



Purchase Intention of Microinsurance: by Client Value or Trust?

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Abstract: This research is a pre-test research that has a purpose to find out the purchase intention of microinsurance would be triggered by client value or trust and which one would significantly contribute on this relationship. The pre-test research used primary data by spreading the questionnaires to 177 respondents who lived in Jakarta. The analysis method was Component Based Structural Equation Modeling (CB-SEM) or Partial Least Square (PLS) by using WarpPLS software version 3.0. The results were Trust has a significant relationship to Purchase Intention, Client Value has insignificant relationship to Purchase Intention, but if there was Trust, it will increase the Purchase Intention.

Keywords: *Customer Value, Trust, Purchase Intention, and Microinsurance*

1. INTRODUCTION

In the last decade, there was a microinsurance topic in insurance industry. It was a hot topic that could support economic growth in a country, whereas protects the low income people towards unexpected risks, such as the breadwinner got hospitalized or the family house got fire. Microinsurance was very interesting to be run in Indonesia, because the potential market was very big with 110 million people^[1]. The other hand, Noor^[2] said that microinsurance could make a profit contribution to company who run this business, then micro banking and micro financial institution also need microinsurance to cover their customers risks those related to credit loan and mortgage; the other hand, there is a law of the large number whereas insurance risk could be spreaded in small amount with big population, therefore the claim frequency could be predicted, so do the claim reserve^[3]. But the reality, there were not many insurers went to this market and in the other hand, there were not many customers would purchase microinsurance product.

Referring to the above phenomenon, it would because of the product itself did not has value add that support the customer to get the benefit he or she expected, it is called as client value^[4]^[5]. The other cause, it might because of there is no trust or the customer trust is very low whereas trust itself should increase the customers demand even though they were not familiar with the product^[6].^{p.4}. So, trust itself could influence the customer purchase intention^[7].^[8]. Furthermore, this research is a pre-test research to find

out the relationship among client value, trust and purchase intention of microinsurance product.

2. THEORETICAL FOUNDATION

Microinsurance is a protection against a particular risk for people on low incomes with compensation in the form of premium payments proportionately on the cost of risk guaranteed^[9].^{p.12}. Further said that microinsurance is intended for people who are ignored by commercial insurance and social insurance or also to those who do not have the opportunity to access insurance.

Blattberg & Deighton (1996)^[10], stating the value of the customer as customer capital as measured by a comparison between what is issued by the seller for costs incurred to acquire customers with what they spend to retain customers. Customer value in the microinsurance can be increased in each stage by incorporating value-added services, combining insurance with other financial services, and the use of technology without losing touch with the customer. Other stakeholders, such as policy makers and investors / provider fees can perform an important role in the environment in order to accommodate the customer value can be improved, including a balance between client-centric innovation (standardization claims), customer protection and solvency^[5]. Then, those were expected to change the level of confidence of the customers^[11].

The level of confidence (trust) refers to the clumps of social psychology and marketing (Doney & Cannon,

1997^[12]). In Lindgreen^[13], p.313, citing the definition of trust of Lewin and Johnston (1997, p.28), Deutsch (1960), Mayer et al (1995), and Moorman et al (1992) was a "willingness to rely on an exchange partner in whom is confidence". The meaning of the sentence is the creation of a trust (confidence) between one partner with another partner (benevolence) and their credibility among partners (credibility). Several other researchers concluded that the trust can provide performance against expectations without involving vulnerabilities between customers (Hassanein & Head, 2007; Pavlou & Fygenson 2006^[12]). Studies conducted by Berry (1995) on the relationship marketing in the growing interest in services said that trust was the only strongest power tool of relationship marketing to purchase intention^[14].

According to Schiffman and Kanuk^[15], purchase intention can be recognized as a reflection of purchasing behavior. The greater the intention of purchase, the greater the desire of buyers to buy products. In the world of marketing, purchase intention is often used to predict subsequent purchase action. Interest in the purchase can provide predictive value for forecasting because it provides a value for each respondent in order to independently insert / merge all possible factors that may contribute to the purchase decision. Intention is a strong indicator but it is not perfect for a future purchase behavior where there are a lot of diversity in the predictive capabilities throughout the product and the model predictions^[16].

