



ENHANCING YOUNG GENERATION INTENTION TO USE LIFE INSURANCE IN INDONESIA

Ari Susanti, Elia Ardyan

Management Program, Sekolah Tinggi Ilmu Ekonomi Surakarta, Jl. Slamet Riyadi
Makamhaji, Kartasura, Sukoharjo, Indonesia

Ria Estiana, Darmawan

Business Administration Departement, Politeknik LP3I Jakarta Jl. Kramat Raya
Jakarta Pusat

ABSTRACT

The purpose of this research was to analyze the influence of perceived benefit, perceived risk, trust in brand, and trust in salesperson toward intention of the use of life insurance on young generations in Indonesia. In this research, there were 350 respondents who were 17–25 years old, still conducting their studies in bachelor degree, and unmarried. The analysis used in this research was structural equation modeling (SEM). In processing the data, the researchers used Amos version 21 software. The result of this research showed that: first, perceived benefit has positive and significant influence on intention to use life insurance; second, perceived risk has negative but not significant influence on intention to use life insurance; third, trust in salesperson has positive but not significant influence on intention to use life insurance; fourth, trust in brand has positive and significant influence on intention to use life insurance. This study propose both empirical and theoretical implication.

Keywords: Perceived Benefit, Perceived Risk, Trust in Brand, Trust in Salesperson, and Intention to Use Life Insurance

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1. INTRODUCTION

Insurance business is one of developed business in Indonesia. Based on *Otoritas Jasa Keuangan* (Finance Service Authority) in 2017 (See Table 1), the improvement of health insurance's profit in Indonesia from Januari 2016–December 2016 was about 533%. This significant improvement was caused by improvement of Indonesians' awareness to use

insurance. This was not only improvement of awareness, but also that Indonesians began to use various kinds of insurances in Indonesia.

Table 1 Life Insurance’s Profit in Indonesia in 2016

Month	Life Insurance (in billion rupiah)
Januari	1,868.,773
Februari	2,442,252
Maret	5,258,772
April	7,551,699
Mei	7,745,630
Juni	8,957,024
Juli	12,190,878
Agustus	12,813,506
September	13,752,438
Oktober	11,976,095
November	9,512,309
Desember	9,968,561

Source: Indonesia Finance Service Otority, 2017

There were many factors influencing Indonesians to use life insurance. In many literatures, viewed from macro point of view, there were some supporting factors. First, income level [1, 2]. Higher income causes someone tend to use life insurance as long term investment. Second, Inflation [1]. Inflation can influence people to use insurance. Third, level of urbanization and growth of residents [1-3]. Faster growth of residents causes greater prospect of life insurance. Fourth, education degree [4]. High education degree supports people to use life insurance. They understand more about the significance of investment, and one of the ways is through insurance. Investment is not only done in form of money, but also sense of safety for future. Guaranteed health and family in the future is one of investment. Fifth, level of unemployment [5]. Higher level of unemployment influences general society’s purchasing ability. If the purchasing ability declines, people will tend not to make investment in the future. They consider that it is better to use money for present needs.

Life insurance development in Indonesia is not only supported by macro economy factor. Salesperson factor becomes one of supporting factors on the improvement of life insurance usage. A quality of service and relation of salespersons or insurance agents with their customers, are very significant in selling and retaining customer [6]. Life insurance customers depend most on salespersons or life insurance agents’ integrity and suggestions [7]. Integrity and suggestions need high trusts verily. Trust will strengthen relation [8] that will influence someone’s intention to behave [9], especially someone’s intention to use life insurance. Beside salesperson factor, perceived risk, perceived benefit, and trust in brand become important factors in improving intention [7, 9, 10].

