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A Study of the Socio-Cultural Factors That Influence Algerian Consumer Attitude towards Insurance Products

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Abstract

This study contributes to a deeper understanding of the impact of various sociocultural factors on the attitude of the Algerian consumer towards insurance services; it analyzes the relationship between some independent variables, such as demographic, cultural and social factors, and the consumer attitude as the dependent variable in the Algerian insurance market.

The study is based on primary data collected from 260 users of insurance products, it used the survey method was used to build a scientific framework for this study. The data were analyzed using (SPSS) V21, (AMOS) V22 through Structural Equation modeling.

The result of this study indicates that the "religious factor" has negatively affected the attitude of Algerian consumer towards insurance products, were some insurance products conflict with religious values and beliefs of the Algerian consumer, while the (reference of family/friends) factor did not have an influence on the Algerian consumer attitude towards insurance services.

Introduction

Insurance companies in Algeria are notoriously slow at processing claims, which partly explains the low penetration rate, with 75% of the market share but the insurance penetration rate is still very low (0.7% of the GDP). Global reinsurer Swiss Re ranked Algeria as the 67th largest country in the world by total insurance premiums and the 6th largest in Africa in its "Sigma World Insurance in 2013" report, which used estimates for 2013 figures based on the country's 2012 penetration rate and the market is heavily dominated by the non-life insurance segment. The penetration ratio is extremely low, especially in the life insurance segment.

The Algerian government is planning large-scale infrastructural investments, which are seen as the likely key driver of growth in the local insurance industry for the next few years.

According to CAN, National Insurance Council (Conseil National des Assurances), the motors, property, and casualty segments account for the bulk of the sector. Beyond that, trust in insurance is lacking, and there is only a rather limited awareness of the benefits it offers. Also, for large segments of the population, insurance is often unaffordable. To fully tap the potential of insurance, affordable and tailored products for emerging markets are needed that give consumers a positive experience and build trust.

There are number of factors That Influence Algerian Consumer Attitude towards Insurance Products in Algerian's market. However, in this research, focus is to study the socio-cultural factors that influence Algerian consumer attitude towards Insurance Products.

Many theories and models identify the consumer. This research is limiting itself on the scenario to identify consumer attitude variables in the buying process of Insurance Products in Algeria. Consumer behavior would be changed according kinds of products. Therefore, different factors have different importance in the eye of consumer based on different kinds of Insurance Products.

Previous researches

Studies on the determining Factors That Influence Consumer Behavior Towards Insurance Products have been conducted by Arpah et al. [1], Sen [2], Tooth [3], Kirigia [4], Rani [5]. These studies observed the linkage between the economic and demographic variables and the demand for insurance services.

study by Arpah et al. [1], is regarded as a pioneer in this area. He found that, income level, age, gender, race-religion, education level, job sector and risk attitude affected the decision to purchase while for the non-salaried individuals, the factors that affected the decision to purchase health insurance were race-religion, education level, marital status.

Studies conducted by Tooth [3], Sibel and Mustafa [6], Rani [5], Hendon [7] have similar results. According to them, the central factors that affect Consumer Behavior towards Insurance Products are income, inflation, price of the insurance. Another political factor identified is income inequality. Social factors relate to variables such as culture, religion, dependency ratios, life expectancy and education. These studies are important since the crucial factors that affect demands for life insurance such as income, inflation and the premium are also used in this research.

Study which observed demand for insurance products was also conducted by other researcher. According Bawa and Ruchita [8] have concluded the presence of seven key factors which are acting as barriers

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to subscription to health insurance. These were lack of funds, lack of willingness and awareness, lack of intermediaries, lack of reliability and lack of accessibility to services.

Also they have concluded that significant relationship exists between age, gender, education, occupation and income of the respondents and their willingness to pay for health insurance while no significant relationship was found between marital status and their willingness to pay for health insurance.

Moreover, based on the empirical findings, Loke and Goh [9] also found that, in Malaysia socio-economic factors such as age, income, education, occupation, marital status and risk aversion play significant roles in the demand for life insurance. However, gender and number of dependents are found to have no significant influence on the demand for life insurance.

This result is in line with the study conducted by Kirigia [4]. Determinants of health insurance ownership among South African women study was to examine the relationship between health insurance ownership and the demographic, economic and educational characteristics of South African women. Kirigia [4] found that the coefficients of the covariates for area of residence, income, education, environment rating, age, smoking and marital status were positive.

