



**THE EFFECT OF CUSTOMERS' ATTITUDE ON  
GENERAL INSURANCE PURCHASE INTENTION IN THE  
INSURANCE SECTOR IN ADDIS ABABA, ETHIOPIA**

**ADDIS ABABA UNIVERSITY  
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**October, 2018  
Addis Ababa  
Ethiopia**

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INSURANCE SECTOR IN ADDIS ABABA, ETHIOPIA**

**Addis Ababa University College of Business and Economics  
School of Commerce Marketing Management Graduate  
Program Unit**

**A Thesis Submitted to the School of Graduate Studies of Addis  
Ababa University School of Commerce in Partial Fulfillment for  
the Award of Masters of Arts degree in Marketing Management**

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## **Statement of Declaration**

I, Meron Mengistie, hereby declare that this research paper entitled “**The Effect of Customers’ Attitude on General Insurance Purchase Intention in the Insurance Sector in Addis Ababa, Ethiopia**” is my original work and has not been used by others for any other requirements in any other university and all sources of information in the study have been duly acknowledged.

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Candidate’s Name

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**Date**

## **Statement of Certification**

This is to certify that Meron Mengistie Mekonnen has carried out her research on the topic entitled “The Effect of Customers’ Attitude on General Insurance Purchase Intention in the Insurance Sector in Addis Ababa, Ethiopia”. It’s original work and suitable to submission for the award of Masters Degree in Marketing Management.

---

Mulugeta G/Medhin (PhD)

(Advisor)

October, 2018

## ACKNOWLEDGEMENTS

At first, glory to the Almighty God and St. Marry for all the blessings that made me accomplish this study. Next, I would like to extend my deepest gratitude to my thesis advisor, Mulugeta G/Medhin (PhD), for his availability, patience and helpful guidance. Without his determined advice and mentorship, this research wouldn't be completed successfully. My sincere regards also goes to Temesgen Belayneh (PhD) for his suggestions as he was the internal examiner. I am also grateful for Tewodros Mesfin (PhD) and Mesfin Workineh (PhD) for all their cooperation.

My cordial appreciation also goes to Nani, my best friend & hubby, for all the inspirations, commitment and love. You are exceptional!

I would also like to express my heartfelt gratitude to my family: my mother Tewabech Alemu and my father Mengistie Mekonnen, and my brothers (Minwuyelet, Gedlu, and Tsegab), for their unreserved support, which I am forever indebted. Bless you all!!! Besides, I am so grateful for my friends Getinet and Yodit for her guidance and encouragement.

Last but not least, I would like to thank the Branch Managers of EIC, NICE, Berhan, Tsehay and Bunna insurance companies for assisting me to contact their customers and also all respondents who were willing to take their time in filling the research questionnaires.

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## List of Acronyms

|                 |   |
|-----------------|---|
| ANOVA           | Analysis of Variance                    |
| CO              | Cognition                               |
| EA              | Emotional Affect                        |
| EIC             | Ethiopian Insurance Corporation         |
| NICE            | National Insurance Company of Ethiopia  |
| SN              | Subjective Norm                         |
| SPSS            | Statistical Packages for Social Science |
| PI              | Purchase Intention                      |
| TORA            | Theory of Reasoned Action               |
| $\alpha, \beta$ | Coefficients of an Equation             |

## ***Abstract***

*The main objective of the study is to investigate the effect of customers' attitude on general insurance purchase intention in Addis Ababa, Ethiopia. In this research, customers of general insurance service were targeted as the population while Cognition, Emotional Affect, and Subjective Norm were taken as predicting variables towards Purchase Intention as dependent variable. The researcher used questionnaire written both in Amharic and English to collect relevant data for the research questions from 423 sample respondents of five insurance companies which were selected using convenience sampling. From the total questionnaires distributed, 386 were considered valid for analysis. The analysis was performed using frequency, mean, standard deviation, correlation and regression by means of SPSS software. Then the collected data were analyzed and interpreted. And the findings of the study reveal that all the independent variables: Cognition, Emotional Affect, and Subjective Norm have a positive and significant effect on purchase intention. Pearson correlation and multiple regression analysis were used to examine the relationship between the independent variables and Purchase Intention using SPSS version 20.0 and the findings showed that all the independent variables have a positive and significant effect on Purchase Intention. Thus insurance companies should give due emphasis to address these elements for increment of their volume of customers.*

***Keywords:*** *Purchase Intention, Cognition, Emotional Affect, and Subjective Norm*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the Study

An individual's attitudes constitute his mental set that affects how he will view something, such as a window provides a framework for our view into or out of a house. "The window allows us to see something, but the size and shape of the frame prevents us from observing other elements. In addition, the color of the glass may affect the accuracy of our perception, just as the 'color' of our attitudes has an impact on how we view and judge our surroundings." Thus, it is an individual's point of view toward something, which may be a product, an advertisement, a salesperson, a company, an idea, a place or anything else (Newstrom & Davis, 1993).

Attitude positions people into a frame of mind of liking or disliking things, of moving toward or away from them (Kotler & Armstrong, 2007). It is acknowledged that people have attitudes toward almost everything - religion, politics, clothes, music, food (Kotler, 2004). In marketing context, it is stated that customers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect behavior (Brassington & Pettitt, 2003).

Attitude is a learned tendency to behave in a way that is pleasant or unpleasant to a particular object. There is general agreement that the attitude of studied, such an attitude is related to purchasing behavior is formed as a result of direct experience regarding the products, information was obtained verbally from others, or exposure by advertising in mass media, internet and various forms of direct marketing (Schiffman & Kanuk, 2008).

A marketer is challenged to understand the reason a particular attitude might exist. Perhaps the attitude formed as the result of a positive or negative personal experience. Maybe outside influences of other individuals persuaded the customer's opinion of a product or service. Attitudes are relatively enduring (Oskamp & Schultz, 2005).

Customer attitude simply is a composite of a customer's beliefs, feelings, and behavioral intentions toward some object within the context of marketing. A customer can hold negative or

positive beliefs or feelings toward a product or service. A behavioral intention is defined by the customer's belief or feeling with respect to the product or service (Perner, 2010).

Attitude measurement helps marketers in a number of ways. Attitudes customers hold toward a particular firm and its products greatly influence the success or failure of the firm's marketing strategy. If customers hold negative attitudes about one or more aspects of a firm's marketing practices, they may not only stop buying the firm's products, but may also influence others not to buy the same. Therefore, insurance marketers should also critically focus on their customers' attitude.

Insurance is a complicated and intricate mechanism, and it is consequently difficult to define. However, in its simplest aspect, it has two fundamental characteristics: Transferring or shifting risk from one individual to a group and sharing losses, on some equitable basis, by all members of the group (Vaughan & Vaughan, 2008).

Therefore, insurance focuses on spreading the loss over a large number of persons who have agreed to co-operate with each other at the time of loss. Hence, if a risk occurs, it cannot be averted but loss occurring due to that risk can be distributed among those people who previously agreed.

Globally, the history of general insurance can be traced back to the early civilization. As the incidence of losses increased with the advancement of civilization, slowly the idea and concept of loss pooling and loss sharing started taking roots. Historical facts show that the Aryans through their cooperatives practiced the loss of profits insurances. The Mediterranean merchants also practiced insurances from as early as the 4<sup>th</sup> century BC through the issue of bottomry bonds, which is an advance of money in a ship during the period of voyage, repayable on the arrival of the ship. The Code of Manu also indicates the practice of marine insurance by Indian with their counter parts in SriLanka, Egypt and Greece. Marine insurance is the oldest type of insurance originating in England, as early as in the 12<sup>th</sup> century. The earliest transaction of insurance as practiced today can be traced back to the 14<sup>th</sup> century AD in Italy (The Institute of Chartered Accountants of India, 2008).

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company. (Sambasivam & Ayele, 2013)

According to (Hailu, 2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase as cited by (Sambasivam & Ayele, 2013).

Ethiopia has one of the lowest insurance penetration rates in Africa. Insurance penetration i.e. the total written premium as a share of the country's GDP, its level in Ethiopia is very minimal amounting 0.43%. Trying to consider other Sub-Saharan Countries; the highest penetration rate is registered by South Africa, which is 16.99% and from East Africa, Kenya has the highest with a 2.83% penetration rate. Ethiopia is among the least enumerated countries and this depicts the low level of insurance development in the country, even by East African standards (Statista, 2017).

To overview the current Ethiopian Insurance Industry, the number of Insurance Companies operating in Ethiopia reached 17, out of which 16 are owned privately and the Ethiopian Insurance Corporation has solely remained a public insurance company. The total number of






branches reached 492 as of June 30, 2017, of which 263 (53.45%) are located in Addis Ababa and 84.8% of the total branches are private. Moreover, the ratio of population to insurance branches was 191,772 : 1 (National Bank of Ethiopia, 2017).

The major stakeholders in the insurance industry are the insurers, the insured, the regulator (in our case, the National Bank of Ethiopia), reinsurers and intermediaries (brokers, sales agents, reinsurance brokers, third party administrators, banks and shareholders (if applicable).

Further, insurance is classified depending on its type as Life & General (Non-Life) Insurance. In this study, the General insurance service is going to be considered. General insurance includes but not restricted to Fire, Consequential Loss, Engineering Insurance, Miscellaneous Insurance, Marine Insurance and Motor Insurance (Thangakone, 2001).The above mentioned services are provided by most of the insurance companies operating in Ethiopia.

### **1.1.1 Background of the organizations**

Among the 17 insurance companies operating in Ethiopia, five of them are selected for this study, and the basis for selection was establishment period. Following this, two companies are selected from the pioneers and three are selected among the recent companies. The following are the selected insurance companies:

-  Ethiopian Insurance Corporation
-  Nice Insurance S.C.
-  Berhan Insurance S.C.
-  Bunna Insurance S.C. and
-  Tsehay Insurance S.C.

Therefore, background of the insurance companies under the study is overviewed here under:

#### **Ethiopian Insurance Corporation**

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation No.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the thirteen

nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming the following objectives.

- Engage in all classes of insurance business in Ethiopia;
- Ensure the insurance services reach the broad mass of the people;

Subject to the provision of Article 18 of the Housing and Saving Bank establishment proclamation No. 60/1975, promote efficient utilization of both material and financial resources.

EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as public enterprise under proclamation number 201/94 with Birr 61 million (USD 7.13 million) paid up capital.

Upon re-establishment of the Corporation in 1994 as state owned enterprise, the law covers the following new objectives to the Corporation:

- Engage in the business of rendering insurance services;
- Engage in any other related activities conducive to the attainment of its purposes.

### **Nice Insurance S.C.**

NICE is the first wholly privately owned insurance company, established in post – 1994 Ethiopia, to engage in general insurance business. Its Head office is in Addis Ababa, Ethiopia, and operates through 35 Branch offices and 4 licensed Contact Offices located in Addis Ababa and different parts of the country. It started business transaction in October 1994.

The founding shareholders of NICE are prominent businessmen and professionals with wide knowledge and experience of the Ethiopian economy and business, and with extensive exposure of the economic activities and business realities of the outside world. The founding shareholders are committed to making the company sound, sturdy and efficient financial institution in Ethiopia.

The authorized Capital of the company is 84,864,000 Birr or 84,864- shares of 1000.00 Birr par value each. Currently, the paid up capital of the company stands at 70,019,051 Birr. The minimum shareholding is 50 shares, while the maximum shareholding allowed by law is 5 percent of the capital. Shareholding is allowed to Ethiopian Nationals only for the time being.

### **Berhan Insurance S.C.**

Berhan Insurance S.C. was established in October 30, 2010 with a paid up capital of Birr 9.7 Million, under proclamation No. 86/1994. Being initiated by Berhan International Bank S.C, the key founding shareholders of the Company were, four hundred fifty five in number, which comprised influential and well-known investors in the country.

