

# Factor Analysis on Purchasing Decision of Islamic Insurance

(A survey on an Islamic insurance participants in Bandung)

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**Abstract**—This research is motivated by the phenomenon of the lack of public purchasing decisions on Islamic insurance services. This can be seen from the low number of assets and market share of Islamic insurance services. The purpose of this research is to determine the reasons for purchasing decisions of insurance participants in making purchasing decisions on insurance services in Prudential Syariah, as a player in Islamic Insurance in Indonesia and which variable that become the most dominant factor. The research method used is explanatory survey with data collection technique employing questionnaire. Population in this research is participants of insurance services in Prudential Syariah with sample of 70 respondents using simple random sampling technique. Data analysis technique used is method analysis of CFA (Confirmatory Factor Analysis) by using Amos. The research findings show that the individual differences, environment and marketing mix variables have a positive and strong relationship in purchasing decisions Prudential Islamic insurance services and the most dominant variable is individual differences.

**Keywords**—individual differences; environment; mix marketing; purchasing decision; Islamic insurance

## I. INTRODUCTION

Nowadays, the development of Islamic insurance in Indonesia, has experienced good growth. This can be seen from the growth data of Islamic insurance assets in the period 2012 to 2016, the growth of Islamic insurance companies assets increased every year. The largest asset growth of Islamic insurance companies occurs in December 2015 - December 2016 amounting to Rp 6,724.48 (in billion rupiah). It is shown that there is interest from society to use Islamic insurance.

Although the growth of Islamic insurance assets has increased generally, but the growth of total assets of Islamic one is lower than conventional one. The differences that occur is caused by various factors that influence it, such as lack of socialization on Islamic insurance to the public, the lack of Islamic insurance experts who really master the Islamic insurance technique, and also lack of participation of Muslim to make Islamic insurance as an option in do muamalah.

In relation to the problems or opinions from the previous research, the level of awareness of Indonesian society towards insurance is still relatively low compared to the awareness

towards insurance in other countries [1]. According to Idris this valuation is particularly seen from the point of view of the industry penetration rate for the individual national market of customers [2]. This led to the development of the insurance industry in Indonesia, especially the Islamic insurance has not been so significant, whereas the potential of Islamic insurance market to grow in Indonesia is very big, since the majority of 87% of Indonesian population is Muslim, which is very unfortunate.

Based on the data from OJK or The Financial Service Authority of Indonesia in 2017, the market share for Islamic insurance is also classified as low. Islamic insurance assets compared with the total assets of conventional insurance only reached 5% out of the total. The total assets of Islamic insurance nationwide reached IDR 34.3 trillion. As for the conventional insurance assets recorded IDR 958, 06 trillion. The low market share of Islamic insurance, which affects the total market share of the Non-bank Islamic Financial Industry in which until August 2017 only reached 4,54% against all the Non-Bank Islamic Financial Industry. This becomes a big enough challenge for any interested parties to be able to further develop the Islamic insurance business.

Based on the foregoing, purchasing decisions in choosing Islamic insurance services can be said to be one of the most important factors, the reason why someone buys a particular product is a very important factor for the company to design the service product to match the consumer's wishes. Purchasing decisions come from the behavior of consumers in everyday life is different, consumer behavior will eventually encourage consumer decisions to buy Islamic insurance products. Consumer behavior in decision making will keep changing from time to time, therefore it is important to go deep into consumer behavior towards a service (in this case, to Islamic insurance) because if not, then company performance can be hampered or even decrease.

This study will focused on examine or analyze what factors are used as the reason of participants in making purchasing decisions on Islamic insurance.

**II. LITERATURE REVIEW**

Purchasing decisions are the stages of the process by which consumers make purchases, so that purchasing decisions are part of consumer behavior when deciding to buy services / products.

Islamic insurance according to the National Sharia Board No. 21/ DSNMUI/X/2001 is an effort to protect and help one another among a number of people through investments in the form of funds or assets *tabarru'* that provide a pattern of taking to deal with certain risks or dangers through a contract in accordance with sharia.

Consumer behavior are activities that are directly involved in obtaining and using goods and services, including the decision making process in the preparation and determination of certain activities.

The buying decision process is influenced by three main factors, namely individual differences, environmental factors and marketing mix factors. The following is an explanation of each of these factors [3]:

**A. Individual Differences**

Individual differences describe the factors of individual characteristics that arise from within the consumer and the psychological processes that occur in the consumer that are very influential on the consumer decision process.

**B. Environment**

Environmental variables are the conditions of society that are influenced by social conditions and the values of their members. In particular, consumers interact with their environment that can provide influence and opinions to obtain information on a product / service.

**C. Marketing Mix Factors**

Marketing mix is a number of marketing tools used by companies to convince the marketing object or target market to be targeted.