From the analysis by Sugirtha [5] they found that most of the sample respondents clearly explained that for their savings only they have demanded the insurance policies. In case of non-insurer, lack of income is one of the important economic factor for this non-demanding of insurance policies. Further, from the probit regression analysis, it is inferred that age, income and value of property have emerged significantly as determinants of demand for insurance. It is observed and we may conclude that the demand for insurance is not the purpose of risk aversion and savings. But people want to enjoy maximum benefit by paying minimum premium during their lifetime.

The results of this study show that the social and regulatory factors played crucial role in the consumer's decision in purchasing insurance. However, it was also found that the public at large is unaware about the benefits of insurance, and various types of insurance products. The insurance companies shall focus of promotional marketing strategies. The marketer's primary focus should be on promotional activities [10].

Moreover, Pooja and Pathania [11] was observed that there are 5 key factors by clubbing the related variables under it which are acting as barrier in the subscription of health insurance.

These are Formalities bottleneck, Agent related problem, coverage Issues, Awareness, Negative feedback. Besides this the association between the various variables linked with the respondents has been determined with awareness about health insurance and the results proved that there was no significant relationship between age, gender and awareness about health insurance.

Abdullah [12], this study is aimed at investigating the key factors that influence the demand for family takaful and comparing with its conventional counterpart. The findings of this study indicate that, four variables, namely "GDP (Gross Domestic Product) per capita", "education", "saving" and "religion" are significantly related to the demand for family takaful. On the other hand, there are three variables that significantly influence the demand for life insurance, namely "GDP per capita", "saving" and "religion".

This study reveals that, there are two factors that negatively influence the demand for family takaful i.e., Customer Price Index and Saving. Meanwhile, age, saving and religion are the three factors which give negative influence on life insurance. The findings also reflect higher public receptive to takaful as compared to the conventional insurance in the Malaysian market.

From the analysis by Siala [13] they found that religion can have a significant impact on consumers' choice when purchasing an indemnity service such as a car insurance service. Given the fact that religious values are persistent over time, there are some potential long-term benefits for companies that can identify the lucrative religious consumer segments that are present in the local and global markets.

Studies conducted by: Yusufet [14], Khan and Ghouri [15], Ulbinaitė [16], Petra [17] have similar results, According to them, the different factors that affect Consumer Attitude Towards Insurance Products are: Price ; Distance; Switching Cost; Service Quality Reputations; Involuntary Switching; Effective Advertising Competitions, media coverage of the causes of claims discount, Offer extension of insurance coverage.

Omar [18], the results of this study show that lack of trust and confidence in the insurance companies are the foremost reasons for not buying a life insurance policy in Nigeria. Relatively, less influential reasons for not buying a life insurance is lack of knowledge about insurance products.

Moreover, based on the empirical findings Jain [19] also found that, in this purchase decision process, demographic factor is the factor which has got the maximum of its effect in the purchase decision of the product and especially if that product is life insurance product. It is so because these factors incorporate other factors like economical, social, political and legal. These factors can influence the buying decision of the buyers to maximum extent viz. occupational factor (service/business), age factor, gender, and marital status factor and income level.

Gautam and Kumar [20], the results of this study show that socio demographic and economic variables have significant impact on Indian consumers' towards insurance services. All the nine variables mentioned in the study namely age, gender, marital status, level of education, household monthly income, mode of employment, professional inclination, mortgage property ownership, and insurance policy ownership were found to be significant in order to measure attitude with varying degrees.

Algerian Insurances Council, considered the reasons of the lack of development of insurance services as the following factors:

The long investment return, social and economical factors, the lack of consideration of the governments, professional regulations and administrative methods, the instability of economical policies, high inflation rate, low income, the lack of variety of the product in accordance with the demand of the society,

Objective of the study

This study contributes to a deeper understanding of the impact of different socio-cultural factors on consumer attitude. It analyses the relationship between several independent variables, such as cultural, social, and religious, and consumer attitude (as the dependent variable) in the insurance market.

The purpose of our study is to determine the factors affecting consumer preferences and attitude in the insurance market in Algeria.

Problem statement

How can the socio-cultural factors impact Algerian consumer attitude towards insurance products?

Conceptual model

Based on the relevant literature discussed earlier, a conceptual framework for the impact of different socio-cultural factors on Algeria consumer attitude in Algeria is established (Figure 1).

Data and Methodology

For our research we focus on socio-cultural factors that Influence Algerian consumer attitude towards insurance services.

Measurement of variable

The attitude of consumer is the dependent variable and the socio-cultural factors are the explanatory variables in this study.