The Company has started operation on June 1, 2011 and it has thirteen branches and 2 contact offices. The number of the company's shareholders is growing from time to time and has reached over 1,550 currently. Its current paid up capital has reached over Birr 86 million currently.

### **Tsehay Insurance S.C.**

Tsehay Insurance s.c. was established in March 2012 in accordance with the NBE proclamation No.86/1994 by 105 Ethiopian shareholders (individuals & enterprises) with a mission of providing general insurance services for the public. While starting operation, it's subscribed and initial paid up capital was Birr 45.1 and 11.2 million respectively. Currently, the company is owned by 148 shareholders and the authorized capital rose to Birr 120 million while the paid up capital become Birr 77 million. And the Company has 20 branches.

### **Bunna Insurance S.C.**

Bunna Insurance S.C. was established by 237 shareholders on the 25<sup>th</sup> of May 2013 with an initial Paid-up capital of Birr 6,715,000 to provide General Insurance Service to the public. The company registered by licensing and supervising body of the National Bank of Ethiopia under proclamation number 746/2012 and License No. 019/13.

The company has commenced its operation on August 1, 2013. To make the company competent in the sector, to build its reliability among customers, and to comply the capital requirement as

per Directive No. SIB/34/2014 of the National Bank of Ethiopia, currently, the Paid up Capital of the company is over Birr 78.8 million.

Therefore, customers of Ethiopian Insurance Corporation, Nice Insurance S.C., Berhan Insurance S.C., Bunna Insurance S.C. and Tsehay Insurance S.C. will be involved in this study.

## **1.2 Statement of the Problem**

Measurement of customers' attitudes helps marketers to bring appropriate changes in their products to make them more favorable to the target customers. Results of attitude measurement help marketers to segment markets more effectively. By identifying target customers' attitudes help marketers to develop most appropriate communication strategies, and to devise strategies to bring appropriate changes in their attitudes. Hence, insurance marketers should also strive to assess their customers' attitudes.

Among the different models of attitude measurement, various scholars used the Theory-of-reasoned-action model in various fields of studies (Ramayah, Lee, & Osman, 2010; Summers, Belleau, & Xu, 2006, Sandip Sarker, Tarun Kanti Bose and Arifuzzaman Khan, 2012, Sahat Simbolon 2015). Ramayah et al., (2010) has conducted their study regarding intention to purchase green products in developing countries. Another study was conducted by (Summers, Belleau, & Xu, 2006) proved that TORA model is valid in predicting intention to purchase luxury products. Sahat Simbolon (2015) used it in predicting the consumer behavior to buy the toyota avanza. In addition, Sarker et al., (2012) used the model in comparing private commercial banks with nationalized commercial banks in Bangladesh.

Although some previous researchers tried to analyze the model in various sectors, there are very scant studies on insurance services and they never considered the assessment of customers' attitudes in the general insurance sector and more specifically in Ethiopia's context. Based on the above background research gaps, the researcher has focused to analyze the model in general insurance sector.

Following this, with the aim to assess customers' attitudes a pilot study was conducted in which 25 respondents participated who are customers of NICE Insurance S.C., Berhan Insurance S.C. and Bunna Insurance S.C. were interviewed in which their attitudes towards general insurance service were assessed. The following inputs were found from the customers: the policy wordings are difficult to understand, claims settlement processes took lengthy time, some of them believe that their claims may not be settled, and they compare for price offered by the insurance company with other insurance companies, and also some of them noted that they bought the insurance policy due to compulsory third party government regulation and on the other hand due to their bank loans.

In relation with the above mention feedback, (Ackah & Owusu, 2012), stated that most Ghanaians, especially those in the informal sector, do not take-up insurance as a way of preparing towards future unforeseen misfortunes. This could be because of the perception among some individuals that planning ahead for a possible misfortune is like inviting evil. Other reasons given for low insurance uptake were the general lack of insurance knowledge amongst the populace, low income levels and the reliance on God's protection to prevent calamities.

Besides, according to (Stroe & Iliescu, 2013), in Ghandia, majority of policyholders think that insurance companies are good at collecting premiums and once one get into trouble they bring you a lot of issues in order to avoid paying claims. Insurance companies just collect your money. The perception is if one has an accident the company wants to get a police report or inform that one's policy does not cover this amount.

Several studies have been conducted on customer perception and related issues on different areas, but much is not done to explore the customer attitudes in the insurance sector, and most of the studies on insurance are focusing on life insurance and some on composite, however, studies on general insurance are very scarce. Hence, this study attempted to bridge this gap and to provide recent evidence on customers' attitude towards general insurance purchase intention in Addis Ababa, Ethiopia.

### **1.3 Research Questions**

Consequently, based on the aforementioned problem, the following research questions are investigated under this study:

- i. Is there any relationship between cognition and customer purchase intention toward general insurance service in Addis Ababa?
- ii. Is there any association between emotional affect and customer purchase intention toward general insurance service in Addis Ababa?
- iii. Is there any association between subjective norm and customer purchase intention toward general insurance service in Addis Ababa?

### **1.4 Objectives of the study**

#### **1.4.1 General Objective**

The main objective of this study is to investigate the effect of customers' attitude on general insurance purchase intention in Addis Ababa, Ethiopia.

#### **1.4.2 Specific Objectives**

The specific objectives of this study are:

- To identify the relationship between cognition and customer purchase intention toward general insurance service in Addis Ababa.
- To evaluate the relationship between emotional affect and customer purchase intention toward general insurance service in Addis Ababa.
- To examine the association between subjective norm and customer purchase intention toward general insurance service in Addis Ababa.

### **1.5 Significance of the Study**

This study aimed to assist the general insurance sector in Ethiopia to analyze the customers' attitude towards their services and to take corrective measures as necessary. The insurance companies can devise better marketing strategies to secure a favorable customer attitude towards an increased consumption of their services based on the outcomes of this study. Moreover, this

study will contribute empirical evidence to the existing literature on customer attitude in the Ethiopian general insurance sector context.

## 1.6 Scope of the Study

This study addressed insurance companies operating in Addis Ababa focusing on their general insurance service provision. On the basis of their establishment five companies are selected in which two are from the pioneer ones and the remaining three are among the recently opened ones. Therefore, the study will focus on selected branches of Ethiopian Insurance Corporation, Nice Insurance S.C., Berhan Insurance S.C., Tsehay Insurance S.C., and Bunna Insurance S.C.

This research followed a deductive approach. The quantitative method was employed and it is explanatory research in which the effect of the independent variables: Cognition, Emotional Affect and Subjective Norms on the dependent variable, i.e. General Insurance Purchase Intention was empirically tested.

Primary data was collected through survey and questionnaire was used as an instrument. And the collected data was analyzed through multiple regression using Statistic Package for Social Sciences version 20 (SPSS 20.).

## 1.7 Operational Definitions

- **Attitude:** It is a learned tendency to behave in a way that is pleasant or unpleasant to a particular object. There is general agreement that the attitude of studied, such an attitude is related to purchasing behavior is formed as a result of direct experience regarding the products, information was obtained verbally from others, or exposure by advertising in mass media, internet and various forms of direct marketing (Schiffman & Kanuk, 2008).
- **Cognition:** refers to the knowledge, beliefs, and opinions the person has about the attitude object. It is the individual's information and knowledge about an object or concept. (Berkman et. al., 1996).

- **Emotional Affect:** It refers to a customer's emotions or feelings about a particular product or brand (Addis and Holbrook, 2001).
- **Subjective norm:** It is "the perceived social pressure to perform or not to perform the behavior" in question (Ajzen, 1991).
- **Purchase intention:** is a behavioral tendency that the customer will purchase the product (Monroe & Krishnan, 1985).

## 1.8 Organization of the study

The research is organized in five chapters.

### Chapter 1: Introduction

This chapter consists of background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, operational definitions, and organization of the study.

### Chapter 2: Literature review

This chapter is developed with the sections namely theoretical framework, empirical review, conceptual framework and hypothesis.

### Chapter 3: Research Design and Methodology

This chapter presents the research methodology which contains the research approach, research design, population and sample, data collection technique, data collection instrument, data analysis, reliability and validity, and ethical considerations.

### Chapter 4: Data Presentation, Analysis and Discussion

This chapter contains data presentation, analysis and discussion.

### Chapter 5: Summary, Conclusion & Recommendation

This chapter includes summary of findings of the study, conclusion based on the findings & recommendations for conducting research in related issue in the future.

# **CHAPTER TWO**

## **2. LITERATURE REVIEW**

### **2.1 Theoretical Review**

#### **2.1.1 The Concept of Attitude**

There are several definitions given to attitude by different scholars. Most of them are broad ranging from cognitive, affective, motivational, to behavioral components. An attitude is a mental and neural state of readiness, organized through experience, exerting a directive and dynamic influence upon the individual's response to all objects and situations with which it is related (Allport, 1935). An attitude can be defined as an enduring organization of motivational, emotional, perceptual, and cognitive processes with respect to some aspect of the individual's environment (Hawkins et. al., 2001). In addition, in the words of (Fishbein & Aizen, 1975), attitude is defined as a learned predisposition to respond in a consistently favorable or unfavourable manner with respect to a given object. Similarly, attitudes are also defined as a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor (Eagly & Chaiken, 1993).

Therefore, these definitions stressed the enduring nature of attitudes and their close relationship to individuals' behavior.

#### **2.1.2 Attitude Functions**

There are four functions formulated by (Katz, 1960) namely: Utilitarian, Knowledge, Ego-defensive and Value-expressive. The utilitarian function is a general approach or avoidance tendencies. While the knowledge function helps people organize and interpret new information. On the other hand, the ego-defensive function describes that attitudes can help people protect their self-esteem. And the value-expressive function is used to express central values or beliefs.

Similar functions of attitudes were also defined by (Schiffman & Kanuk, 2008) as Function Benefits, Ego Defense Function, Function Value Statement and Knowledge function. They described each element as follows:

- i. Function Benefits - directs that the individual attempts to avoid the minimum things that are not desirable. Thus the individual will form a positive attitude toward things that bring in profits and predicted negative shape attitudes toward the things that harm.
- ii. Ego Defense Function - explains a situation when individuals experience things that are not desirable and is considered to threaten the ego, or to know the facts and truth are not expected, and then attitude can serve as an ego defense mechanism that will protect him from the bitterness of that reality.
- iii. Function Value Statement - describes attitude as a statement of values or a reflection of the values, lifestyles, and the general view of customers. It states that a person often has a certain attitude to obtain satisfaction in stating the value that was followed in accordance with the personal and the concept itself.
- iv. Knowledge function - is a function which expresses individual's usually has a strong need to know and understand people or things associated with them.

### **2.1.3 Measuring Customers' Attitudes**

It is noted that, attitudes are recognized as one of the major factors that guide human behaviours in line with this, the concept of behavioural intentions has been introduced as an intermediate which moderates the impact of attitudes on behaviours (Fishbein & Ajzen, 1975).

It has been discussed that attitudes are studied and measured in different ways. In most cases customers' attitudes has been measured based on Multiattribute attitude models i.e., attitude-toward-object, attitude-toward-behavior, and the theory-of-reasoned-action models which have received much attention from customer researchers. This theory, Theory-of-reasoned-action model is widely applicable in various fields of studies (Ramayah, Lee, & Osman, 2010; Summers, Belleau, & Xu, 2006; Omar, 2007; Omar & Frimpong, 2007). Ramayah et al., (2010) has conducted their study regarding intention to purchase green products in developing countries. Another study conducted by (Summers, Belleau, & Xu, 2006) proved that TORA model is valid in predicting intention to purchase luxury products. TORA has also been used in measuring intention in the context of financial services-insurance services (Omar, 2007; Omar & Frimpong, 2007).