3. METHOD

This study was a preliminary (pre-test) study of purchase intention of microinsurance. It used unit analysis of micro entrepreneurs in Jakarta. The time dimension of this study was cross-sectional whereas the questionnaire forms were distributed once in one time^[17]. The indicators of the variables studied referred to the study of literature. This study used ordinal scale, the determiner value "greater" or "less than" in conducting the initial screening of the respondent data. Respondents were asked to indicate their preference of five numbers of Likert scale, from 1 as a worse or un-preferable option to 5 as the best or preferable option.

The sampling method used was non probability sampling, that the sampling process which is likely to be elected as a sample of unknown^[18], p. 330. Further in the sampling in this study, the method used was judgment sampling, methods of non-probability sampling in which respondents were selected because they have the experience and personal beliefs that fit the needs of a good study because only respondents who had information or to confirm some of the criteria specified by researchers or purposive sampling^[19]. The study population was the micro entrepreneurs who are in the area of Jakarta, where, according to data from the Department of Cooperatives, Micro, Small and Medium Enterprises and Trade of the Province of Jakarta, is as

much as 92,715 people. Because of this study was a pre-test and using judgment sampling method, the number of samples used were referring to the rough guidelines of ten rules of thumb^[18]; whereas the maximum number of structural path to endogen construct were two, then the sample needed were 20 respondents. This study used 177 respondents as sample.

The primer data were analyzed using PLS method those could give a theory prediction and theory confirmation. The software used was WarpPLS ver. 3.0.

A. Construct

(i) Trust. The first theory of process-outcomes model of trust appointed by Johns (1996), in which the trustor collects information from two sources, namely the trustee and the situations, processes, and establish trustworthiness belief^[14]. The model suggests that the importance of trustworthiness belief in the process of establishing trust. However, although various studies of trust have been conducted for several decades with several factors that precede trust; namely the ability, benevolence and integrity^[20]. They were divided into some indicators of competencies, skills, affective benevolence, normative benevolence calculative benevolence, consistency, fair and honest.

(ii) Customer Value. This value in the micro-insurance can be increased in each stage by incorporating value-added services, both physically and benefits where the benefits of the product are expected to meet customer needs or at least as an initial investigation when there is risk or unexpected disaster^[5]. In this study, the dimensions of customer value were product design, product benefit, demand and impact^[11], whereas divided into some indicators of simple, understandability, accessibility, affordable, benefit, support, general applied, tailor made, peace of mind and premium allocation.

(iii) Purchase Intention. The measurement of the purchase intention variables were conducted^[21] by using three indicators, namely: the willingness to buy of product compared with other products, willingness to recommend to others, and intention to buy product in the future. Therefore in this study, the indicators referred to willingness to buy the product, up-selling (buying more than one product, willingness to buy over price, ability to buy over price).

B. Analysis Method

The analysis used Sequential Equation Modeling Partial Least Square (SEM-PLS) by Wold to test theory development of this study. SEM-PLS is soft modeling analysis method, which can be applied at all scales of either nominal, ordinal, or interval, negating the assumption of normality (not require normally distributed data) and can work with a small sample size. In addition, SEM-PLS is used to describe the relationship between latent variables or prediction^[22], it may also be used where the theory has not evolved to

predict or explain constructs or latent variables are being targeted [23].

It was deliberately presented on the relationship of client value to purchase intention of microinsurance with or without the intervening variable of trust. Reflective indicators were used in this study.

4. RESULT AND DISCUSSION

A. Research Measurement

First, Direct Effect Model measurement. It was conducted to determine the effect and significance of the estimated coefficients between constructs paths when not using mediation construct. Direct Effect model in this study had a path coefficient of 0.565 (in the figure rounded to 0.57) and significant at 0.001. That is, if there was no other constructs as mediation, Customer Value would influence Purchase Intention as much as 56.5% and the rest was influenced by other factors. So this study would measure if the model used variable Trust as intervening variable of Client Value and Purchase Intention.

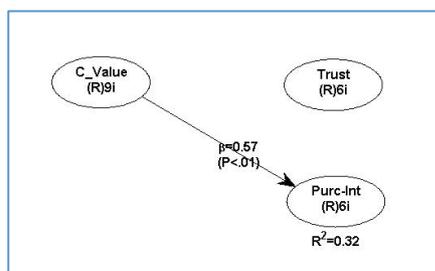


Fig.1. Direct Effect Model

Second, Outer Model Measurement. These measurements aimed at measuring instrument or questionnaire in order to qualify to construct reflective convergent validity. In order for convergent validity criteria were met, then loading should be above than 0.7 with significant p values (<0.05) and loading it into another construct (cross-loadings) has a lower value than its construct [18].