Independent variables and hypothesis

The attitude of consumer is the dependent variable and the independent variables, which are expected to affect the attitude of insurance by consumers. These variables include Socio-cultural Factors (religious, Reference by family/friends).

Hypothesis: H1 Socio-cultural Factors have an association with consumer Attitude.

H1-1 Reference by family/friends has an impact on consumer attitude

H1-2 Religious "Islamic principles" Factors have an effect on consumer attitude toward insurance products in Algeria.

An attitude in marketing terms is defined as a general evaluation of a product or service formed over time [21]. An attitude satisfies a personal motive and at the same time, affects the shopping and buying habits of consumers. Parner [22] defines consumer attitude simply as a composite of a consumer's beliefs, feelings, and behavioral intentions toward some object within the context of marketing. A consumer can hold negative or positive beliefs or feelings toward a product or service. A behavioral intention is defined by the consumer's belief or feeling with respect to the product or service.

The attitude formed as the result of a positive or negative personal experience. Maybe outside influences of other individuals persuaded the consumer's opinion of a product or service. Attitudes are relatively enduring [23].

Research Methodology

This research is focused on the Consumer attitude towards insurance products.

The study was exploratory in nature and aimed at exploring the factors, which formed the basis for selection of insurance products by individuals with survey method being used to complete the study.

Methods

Population and sample: Our attention has been paid to the survey methods, such as data collection and sample design, because of their effects on data quality.

Sample size and structure: The sample should be representative of the population and large enough to provide sufficient data for statistically reliable conclusions to be drawn.

Sampling units: The target population of the study includes the general population above the age of 19 years. The individual respondents for studying consumer-buying attitudes selected from different areas in Tlemcen - Algeria.

Research instrument: Structured questionnaire - Sample size - 300 respondents, in this study the Purposive Sampling Technique was used to collect data from the available samples falling under inclusion criteria.

Survey analysis: The basic research design utilized for this study will be using primary data by means of a questionnaire for collection of data.

The questionnaire is divided into two main sections.

The first section pertains to economic and demographic characteristics such as the age, gender, education level, occupation type, Income and geographical area.

In the second section, questions about the respondent's insurance purchase attitudes towards insurance products.

Research instrument

The questionnaires were designed to obtain the primary data. Details of measurements are as follows:

1.   For the demographics age, gender, occupation type, and monthly salary income, the respondents were asked to tick the respective boxes groupings.

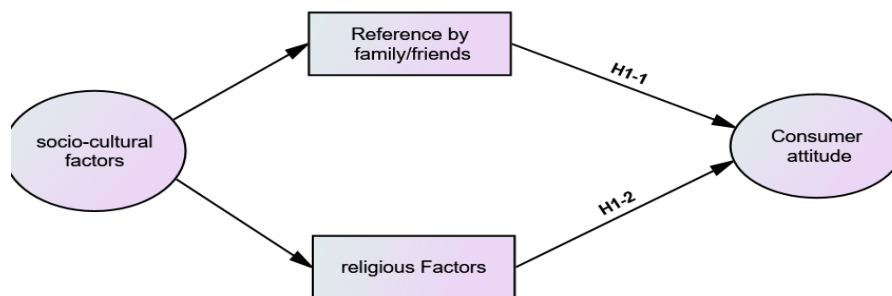2.   For the Attitude, The response categories were expanded

Figure 1: Theoretical framework of the Impact of the socio-cultural factors to Algerian consumer attitude towards Insurance products.

using Likert type five point scaling. All items were measured by scores ranging from 1(strongly disagree) to 5(strongly agree).

The aim of the survey was to obtain information regarding the influences of the socio-cultural factors on consumer attitudes when Algerian consumers purchase insurance products.

Model and data

After completing the literature review, we decided to create a research model and implement it to understand and analyses how attitude of Algerians consumers made purchase decisions in the insurance services.

For our research, we focus on socio-cultural factors that determine attitudes of Algerian consumers towards insurance services in Algeria. In order to get more observations we used

Scale items development

Table 1 describes type and sources of data which is used in this study.

Results and Discussion

The data analysis is divided into two sections the first section consists of descriptive statistics that were used to study the demographic characteristics, the second section consists of hypotheses testing

Descriptive statistics

Demographic profile of the respondents: From 260 respondents, 70.4% of the respondents are male and the remaining 29.6% of the respondents are female. 35.8% of the users of insurance were from the age group of 30-40 years, 26, 9% were between 41 and 51, and 2, 3% were over 63 years. 54, 2% users were University graduates and 11, 2% were having other diploma certificates.