### **2.1.4 Theory-of-Reasoned-Action Model**

The theory of reasoned action (TORA) is a model for the prediction of behavioral intention, spanning predictions of attitude and predictions of behavior. It was developed to better understand relationships between attitudes, intentions, and behaviors (Fishbein, 1963). In the work that led to development of the Theory of Reasoned Action, Fishbein distinguished between attitude toward an object and attitude toward a behavior with respect to that object. Fishbein demonstrated that attitude toward the behavior is a much better predictor of that behavior than attitude toward the object at which the behavior is directed (Fishbein and Ajzen, 1975).

According to (Schiffman and Kanuk, 2008), the Theory of Reasoned Action (TORA) focus on theoretical constructs concerned with individual motivational factors as determinants of the likelihood of performing a specific behavior. TORA assume the best predictor of a behavior is behavioral intention, which in turn is determined by attitude toward the behavior and social normative perceptions regarding it.

TORA asserts that the most important determinant of behavior is behavioral intention. Direct determinants of individuals' behavioral intention are their attitude toward performing the behavior and their subjective norm associated with the behavior.

Attitude is determined by the individual's beliefs about outcomes or attributes of performing the behavior (behavioral beliefs), weighted by evaluations of those outcomes or attributes. Thus, a person who holds strong beliefs that positively valued outcomes will result from performing the behavior will have a positive attitude toward the behavior. Conversely, a person who holds strong beliefs that negatively valued outcomes will result from the behavior will have a negative attitude.

Similarly, a person's subjective norm is determined by his or her normative beliefs, that is, whether important referent individuals approve or disapprove of performing the behavior, weighted by his or her motivation to comply with those referents.

A person who believes that certain referents think he/she should perform a behavior and is motivated to meet expectations of those referents will hold a positive subjective norm.

Conversely, a person who believes these referents think he/she should not perform the behavior will have a negative subjective norm, and a person who is less motivated to comply with those referents will have a relatively neutral subjective norm.

In broad sense, Theory of Reasoned Action is a theory that describes the integration of the components of attitude as a whole into a structure that is intended to produce a better explanation and better forecasting of the behavior through incorporating the cognitive component, affective component, and conative components, but these are arranged in different patterns with patterns of three component model (Schiffman and Kanuk, 2008).

According to (Ajzen, 2001), attitudes are dispositions to evaluate psychological objects. This appears to imply that we hold a singular attitude toward any given object or issue, and when attitudes change, the new attitude overrides but does not necessarily replace the old attitude. Besides, attitude can be formed automatically and can be moderated through familiarization with the attitude object. Evaluation of attitude is influenced by both cognition and emotional affect.

#### **2.1.4.1 Cognition**

Cognition refers to the knowledge, beliefs, and opinions the person has about the attitude object. It is the individual's information and knowledge about an object or concept. A person's cognition is the knowledge and perceptions that are acquired by a combination of direct experience with the attitude-object and related information from various sources. This knowledge and resulting perceptions commonly take the form of beliefs; that is, the customer believes that the attitude-object possesses various attributes and that specific behaviors will lead to specific outcomes. (Berkman et. al., 1996).

According to (Bearden et. al., 1995) and (Kotler, 2004), a belief is a descriptive thought that a person holds about something. In marketing context, a belief is a thought about a product or service on one or more choice criteria. Markets are interested in the beliefs that people formulate about specific products and services because these beliefs make up product and brand images that affect buying behavior.

According to (Fishbein and Ajzen 1975), it was proposed that the attitude and belief relationship specified holds for attitudes toward a specific behavior such as buying a product. The basic theoretical proposition of Fishbein's attitude theory is that beliefs cause attitude. He also proposed a causal flow among three cognitive variables-beliefs, evaluations or attitudes, and intentions. (Fishbein and Ajzen, 1975).

Among the beliefs one may hold is regarding the price of a product or service. Price represents an extrinsic cue and provides one of the most important forms of information available to customers when making a purchasing decision (Jin and Sternquist, 2002). Price can be defined as a monetary value when the customers want to exchange it with any products or services which provided by the seller (Nagle and Holden, 2002). Price is always the major concern of customer for making their decision on purchasing any products or services (Smith and Carsky, 1996).

According to the review made by (Varki & Colgate, 2001),it is illustrated that given the importance of price perceptions, little work has been done on the impact of price in the service sector and they argued the need for future research to focus more on this link. Based on a survey of the banking sector, they found evidence to support a direct positive association between price perceptions and customer behavioural intentions.

Among the beliefs one may hold is concerning trust. According to (Gefen et. al., 2003), trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor , irrespective of the ability to monitor or control that other party.

It was found out by (Gounaris, 2005), that trust is a significant factor in any kind of association between the customers and existing service providers. The more the customer trusts a service provider, the greater the chances that the customer remains in the relationship.

In the insurance sector, trust matters a lot. Insurance is a promise to perform in future in return for a present monetary consideration. Such a promise is made in an environment when the customer is absolutely not sure whether the promise will be fulfilled if and when the need arises.

Insurance is an intangible product and uniquely depends on trust. (Kassegne & Pagidimarri, 2013).

Belief is information a person has about an object; information that specifically links an object and attribute. And, cognition refers to the thoughts and beliefs an individual has about an attitude object (Fishbein & Ajzen, 1975). Therefore, this research would like to evaluate whether or not cognition affects purchase intention.

#### **2.1.4.2 Emotional Affect**

Emotional Affect refers to a customer's emotions or feelings about a particular product or brand. In general, it is a reaction to the knowledge and belief towards a product or service; our emotional state may amplify positive or negative experiences, which then have an effect on our attitude.

Emotional aspects of an experience reflect the subjective elements of the product or service. And with services that are more experiential in nature, emotional goals influence the way in which service is consumed and evaluated (Addis and Holbrook, 2001).

#### **2.1.4.3 Subjective Norms**

Subjective norm is "the perceived social pressure to perform or not to perform the behavior" in question. (Ajzen, 1991) Moreover, subjective norms as represented by normative beliefs are located within, but not identical to, the broader construct of social norms. "While a social norm is usually meant to refer to a rather broad range of permissible, but not necessarily required behaviors, normative beliefs refers to a specific behavioral act the performance of which is expected or desired under the given circumstances" (Ajzen & Fishbein, 1975)

Social influences means one person causes in another to make a change on his/her feelings, attitudes, thoughts and behaviour, intentionally or unintentionally. (Rashotte, 2007) It resulted from interacting with each other. Social influence includes the influence of media, parents and peers (Nelson and McLeod, 2005). Generally, peers are the primary influences, followed by media and parents, at a research in United States. According to (Nebenzahl and Secunda, 1993), social influences are concerned with how individuals learn the skills, knowledge and attitudes relevant for consumption.

#### **2.1.4.4 Purchase Intention**

A behavioural intention reflects a person's decision to perform the behaviour, and the idea behind introducing the concept is that a decision to engage in a certain behaviour will be realized only to the extent that the person is in full control of performing the behavior. Decisions to act or not to act are the result of an assessment of the likelihood of specific outcomes associated with the act along with the subjective value assigned to those outcomes. When the assessment produces a positive evaluation, a decision is made to act. That decision is the Behavioral Intention, which is the only proximal antecedent to behavior in the TORA. Specific antecedents to Behavioral Intention in the TORA are subjective norms - what important others want one to do; and attitudes toward the behavior (Fishbein & Ajzen, 1975). Hence, purchase intention is being characterized as a behavioral tendency that the customer will purchase the product (Monroe & Krishnan, 1985). It is also described as a person's tendency to carry out an action and behavior in a certain way to an object (Prasetijo and Ihalauw, 2005). Similarly, a person's attitude towards consumption of insurance represents evaluation of the behavior and its outcomes. If a person considers that consumption of insurance will have a favorable outcome, it is more likely that they will consume insurance. Thus his attitude towards insurance will significantly predict consumption intention. Several meta-analyses of the empirical literature have provided evidence to show that intentions can be predicted with considerable accuracy from measures of attitudes towards the behavior (Armitage & Conner, 2001). Moreover, (Omar, 2007) also stated that, when the customer's attitude to insurance products is positive, he will certainly develop intention to consume and will definitely consume insurance.

## **2.2 Empirical Review**

Insurance service is different from other services, as it is complex and future contingent service involves substantial legal characteristics. (Khondkar and Rahman, 1993) Some of the empirical evidences relevant to this study are presented as follows:

### **2.2.1 Cognition and Purchase Intention**

According to (Jain and Goyal, 2012), the level of awareness towards the rights and duties regarding insurance is negligible. And a significant association between the demographic determinants and the awareness towards the rights and duties regarding life insurance was found

showing low level of awareness towards rights and duties among the policy holders of life insurance.

Even among uninsured households, 80 percent have heard of life insurance and know their rights and duties. Although many might have heard about life or health insurance, there is a lack of knowledge about the various aspects of insurance even among policy holders. (Jain and Goyal, 2012)

In the work of (Makanyeza, 2014), it was found that Consumer beliefs about imported poultry products are also positively correlated with intentions to buy imported poultry products; in which, the correlation between cognition and intentions was estimated at 0.66; significant at  $p < 0.001$ .

The belief that customers hold about price will affect their purchase intention. According to (Kindurys, 2002), insurance services product price is the key thing of importance to most customers of these services with the exception of experienced customers and financial institutions; as cited by (Kiyak & Pranckevičiūtė, 2014).

According to (Ranaweera & Neely, 2003), perceptions of price have significant and positive effect on the level of repurchase intentions. In addition, (Abrat & Russell, 1999) found that customers' perception about the price of the company's products or services is important requirement for the customers to keep on with the existing service providers. Moreover, it was found that, those customers who are price conscious are usually not ready to pay the price for service or product if they perceive it as not reasonable (Consuegra, 2007).

Due to the fact that, the uncertainty of the nature of business that the insurance companies run by, customers choose the companies mostly based on price (Oketch, 2014).

In addition, according to (Stroe & Iliescu, 2013), altering the price or positioning of a product typically accomplishes changing behavior. In insurance, the deductibles and the marketing strategies in the domain have conditioned clients to be more opened to contract a policy of insurance that is less costly or is comprehensive and include more risk in a single insurance and this lowers the price making the customer more inclined to subscribe to such contract.

Therefore, this research would like to evaluate whether or not the belief that customers hold about price affects their purchase intention.

The belief that customers holds about trust will affect their purchase intention. Trust is more important for insurance company than any other type of business because insurance company is selling a promise. Insurance companies collect the premiums of the customer, manage the premiums, and disperse the risk to ensure they can pay off any losses. The signing of the insurance contract is based on trust, which means the customer is required to inform the actual condition to the insurance company for risk assessment and calculate the premiums, while the customer must clearly acknowledge the contents of the contract to make sure all benefits are acquired. Thus, “trust” is one key factor for success of the deal (Dwyer et al., 1987), as cited by (Kassegne & Pagidimarri, 2013).

According to (Chowdhury, et al., 2007), trustworthiness is a major factor for customers to choice between the private local and foreign insurance company choice, clients are mostly considering foreign private insurance companies due to its trustworthiness, experience in operation and wide area coverage. By definition, it might be more authentic if the clients were inclined towards the public insurance companies from trustworthiness point of view, but as statistics suggests in favor of choosing foreign private insurance firms, probably we have to be satisfied by saying that it is in many respect guided by client’s psychology of getting better and prompt services.

In addition, (Kiyak & Pranckevičiūtė, 2014), performed customers’ attitudes to non-life insurance products price survey and emphasized that customers, choosing the insurer, pay attention not only to the price but also to such factors as prompt service, suitable ready settlement of claims, the insurance service after the acquisition of insurance, high-level personnel work.

Therefore, this research would like to evaluate whether or not the belief that customers hold about trust affects their purchase intention.

### **2.2.2 Emotional Affect and Purchase Intention**

Customers are likely to consult their feelings in making insurance decisions. They are inclined to purchase coverage for an object that is treasured rather than for an identical object that is not special, as they expect to deal with their peace of mind and relief of anxiety. (Kunreuther & Pauly, 2005)

The affection effect in insurance decisions may also explain why a recent accident or disaster would increase people's willingness to insure against events in the future, since after experiencing a disaster people know what it feels to lose things they love and want to avoid some of the pain by being protected in the future (Hsee and Kunreuther, 2000).

