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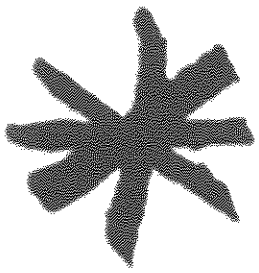

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Purchase intention towards life insurance policies among Generation Y

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Author : TAY JING REN

Student No : I08002706

Supervisor : Mr. Jaspal Singh

Submission Date : 5th May 2014

Ethics Number : cBUS/PG/CP/00121

Final Word Count : 15,386

Abstract

In the recent years, the life insurance industry has experienced a rapid growth in Malaysia. Yet, the penetration rate of Life insurance remains low, as compared with the other Asian countries. Obviously, there is large room for improvement in the life insurance sectors in Malaysia. Besides that, the Generation Y has become the large population of the total generation population in Malaysia and they have a high purchasing power towards the goods and services. Thus, this research aims to investigate the factors that influence purchase intention toward life insurance policies among the Generation Y in Malaysia through the framework of Theory of Planned Behaviour model (TPB). The framework was developed and this research was conducted through quantitative approach. The 384 questionnaires were distributed to the Generation Y who ages between 20-37 years old in Malaysia for the analysis purpose. The data collected was analyzed by using the SPSS software and the results show that the six independent variables, product knowledge, perceived benefit, perceived risk, attitude, social influence and self-efficacy have a relationship with the purchase intention toward life insurance policies among the Generation Y in Malaysia. The results of this research are believed to be able to provide useful insights and important implication to financial institutions, academician and the society as a whole in yielding higher penetration rate of life insurance policy. Several implications and recommendations are being discussed in Chapter 5

Key Words: Generation Y, Purchase Intension, Life Insurance, product knowledge, perceived benefit, perceived risk, attitude, social influence and self-efficacy, Theory of Planned Behaviour.

Acknowledgement

I would like to sincerely thank to those who have helped me throughout this research project. Without them, it would be difficult for me to complete this research. First of all, I would like to give a huge thank to my supervisor, Mr. Jaspal Singh for providing endless assistance and help as well as patient to me since the beginning of this project. The quality of this research had been increased because of the thorough guidance and direction from Mr. Jaspal.

Subsequently, I would like to thank to my fellow best friends, Ching Sam Sam, Yan YuZhen, and Tan Chia Chee who giving their hands and supports throughout this project especially when I faced some difficulties. Without their assistance and support, the quality of this research could be negatively affected.

On top of that, my parent is always playing a very important role in my life. They are not only providing the financially support for my academic but also mentally support with their endless love. Without their support, I might not archive my educational level successfully together with the comfort environments. Hence, I would like express my gratitude to my parent with love.

Besides that, I would like to thank all the lecturers who had taught and nurture me in term of the academic and even in life. Lastly, I would also like to thank INTI librarians who helpful in lending the books and assistance.

Thank you very much.

Declaration

I hereby declare that his thesis is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been duly acknowledged.

Name: TAY JING REN

Signature:

Date: 5th MAY 2014

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List of Abbreviations

LIAM	- Life Insurance Association of Malaysia
SPSS	- Statistic Package for Social Science
1MMPP	- 1 Malaysia Micro Protection Plan
PIAM	- General Insurance Association of Malaysia
MTA	- Malaysian Takaful Association
MEPS	- Malaysian Electronic Payment System
BNM	- Bank Negara Malaysia
ETP	- Economic Transformation Program
TPB	- Theory of Planned Behaviour
PBC	- Perceived Behaviour Control
PK	- Product Knowledge
PB	- Perceived Benefit
PR	- Perceived Risk
ATP	-Attitude
SI	- Social Influence
SE	- Self-efficacy
IP	- Purchase Intention

CHAPTER 1: INTRODUCTION

1.1 Chapter Overview

This chapter presents an introduction to the research issues. The chapter begins with a background of research in section 1.2 and followed by the problem statement in the section 1.3. Next, the research objectives and research question in section 1.4 are discussed. Subsequently, the significance and limitation of this research are explained in the section 1.5 and 1.6. Then, the scope of study and operational definitions are covered in the section 1.7 and 1.8. Finally, the outline of the present study will be concluded in section 1.9.

