Before existence of the Internet, agents and insurance brokers were a communication bridge between the insured and insurer. Since huge sums should be spent to create such a distribution network, active insurers had an advantage over the new competitors. Today, however, the internet enables the new companies to access insurance markets with low-cost. In addition, market transparency will also increase because information about services and prices are easily available via the internet. Reducing barriers to market entry and increasing market transparency will lead to increase competition and reduce prices. The main feature here is that the technology is uniformly distributed (Fayazi et al, 2005).

### **The main obstacles to the growth of electronic insurance**

Some of the conditions that may make online selling of insurance difficult are as follows: Unwanted insurance contracts that occurs due to lack of existence of all information on the internet pages or lack of computer user expertise.

When buyer purchase from the website of one E-insurance broker, it is not clear what company is answerable for risks.

Possibility of receiving incomplete information which may affect the contract Validity and effectiveness of the contract may be affected by failure to data transmission Fraud and non-payment of premiums

Conflict and disagreement between electronic networks

Many people are not interested in purchasing goods and services via internet due to unfamiliarity with new technology

Establishment of electronic systems and leaving the old system is required high costs (Fayazi *et al.*, 2005)

### **Previous Empirical Studies**

Effective factors on adoption and usage of online shopping were studied by Didier & Robertson (2007). The results showed that internal factors, such as attitudes, habits and perceptions, affects the willingness of people to buy online.

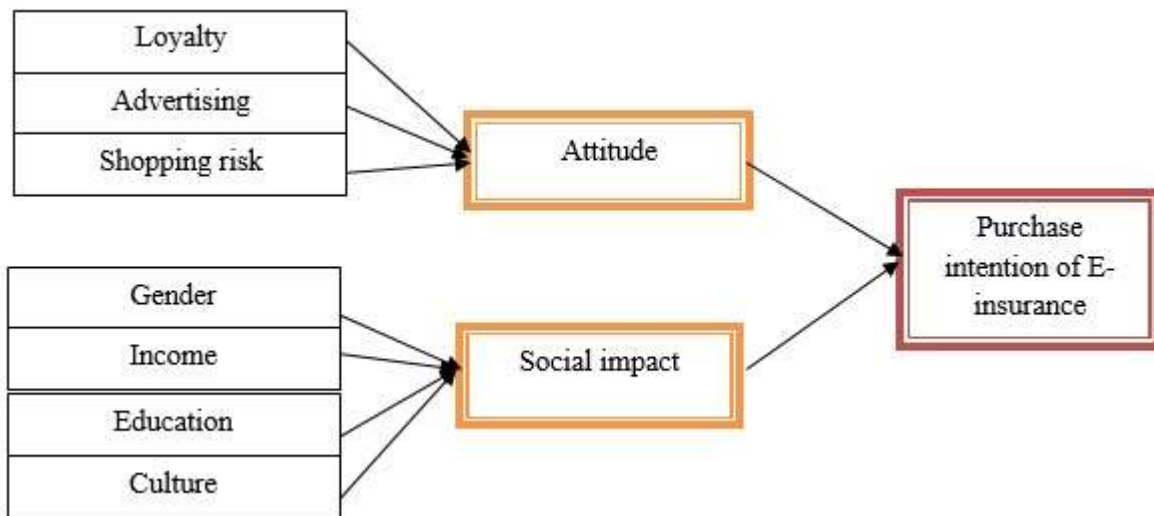
The effect of online shopping experience and customer knowledge towards the user Information and Security mechanisms on E - Trust was investigated by Latifi, & Kashani (2010). The results indicated that both of these factors are effective on the level of customers trust.

A study to identify and prioritize effective factors on online shopping was done by Olfat et al (2011). This paper introduces the parameters affecting on online shopping and prioritize these indicators. The results showed that shopping risk indicators is the most effective factor on online shopping.

Status and performance of insurance agents in Electronic Insurance was studied by Narimani & Maghsodi (2011). The results showed that customer's attitudes towards insurance agents are very important in the field of communication channels and decision making.