Customers' affect was also addressed in other sector in which the significant and positive correlation between consumer affect (feelings) toward and consumer intentions to buy imported poultry products suggests that the favourable the feelings (affect) of consumers, the more they are prepared to buy imported poultry products; the unfavourable the feelings of consumers, the more unlikely they are to buy imported poultry products (Makanyeza, 2014).

### **2.2.3 Subjective Norm and Purchase Intention**

Subjective norms are the social component of behavioral intentions. Subjective norms are composed of normative beliefs i.e., the view of others regarding the behaviors and motivation to comply i.e., pressure to please others regarding the behavior. Subjective norms and motivation to comply are relative, as a person may be more influenced by one group than by another.

In financial services, the relationship between subjective norms and intentions has been proven in many studies. As an example: a study on internet stock trading found that subjective norms have positive relationship with intention (Ramayah et. al., 2009). In addition, subjective norms have a significant relationship with intention towards the purchase of life insurance in Nigeria (Omar & Frimpong, 2007).

According to (Kunreuther & Pauly, 2005), one reason for purchasing insurance is that other people are doing so either they know others who have purchased a policy without knowing

detailed information about it and this creates their fear to see themselves among the few imprudent uninsured disaster victims, either they copy their friends and neighbors who, they believe, have similar preferences and have already gone through the information gathering trouble, so in that sense their information search costs can be reduced, or they become embarrassed that they do not have protection when they learn that others do.

On the other hand, as part of subjective norms, mass media references also play an important role. The mass media includes all the means of transmitting mass messages such as the television, radio, newspapers and online advertisements. A study conducted by (Zolait & Ainin, 2009) on the intention to use internet banking in Yemen, came up with results which showed mass media has a significant influence on the adoption of internet banking. Besides, according to the study of (Ayinde & Echchabi, 2012) on the adoption of Islamic insurance in Malaysia media can have an influence on the subjective norms in order to adopt Islamic insurance.

## 2.3 Conceptual Frame Work and Hypothesis of the study

### 2.3.1 Conceptual Frame Work of the study

The conceptual model for this research is developed as follows based on the Theory of Reasoned Action model. TORA assumes that the most important direct determinant of behavior is behavioral intention. It is also noted that, other factors, including demographic and environmental characteristics, are assumed to operate through model constructs. Hence, the independent variables are: first Cognition, second, Emotional Affect and thirdly where subjective norm was addressed. Therefore, the following conceptual model was proposed to study the effect of customers' attitude on general insurance purchase intention in the insurance sector in Addis Ababa, Ethiopia.

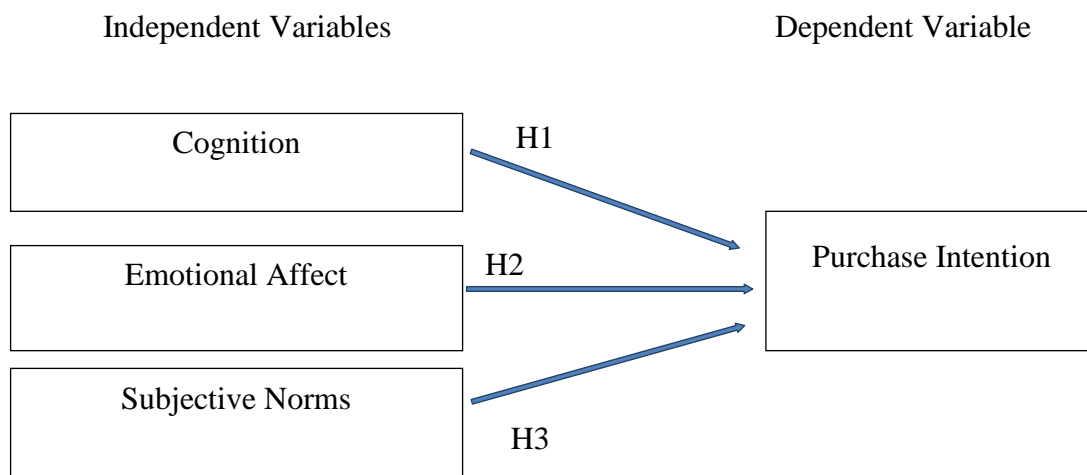


Figure 1: Conceptual framework model for depicting the relationship among Cognition, Emotional Affect, and Subjective Norms on Purchase Intention

Source: Adapted from Theory of Reasoned Action (Fishbein, 1975) and relevant literature.

## **2.3.2 Hypotheses of the study**

The following hypotheses were proposed for the study:

### **2.3.1 Cognition**

Cognition is the knowledge and perceptions we have about the object based on personal experience with the object and information from various sources. This knowledge and perceptions commonly take the form of beliefs. And it is also noted that in Fishbein's attitude theory, the basic theoretical proposition of the theory is that beliefs cause attitude. Therefore,

**H1:** Cognition has a positive and significant effect on customers purchase intention of general insurance in Addis Ababa, Ethiopia.

### **2.3.2 Emotional Affect**

The emotional affect refers to a customer's emotions or feelings about a particular product or brand. Emotional aspects of an experience reflect the subjective elements of the product or service. And with services that are more experiential in nature, emotional goals influence the way in which service is consumed and evaluated.

Therefore, **H2:** Emotional Affect has a positive and significant effect on customers purchase intention of general insurance in Addis Ababa, Ethiopia.

### **2.3.3 Subjective Norms**

The subjective norm refers to the individual's perception of social pressure, reflecting the expectation of others close to and important to the person and the individual's motivation to comply with that pressure (Ajzen and Fishbein, 1980).

Therefore, **H3:** Subjective Norms have a positive and significant effect on customers purchase intention of general insurance in Addis Ababa, Ethiopia.

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Research Approach**

This study addressed insurance companies operating in Addis Ababa focusing on their general insurance service provision. And selected branches of Ethiopian Insurance Corporation, NICE Insurance S.C., Berhan Insurance S.C., Tsehay Insurance S.C., and Bunna Insurance S.C. were incorporated.

Research is a process of steps used to collect and analyze information to increase our understanding of a topic or issue. It consists of three steps: Pose a question, collect data to answer the question, and present an answer to the question. (Creswell, 2008)

Research approach can be divided into three types: deductive research approach, inductive research approach and abductive research approach. The relevance of hypotheses to the study is the main distinctive point between deductive and inductive approaches. Deductive approach tests the validity of assumptions (or theories/hypotheses) in hand, whereas inductive approach contributes to the emergence of new theories and generalizations. On the other hand, Abductive research, starts with ‘surprising facts’ or ‘puzzles’ and the research process is devoted their explanation (Bryman & Bell, 2015). Hence, in this research the deductive approach was followed.

Research methods or techniques refer to the methods the researchers use in performing research operations. All those methods which are used by a researcher during the course of studying a research problem are termed as research methods. (Kothari, 2004) Likewise, business research methods are a systematic and scientific procedure of data collection, compilation, analysis, interpretation, and implication pertaining to any business problem. (Bajpai, 2011)

Types of research methods can be broadly divided into two qualitative and quantitative categories. Qualitative research is based on words, feelings, emotions, sounds and other non-numerical and unquantifiable elements. It has been noted that information is considered qualitative in nature if it cannot be analyzed by means of mathematical techniques. This

characteristic may also mean that an incident does not take place often enough to allow reliable data to be collected.

In contrast, quantitative research, describes, infers, and resolves problems using numbers. Emphasis is placed on the collection of numerical data, the summary of those data and the drawing of inferences from the data. (Herbst & Coldwell, 2004)

Therefore, this study followed quantitative research approach to test the relationship between the variables of the study.

## **3.2 Research Design**

According to Creswell (2014), research designs are plans and procedure for research that span the decisions from broad assumptions to detailed methods of data collection and analysis.

The explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Marczyk et al., 2005). Therefore, the research design deployed in this study is explanatory type of research design.

## **3.3 Population and Sample**

### **3.3.1 Population**

The population for this study will encompass customers of general insurance industry found in Addis Ababa, Ethiopia. The number of Insurance Companies operating in Ethiopia are 17, out of which 16 are owned privately and the Ethiopian Insurance Corporation has solely remained a public insurance company. The total number of branches reached 492 as of June 30, 2017, of which 263 (53.45%) are located in Addis Ababa and 84.8% of the total branches are private (National Bank of Ethiopia, 2017).

### **3.3.2 Sample and Sampling Technique**

Since many populations of interest are too large to work with directly, techniques of statistical sampling have been devised to obtain samples taken from larger populations. (Proctor,2003)

It is very important to select a sample that will provide results similar to those that would have been obtained if the entire population had been surveyed. (Ary, et. al., 2002)

Since the list and address of all insurance customers is not accessible, probability sampling can't be practically used. Therefore, non-probability sampling was used as a sampling technique of this study. Since the study will focus on general insurance clients, the convenience sampling was applied to obtain a required sample. This sampling technique refers to "The sampling procedure of obtaining those people or units those are most conveniently available" (Zikmund et al., 2012).

It has been noted that determination of the sample size is a complex task. Several factors need to be taken into account to decide on the sample size. These include type of sample required, time constraint, budget, required estimation precision, and variability of elements in the target population (Hair et al., 2007).

Consequently, five insurance companies were incorporated for the purpose of this study namely: Ethiopian Insurance Corporation (the only public owned and the first insurance company), NICE (National Insurance Company of Ethiopia, due to the fact that it is the pioneer private insurance company), Berhan Insurance S.C (among the recent companies), Tsehay Insurance S.C (among the recent companies), and Bunna Insurance S.C (the youngest of all companies). Besides, the number of customers for the companies is: Ethiopian Insurance Corporation (32,000), NICE (16,000), Berhan Insurance S.C (21,500), Tsehay Insurance S.C (20,000) and Bunna Insurance S.C (13,500). Due to time and budget constraints, ten branches in Addis Ababa i.e. two branches from each company was selected for this study based on convenience.

A sample size can be determined through the following formula:

$$n = \frac{Z^2 pq}{e^2} = \frac{(1.96)^2 (0.5) (0.5)}{(0.05)^2} = 384$$

Where

n = sample size

e = acceptable error

p = the estimated proportion (standard deviation) of an attribute that is present in the population, and q is 1-p.

$Z^2$  = the abscissa of the normal curve that cuts off an area  $\alpha$  at the tails (1 -  $\alpha$  equals the desired confidence level, i.e. 95%)

The sample size shown above is the representative sample proportion at 95% confidence level and 5% error margin when the population is large and unknown. (Krejcie & Morgan, 1970)

Sampling error is inversely related to the size of the sample i.e., sampling error decreases as the sample size increases and vice-versa (Kothari, 2004). Consequently, many researchers commonly add 10% to the sample size to compensate for persons that the researcher is unable to contact (Israel, 2013). As a result, a sample size of 423 i.e. by adding 10% (on 384) was allocated proportionally for each of the ten selected branches based on their respective number of customers.

Respondents are sampled using non-probability convenience sampling method based on the accessibility and willingness to participate after they arrived at the specific branch. The researcher employed convenience sampling method mainly due to the reason that insurance companies are not willing to disclose a complete list of their customers both to respect the privacy of their customers and as a result of the new companies lacking a systems software to record all the necessary data and were not willing to disclose all the list using their manual system they are using.