1.2 Background

Nowadays, people constantly face risk and uncertainties and they could not predict when they may fall sick or when they need a huge of amount of money to cover their medical expenses. In the worst scenario, they may even have to face sudden death. Basically, the life insurance is an insurance coverage that the insured or particular beneficiaries will receive certain amount of money from the life insurance companies when they faced uncertainties, like serious illness or death. Insurance policies can even provide a stable income during retirement. Normally, the maturity of the life insurance policy takes a long term period or more than one year and it needs periodic premium payments either monthly, quarterly or annually. The Whole Life, Endowment, Term, Investment Linked, Life Annuity Plan, and Medical and Health are the main policies that provided by the life insurance industry (Insurance Info, n.d.).

According to the Outreville (1990), the life insurance market is considered to be an industry which developed late compared to the banking sector. This is the main reason which causes difficulties in penetrating the market. The amount of per capita insurance expenditure in Malaysia has dramatically accelerated by 128% to RM771 in 2010 from RM338 in 2000,

which is mainly due to education and increased awareness of the insurance`s significant. Apart from that, the number of the new business has grown by 21% from 1.1 million policies in 2000 to 1.4 million policies in 2010. This was further surpassed the new business in 1990 which is 496,338 with merely RM92 of per capita insurance expenditure (Loke Y., and Goh Y., 2012). It goes without saying that the life insurance industry is playing a significant sector in the financial services in Malaysia that provides several financial services for the customers and considered one of the oldest financial products as well as it became an important source of investment in the capital market (Beck and Webb, 2003). Yet, there are very less people willing to buy the life insurance policies to against specified contingencies except it is forced by the regulation, like auto insurance, as some of the people not willing to talk about the unfortunate or uncertainties situations like death or disability particularly in the Asia region as well as the complexity of the life insurance policy (Loke Y., and Goh Y., 2012).

Life insurance not merely provides the benefits to the individuals but it also improves the economy of nations. Firstly, the life insurance policies inspire the long term saving plan. Apart from that, they also generate a large of amount money for reinvestment in the both public and private sectors. By leveraging life insurers as financial intermediaries, the life insurance companies obviously become the major source of long term finance as well as inspire the growth of the capital markets (Catalan and others 2000; Impavido and Musalem 2000). It cannot be denied that there are numerous researchers have found the prove that the development of the insurance sectors is associated with the development of the nation`s economy (Ward and Zurbruegg 2000; Webb 2000; Soo 1996). Secondly, life insurance sector is a significant sector for the individuals and families to manage their income risk to against the specified contingencies especially facing the situations like urbanization, population mobility, and formalization of economic.

Throughout the years, the Malaysian government and Life Insurance Association of Malaysia (LIAM) has put a lot of efforts in the life insurance area

to encourage more public purchase the life insurance policy. For instance, In April 2011, LIAM had launched the 1Malaysia Micro Protection Plan (1MMPP) together with the General Insurance Association of Malaysia (PIAM) and Malaysian Takaful Association (MTA) (Annual Report, 2011). Basically, the 1MMPP is to offer the affordable and reasonable insurance or Takaful protection to the public especially provide for the small business or enterprises. The coverage of the 1MMPP could be up to RM 20,000 for the death and disability and RM 20 per day could be provided for hospitalization. Apart from that, an E-Payment system had been implemented by the working group which includes the Bank Negara Malaysia (BNM), Malaysian Electronic Payment Syste, (MEPS), Association of Banks in Malaysia, General Insurance Association of Malaysia, and LIAM in 2011 in order to benefit the public and insured (Annual Report, 2012). These implementations have contributed a lot in changing the consumption patterns and the penetration rate of life insurance. As the result, new policies in life insurance has been increased from 1,337,514 in 2007 to 1,502,110 in 2011 as shown in the figure 1.1 in appendix 1.0.