We found 3 important factors in adopting life insurances. First factor is perception relating perceived benefits in the future. Second, young generation’s perceived risks if they use life insurance. Third, young generation’s trust towards life insurance brand and its salespersons. Through this research, it is expected that we understand the main factor that must be improved by insurance companies in improving young generation’s intention in Indonesia to use life insurance. Therefore, the purpose of this research was to analyze the influence of perceived benefit, perceived risk, trust in brand, and trust in salesperson toward intention of the use of life insurance on young generations in Indonesia.

2. LITERATUR REVIEW

2.1. Perceived Benefit

Life insurance is a complex and abstract service and based on future benefit possibility, so the consumers find it difficult to evaluate even after they buy it [11]. In concept of value, the consumers must considerately some advantages compared to the cost to acquire it. Yadav and Monroe [12] said that a value that motivates consumers is simply defined as trade off between something acquired (benefit) and something given (cost). Benefit becomes an important part considered by customers [13].

Some researchers define perceived benefit. Treacy and Wiersema [14] defined perceived benefit as conviction of positive result relating to behavior in responding real and perceived threat. This concept is a concept with focus on individual's perception about satisfying and influencing benefit towards purchasing [15]. The sellers must have the consumers be sure that what the sellers is offering will give benefit for the customers [16]. The theory of exchange concludes that beneficial transaction is potential in creating high quality relation, in spite of its occurrence only on certain circumstances [17]. The social exchange theory explains how individual or companies have interacting motivation by considering the benefit and loss [18].

2.2. Perceived Risk Theory

Khan and Bamber [19] suggested that consumers' consuming behavior may be full of risks because purchasing decision can cause unpredictable consequences or not beneficial. Perceived risk theory is used to discuss consumers' behavior. The impact of perceived risk is often on traditional customer decision making [20]. Some researchers explained that perceived risk definition is based on the developed context [21]. Product risk is a kind of loss when the product does not work as the expectation [15]. Foster and Green [22] defined risk perception as the buyer's subjective expectation from the loss possibility when deciding online purchasing. There are many ways to reduce perceived risk. Yarimoglu [23] explained that full access into information, product quality and price will cause low perceived risk. Perceived risk can occur as the result of the minimum information and control toward something happens [24]. In the research conducted by Kesting, Ulhoi [25], it was found that perceived risk tends to be minimum by purchasing through retail store buying compared to mail-order.

2.3. Trust Theory

Trust is an interesting concept for research in many knowledge, like economy, psychology, politic, international business, management, and marketing [26, 27]. Theoretically, trust is commonly considered as a phenomenon among individuals [28]. Trust concept is caused by a number of uncertain conditions and vulnerability [29]. Trust is built when customers have confidence towards the service provider's integrity and reliability [30]. The attributes related to trust includes cooperation, coordination, and dependency [31], goodness and honesty [32], reliability [33, 34], integrity [34] predictability, dependency, and conviction [35, 36]. All these attributes explain a relation between one person to another.

Trust has benefits. The well-built trust will influence many things, for example: increasing sales and developing long-term relation [26]. Trust can reduce the risks and uncertainties [37]. Trust also can build commitment [35] and loyalty [8, 38]. Trust is also important in managerial relationships [39] and stakeholder relationship [40] will be able to improve performance.

Dirisu, Iyiola [41] also said that trust is a positive conviction on reliability and dependency among persons or person to object. The meant object can be brands, things or

stores. In this research, trust consisted of relationship interpersonal and between person and brand. Interpersonal trust focuses on respondents' trust towards insurance salesperson. Trust on insurance brand means that respondents' trust towards insurance brand they know about.

2.4. Trust In Insurance Salesperson

Salesperson is one of important factors in the success of organization, especially in life insurance industry [42]. Building trust towards buyers is one of important factors in building relationship between salesperson and long-term relationship [43]. Trust is usually built from salesperson's words [44] and the fulfillment of the whole promise of salesperson [38].