A sample size of 423 was allocated to the ten branches as follows:

Table 3.1: Allocation of the sample size among insurance companies

| No.   | Name Of Insurance Company       | Total Number Of General Insurance Customers | Selected Addis Ababa Branches | Allocation of sample among branches |
|-------|---------------------------------|---|-------------------------------|-------------------------------------|
| 1     | Ethiopian Insurance Corporation | 32,000                                      | Central Addis District &      | 55                                  |
|       |                                 |   | Western Addis District        | 40                                  |
| 2     | NICE                            | 16,000                                      | Main &                        | 50                                  |
|       |                                 |   | Megenagna                     | 40                                  |
| 3     | Berhan                          | 21,500                                      | Main &                        | 45                                  |
|       |                                 |   | Ras                           | 40                                  |
| 4     | Tsehay                          | 20,000                                      | Beklobet &                    | 40                                  |
|       |                                 |   | Legahar                       | 38                                  |
| 5     | Bunna                           | 13,500                                      | Main &                        | 40                                  |
|       |                                 |   | Kera                          | 35                                  |
| Total |                                 | 103,000                                     |                               | 423                                 |

### 3.4 Data Collection Technique

There are two types of data collection techniques; primary and secondary data collection methods. In this study both methods was used to collect data to attain best possible outcomes. Primary data can be collected either through experiment or through survey. In the case of a survey, data can be collected by any one or more of the following ways: Observation, Interview, Field Notes, Focus Group Discussion and Questionnaire. (Kothari, 2004)

Hence, for this study it was found that questionnaire was relevant, therefore, primary data was gathered through a self-administered questionnaire and secondary data was gathered from

journal articles, books, annual reports and unpublished companies' documents, web sources and other secondary materials.

### **3.5 Data Collection Instrument**

Since questionnaire is a popular means of collecting all kinds of data in research and is widely used in social science research to obtain information about certain conditions and practices, and to inquire into opinions and attitudes of an individual or a group, (Hatt and Goode, 1986); this study used a self-administered questionnaire to gather the necessary data.

The questionnaire was close ended and has two parts. The first part is regarding the socio-demographic data of respondents and the second part comprises the items to measure the cognition, emotional affect and subjective elements and their effects on purchase intention. Basically the questionnaire was adopted from reviewing literature and the second part of the questionnaire was assessed by 5 point Likert Scale ranging from 1-“strongly disagree” to 5-“strongly agree”.

### **3.6 Data Analysis**

Data analysis is the process of bringing order structure and meaning to mass collected data (Ghauri et al., 2002). The data that was collected through this study was analyzed using Multiple Regression through the statistical package for social science software version 20 (SPSS 20.).

### **3.7 Reliability and Validity**

The researcher has to ensure that the measure is reliable and valid after the measurement of variables is determined, (Zikmund et. al., 2010).

#### **3.7.1 Reliability**

Reliability refers to the extent to which data collection techniques or analysis procedures will yield consistent findings. (Saunders, et al., 2007)

The most common technique used in the literature to assess reliability is to use cronbach's alpha. And according to Zikmund et. al., (2010), a Cronbach's alpha score of 0.70 or higher is considered as adequate to determine reliability. A Cronbach's alpha coefficient of 0.853 was obtained. Accordingly, the data generation was reliable and free of random errors.

Table 3.2: Reliability Statistics of the variables

| <b>Variables</b>   | <b>Cronbach's alpha</b> | <b>Number of items</b> |
|--------------------|-------------------------|------------------------|
| Cognition          | .861                    | 6                      |
| Emotional affect   | .752                    | 4                      |
| Subjective norm    | .853                    | 5                      |
| Purchase intention | .751                    | 4                      |
| Over all items     | .853                    | 19                     |

(Source: Researcher's survey 2018)

### **3.7.2 Validity**

According to Kothari (2004), it was discussed that content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined by using a panel of persons who shall judge how well the measuring instrument meets the standards, but there is no numerical way to express it. Accordingly, it was verified by professionals i.e. branch managers and also the researcher conducted a pilot test through twenty customers to check whether the statements of questionnaire are comprehensible by participants. The final English version of the questionnaire was translated to Amharic through professional translator.

### **3.8 Ethical Considerations**

Usually, human subjects participate in the research process. And this requires ethical considerations to be secured. According to Blumberg et al, (2005), it is the responsibility of the researcher to design a project which will not infringe on the rights and safety of the interviewees or respondents. This is important in advocating, promoting and protecting their rights.

Bryman & Bell, (2007), highlighted that in quantitative research, it is often easier to anonymize records and to report findings in a way that does not allow individuals to be identified.

Therefore, with the aim to respect the ethical issues concerning the participants of the research, their full consent was requested, they were briefed about purpose of the research in clear, appropriate and straight forward language, their anonymity and confidentiality of their data was guaranteed.

## **CHAPTER FOUR**

### **4. DATA PRESENTATION, ANALYSIS AND DISCUSSION**

This chapter explains analysis of the data gathered and presentation and interpretation of the findings. This study focused on assessing the effect of customers' attitude on general insurance service towards their purchase intention in the insurance sector in Addis Ababa. Therefore, the questionnaires were distributed to customers' of the selected insurance companies. Consequently, demographic profile of respondents, descriptive statistics for mean and standard deviation, correlation analysis, and regression analysis were deployed to statistically test the hypotheses using SPSS version 20.

#### **4.1 Response rate**

A response rate of 70 percent and above for questionnaire survey is sufficient to carry out the analysis (Saunders, 2002). And in this study a total of 423 questionnaires were distributed among the five selected insurance companies' customers and 386 questionnaires were returned which made the response rate 91.25 percent.

#### **4.2. Descriptive Statistics**

##### **4.2.1 Demographic profile of respondents**

The respondents' personal details are included to describe about the characteristics of the sample. A table summarizing the demographic profile of respondents is presented as follows:

Table 4.1: Demographic profile of respondents

| Items                                       | Category              | Frequency  | Percent    | Valid Percent | Cumulative Percent |
|---|-----------------------|------------|------------|---------------|--------------------|
| Gender                                      | Male                  | 261        | 67.6       | 67.6          | 67.6               |
|   | Female                | 125        | 32.4       | 32.4          | 100                |
|   | <b>Total</b>          | <b>386</b> | <b>100</b> | <b>100</b>    |                    |
| Age group                                   | 18-35                 | 239        | 61.9       | 61.9          | 61.9               |
|   | 36-45                 | 128        | 33.2       | 33.2          | 95.1               |
|   | 46-59                 | 16         | 4.1        | 4.1           | 99.2               |
|   | 60 & above            | 3          | 0.8        | 0.8           | 100                |
|   | <b>Total</b>          | <b>386</b> | <b>100</b> | <b>100</b>    |                    |
| Educational level                           | High School           | 47         | 12.2       | 12.2          | 12.2               |
|   | Diploma               | 157        | 40.7       | 40.7          | 52.8               |
|   | University Degree     | 149        | 38.6       | 38.6          | 91.5               |
|   | Master's Degree       | 33         | 8.5        | 8.5           | 100                |
|   | <b>Total</b>          | <b>386</b> | <b>100</b> | <b>100</b>    |                    |
| Occupation                                  | Employed              | 173        | 44.8       | 44.8          | 44.8               |
|   | Business Owner        | 205        | 53.1       | 53.1          | 97.9               |
|   | Retired               | 8          | 2.1        | 2.1           | 100                |
|   | <b>Total</b>          | <b>386</b> | <b>100</b> | <b>100</b>    |                    |
| Duration of stay with the insurance company | Between 1 & 5 years   | 199        | 51.6       | 51.6          | 51.6               |
|   | Between 6 & 10 years  | 162        | 42         | 42            | 93.5               |
|   | Between 11 & 15 years | 23         | 6          | 6             | 99.5               |
|   | 16 years & above      | 2          | 0.5        | 0.5           | 100                |
|   | <b>Total</b>          | <b>386</b> | <b>100</b> | <b>100</b>    |                    |

(Source: Researcher's survey 2018)

As depicted in table 4.1, the highest proportion of customers is male 261 (67.6%) and the remaining were female 125 (32.4%). This shows that the majority of general insurance service customers are male.

Besides, the highest age group is between 18 and 35 which scores 239 (61.9%) as shown in table 4.1. And the second highest group lies between 36 and 45 which is 128 (33.2%) of the respondents. The lowest age group is 60 & above representing 3 (0.8%) of the respondents. This tells that the majority of general insurance service customers are found between 18 and 35 age group.

In addition, table 4.1, demonstrates that, most of the respondents 157 (40.7%) are diploma holders. And the second highest level of education is university degree 149 (38.6%). On the other hand, the least level was masters' degree which accounted for 33 (8.5%). Therefore, it is exhibited that the majority of respondents are diploma holders.

As it is portrayed in table 4.1, regarding occupation of customers, 205 (53.1%) of the respondents are business owners, 173 (44.8%) of the respondents are employed. And 8 (2.1%) of the respondents are retired. This result reveals that majority of general insurance customers are business owners.

Referring table 4.1, concerning duration of stay with the insurance company, the highest is 199 (51.6%) of the respondents have between 1 and 5 years of stay with their respective insurance companies. And the second highest 162 (42.0%) of the respondents have between 6 and 10 years duration. And 23 (6.0%) of the respondents have stay of between 11 and 15 years. On the other hand, the least is 2 (0.5%) of the respondents have stay of 16 years & above. This result reveals that majority of customers have between 1 and 5 years of stay with their respective insurance companies.

#### **4.2.2 Customers' Attitudes Measure**

As a measurement of Customers' Attitudes, the following tables depict the items: cognition, emotional affect and subjective norms and purchase intention. All items of the variables are scaled using a five points Likert scale with value ranging from 1 to 5. The interpretation was made based on the following measurement scale intervals.

In addition, Mean scores 4.51-5.00 excellent or very good, 3.51- 4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (Poonlar Btawee,1987) as cited by (Aschalew Adane, 2017).

Table 4.2: Descriptive statistics of Cognition

| <b>Items</b>   | <b>Mean</b> | <b>Standard Deviation</b> |
|--|-------------|---------------------------|
| I am aware about the need for insurance.   | 4.0648      | .98743                    |
| The insurance policy I purchase is easy to understand.                             | 3.6606      | 1.04016                   |
| I believe that the company's claims handling procedures are clear and trustworthy. | 4.2539      | .93297                    |
| I believe that the company gives due emphasis for customer's needs.                | 4.3316      | .96370                    |
| I believe that the company charges a reasonable premium amount.                    | 3.8938      | .98118                    |
| I am offered a discount at the time of renewal.                                    | 4.4378      | 1.02058                   |

(Source: Researcher's survey 2018)

All mean values of the six measurement items lies in the range of 3.66 to 4.43 which indicates that respondents have good perception for all items. The standard deviations of the four items are relatively low which is below one. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each item.

Table 4.3: Descriptive statistics of Emotional affect

| <b>Items</b>  | <b>Mean</b> | <b>Standard Deviation</b> |
|---|-------------|---------------------------|
| I feel happy because I purchased the insurance policy.    | 3.5415      | 1.13485                   |
| I feel secured because I purchased an insurance policy.   | 3.6166      | 1.44263                   |
| I feel proud because I am using an insurance service.     | 3.8031      | 1.05810                   |
| I have a positive feeling regarding an insurance service. | 3.2720      | 1.05491                   |

(Source: Researcher's survey 2018)

All mean values of the four measurement items lies in the range of 3.27 to 3.8 in which the highest 3.8 was scored by I feel proud because I am using an insurance service. While the least 3.27 was scored by I have a positive feeling regarding an insurance service.

Table 4.4: Descriptive statistics of Subjective Norm

| <b>Items</b>   | <b>Mean</b> | <b>Standard Deviation</b> |
|--|-------------|---------------------------|
| I am influenced to purchase the insurance policy from the company by my family.  | 1.5155      | .84116                    |
| I am influenced to purchase the insurance policy from the company by my friends/peers.                                   | 1.5699      | .92105                    |
| I am influenced to purchase the insurance policy from the company by Media (television, radio, newspaper, and internet). | 3.1736      | 1.42462                   |
| I am influenced to purchase the insurance policy from the company by Government.   | 3.2280      | 1.44504                   |
| I am influenced to purchase the insurance policy due to a bank loan.   | 2.9637      | 1.50453                   |

(Source: Researcher's survey 2018)

All mean values of the four measurement items lies in the range of 1.51 to 3.2 in which the highest 3.2 was scored by I am influenced to purchase the insurance policy from the company by Government. While the least 1.51 was scored I am influenced to purchase the insurance policy from the company by my family.