It is found from the above Table 2 that 26.5% of the users of insurance were from administrative sector. 10.8% of the respondents are students.

It is clear from the above table that 35% of the respondents receive monthly salary between 30000 and 49999 DA.5.8%of the respondents receive monthly salary more than70000DA. Majority of the respondents 80.8% belong to the urban area (Table 3).

Analysis of findings

Validity measures: In applying SEM, the validity of the model is a very important component. In general, this is measured through confirmatory factor analysis (CFA), whereby one of the main objectives is to assess construct validity of a given model. The latter is the extents to which a set of measured items reflect the latent construct those items are designed to measure. Construct validity is made of four main components i.e. convergent validity, discriminant validity, face validity as well as homological validity. Convergent validity means that the

Variable	Items	Reference
Socio-cultural Factors	Reference by family/friends	Lada et al. 2009 Bearden et al., 1989 Tulin Ural, AsliKucukaslan 2011 Charles Ackah and AdobeaOwusu 2012
	Religious	Worthington, Wade, Ripley, McCullough, Berry and Schmitt, 2003. Harold G. Koenig ,and Arndt Büssing 2009. S. Abdul Shukor and Ahmad Jamal Zaid Ahmad Ansari 2012 Nwankwo Samson Ifejionu2013 Charles Ackah and AdobeaOwusu 2012

Table 1: Describes type and sources of data which is used in this study.

Variable	Frequency	Percentage
Age		
19-29	32	22,6
30-40	94	36,0
41-51	70	26,8
52-62	59	12,3
Over 63	6	2,3
Gender		
Male	183	70.4
Female	77	29.6
Occupation		
Unemployed	19	.8
Administrative sector	69	26.4
Industrial sector	22	8.4
Service sector	49	18.8
Agricultural sector	2	7.3
Private sector	54	20.7
Student	28	10.7
Retired	18	6.9
Education		
Primary	2	,8
Medium	13	5,0
Secondary	75	28,7
University	142	54,4
Other	29	11,1
Income		
0-18000	52	19,9
18000-29999	56	21,5
30000-49999	92	35,2
50000-69999	46	17,6
70000 +	15	5,7
Resident		
Urban	211	80,8
Rural	50	19,2

Table 2: Demographic profile of participants (n=260).

Descriptive Statistics			
	N	Mean	Std. Deviation
Gender	260	1,3731	,48456
Age	260	2,3577	1,03554
Occupation	260	3,4500	2,00227
Education	260	3,7000	,76254
Income	260	2,6769	1,15056
Residence	260	1,1885	,39183
Valid N (listwise)	260		

Table 3: Descriptive statistics.

items measuring a specific construct should share a high proportion of common variance. There are several tools to assess convergent validity of the model. According to "Hair et al" the most popular of which are average variance extracted (AVE), factor loadings, as well as reliability measures (e.g., Cronbach Alpha). The authors suggest that an AVE value as well as a factor loading of 0.5 and above is acceptable. This requirement is met since all the factor loadings are greater than 0.5, and the AVE values are at least 0.522. Likewise, the Cronbach Alpha values below are acceptable since they are greater than the threshold of 0.6 suggested by "Hair et al." Hence, it can be concluded that the model has convergent validity (Table 4).

Measurement model

Validation of the measurement model is a necessary step to

hypothesis testing through SEM. The measurement model's fit indices shown in Table 5 indicate that the Chi square value is 261, the degree of freedom is 261, the normed Chi square is 1.863, RMSEA Index is 0.063, and CFI value is 0.963. In general these indices are considered

Each statement was loaded at a significant level of 0.000		Estimate
(att3)	att	.889
(att2)	att	.870
(att4)	att	.758
(reference4)	refer	.892
(reference1)	refer	.855
(religious7)	reg	.871
(religious5)	reg	.915
(religious2)	reg	.895
(religious1)	reg	.868

Table 4: Confirmatory factor analysis.