Trust towards salesperson has been learnt intensively [26, 45-49]. Moorman, Deshpande [50] defined trust as willingness to depend on exchange partner and one of the ways is by having trust. Trust occurs when a partner has trust on other partner's reliability and integrity in exchange [51]. Pop and Borza [52] said that trust reflects a willingness to depend on exchange partner. Trust on salesperson is also defined as a willingness to depend on seller in uncertain situation, based on expectation of the seller's ability to satisfy and certain important action for the buyers [53].

2.5. Trust in Brand

Trust in brand tends to focus between person and certain brand. Delgado-Ballester, Munuera-Aleman [33] saw brand trust as a bounding between brand and the consumers. Chaudhuri and Holbrook [54] defined trust in brand as a willingness to depend on the brand ability conducting its function. Brand trust is also defined as an expectation on brand reliability and willingness in situation that includes risks on customers [33]. Brand trust is more relevant when there is uncertain situation [55]. The role of trust is decreasing uncertainty and asymmetric information and making customers feel comfort with their products [55-57]. Brand trust also can influence brand performance [54] and brand loyalty [58-60].

3. HYPOTHESES

3.1. The Influence of Perceived Benefit on Intention to Use Life Insurance

Salesperson must be effective in conducting promotion to consumers, so they can understand the benefits offered by salesperson to the consumers [14]. Basically, a person offers value to the consumers. Value consists of offered benefit totality which is compared to the total cost [61]. The total benefit functions as consumer's main consideration to buy goods. More given benefit means that the product has value added. The consumer will be satisfied, and finally it can appear a willingness to behave or in other words, the consumer commits to buy or to use the product. Some researches explain that the customers' choice is caused by intrinsic and extrinsic perceived benefit [62, 63]. The result of research conducted by Munkvold [10] showed that perceived individual benefit will be able to increase willingness to use insurance. Brand with good reputation will make consumers tend to buy or use the product or service [64]. Based on utility theory, chance for increasing interest to buy will be higher when the consumers need a lot of benefits compared to the cost they spend. In this research, we thought that perceived benefit will be able to have positive influence on a person's interest to use life insurance, especially on young generation.

H1: Perceived benefit will be able to have positive influence on a person's interest to use life insurance.

3.2. The Influence of Perceived Risk on Intention to Use Life Insurance

Consumers always analyze perceived risk if they use certain product or service. It is commonly influenced by consumers' decision [20]. The risk is very influenced by purchase behavior [65]. Higher consumers' perceived risk causes lower intention to buy or use certain product. Consumers tend to avoid the products with high risks. The risk will make the consumers not satisfied with the products.

H2: Perceived risk will decrease someone's intention to use life insurance.

3.3. The Influence of Trust on Intention to Use Life Insurance

Building trust is not easily done. Building trust must be done in building a relationship. Jauhari [66] explained that building trust needs cultivating personal relationship. A close relation between consumers and salesperson will cause the customers trust have full trust on the salesperson. In relationship, there are often problems, misunderstandings, fault done by certain person. If they are not handled, they can cause distrust. Therefore, every person needs to forgive one to another pihak [67]. A long term relation will survive because trust can decrease uncertainty and possibility of opportune behavior [68].

Trust is an important element in difference behavioral outcome [35, 55]. The research result of Cooper and Edgett [69] also showed the similar finding, that trust can increase someone's intention to behave. In this research, the intention focuses on young generation's intention to use life insurance. Trust towards brand is revealed after consumers' assessment towards the company's offering [9]. Consumers' trust towards brand or salesperson, will eliminate uncertainty [37]. Those consumers who trust the brand and salesperson will be confidence. Consumers with perception that the product they use or the salesperson can give certainty, usually have tendency to buy the product. In this research, we thought that trust in both salesperson and trust in brand, will have positive influence on young generation's intention to use life insurance.

H3: Trust in Salesperson can increase intention to use life insurance.

H4: Trust in Brand can increase intention to use life insurance.