### **Research model**

The research model investigates the effects of attitudes and social factors on customer's willingness to buy electronic insurance which draws from the study of Fisher Chia & Yu Chen (2007).



**Figure 1.** Research model

### Research Hypotheses

**The main hypothesis:** customers' attitudes and social factors have a significant impact on customers' intention to buy electronic insurance

**The first sub-hypothesis:** Customers' attitudes have a significant impact on customers' intention to buy electronic insurance

**The second sub-hypothesis:** social factors have a significant impact on customers' intention to buy electronic insurance

### Research Methodology

This research is in terms of practical and Survey – Analytical approach. To study the literature of research subject we used mainly books, articles and libraries and especially central libraries of Iran and also the required information was collected

through a questionnaire. Statistical sample of study is all insurance companies in Khorasan Razavi province. Because clusters are the same, each insurance company can be considered as a cluster. Then, two insurance companies in this province were randomly

selected by using cluster sampling method which are Pasargad insurance and Parsian insurance. To determine sample size, we used Cochran's formula. According to this formula, sample size is equal to 156.

### Validity of questionnaire

In this study, method of content validity was used to assess the validity of the questionnaire, so that questionnaire was given to insurance experts and asked them to express their opinions about that. Then, validity of questionnaire was confirmed by reviewing comments and guidance of super advisor and advisor.

### Reliability of questionnaire

Cronbach's alpha was used to determine the reliability of questionnaire which was equal to 0.9, so we can say that the questionnaire has a high reliability.

### Method of data analysis

Kolmogorov – Smirnov was used in order to investigate normality of the data.

**Table 1.** Results of normality test

Variable	Sig
Customers Attitudes	0.16
social factors	0.23
Effective factors on Purchasing intention of electronic insurance	0.37

As we can see from the above table, the significant values of all the variables are

**Table 2.** Results of one-sample T test

Result	maximum	minimum	Mean	Sig	variable
H <sub>0</sub> Rejected	4.1299	4.0054	4.0676	0.000	Customers Attitudes
H <sub>0</sub> Rejected	4.1311	4.0204	4.0757	0.000	social factors
H <sub>0</sub> Rejected	4.1132	4.0302	4.0716	0.000	Effective factors on Purchasing intention of electronic insurance

**Table 3.** Results of the Friedman test

Rank	Mean Rank	The question
2	2.25	Is there significant relationship between customers' attitudes and Customers' intention to buy electronic insurance?
1	2.30	Is there significant relationship between social factors and customers' intention to buy electronic insurance?

In order to rank the importance of the three variables, Friedman test was used. The mean rank of variables is shown in table 3.

We conclude that social factors have the most effect on customers' intention to buy electronic insurance.

### Conclusion

The results of testing the first hypothesis showed that customers' attitude which is consists of three elements (advertising, loyalty and shopping risk) have a significant impact on customers' intention to buy electronic insurance. This result agrees with the researches of Olfat et al (2011) and Didier & Robertson (2007).

The results of testing the second hypothesis showed that social factors which are consist of four elements (Gender, income, education

and culture) have a significant impact on customers' intention to buy electronic insurance. This result agrees with the researches of Hasanzadeh & Paryab (2012).

more than 0.05; therefore, assumption of normality of the data is accepted. Now we compare the mean of variables with the number 3 by using one-sample of T test.

According to table 2, results of T test show that the means of variables are more than 3. Therefore, we can say with the confidence of 95 percent that all hypotheses are acceptable.

and culture) have a significant impact on customers' intention to buy electronic insurance. This result agrees with the researches of Hasanzadeh & Paryab (2012).

### Suggestions

Companies that are looking to gain a sustainable competitive advantage over competitors should use Equity Firm Name as a key solution. According to the research findings, suggestions for promoting sale of insurance companies in Iran country are proposed.

Providing various services to customers such as adding answers section to respond frequently asked questions of members in the website, both online and offline customer communication and so on.

Companies can increase their reliability through respecting the privacy of individuals by using encrypted servers.

Providing advertisement and accurate information to the customer can increase Customer's trust.

Companies should improve their quality of products and services via increasing knowledge and expertise of employees and suppliers.

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