Nevertheless, according to the president of LIAM, Vincent Kwo, the penetration rate of life insurance in Malaysia in 2012 was 42.83%, which was relatively lower than other developed countries like Singapore, Japan, Taiwan and South Korea (Dhesi D., 2012). Indeed, there is untapped and potential market in the Malaysia life insurance industry. This industry faces a tremendous challenge as the Malaysian Government aims to achieve 4 % GDP of the total life insurance premium and 75% penetration rate of the total population by year 2020 (Shen W., 2013). In this situation, the members of Generation Y, who make up 40% of the total Malaysian population, have become significant contributors to reduce the gap in the life insurance penetration rate (Sukumaran T., 2012). Moreover, Dr Karie Willyerd, co-author of The 2020 Workforce from the Malaysia`s Statistics Department, highlighted that the Generation Y will take up 50% of the total workforce in Malaysia by 2015. It is important for the business companies, especially life insurance companies, to understand more about Generation Y which consists of potential, attractive, and capable customers to stimulate the markets in the coming future (Business Circle, 2014).

Therefore, it is important to investigate the factors that will affect the Generation Y's purchase intention toward the life insurance policy in order to overcome the gap as well as it will benefit to the several key stakeholder.

1.3 Problem Statement

"I do not need the life insurance policies" is probably one of the most common objections that the Thechinamoorthy heard in the last 16 years of his career in financial planning. The main reason of this research area is being explored is the low penetration rate of life insurance policy in Malaysia. The life insurance penetration rate based on the population of year 2012 in Malaysia was merely 42.83%, which is still considered low as compared with the countries, like Taiwan, and Singapore which are 135%, and 58% respectively as shown in the figure 1.2 in appendix 2.0 (Dhesi D., 2012; Fang S., 2013; Life Insurance Association Singapore, 2012). In other words, approximately 58 % of the total population in Malaysia was vulnerable to the life's risk which might have permanently deprived their future earnings.

According to the Ernst & Young, (2013), the life insurance industry had contributed merely 3.3% of the GDP of Malaysia in 2011. This is relatively low as compared to the 4.3% in Singapore, 8.8% in Japan and 13.9% in Taiwan as shown in the figure 1.3 in appendix 3.0. Therefore, it shows that there is a high potential growth in the life insurance industry Malaysia (Dhesi D., 2012). Besides that, the Malaysia government has implemented the Economic Transformation Program (ETP) to transform the country into high income economy. The Malaysia government has intended to increase the life insurance ownership among the Malaysians and increase the contribution to GDP to 4% which will involve approximately 75% of the population by year 2020 (Shen W., 2013). This shows that there is huge room to increase the life insurance penetration rate to 75% in 2020 from 42.83% in 2012.

Based on the statement of the Accenture Malaysia director of CRM management, Generation Y is definitely an important segment for the

businesses, as the Generation Y represents around 26 % to 30 % of the total global customer market (Seong L., Yee L., and Ang E., 2009),. Besides that, Sukumaran T., (2012), mentioned that the generation Y makes up approximately 40% of the total population in Malaysia, which are 28.9 million citizens. In order words, the generation Y will be the main target customer segment for the businesses which included the life insurance company in Malaysia. Based on the Vincent Kwo, president of LIAM, mentioned that the younger citizens should invest in insurance policies early, as they were a valuable financial asset that everyone should have (The Edge, 2013). Hence, the Generation Y is an important segment for the life insurance industry to reach the 4% GDP of total premium and 75% penetration rate that targeted by the Malaysian government.

1.4 Research Objectives and Research Questions

The principal research objective is to investigate the factors that influence the purchase intention toward the life insurance policies among the Generation Y in Malaysia. The research question will mainly focus on the relationship between different kinds of factors and the purchase intention of Generation Y toward the life insurance policy. The specific objectives and questions are:

1.4.1 Research Objective

- To identify the factors affecting the purchase intention on the life insurance among the Generation Y Malaysian.

- To determine the most contribution of product knowledge, perceived benefit, perceived risk, attitude, social influence and self-efficacy factors affect the Generation Y's purchase intention.