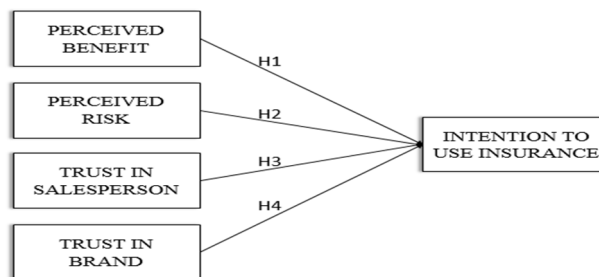


Figure 1 Empirical Research Model

4. RESEARCH METHOD

4.1. Sample

To analyze the research hypotheses and conceptual model, empiric studies about young generation's intention to use life insurance is are conducted in Indonesia. Field research was conducted in April 2017, and the data were collected by independent questionnaire from the consumers. The questionnaires were shared to young generation in Indonesia. The qualifications to become respondents in this research were 17–25 years old, still study in bachelor degree, and unmarried yet. There were 450 questionnaires to be shared. The returned questionnaires were 101 male respondents (28.86%) and 249 female respondents (71,14%).

The first question we asked for the respondents was related to their impressive life insurance brand. The answer of this question showed that the most impressive brand will rise young generation's intention in Indonesia the insurance. From 350 respondents who answered the question "what is the brand that you are impressed on and choose to use in the future", there were: 8 respondents chose on America International Assurance (AIA), 49 respondents chose on Allianz Insurance, 26 respondents chose on AXA Mandiri Insurance, 3 respondents chose on BNI Life, 65 respondents chose on *Badan Penyelenggara Jaminan Sosial* (Indonesian government insurance), 3 respondents chose on BRI Life, 8 respondents chose on Asuransi Bumi Putera, 2 respondents chose on FWD insurance, 5 respondents chose on Jamsostek, 5 respondents chose on Jasa Raharja, 15 respondents chose on Jiwasraya, 32 respondents chose Manulife, 1 respondents chose Pan Pasific, 98 respondents chose Prudential, and 20 respondents had not chosen. Therefore, it is concluded that there were 330 respondents (94.29 % respondents) having intention to use life insurance.

4.2. Measurement

Each question in this research used 7 scale measure, that scale 1 shows very disagree and scale 7 shows very agree.

Treacy and Wiersema [14] defined perceived benefit as a conviction about positive result related to behavior in responding real and perceived threat. The indicators of perceived benefit were adopted from Dorsch, Grove [63], including family investment planning, healthy investment, and pension planning.

Foster and Green [22] defined risk perception as buyers' subjective expectation from possible loss when they conduct online purchase. The indicators of perceived risk were adopted from Yang, Liu [64], including financial risk, psychology risk, performance risk, and time risk.

Brand trust is also defined as expectation towards the brand's reliability and intention in situation which involves risks on the consumers [33]. The indicators of trust in brand were adopted from Delgado-Ballester, Munuera-Aleman [33] and Ardyan and Aryanto [58], including brand reliability, brand credibility, and brand competence.

Trust occurs when a person has belief on exchange partner's reliability and integrity [51]. The indicators of trust in salesperson were adopted from Kennedy, Ferrell [70]; Ravelomanana, Yan [30] including salesperson reputation, salesperson credibility, salesperson responsibility, and salesperson competence.

4.3. Analysis

The analysis in this research used Structural Equation Modeling. Amos version 21 was used in processing the data. According to Anderson and Gerbing [71], the process of SEM data analysis is divided into two steps: (1) measurement model analysis, which involves beginning analysis by confirmatory factor analysis (CFA) to measure reliability and validity of latent variable, and (2) structural model analysis, in which the hypotheses are analyzed by checking the track coefficient and the significance.

5. RESULT AND DISCUSSION

5.1. Measurement Model Analysis

Validity is defined as how far the instrument is accurate to explain the construct [72]. There are two measurements used to analyze instrument's validity, including loading factor and average variance extracted. Hair, Black [72] explained that good of rule thumb occurs when standardized loading factor is above 0.5. AVE is counted as average variant extracted for item

loading on construct and as indicator of convergent summary [73]. The good score of AVE must be above 0.5 [72]. In this research, each item of loading factor and AVE score must be above 0.5. Therefore, it can be concluded that the instruments that have been made, are valid and can describe the construct.