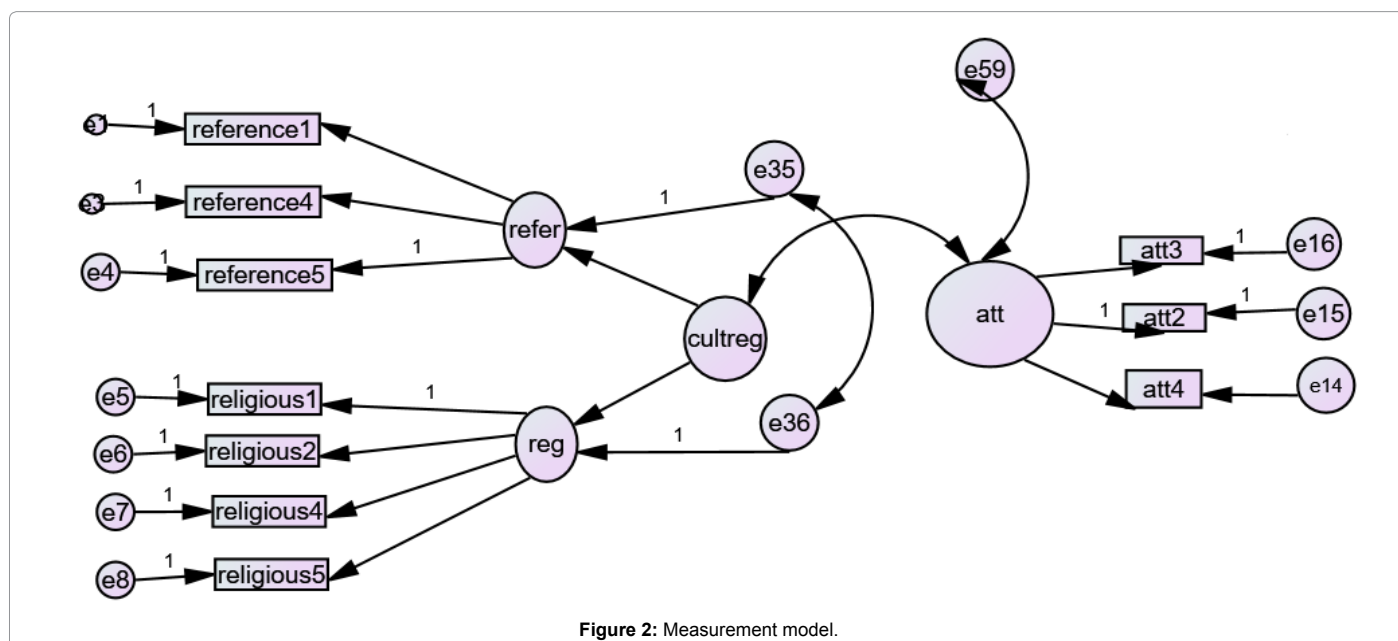| Fit indices	Value
Joreskog GFI	|>0.500,864
Joreskog AGFI	0.50<0,831
TLI	0.50<0,957
CFI	0.50<0,963
Steiger and Lind RMSEA Index	0,063
SRMR	0,0272
NFI	0,929
P- Level	0.00
Chi-Square/Df	5<2.033
Independence Model Chi-Square	P=0.000530.588
Degrees of Freedom	261

Table 5: Measurement; Structural model fit indices.

acceptable based on "Browne and Cudeck", "Hu and Bentler" as well as "Kim and Forsythe". Thus, the measurement model in Figure 2 is valid and hypothesis testing can be conducted.

Structural model

The structural model in Figure 3 as well as the model summary in Table 5 show a Chi square value of 530.588, a normed Chi square of 2.033, an RMSEA of .072 and a CFI value of 0.963 which is good and acceptable model fit based on "Browne and Cudeck", "Hu and Bentler" as well as "Kim and Forsythe" (Table 6).

Test hypotheses

Effect of reference of friends/family factor on the attitude of the consumer towards insurance services, the statistical test did not show a statistically significant correlation between the consumer's attitude towards the purchase of insurance services and (reference of friends/family factor) so that the T Student test was insignificant [T> | 1.96 | p <0.05], hence hypothesis 1 is rejected.

The impact of religious factor on the attitude of the consumer towards the insurance services. The second independent variable relates to the religious factors, which was negatively correlated with the attitude and significant [β=-0.695, T<-8.59, P<0.05]. In this context, we can say that the religious bias of the consumers in question adversely affects 70% of their attitudes toward the insurance service.

The results of this test confirm the validity of the hypothesis.

Analysis and discussion of results

This study aimed to identify the various sociocultural factors that

The relationship between the independent variable and the dependent variable	Regression coefficient β_i	T Statistical	Qualitative error ξ_i	Probability level p
Reference by friend/family>consumer attitude	.183	3.016	0.051	**0.003**
Religious factors>consumer attitude	-.695	-8.597	0.067	**0.000**
H1-1 Reference by family/friends has an impact on consumer attitude >is rejected. H1-2 Religious "Islamic principles" Factors have an effect on consumer attitude> is supported.				