**III. METHOD**

The objects in this study are participants of insurance services of Prudential Syariah KC Buah Batu. Prudential Syariah is also known as a player in the Islamic insurance industry in Indonesia. While, the type of research using field research (field research). The method used in this research is descriptive quantitative method. The design of this research is explanatory. The population of in this research is 2000 participants and using 70 sample. Data collection techniques using questionnaires. Services and what factors are most dominant. There are previous study which concern on consumer behavior in purchasing decisions of Islamic insurance [3-5].

Data analysis used such as descriptive analysis and confirmatory factor analysis (CFA) using Lisrel application 8.7. In the confirmatory factor (CFA) analysis there is a model conformity test, CFA analysis of validity and reliability, coefficient of dominant variable.

**IV. RESULTS**

The result of descriptive analysis of respondent characteristic of Prudential Syariah KC Buah Batu participant. It can be seen that from gender dominated by female that is 41 from 70, then from range of age mostly are 35-44 year old. While looking at last education level is dominated by bachelor degree. The occupation of participants mostly are government employees. The Prudential Syariah participants mostly had been other insurance participants. Most of the respondents have been a participant for 2-5 years.

Model conformity test, the suitability of the model is evaluated through a review of the goodness of fit criteria.

**TABLE I. GOODNESS OF FIT TESTING RESEARCH MODEL**

<b>Absolute Fit Measures</b>		
Goodness-of-fit Index(GFI)	0,90 Model Fit	0,917
Root mean square error of approximation (RMSEA)	RMSEA 0.08 meaning model fits with data, 0.9 – 1.0 meaning modela fits with data	0,001
Expected cross-validation index (ECVI)		1,394
<b>Incremental Fit Measures</b>		
Adjusted goodness-of-fit Index(AGFI)	0,90 Model Fit	0,894
Normed Fit Index (NFI)	0,90 Model Fit	0,936
Tucker-Lewis Index (TLI)	0,90 Model Fit	1,00
<b>Parsimonious Fit Measures</b>		
Comparative fit index (CFI)	0,90 Model Fit	1,00
Incremental fit index (IFI)	0,90 Model Fit	1,00
Relative fit index (RFI)	0,90 Model Fit	0,90
Parsimonious normed fit index (PNFI)	0,90 Model Fit	0,596
Parsimonious GFI (PGFI)	0,90 Model Fit	0,486

Based on Table 1 can be seen that the value of RMSEA 0.001 indicates that the fit model, while based on other indicators the model is quite fit. It is proved that research can be continued.

**TABLE II. CFA ANALYSIS RESULTS VALIDITY AND RELIABILITY**

<b>Variable</b>	<b>Sub Variable</b>	<b>λ</b>	<b>λ2</b>	<b>E</b>	<b>CR</b>	<b>VE</b>
Individual Differences	FP1	0,742	0,551	0,449	0,9	0,6
	FP2	0,973	0,946	0,054		
	FP3	0,654	0,428	0,572		
Environment	FL1	0,681	0,464	0,536	0,7	0,5
	FL2	0,590	0,348	0,652		
	FL3	0,658	0,433	0,567		
Mix Marketing	FS1	0,654	0,428	0,572	0,7	0,6
	FS2	0,891	0,794	0,206		
	FS3	0,790	0,624	0,376		
	FS4	0,714	0,510	0,490		
	FS5	0,731	0,534	0,466		

Based on Table 2 can be seen that all indicators have a factor loading ( $\lambda$ )  $\geq 0.5$ , this indicates that all indicators on each variable declared valid. All CR values  $> 0.7$  and All VE values  $\geq 0.5$  indicate that each variable has good reliability. Then the research can proceed.

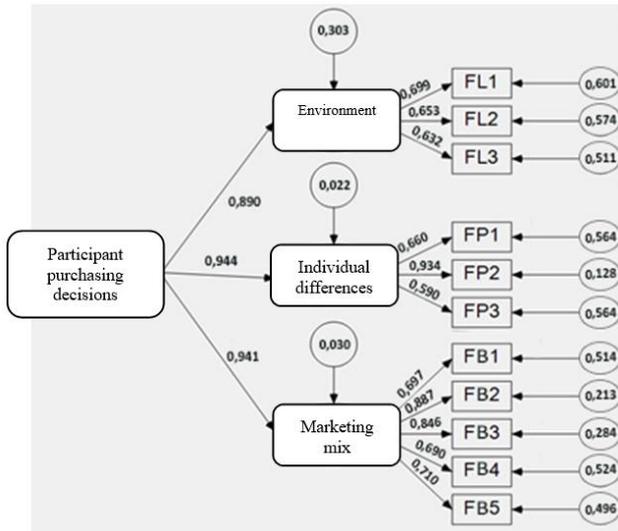


Fig. 1. Model CFA and variable dominant (Source: Data Processing Results 2018).