Reliability shows how far the measurement has no bias (out of failure) and can guarantee consistent measurement during time and along the items in the instruments. Reliability test is conducted by composite reliability and cronbach alpha. Nunnally [74] and Hair, Black [72] suggested that variable construct (composite reliability) must be above 0.7. Sekaran [75] explained that cronbach alpha score which is around 0.70 is acceptable, and above 0.80 is good. Table 1 shows that reliability test (composite reliability and cronbach alpha) have fulfilled the qualifications, so that it can be concluded that the instruments are reliable.

Table 2 The Result of Validity and Reliability Test

Construct and Item	Factor Loading	AVE	Composite Reliability	Cronbach Alpha
Perceived Risk				
PR1	0.629			
PR2	0.816	0.566	0.838	0.834
PR3	0.802			
PR4	0.749			
Perceived Benefit				
PB1	0.777	0.638	0.839	0.824
PB2	0.931			
PB3	0.667			
Trust in Salesperson				
TIA1	0.705	0.556	0.833	0.832
TIA2	0.735			
TIA3	0.806			
TIA4	0.734			
Trust in Brand				
TIB1	0.837	0.654	0.849	0.847
TIB2	0.840			
TIB3	0.746			
Intention to Use Life Insurance				
IN1	0.823	0.659	0.852	0.846
IN2	0.893			
IN3	0.709			

5.2. Structural Model Analysis

Goodness of fit can be explained by referring to measurement on the good performance of the analyzed data according to assumed model. In this research, the indicators of goodness of fit which were used were Goodness of Fit Index (GFI), Normed Fit Index (NFI), Incremental Fit Index (IFI), Tucker Lewis Index (TLI), Comparative fit index (CFI), and Root Mean Square Error of Approximation (RMSEA). The result of goodness of fit test is as follows:

Table 3 The Result of Goodness of Fit (GoF) Test

Goodness of Fit	Cut Off	Sources	GoF Result	Explanation
Goodness of Fit Index (GFI)	≥ 0.90	Hu and Bentler [76]; Byrne [77]	0.919	Good
Normed Fit Index (NFI)	≥ 0.90	Byrne [77]	0.913	Good
Incremental Fit Index (IFI)	≥ 0.90	Hu and Bentler [76]	0.949	Good
Tucker Lewis Index (TLI)	≥ 0.90	Arbuckle [78]	0.935	Good
Comparative fit index (CFI)	≥ 0.93	Byrne [77]	0.948	Good
Root Mean Square Error Of Approximation (RMSEA)	< 0.80	Browne and Curdeck [79]	0.061	Good

This research proposed 4 hypotheses. From the four hypotheses, two of the hypotheses are accepted and two others are rejected. First, the result of this research showed that perceived benefit has positive and significant influence on intention to use life insurance ($\beta= 0.381$; $\alpha< 0.001$), so H1 is accepted. Second, perceived risk has negative influence but it is not significant on intention to use life insurance ($\beta= - 0.010$; $\alpha=0.891$), so H2 is rejected. Third, trust in salesperson has positive influence but it is not significant on intention to use life insurance ($\beta= 0.004$; $\alpha= 0.967$) so H3 is rejected. Fourth, trust in brand has positive and significant influence on intention to use life insurance ($\beta= 0.222$; $\alpha=0.006$) so H4 is accepted.