Table 4.5: Descriptive statistics of Purchase Intention

| <b>Items</b>   | <b>Mean</b> | <b>Standard Deviation</b> |
|--|-------------|---------------------------|
| Buying an insurance policy is the right decision.                                    | 3.1088      | 1.60473                   |
| I will purchase or renew the insurance policy again.                                 | 3.6244      | 1.25101                   |
| I intend to purchase an insurance policy even though I have to pay a higher premium. | 3.6554      | 1.40053                   |
| I will recommend others to buy an insurance policy.                                  | 3.6114      | 1.20573                   |

(Source: Researcher's survey 2018)

All mean values of the four measurement items lies in the range of 3.10 to 3.65 in which the highest 3.65 was scored by I intend to purchase an insurance policy even though I have to pay a higher premium. While the least 3.10 was scored Buying an insurance policy is the right decision.

Table 4.6: Descriptive statistics of all variables

| <b>Variables</b>   | <b>Mean</b> | <b>Standard Deviation</b> |
|--------------------|-------------|---------------------------|
| Cognition          | 4.1071      | .79222                    |
| Emotional affect   | 3.5583      | .99438                    |
| Subjective norm    | 2.4902      | .90709                    |
| Purchase intention | 3.5000      | 1.19903                   |

Dependent Variable: Purchase intention

(Source: Researcher's survey 2018)

The table shows that Cognition has the highest mean value of 4.1071. Emotional affect is second with a mean value of 3.5583. Purchase intention stands third with a mean value of 3.5. Subjective norm is on the fourth stand with a mean value of 2.4902.

Except subjective norm all variables' means are above 3.5 which indicate respondents have more than average perception on cognition, emotional affect, and purchase intention. And except for purchase intention, the standard deviations of each variable are relatively low scoring below one. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each variable.

## **4.3 Inferential Statistics**

### **4.3.1 Correlation Analysis**

Correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). A correlation analysis with Pearson's correlation coefficient was conducted on all the independent and dependant variables in this study to explore the relationship between variables. According to guidelines suggested by (Marczyk et.al, 2005), correlations of .01 to .03 are considered small, correlations of 0.3 to 0.7 are considered moderate, correlations of 0.7 to 0.9 are considered large and correlations of 0.9 to 1.00 are considered to be very large.

Hence, in this study, a bivariate Pearson correlation was used to examine the relationship between each of the independent variables and the dependant variable using a two tailed test of statistical significance at the level of 95% confidence and significance  $< .05$ .

Table 4.7: Pearson Correlation Coefficient

|  |                     | <b>Cognitio<br/>n</b> | <b>Emotional<br/>affect</b> | <b>Subjective<br/>norm</b> | <b>Purchase<br/>intention</b> |
|--|---------------------|-----------------------|-----------------------------|----------------------------|-------------------------------|
| <b>Cognition</b>   | Pearson Correlation | 1                     | .656**                      | .298**                     | .547**                        |
|  | Sig. (2-tailed)     |                       | .000                        | .000                       | .000                          |
|  | N                   | 386                   | 386                         | 386                        | 386                           |
| <b>Emotional<br/>affect</b>                                  | Pearson Correlation | .656**                | 1                           | .545**                     | .819**                        |
|  | Sig. (2-tailed)     | .000                  |                             | .000                       | .000                          |
|  | N                   | 386                   | 386                         | 386                        | 386                           |
| <b>Subjective<br/>norm</b>                                   | Pearson Correlation | .298**                | .545**                      | 1                          | .661**                        |
|  | Sig. (2-tailed)     | .000                  | .000                        |                            | .000                          |
|  | N                   | 386                   | 386                         | 386                        | 386                           |
| <b>Purchase<br/>intention</b>                                | Pearson Correlation | .547**                | .819**                      | .661**                     | 1                             |
|  | Sig. (2-tailed)     | .000                  | .000                        | .000                       |                               |
|  | N                   | 386                   | 386                         | 386                        | 386                           |
| **. Correlation is significant at the 0.01 level (2-tailed). |                     |                       |                             |                            |                               |

(Source: Researcher's survey 2018)

The coefficients show that the independent variables were all positively correlated with the dependent variable (purchase intention) within the range of 0.547 to 0.819; all were significant at P= 0.01 level.

Among the independent variables, Cognition has a moderate positive relation 0.547 with purchase intention. Same wise, Subjective norm has also a moderate positive relation with 0.661. While Emotional affect showed a large level of positive relation with 0.819 with purchase intention. Moreover, it is also depicted on the table that all variables are positively correlated with each other.

#### 4.3.2 Test for Multiple Regression Assumptions

Some of the basic assumptions that are required to provide valid results in regression are presented as follows:

**Assumption 1. Linearity Test.**

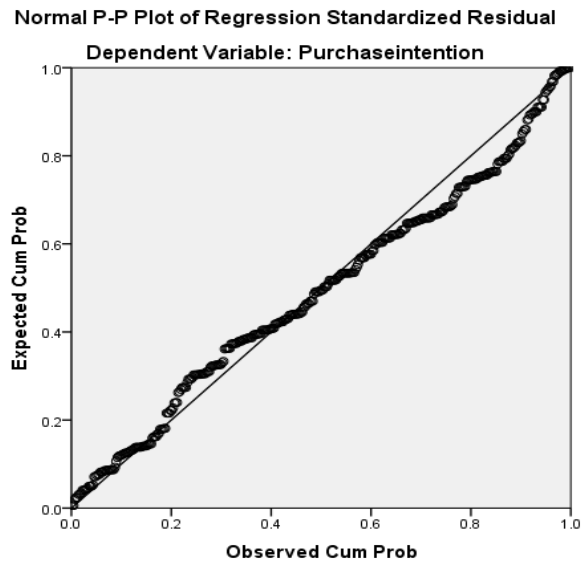


Figure 2: Linearity Test

The relationship between the predictors and the dependent variable should be linear.

As we can see from the above figure there is linearity and all residual is close to the line that suggests assumption of linearity are met. So the assumption is satisfied in this case.

**Assumption 2. Normality Test**

Among the most important assumptions for parametric tests is that the data are from normally distributed populations. Thus, in this study, the normality of the data was checked using an objective test of skewness and kurtosis statistics. And according to Field, (2005), for an ideal normality to occur, the values of skewness and kurtosis should be zero. Positive values of skewness indicate a pile-up of scores on the left of the distribution, whereas negative values of skewness indicate a pile-up of scores on the right of the distribution. Positive values of kurtosis indicate a pointy distribution whereas negative values of kurtosis indicate a flat distribution.

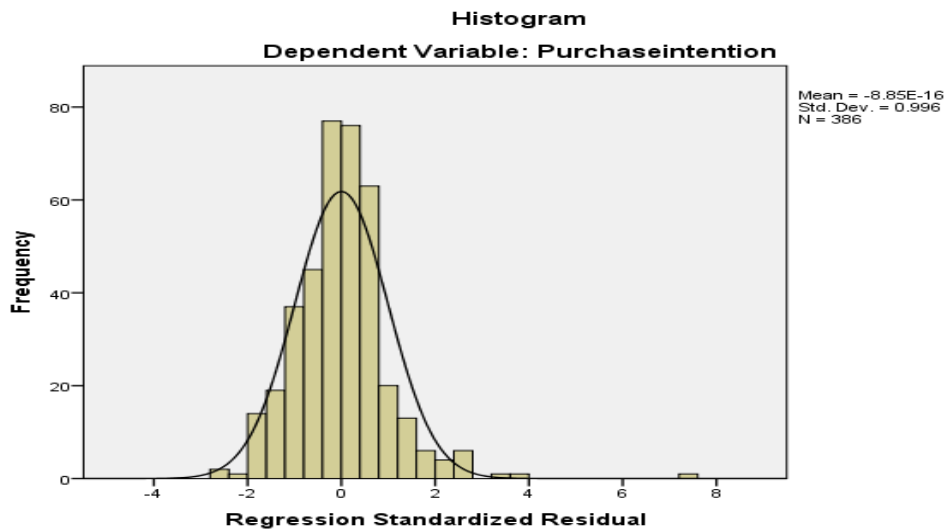


Figure 3: Normality Test

Moreover, an absolute value between -2 and +2 score for Skewness is acceptable. (Field, 2005) In addition, according to Mardia (1970), for testing of normality the kurtosis statistics value less than 6 is acceptable. As it is shown on table 4.8 below, the skewness all values lies between -2 and +2 and kurtosis values below 6. Thus the data is taken as a normally distributed one.

Table 4.8: Skewness and Kurtosis statistics of all variables

| Variables          | N         | Skewness  |            | Kurtosis  |            |
|--------------------|-----------|-----------|------------|-----------|------------|
|                    | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Cognition          | 386       | -1.833    | .124       | 3.777     | .248       |
| Emotional affect   | 386       | -.672     | .124       | -.429     | .248       |
| Subjective norm    | 386       | -.142     | .124       | -.988     | .248       |
| Purchase intention | 386       | -.634     | .124       | -.806     | .248       |

(Source: Researcher's survey 2018)

### Assumption 3. Multicollinearity Test

Multicollinearity of the variables was tested. And according to Pallant (2005), the commonly used cut-off points for determining the existence of multicollinearity among independent

variables are Tolerance value and Variance inflation factor (VIF) value. Tolerance value should be greater than 0.2 and the VIF should be less than 10. Multicollinearity occurs when there are high intercorrelations among some set of the predictor variables. In other words, multicollinearity happens when two or more predictors contain much of the same information. The presence of multicollinearity poses threat to the validity of multiple regression analysis by affecting the statistical significance of beta coefficients. The tolerance statistics of the variables were above 0.2 and the VIF values were below 10; therefore, we can infer that there is no collinearity with in the data.

Table 4.9: Multicoliniarity Statistics

| Variables        | Collinearity Statistics |       |
|------------------|-------------------------|-------|
|                  | Tolerance               | VIF   |
| Cognition        | .565                    | 1.771 |
| Emotional affect | .436                    | 2.293 |
| Subjective norm  | .697                    | 1.434 |

(Source: Researcher's survey 2018)

#### Assumption 4. Homoscedasticity Test

It refers the variance of the errors which should be constant. To test for this, we plot the errors against the dependent variable (Mooi & Sarstedt, 2011).

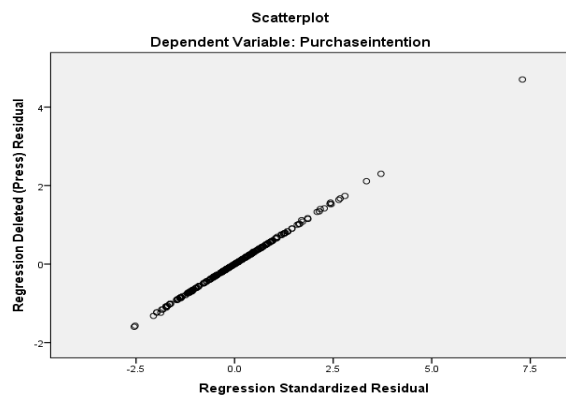


Figure 4: Assumption of Homoskedasticity

The above scatter plot exhibits most of the points lie between -2.5 and 2.5 either in the X-axis or Y-axis which indicates the responses seems concentrated in a relatively close area though there are some outliers. Therefore, the errors are constant throughout the observations.