Individual differences describe the characteristics of individual factors that arise from within the consumer and psychological processes that occur in the consumer that is very influential on the consumer decision process. The participant's responses to individual differences variable were very high for several factors, such as religiosity factors, perceptions and age factors.

Based on the results of statistical tests of individual differences variables have a positive effect on purchasing decisions of Prudential Syariah participants. This can be seen from the direction of the coefficient of individual differences with positive value (0.944) then the first hypothesis is accepted. Variable of individual differences also significantly influence the purchasing decision of participants, seen from the value of t arithmetic bigger than t table ( $4,714 > 1,96$ ). This means that individual differences have a considerable contribution to the purchasing decision of the participants. Variables of individual differences become the first rank in influencing the purchasing decisions of Prudential Syariah participants. This is due to the high assessment of the participant's perceptions of the factors that exist in individual differences that affect the participants in choosing the Islamic insurance.

The r statistical test result based on sub-variables, the first factor that has a big influence for the individual differences is the perception factor of 0.934. The reason behind this is that the more people who have perceptions about getting a sense of security in conducting transactions and entrust their funds to be invested in Islamic insurance, the more people take decisions to become participants in Prudential Syariah. Then the more Islamic insurance provides benefits, the more participants are satisfied, and the more insurance is considered good and

lawful, the more participants feel secure in becoming a participant of Prudential Syariah.

The second is the religiosity factor with the amount of influence of 0.660. This is because Prudential Syariah has observed sharia principles such as avoiding *maysir* (gambling), *riba* (interest or usury) and *gharar* (uncertainty) so that participants feel confident and secure using their insurance products. This can be seen in the operational system performed, where in the fund management mechanism can separate between the account of participant's funds and *tabarru* accounts, so as to avoid *maysir* and *gharar*. As for the problem of *riba*, it can be avoided by using instruments which accordance with sharia in investing the participant's funds.

The third is the age factor with the amount of 0,590. This is because, Prudential Syariah can help reduce unwanted risks in the future, because the participants need a handle that able to bear various risks that may occur. Prudential Syariah is able to bear any risks to be faced by participants, one of which is the risk of getting sick or dead. So that the increasing age of participants will influence his decision in choosing insurance services in Prudential Syariah.

The results of this study are supported by previous research stated that religious factor, perception and age have significant effect on participant decision in choosing Prudential Syariah [5,6].

The main basis of consumer behavior is to understand the environmental influences that shape or discourage individuals from making their buying decisions. Environment is one of the factors that influence the individual behavior. In particular, consumers interact with the environment that can give influence and opinion to obtain information on a product / service. This means that every action and decision made by the participant is influenced by the condition of the environment.

Based on the results of statistical tests of individual environmental variables have a positive effect on decision of participants in choosing Prudential Syariah. This can be seen from the direction of the coefficient of positive environmental variables (0.890) therefore the second hypothesis is accepted. Environmental variables also significantly influence the decision of participants in choosing Islamic insurance seen from the value of t arithmetic greater than t table ( $4.330 > 1.96$ ). This means that the environmental variables have an influence on participant's decisions. Environmental variable has ranked third in contributing to participant decisions. The reason behind this is due to the assessment of participant's perceptions of environmental factors in choosing Prudential Syariah is not high enough.

The results of statistical tests based on sub-variables, the first factor that has a major influence for environmental variable is, the family factor of 0.699. That is because the increasing number of family members of the participants who use the services of Prudential Syariah, make the participants decided to choose the same Islamic insurance services. Then, family factors also provide information to participants related to Prudential Syariah so that participants feel have more knowledge about insurance services so the participants can be more confident in making purchasing decisions. Finally, the

family of participants suggested to use the same insurance services which is Prudential Syariah, it can motivate participants to choose the same insurance services.

The second factor is economic conditions with a value of 0.653. This is due to how much the benefits that are agreed, and the type of insurance that selected is influenced by how much the level of participant's income. Then the large amount of savings owned by the participants will affect their decision in choosing the type of insurance products which will then be adjusted to the ability to pay premiums every month.

The third factor is a technology with a value of 0.632. This is due to the innovative technology owned by Prudential Syariah that is an application called PRUaccess Mobile on mobile phone that allows participants to perform various transactions such as premium payment, will facilitate the participants access in meeting their needs. Then the existence of a well-computerized information system such as the existence of the official website that always updated will give participants the ease in accessing the required information without having to come to the branch office.

The results of this study are supported by previous research stated that family factors, economic and technological conditions can affect the decision of the participants to choose Islamic insurance [6,7].