Table 4 The Result of Hypotheses Test

Hipotesis	Result	Explanation
H1= perceived benefit → intention to use life insurance	$\beta= 0.381^*$	H1 is accepted
H2= perceived risk → intention to use life insurance	$\beta= - 0.010$	H2 is rejected
H3= trust in salesperson → intention to use life insurance	$\beta= 0.004$	H3 is rejected
H4= trust in brand → intention to use life insurance	$\beta= 0.222^*$	H4 is accepted

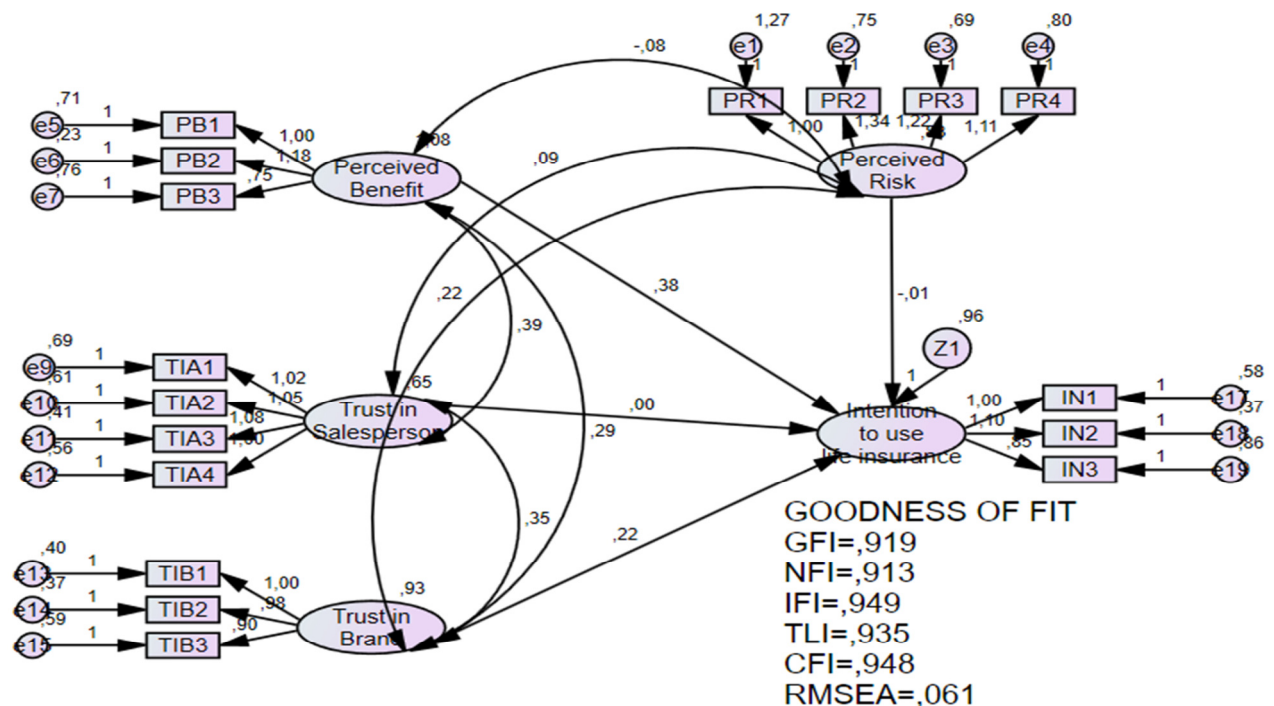


Figure 2 Path Diagram Result

5.3. Discussion

The result of this research showed that perceived benefit can increase intention to use life insurance significantly. This result is similar with the result of the previous research [10]. Young generation in Indonesia think that insurance can give very great benefit. Young generations in Indonesia consider life insurance as not only providing the needs relating to death, but also insurance can be used as investment medium. Some life insurances have began to provide benefits beside the needs relating to illness or death. The developed benefits can be in education, covering when the customers ill, and can be in form of pension fund. This is in line with the findings of the previous researches explaining that intrinsic and extrinsic perceived benefit will have influence on customers' choice [62, 63], especially in their choice to use life insurance. Life insurance has relation with the benefits given to the customers when they are in hospital, including outpatient medicine, hospitalisation, maternity, drugs, laboratory tests, dental care, preventive care, etc. [80]. More benefits the insurance offers, the consumers are more interested on using the insurance products. Perceived benefit will decrease risk perception and facilitate the decision making [81, 82].