Table 6: Analysis of the correlations between variables.
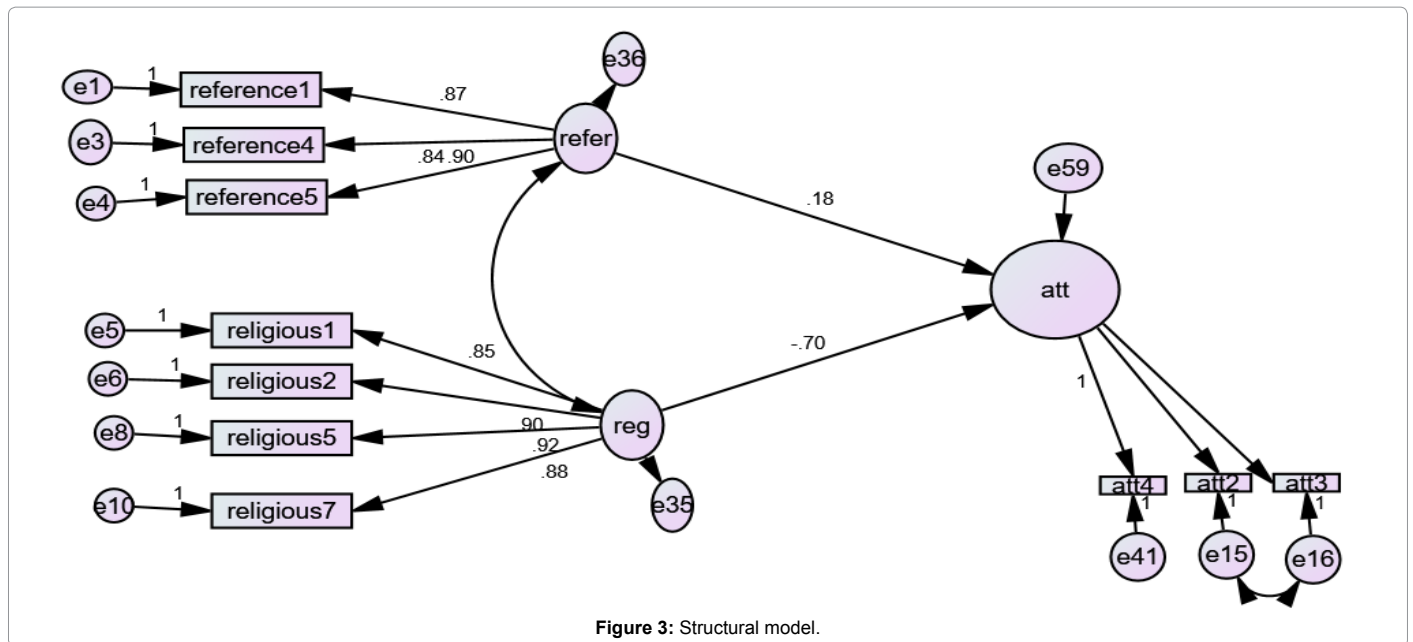

Figure 2: Measurement model.

Figure 3: Structural model.

would affect the attitude of the Algerian consumer towards insurance services. The results of the analysis showed that:

There is a statistically significant relationship between the variables of the study (religious factors/consumer attitude) as the religious aspect affects the attitudes of Algerian consumers towards insurance services; were some insurance products conflict with religious values and beliefs of the Algerian. This is in line with the findings of the Study of "Saaty and Ansari [10]" in Saudi Arabia and study, "Arpah et al. [1] "in Malaysia and "Jain [19] "study on Indian consumer, "Sen [2]" and study "Swiss [24]" conducted in Iran [25]. On the other hand, our study contradicted with the findings of "Siala [13]" study conducted on the Nigerian consumer; as well as the study of "Ulbinaitė [16]".

Conclusion

The verification of the hypotheses in this paper leads to two conclusions

1.   The Religious factors has a significantly negative influence on Algerian consumer attitude toward insurance services;

2.   Reference by friend/family factors has a no significantly influence on Algerian consumer attitude

The goal of this research was to determine the socio-cultural factors that influence Algerian consumer attitude towards insurance products.

This paper draws out two important findings in the attitude of Algerian consumer towards insurance products. Generally, it can be concluded that the factor influence Algerian consumer attitude towards insurance products is the Religious factors.

The current study has a number of limitations that should be taken into account in the future studies in this area. The future studies are also recommended to extend these findings to other contexts and preferably using other models as well.

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