After processing the data, all indicators were valid, but indicator of Up Selling on Purchase Intention construct ineligible convergent validity. Thus, this indicator were removed so that the convergent validity and Average Variance Extracted (AVE) will be eligible. Against the indicators value were still between the loading from 0.4 to 0.7, may still be considered to be maintained [18] for having contributed the contents of construct validity. Then the data were reprocessed and the final result was described in Table 2 below, all indicators were valid and eligible to convergent validity.

In Table 2, CV_Des_ constructs had greater loading value than other constructs (0.693). This shows that the indicators CV_Des_ met the criteria of discriminant validity. Similarly to other indicators, the loading of the construct of origin was greater than the value of loading to other constructs.

Table 1. Combined and Cross-Loadings

	C_Value	Trust	PurcInt	SE	P value
CV_Des_	0.693	-0.268	-0.086	0.089	<0.001
CV_Des_	0.796	-0.091	-0.143	0.056	<0.001
CV_Des_	0.848	-0.084	-0.027	0.075	<0.001
CV_Des_	0.85	-0.056	-0.047	0.072	<0.001
CV_Ben_	0.822	0.101	-0.072	0.062	<0.001
CV_Dem_	0.556	0.464	-0.06	0.062	<0.001
CV_Dem_	0.682	0.069	0.117	0.063	<0.001
CV_Dem_	0.667	0.059	0.197	0.07	<0.001
CV_Imp_	0.681	-0.072	0.172	0.063	<0.001
Tr_Abl_	-0.026	0.901	0.022	0.064	<0.001
Tr_Int_	0.087	0.863	0.075	0.048	<0.001
Tr_Beno	-0.05	0.846	-0.047	0.061	<0.001
Tr_Beno	-0.022	0.924	-0.007	0.052	<0.001
Tr_Int_	0.044	0.921	-0.014	0.061	<0.001
Tr_Int_	-0.034	0.859	-0.03	0.064	<0.001
Pl_Self	-0.14	0.426	0.717	0.089	<0.001
Pl_Cros	0.147	-0.256	0.538	0.08	<0.001
Pl_Futu	-0.01	-0.245	0.734	0.083	<0.001
Pl_BuyO	0.047	-0.108	0.821	0.07	<0.001
Pl_Reco	-0.016	0.158	0.635	0.098	<0.001

At the other way, the value of Average Variance Extracted (AVE) and composite reliability (CR) some constructs are already above the limit (validity criteria), specifically AVE to construct Purchase Intention (PurcInt) still qualify the validity (above 0.5).

Table 2. Average Variance Extracted (AVE) and Composite Reliability (CR)

	C Value	Trust	PurcInt
AVE	0.546	0.785	0.484
CR	0.914	0.956	0.822

Third, Inner Model Evaluation. The R-squared coefficient is the coefficient of determination that indicates the percentage of variance endogenous construct influenced by exogenous construct, the higher the R-squared showed a good model [23]. R-squared coefficient in the table above in Customer Value (C_Value) can be explained by the variance Trust (Trust) and Purchase Intention (PurcInt) amounted to 45.4% and 42.2%.

Table 3. R-Squared and Q-Squared

	C_Value	Trust	PurcInt
R-squared coefficients		0.454	0.422
Composite reliability coefficients	0.914	0.956	0.822
Cronbach's alpha coefficients	0.893	0.945	0.727
Average variances extracted	0.546	0.785	0.484
Q-squared coefficients		0.455	0.427

Q-Squared coefficient is a measure of non-parametric ang used to assess the predictive validity of a set of latent exogenous constructs on endogenous constructs [23]. In table above, the Q-squared coefficient value is greater than zero, indicating good predictive validity of which 0,455 and 0,427. Instruments for measuring reliability in this study could be seen in the value of composite reliability and conbranch's alpha, both value must above than 0.7 [23]. It indicates that the reliability of the instrument have been met.

For the correlation between variables, it can be shown in table below where the correlation coefficient between the latent variables and significance (p values) were useful to evaluate the discriminant validity of research instrument. The criteria used to seeing diagonal column which is the square root of the AVE, where the value should be higher than the correlation between latent variables in the same column.