In order to use a product or service, customers will consider the risk they will get if they use the product or service. The result of this research showed that customers' perceived risk can decrease someone's intention to use life insurance. The result of this research is opposite with the result of the previous research which showed perceived risk on intention to buy or use insurance [65]. Perceived risk does not always have significant influence on young generations in Indonesia to try using insurance. Young generations in Indonesia tend to be more capable in managing the risk well. They trust that the risk is not a negative thing, but it can have positive influence. Therefore, young generations in Indonesia do not pay attention on the risks. They understand that money which is invested in life insurance will return to them for a long term. These young generations tends to focus on the big benefit rather than considering the risks they are facing on.

Trust can be one of important parts in business. In this research, trust consists of relationship among persons (sellers and buyers) and relationship between person and brand. The result of this research showed that customers' trust towards salesperson has positive influence but it is not significant. This is in line with the previous research [69]. Trust towards salesperson will increase the relation between salesperson-customer [26, 83-85] that will have influence on someone's intention to behave [9]. This improvement in relationship because the trust will have influence on customers' behavior. The customers are satisfied with the relationship then they will have positive behavior and conducting actions relating to their purchase.

Brand is one of important things in customer market. The result if this research showed that trust in a brand has positive and significant influence on young generation to use life insurance. Trust on brand appears after the customers understand the performance of life insurance brand. Moore and Santomero [86] and Diacon and O'Brian [87] thought that the degree of retention is correlated with better financial performance. Better performance makes someone trusts to use the brand. Consumers' intention increase more because of consumers' trust on the brand performance.

Theoretical implication is proposed in this research. First, young generation in developing countries, especially Indonesia gives a new feed that their main focus when choose life insurance is because of their trust on brand and how much benefits they get from the insurance. They tend to not pay much attention on the risks, because young generation in Indonesia have been high educated and able to measure and manage the risks well. Second, in life insurance industry, young generation in Indonesia tend to trust the brand more than to salesperson. This

brand trust can increase young generation to use life insurance. Whoever the salesperson, they only consider the brand of life insurance. This becomes the main consideration in choosing

The managerial implication is also proposed. First, in conducting promotion, it needs to focus in building strong image on the brand of life insurance. One thing that needs to be the main focus is the numerous benefits when they use the life insurance. Second, in promoting life insurance brand, the provider also must focus on the performance of the life insurance. Focus on: the quantity of the company's asset, yearly financial performance, performance handling insurance's premium claim, and the improvement of customers every year. These performances will make young generation in Indonesia trust on the brand and it causes the decision to use the life insurance in the future.

6. CONCLUSION

Young generations in Indonesia are one of great potential markets for life insurance. Basically, young generations in Indonesia give great consideration to use life insurance. In order to get the young generations' intention, focus on how to build their perception about many benefits they will get when they use life insurance. More benefits perceived by the consumers causes more consumers' intention to use life insurance. Besides, focus on how to build the brand image to make young generations' trust grow on the brand of life insurance. The trusted and credible brand will have influence on consumers' intention in using life insurance. The other result showed that risk and trust towards brand is not significant factor to stimulate intention to use life insurance. Young generations in Indonesia have been well educated so they can count the risks they are facing on when they use life insurance. The consumers also do not pay much attention on the salesperson who sell the life insurance. Whoever the salesperson does not matter, because the most important thing is the brand of life insurance they sell.

For the next research, we suggest to pay attention on the factors stimulating young generations' intention to use life insurance. They are as follows: first, the role of family or others' recommendation. Young generation needs advice from others (subjective norms). They need advice from those having experience in using life insurance. Second, demography is as a moderating variable. Different demography has different choice of insurance. The existence of branch office of the life insurance in every region is also important in making decision to use life insurance.

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