The success of a company based on its expertise in controlling its marketing strategy. The marketing concept has a set of marketing tools that can be controlled, which is better known as the marketing mix. The marketing mix of services is a tool for marketers in form of marketing programs that sharpen market segments, market targets and market positions that focus on product issues, promotional media, brands, locations and services for insurance participants.

The marketing of Islamic insurance not only consider the behavior of the society as participants of insurance targets, but need also to know various aspects, including Islamic marketing ethics. Sharia-compliant marketing is that in the whole process, both the creation process, the bidding process and the process of change of values, there can be no contradiction with the *muamalah* or transaction agreements and principles in Islam.

Based on the results of statistical tests of marketing mix variables positively affect the decision of participants in choosing Prudential Syariah. This can be seen from the direction of the coefficient of marketing mix variable with positive value (0.941) then the third hypothesis accepted. Marketing mix variables also significantly influence the purchasing decision of the participants, seen from the value of t arithmetic greater than t table ( $4.570 > 1.96$ ). This means that the marketing mix has an influence on the purchase decision of the participants. The marketing mix is ranked second in influencing the participant's decisions. This is because, the assessment of participants perceptions are quite high on the factors of marketing mix in choosing Prudential Syariah.

As for statistical test result based on sub-variables, the first factor that has a big influence for marketing mix is service factor equal to 0,887. This is because, if the insurance agent of Prudential Syariah increasing its professionalism as fast in handling the claim process, it can make the participants feel

more valued the time. Then the more alert the services provided by the agent in serving the complaints of participants, the more participants feel glad because fast solution to their complaints accommodated. Finally, if the insurance agents provide a friendly and calming service in accordance with Islamic syllabus and etiquette, make the participants feel comfortable in interacting and making transactions.

The second is the brand factor with the contribution amount of 0.846. This is because, participants have a perception that Prudential Syariah is a well-known company that is considered as a brand trusted by many people, it will be a right decision for participants to make a purchase on Prudential Syariah. Then Prudential Syariah is a large company that already has many branch offices of sharia units and has many awards from the achievements achieved therefore It gets positive brand perception from the participants.

The third factors that contribute to the marketing mix are product factors with a sum of 0.710. This is due to the quality of the product will improve the purchasing decision of the participants. The participant who receives the product with the appropriate benefits and advantages, so that he will get what is expected from the product. If the product received or perceived in accordance with expectations then the product is perceived as an ideal quality. Then Prudential Syariah has a variety of products so that participants can choose products that match the needs and abilities of participants.

The four location factors with the contribution amount of 0.697. This is because the majority of participants chose the Prudential Syariah branch in Buah Batu due to its strategic location, therefore the participant can easily access the office. In addition, the location of Prudential Syariah which is close to where the participants stay and its location is quite close to the center of the crowd. The more convenience given by the company provide comfort, then more participants get satisfied in doing transaction activity.

The fifth is promotional factors with a total contribution of 0.690. This is because if the marketer agents of Islamic insurance conduct promotional activities wholeheartedly, openness (communicative) and transparency shown by not covering up the weakness of the product, then make these all make the participants interested and then make them to decide becoming a participant of Islamic insurance. This is in line with the promotion justified in *muamalah* based on sharia principles of honest, transparent promotion and explain what it is. Therefore, there are no elements of falsity and deceit both in terms of quantity and quality. Then a marketer agent who promotes a balanced product knowledge, knowledge of business and knowledge in terms of sharia or Islamic ruling that would make the participants get information from various aspects especially from the aspect of sharia. Therefore, the participants are more convinced to use products on Prudential Syariah. Lastly, Prudential Syariah not only promotes through marketers agents, but also through advertising media such as through commercial billboards, newspapers and other means. By influencing participants continuously either directly or indirectly, will make the participants interested or then take the decision to be a participant of Islamic insurance.

The results of this study are supported by previous research stated that location, service, brands, promotions and products have a significant effect on the purchasing decision of the participants in choosing Islamic insurance [3-5,7].

#### V. CONCLUSION

Based on the results of research and discussion above, the conclusions of this study can be explained as follows: Purchasing decisions of participants on Prudential Syariah categorized very high on individual differences, in the environment, as well on the marketing mix. Variable of individual differences such as religiosity factors, perceptions and age give a very high influence on purchasing decisions of Prudential Syariah participants. Thus there is a positive influence between individual differences with the purchasing decision of the participants. Environmental variables such as family factors, economic conditions and technology give a very high influence on purchasing decisions of Prudential Syariah participants. Thus, there is a positive influence between the environments with the purchase decision of the participants. Marketing mix variables such as location factor, service, brand, promotion, and product give a very high influence on

purchasing decision of Prudential Syariah participants. Thus there is a positive influence between the marketing mixes with the purchasing decision of the participants of Islamic insurance.

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