Table 4. Correlation Of Latent Variables

	C Value	Trust	PurcInt
C Value	0.739	0.673 P Value<0.001	0.519 P Value<0.001
Trust	0.673 P Value<0.001	0.886	0.629 P Value<0.001
PurcInt	0.519 P Value<0.001	0.629 P Value<0.001	0.696

B. Hypothesis Statement

Hypothesis test was evaluated through a comparison made with T-Statistic value and t-table significance, which in this study sig used was 5%; if the p-value above 0.05, then Ho would be accepted and if the p-value was below 0.05, then Ho would be rejected and Ha would be accepted. The reference value was the path coefficients that is shown in table below.

Table 5. Path Coefficient and P-Value

	C Value	Trust	PurcInt
C Value			
Trust	0.674 p value<0.001		
PurcInt	0.27 p value<0.001	0.45 p value<0.001	

- The relationship of Client Value to Trust
Ho: Client Value has no significant relationship to Trust

Ha: Client Value has significant relationship to Trust

Decision Making:

- If p-value ≥ 0.05 , then Ho will be accepted.
- If p-value ≤ 0.05 , then Ho will be rejected and Ha will be accepted.

Result:

P-value = 0.001 < 0.05, then Ho will be rejected and Ha will be accepted.

Summary:

There was relationship between Trust simultaneously to Purchase Intention (PurcInt) amounted to 67.4% with significant influence and the rest have been affected by the other variables outside study as much as 32.6%.

- The relationship of Client Value to Purchase Intention

Ho: Client Value has no significant relationship to Purchase Intention

Ha: Client Value has significant relationship to Purchase Intention

Decision Making:

- If p-value ≥ 0.05 , then Ho will be accepted.
- If p-value ≤ 0.05 , then Ho will be rejected and Ha will be accepted.

Result:

P-value = 0.001 < 0.05, then Ho will be rejected and Ha will be accepted.

Summary:

There was relationship between Client Value simultaneously to Purchase Intention (PurcInt) amounted to 27% but no significant influence, therefore it would be affected by the other variables outside study as amounted 73%.

- The relationship of Client Value that was mediated by Trust to Purchase Intention

Ho: Client Value that was mediated by Trust has no significant relationship to Purchase Intention

Ha: Client Value that was mediated by Trust has significant relationship to Purchase Intention

Decision Making:

- If p-value ≥ 0.05 , then Ho will be accepted.
- If p-value ≤ 0.05 , then Ho will be rejected and Ha will be accepted.

Result:

P-value = 0.001 < 0.05, then Ho will be rejected and Ha will be accepted.

Summary:

There was relationship between Client Value that was mediated by Trust simultaneously to Purchase Intention amounted to 45% with significant influence and the rest have been affected by the other variables outside study as much as 55%.

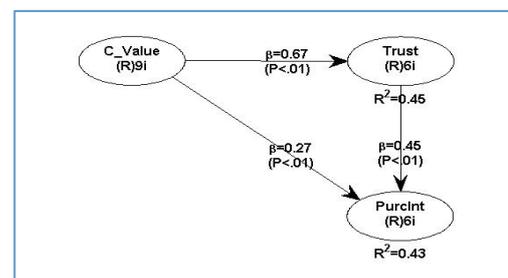


Fig.2. Research Model

5. CONCLUSION AND SUGGESTION

Referring to the result of this study, several conclusions could be summarized as follows: (i) Trust directly affected the Purchase Intention of 67.4%. It could be considered important, because one of the important things that customers would buy microinsurance products was the trust factor; (ii) Customer Value create a relationship of trust to customers as much as 27%. This means that it needed the other factors that could improve relations

significantly; and (iii) Customer Value could be contributed to create the Purchase Intention if there was a Trust factor. Trust itself might be influenced by out of the other factors of this study. The simultaneous impact of Client Value and Trust to Purchase Intention was 43%, which was medium. It means Client Value and Trust should blend together beside the other construct that might be developed further.

Some suggestions for the insurance industry is the insurers need to pay attention to the benefits of products in order to create trust from the customers before getting intentions. It because of the result showed the relationship between customer value to purchase intention, required the trust factor. For further research, it is necessary to redevelop the client value definition in terms of public understanding of insurance and the utilization of information technology should be considered in relation to make client value of microinsurance product better, which will be created in the business process efficiency factors.

6. REFERENCE

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