### 4.3.3 Regression Analysis

Table 4.10: Regression analysis

| Model            | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig.  |
|------------------|-----------------------------|------------|---------------------------|--------|-------|
|                  | B                           | Std. Error | Beta                      |        |       |
| (Constant)       | -0.478                      | 0.171      |                           | -2.799 | 0.005 |
| Cognition        | 0.075                       | 0.053      | 0.05                      | 1.422  | 0.001 |
| Emotional affect | 0.745                       | 0.048      | 0.618                     | 15.57  | 0     |
| Subjective norm  | 0.41                        | 0.041      | 0.31                      | 9.883  | 0     |

Dependent Variable: Purchase intention

(Source: Researcher's survey 2018)

The regression equation was:

$$PI = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$$

$$PI = \alpha + \beta_1 CO + \beta_2 EA + \beta_3 SN$$

$$PI = -0.478 + 0.05 CO + 0.618 EA + 0.31 SN$$

The regression model from table 4.10 above result shows that keeping other variables constant 0.05 unit increase in cognition will have a unit increase in purchase intention, 0.618 unit increase in emotional affect will have a unit increase in purchase intention, and 0.31 unit increase in subjective norm will have a unit increase in purchase intention.

## Model Summary

Table 4.11: Model Summary

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .859 <sup>a</sup> | .738     | .736              | .61624                     | 1.783         |

a. Predictors: (Constant), Cognition, Emotional affect, Subjective norm

b. Dependent Variable: Purchase intention

According to (Field, 2005), Adjusted R square is the amount of variation in the outcome variable that is accounted for by the model and it gives us some idea of how well our model generalizes. The value of adjusted R square in this study is .736 which indicates that 73.6 percent of the variance in purchase intention can be predicted by the independent variables. The rest of the variation in purchase intention is caused by other factors that are not considered by this study.

Table 4.12: ANOVA

### ANOVA<sup>a</sup>

| Model |            | Sum of Squares | df  | Mean Square | F       | Sig.              |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1     | Regression | 408.436        | 3   | 136.145     | 358.514 | .000 <sup>b</sup> |
|       | Residual   | 145.064        | 382 | .380        |         |                   |
|       | Total      | 553.500        | 385 |             |         |                   |

a. Dependent Variable: Purchase intention

b. Predictors: (Constant), Cognition, Emotional affect, Subjective norm

The p value for F statistic in the ANOVA table is .000 which is < .05 indicates that at least one of the independent variable is a significant predictor of the dependent variable (purchase intention).

### 4.3.4 Hypotheses Testing and Interpretation of Results

Table 4.13: Hypotheses Testing

| No. | Hypothesis  | Result   | Reason                  |
|-----|---|----------|-------------------------|
| 1   | Cognition has a positive and significant effect on customer purchase intention of general insurance in Addis Ababa, Ethiopia.         | Accepted | $\beta=0.05, p<0.05$    |
| 2   | Emotional Affect has a positive and significant effect on customer purchase intention of general insurance in Addis Ababa, Ethiopia.  | Accepted | $\beta = 0.618, p<0.05$ |
| 3   | Subjective Norms have a positive and significant effect on customer purchase intention of general insurance in Addis Ababa, Ethiopia. | Accepted | $\beta = 0.31, p<0.05$  |

#### 4.4. Discussion on the finding

This section presents the major findings of the study in accordance with the stated objectives and further elaboration of the results of the study.

To start with the demographic profile of respondents, specifically gender; it was found out that there was a male dominance with 67.6%. Regarding age group of respondents, majority of respondents were found in the age group from 18 to 35.

While considering the educational level of respondents, majority of them have diploma with 40.7% being closely followed by university degree holders registering 38.6%.

It was found out that, majority of the participants are business owners accounting for 53.1% with respect to the occupation of respondents.

The last parameter for the general information of respondents revealed that duration of stay majority of the respondents fall in the range from 1 up to 5 years stay with 51.6%.

With respect to the first objective, the result of the analysis indicates the relationship between cognition and purchase intention; the estimate of regression weight shows that there is a positive effect of cognition on purchase intention at ( $\beta=0.05$ ). Moreover, correlation coefficient of ( $r=.547$ ) was found for cognition. This result is supported by the empirical evidence of (Makanyeza, 2014), which disclosed the correlation between cognition and intentions was estimated at 0.66. Besides, (Samuel, 2011), also argued that cognition is positively correlated to insurance consumption intention and consumption of insurance. Accordingly, it is possible to accept the proposed hypothesis that cognition is positively & significantly affecting purchase intention.

Concerning to the second objective of the study, the result of the study shows the relationship between emotional affect and purchase intention; the estimate of regression weight shows that there is a positive effect of emotional affect, on purchase intention at ( $\beta=0.618$ ). Moreover, correlation coefficient of ( $r=.819$ ) was found for emotional affect. In line with this, the works of (Samuel, 2011), supports this through his survey showing emotional affect being positively correlated to insurance consumption intention and consumption of insurance. Further, according

to (Makanyeza, 2014), the correlation between affect (feelings) and intentions was estimated at 0.70. Therefore, it is possible to conclude and accept the proposed hypothesis that emotional affect is positively & significantly determining purchase intention.

With regard to the third objective which focused on the relationship between subjective norms and purchase intention; the estimate of regression weight shows that there is a positive effect of subjective norms, on purchase intention at ( $\beta=0.31$ ). Moreover, correlation coefficient of ( $r=.661$ ) was found for subjective norms. And in the works of (Abdourrahmane & Sukhabot, 2014), the correlation between subjective norms and purchase intention is ( $r=0.353$ ). In addition, in financial services, the relationship between subjective norms and intentions has been proven in many studies. As an example: a study on internet stock trading found that subjective norms have positive relationship with intention (Ramayah et. al., 2009). Furthermore, subjective norms have a significant relationship with intention towards the purchase of life insurance in Nigeria (Omar & Frimpong, 2007). Therefore, it is possible to conclude and accept the proposed hypothesis that subjective norm is positively & significantly affecting purchase intention.

In general, based on the findings of this study, the researcher tried to investigate the effect of customers' attitude on general insurance purchase intention in the five sampled insurance companies.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter provides summary of results, conclusions, recommendations and future research directions.

#### 5.1 Summary of the major findings

The general objective of the study was to assess the effect of customers' attitude on general insurance purchase intention in Addis Ababa, Ethiopia. So as to undergo this study, cognition, emotional affect and subjective norm were considered as determinants of purchase intention.

A questionnaire was used to accomplish this study and respondents were asked to indicate their level of agreement and disagreement by circling on one of the five points Likert scale items. Then after, the gathered data were analyzed by means of descriptive and inferential statistics using SPSS version 20 software. The direction and degree of association between the independent variables and purchase intention had been measured by Pearson correlation coefficient. The relative importance of the independent variables in predicting purchase intention had been investigated by multiple regression analysis. The major quantitative findings are summarized as follows:

The descriptive statistics part:

- Regarding the demographic profile of respondents, it was exhibited that there is a male dominance with 67.6%.
- Moreover, majority of respondents participated in the survey are found in the age group of between 18 and 35.
- Regarding educational level, majority of them have diploma with 40.7% being closely followed by university degree holders registering 38.6%.
- Concerning occupation of respondents, majority are business owners with 53.1%.
- With regard to duration of stay, majority of the respondents have 1 up to 5 years stay with 51.6%.

The inferential statistics part:

The Pearson correlation coefficient reveals that cognition ( $r=.547$ ), emotional affect ( $r=.819$ ) and subjective norm ( $r=.661$ ) all the independent variables have statistically significant positive

correlation with purchase intention supporting all the three alternative hypotheses of the research. The strength of correlation is highest for Emotional affect followed by Subjective norm, and Cognition. The correlation was significant at the 0.01 level (2-tailed).

From the multiple regression result, estimate of regression weight shows that all the independent variables cognition ( $\beta=0.05$ ), emotional affect ( $\beta=0.618$ ), and subjective norm ( $\beta=0.31$ ) predict purchase intention. Emotional affect is the most dominant factor to influence purchase intention in the general insurance sector in Addis Ababa, Ethiopia in general and more specifically in the five sampled insurance companies. The adjusted R square value of .736 which indicates that 73.6 percent of the variance in purchase intention is accounted for by the explanatory variables integrated in the conceptual model of this study. While the remaining variation in purchase intention is caused by other factors that are not considered by this study.

## **5.2 Conclusion**

Customers' attitude is one of the areas in which marketing scholars gave due emphasis. To the contrary, there are limited studies based on empirical data with regard to the insurance sector. This study has analyzed the effect customers' attitude on general insurance purchase and it came up with a number of findings. This research basically used the Theory of Reasoned Action model, as the most common and well accepted framework in consumer attitude and intention and behavior relationships. The TORA (Ajzen & Fishbein 1980; Leach, Hennessy & Fishbein 1994) postulates that beliefs influence attitude and social norms which in turn shape a behavioral intention guiding or even dictating an individual's behavior.

The findings of the study show that cognition, emotional affect and subjective norm play an essential role in affecting purchase intention. The results of multiple regression analysis indicated that there is a significant and positive influence of the independent variables i.e. cognition, emotional affect and subjective norms; on purchase intention of general insurance service.

These results were also supported by the works of different authors (Assael, 2004; Schiffman & Kanuk, 2004; Arnould et al., 2002; Solomon, 2002); in which they confirmed that cognition and

affect were confirmed as valid and reliable measures of consumers' attitude. As well, according to (Yap & Noor, 2008), it was found out that friends, family, colleagues and peers have impacted on behavioural intentions.

In addition, most of the customers were literate majority of them having diploma and degree; which resulted in a favorable customers' attitude. Further, among the variables, the findings showed that the major dimension which affected the purchase intention of General Insurance was emotional affect.

### **5.3 Recommendations**

Depending on the findings of the research, the researcher suggests the following points.

- The findings of this research indicate that cognition of the customers' of the respective insurance companies showed significant result, though it is the one with the least regression coefficient value. Therefore, the companies should exert their maximum effort so as to enhance customers' cognition through assisting customers change their beliefs in a positive way towards the companies by means of:
  - creating an increased awareness with regard to their general insurance services,
  - showing their concerns for their customers' demands,
  - being trustworthy through disclosing their claim handling procedure to their customers,
  - charging reasonable price and granting discount to existing customers at time of renewal.
- The study also evidenced that subjective norms have had significant influence on purchase intention of general insurance service. Therefore, insurance companies should engage on appropriate activities so as to possibly result in enhanced individuals recommendations with regard to their respective companies' services. Besides, they should also try to address the public at large using different mass media.
- Finally, it was also demonstrated in the study that emotional affect was the highest influencer of purchase intention. Therefore, the insurance companies should strive to

establish a permanent soothing relationship with their existing customers so as to attract more customers and as a result attain a higher volume of customers with increased service consumption.

#### **5.4 Limitations and Suggestions for Future Researches**

- This study was limited to only three independent variables that contributed to the customers' general insurance purchase intention in Addis Ababa, Ethiopia. Based on this study, 73.6 percent of the variance in purchase intention is accounted by those variables. Therefore, future studies should consider other additional factors to have a better understanding of the Ethiopian general insurance context.
- The study only addressed the selected five insurance companies namely: EIC, NICE, Berhan, Tsehay and Bunna Insurance S.C.; however, it would have been more comprehensive if it tried to address all companies. Hence, the researcher would like to suggest other researchers to address all companies so as to portray the big picture of general insurance service in Ethiopia.
- Geographically, this research has been limited in Addis Ababa city. Hence, the findings showed that most of the customers are literate majority accounting for having diploma and degree. Therefore, the results claimed emanated from the literate group, which may not show the full picture of the country's customers' attitudes towards their purchase intentions. Consequently, future studies should attempt to include customers located outside Addis Ababa to have a complete picture about the subject matter in Ethiopian context.
- This research focused only on the side of customers and did not measure the attitudes of the insurance companies' staff. Future researches should consider both ways and identify differences among attitudes of customers and insurance companies' staff.

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## **APPENDIX 1: Questionnaire in English**

### **Addis Ababa University School of Commerce Graduate Studies Department of Marketing Management**

Questionnaire for Customers of General Insurance Service in Addis Ababa, Ethiopia.

**Dear respondent,**

This questionnaire is developed to examine customers' response towards general insurance service in Addis Ababa, Ethiopia. I am Master of Arts student at Addis Ababa University School of Commerce, Department of Marketing Management, and for the partial fulfillment of the MA degree, I am conducting a research entitled **“The Effect of Customers' Attitude on General Insurance Purchase Intention in the Insurance Sector in Addis Ababa, Ethiopia”**.

I would like to assure you that the information that you will provide will be kept confidential and will only be used for the above mentioned academic purpose. And please answer all the questions as they are crucial for the success of this research.

Thank you in advance for taking your time to fill this questionnaire.

#### **Part I. General Information**

Direction: Please answer the following questions by marking “√” on your choice.

1. Gender:  Male  Female
2. Age group: 18-35  36-45  46-59  60& above
3. Educational Level:  High school  Diploma  University Degree  
 Masters Degree
4. Occupation:  Employed  Business Owner  Retired
5. Duration of stay with the insurance company:  Between 1&5 years  
 Between 6&10 years  Between 11&15 years  16 years & above

## Part II: Customers' Attitude Measurement Section

Direction: Please answer each statement below by putting a circle around the number that best reflects your degree of agreement or disagreement with the specific statement.

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

| No.                           | Item   | SD | D | N | A | SA |
|-------------------------------|--|----|---|---|---|----|
| <b>I. Cognition</b>           |  |    |   |   |   |    |
| 1                             | I am aware about the need for insurance.   | 1  | 2 | 3 | 4 | 5  |
| 2                             | The insurance policy I purchase is easy to understand.   | 1  | 2 | 3 | 4 | 5  |
| 3                             | I believe that the company's claims handling procedures are clear and trustworthy.                                       | 1  | 2 | 3 | 4 | 5  |
| 4                             | I believe that the company gives due emphasis for customer's needs.  | 1  | 2 | 3 | 4 | 5  |
| 5                             | I believe that the company charges a reasonable premium amount.  | 1  | 2 | 3 | 4 | 5  |
| 6                             | I am offered a discount at the time of renewal.  | 1  | 2 | 3 | 4 | 5  |
| <b>II. Emotional Affect</b>   |  |    |   |   |   |    |
| 1                             | I feel happy because I purchased the insurance policy.   | 1  | 2 | 3 | 4 | 5  |
| 2                             | I feel secured because I purchased an insurance policy.  | 1  | 2 | 3 | 4 | 5  |
| 3                             | I feel proud because I am using an insurance service.  | 1  | 2 | 3 | 4 | 5  |
| 4                             | I have a positive feeling regarding an insurance service.  | 1  | 2 | 3 | 4 | 5  |
| <b>III. Subjective Norm</b>   |  |    |   |   |   |    |
| 1                             | I am influenced to purchase the insurance policy from the company by my family.  | 1  | 2 | 3 | 4 | 5  |
| 2                             | I am influenced to purchase the insurance policy from the company by my friends/peers.                                   | 1  | 2 | 3 | 4 | 5  |
| 3                             | I am influenced to purchase the insurance policy from the company by Media (television, radio, newspaper, and internet). | 1  | 2 | 3 | 4 | 5  |
| 4                             | I am influenced to purchase the insurance policy from the company by Government.   | 1  | 2 | 3 | 4 | 5  |
| 5                             | I am influenced to purchase the insurance policy due to a bank loan.   | 1  | 2 | 3 | 4 | 5  |
| <b>IV. Purchase Intention</b> |  |    |   |   |   |    |
| 1                             | Buying an insurance policy is the right decision.  | 1  | 2 | 3 | 4 | 5  |
| 2                             | I will purchase or renew the insurance policy again.   | 1  | 2 | 3 | 4 | 5  |
| 3                             | I intend to purchase an insurance policy even though I have to pay a higher premium.                                     | 1  | 2 | 3 | 4 | 5  |
| 4                             | I will recommend others to buy an insurance policy.  | 1  | 2 | 3 | 4 | 5  |

**Thank you for taking your time!**

## APPENDIX 2: Questionnaire in Amharic

### በአዲስ አበባ ዩኒቨርሲቲ የንግድ ሥራ ትምህርት ቤት

የማርኬቲንግ ማኔጅመንት የድህረ ምረቃ ትምህርት ክፍል

በኢትዮጵያ በአዲስ አበባ ከተማ ውስጥ ለሚገኙ የሕይወት ነክ ያልሆነ የመድን አገልግሎት ተጠቃሚዎች የተዘጋጀ መጠይቅ

ውድ መላሽ፣

ይህ መጠይቅ በአዲስ አበባ፣ ኢትዮጵያ ውስጥ ለሚገኙ የሕይወት ነክ ያልሆነ የመድን አገልግሎት ተጠቃሚዎች ዙሪያ ደንበኞች ላይ ምርመር ለማካሄድ ነው። እኔ በአዲስ አበባ ዩኒቨርሲቲ የንግድ ሥራ ትምህርት ቤት፣ በማርኬቲንግ ማኔጅመንት የትምህርት ክፍል፣ የ2ኛ ዲግሪ ተማሪ ስሆን ለዚህ ማሟያ የመመረቂያ ጽሁፌን በአዲስ አበባ፣ ኢትዮጵያ በህይወት ነክ ያልሆነ የመድን አገልግሎት ተጠቃሚዎች ላይ የደንበኞች አመለካከት በህይወት ነክ ያልሆነ የመድን አገልግሎት ግዢ ላይ ያለውን ተጽእኖ በአዲስ አበባ ኢትዮጵያ በተሰኘ አርዕስት ላይ ጥናት እያካሄድኩ ነው።

እርስዎ የሚሰጡት መረጃ በሚስጥራዊነት የሚያዝ እና ከላይ ለተጠቀሰው አካዳሚክ አላማ ብቻ የሚውል መሆኑን ላረጋግጥልዎ እወዳለሁ። እንዲሁም አባክዎን ለዚህ ጥናት አላማ እጅግ በጣም ጠቃሚ በመሆኑ ያሉትን ሁሉንም ጥያቄዎች ይመልሱ።

መጠይቁን ለመሙላት ጊዜዎን መስጠት በመድረግዎ በቅድሚያ አመሰግናለሁ።

ክፍል 1: ጠቅላላ መረጃ

መመሪያ: እባክዎን ከታች ባሉት ጥያቄዎች ✓ ምልክት በምርጫው ላይ በማድረግ ይመልሱ

1. ያታ  ወንድ  ሴት
2. እድሜ  18-35  36-45  46-59  60 እና ከዚያ በላይ
3. የትምህርት ደረጃ:  ሁለተኛ ደረጃ ያጠናቀቀ/ች  ዲፕሎማ  የዩኒቨርሲቲ ዲግሪ  ማስተርስ ዲግሪ
4. ሥራ:  ተቀጣሪ  የቢዝነስ ባለቤት  ጡረተኛ
5. በመድን ከባንያው በደንበኝነት ያለዎት ቆይታ  በ1 እና 5 አመት መካከል  በ6 እና 10 አመት መካከል  በ11 እና 15 አመት መካከል  16 አመት እና ከዚያ በላይ



ክፍል ሁለት፡ የደንበኞችን አመለካከት መለኪያ ክፍል

መመሪያ፡ እባክዎን ከታች በቀረቡት አረፍተ ነገሮች ላይ የእርስዎን ትክክለኛ ስምምነት ወይም አለመስማማት ደረጃ በሚያንፀባርቁት ቁጥር ላይ በማክበብ በተገለፀ አረፍተ ነገር መልስ ይስጡ

1. ፈዕሎ አልስማማም 2. አልስማማም 3. ሀሳብ የለኝም 4. እስማማለሁ 5. በሚገባ እስማማለሁ

| ቁጥር                 | አይነት   | ፈዕሎ አልስማማም | አልስማማም | ሐሳብ የለኝም | እስማማለሁ | በሚገባ እስማማለሁ |
|---------------------|--|------------|--------|----------|--------|-------------|
| 1                   | ግንዛቤ   |            |        |          |        | 5           |
| 1                   | ሰለ መድን ጠቀሜታ ግንዛቤ አለኝ   | 1          | 2      | 3        | 4      |             |
| 2                   | እኔ የገዛሁት የመድን ፖሊሲ ለመረዳት ቀላል ነው                                       | 1          | 2      | 3        | 4      | 5           |
| 3                   | ከባንያው ለካሳ ጥያቄዎች መልስ የሚሰጥባቸው ሂደቶች ግልፅ እና አስተማማኝ መሆናቸውን አምናለሁ          | 1          | 2      | 3        | 4      | 5           |
| 4                   | ከባንያው ለደንበኞች ፍላጎቶች ትኩረት የሚሰጥ መሆኑን አምኜለሁ                              | 1          | 2      | 3        | 4      | 5           |
| 5                   | ከባንያው ተገቢ የሆነ የአረቦን ክፍያዎችን እንደሚቀበል አምናለሁ                             | 1          | 2      | 3        | 4      | 5           |
| 6                   | በእድሳት ጊዜ የዋጋ ቅናሽ አገኛለሁ   | 1          | 2      | 3        | 4      | 5           |
| ክፍል ሁለት፡ የስሜት ተፅእኖ  |  |            |        |          |        |             |
| 1                   | የመድን ፖሊሲ በመግዛቴ ደስተኛ ነኝ   | 1          | 2      | 3        | 4      | 5           |
| 2                   | የመድን ፖሊሲ በመግዛቴ ዋስትና ይሰጣኛል  | 1          | 2      | 3        | 4      | 5           |
| 3                   | የመድን አገልግሎት ተጠቃሚ በመሆኔ እከራለሁ  | 1          | 2      | 3        | 4      | 5           |
| 4                   | ሰለ መድን አገልግሎት በተመለከተ ጥሩ ስሜት አለኝ                                      | 1          | 2      | 3        | 4      | 5           |
| ክፍል ሦስት፡ ማህበራዊ ተፅእኖ |  |            |        |          |        |             |
| 1                   | በከባንያው የመድን ፖሊሲ እንድገዛ ያደረገኝ ቤተሰቦቼ ናቸው                                | 1          | 2      | 3        | 4      | 5           |
| 2                   | በከባንያው የመድን ፖሊሲ እንድገዛ ያደረገኝ ጓደኞቼ ናቸው                                 | 1          | 2      | 3        | 4      | 5           |
| 3                   | በከባንያው የመድን ፖሊሲ እንድገዛ ያደረገኝ የመገናኛ ብዙሀን /ቴሌቪዥን፣ ሬዲዮ፣ ጋዜጣ እና ኢንተርኔት ነው | 1          | 2      | 3        | 4      | 5           |
| 4                   | በከባንያው የመድን ፖሊሲ እንድገዛ ያደረገኝ መንግስት ነው                                 | 1          | 2      | 3        | 4      | 5           |
| 5                   | በከባንያው የመድን ፖሊሲ እንድገዛ ያደረገኝ የባንክ ብድር ነው                              | 1          | 2      | 3        | 4      | 5           |
| ክፍል አራት፡ የመግዛት ፍላጎት |  |            |        |          |        |             |
| 1                   | የመድን ፖሊሲ መግዛት ትክክለኛ ውሳኔ ነው   | 1          | 2      | 3        | 4      | 5           |
| 2                   | የመድን ፖሊሲ ደግሜ እገዛለሁ ወይም አሳድሳለሁ  | 1          | 2      | 3        | 4      | 5           |
| 3                   | ከፍተኛ አረቦን የምክፍል ቢሆን እንኳን የመድን ፖሊሲ ለመግዛት አትጃለሁ                        | 1          | 2      | 3        | 4      | 5           |
| 4                   | ሌሎች የመድን ፖሊሲ እንዲገዙ አሳስባለሁ  | 1          | 2      | 3        | 4      | 5           |

ጊዜዎትን መስዋት በማድረግዎ አመሰግናለሁ

