

**FACTORS AFFECTING PURCHASE INTENTION OF  
LIFE INSURANCE POLICIES BY MALAYSIANS IN  
KLANG VALLEY**

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**APRIL 2022**

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LIFE INSURANCE POLICIES BY MALAYSIANS IN  
KLANG VALLEY**

**BY**

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A final year project submitted in the partial fulfilment of the  
requirement for the degree of

**BACHELOR OF INTERNATIONAL BUSINESS  
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## DECLARATION

I hereby declare that:

- (1) This undergraduate FYP is the end result of my own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.
- (2) No portion of this FYP has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
- (3) Sole contribution has been made by me in completing the FYP.
- (4) The word count of this research report is 11452.

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Date: 29<sup>th</sup> April 2022

## ACKNOWLEDGMENT

Several people have offered me their assistance throughout this research, which made the completion of this research a lot smoother. Therefore, I am taking advantage of this opportunity to convey my heartfelt gratitude to everyone who aided me.

Firstly, I want to express my heartfelt gratitude to Encik Khairul Anuar bin Rusli, my final year project supervisor, for his constant patience in supporting me as he provided me with a multitude of feedback for improvement and recommendation to further enhance my research quality.

In addition, it will only be right to express my appreciation to Dr. Alexander Tay Guan Meng, my second examiner, for his valuable input on how to improve my research and future potential research.

Next, I would want to extend my acknowledgement to all the respondents who participated in the questionnaires I distributed. The data collected was very helpful in completing my research project.

Finally, I want to express how grateful I am from the bottom of my heart to all of my friends and family for their unwavering support in spreading the questionnaires and speed up my data collection process which helped me avoided many potential delays in my research.

## DEDICATION

I would like to dedicate this research project to my supervisor, Encik Khairul Anuar bin Rusli, who has been a great help to me during the whole research project duration. His guidance and support have its significant impact on this research project. Therefore, any success from this research project will be shared with him.

Secondly, I would want to dedicate this research to both my parents, Mr. Goh Hong Swee and Ms Tang Sook Heng, who have provided me with both mental and physical support throughout the execution of this research project.

Finally, not forgetting about my close friends. I want to dedicate this research to them as well for being supportive of me in both words of encouragement and acts of service which gave me strength to give my all in this research project.

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## LIST OF ABBREVIATIONS

BNM	Bank Negara Malaysia
LDHN	Lembaga Hasil Dalam Negara
LIAM	Life Insurance Association of Malaysia
MLR	Multiple Linear Regression
PTV	Perlindungan Tenang Voucher
SPSS	Statistical Packages for Social Science
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action

## **CHAPTER 1: INTRODUCTION**

### **1.0 Introduction**

This thesis will reveal the factors which affects the purchase intention of life insurance policies by Malaysians in Klang Valley. In this chapter, items such as research background, problem statement, research questions, research objectives, scope of study, significant of study will be covered.

### **1.1 Research Background**

Life insurance is an essential tool to protect someone's physical and financial wellbeing. According to Bank Negara Malaysia, majority of life insurance businesses in Malaysia are owned by foreign entities. The life insurance business in Malaysia has experienced continuous growth thanks to several schemes implemented by the Malaysian government especially in the area of taxation. Normally, businesses are taxed up to 24% based on the Income Tax Act 1967. However, the life insurance business is only charged as low as 8% which is significantly lower than the other businesses. According to Lembaga Hasil Dalam Negara (LDHN), the Malaysian government encourages individuals to equip themselves with sufficient life insurance coverage by giving them a tax relief of up to RM3,000 for life insurance policies, RM3,000 for medical or education insurance, and RM3,000 for deferred annuity which is a long-term saving policy.

According to the Life Insurance Association of Malaysia, the life insurance industry grew 12.4% in 2021 as compared to 2020. Overall, the industry experienced RM12.8 billion in new business total premiums as compared to RM11.4 billion in the previous year. Based on the statement made by LIAM President, Ms Loh Guat Lan, the investment linked policies went up by 31.2% to achieve RM6.6 billion in 2021 amid a highly volatile business environment. This is thanks to another initiative by the government who implemented Perlindungan Voucher Voucher (PTV) which is a RM75 voucher for the Bantuan Prihatin Rakyat recipients who are under the Bottom 40 (B40) income category. This incentive encourages more people to carry on their life insurance



plans and to ensure their families are protected against the many uncertainties of life.

The reason behind the many helpful financial incentives towards life insurance policies is simple, the Malaysian government understands life insurance is needful in everyone's life. Risk is almost inevitable in everyone's life. Hence, it must be mitigated in an appropriate manner for the sake of the beneficiary. One of the five Maslow's Hierarchy of Needs by Abraham Maslow is safety needs. It is a common necessity for humans to have their safety needs fulfilled. Since humans' needs are unlimited but resources are scarce, it is essential that humans prioritize certain needs such as safety needs which would include health, education, and the like which can be covered by life insurance policies. (Djoni, 2021)

The future is uncertain as it carries a vast number of risks to one's life. There will be losses that can be covered by a person's savings and there will be losses that far exceeds one's monetary reserves. Basically, insurance is a tool to fulfil the safety needs of a person as it would cover a large financial compensation if the person met any unfortunate events. Hence, it should be fully utilized to hedge the risk of losing a large sum of money in the future. It is one of the best solutions to fulfil a person's safety needs as mentioned earlier in this section. (Erlangga et al., 2019).

According to Life Insurance Association of Malaysia (LIAM), there is still huge percentage of Malaysians who are still not utilizing this risk mitigation tool to its fullest ability. There is still a lack of awareness when it comes to the usefulness of life insurance. Many aren't aware this simple tool can help them avoid financial disasters

## 1.2 Problem Statement

Despite the recent growth in the life insurance industry, there is still an underlying problem. According to Life Insurance Association of Malaysia (LIAM), more than 50% of Malaysians didn't purchase life insurance products. According to LIAM's president, Loh Guat Lan, this is the result of alarmingly low life insurance penetration rate in Malaysia which was only 41% in 2016 which grew to 54% in 2020. To highlight the severity of the matter, more than 90% of the 41% Malaysians who purchased life insurance product in 2016 lack adequate coverage for themselves and their family members. Based on current evidence, it goes to show that a major reason to Malaysians not fully utilizing life insurance policies is due to the poor financial literacy rate in the country.

According to a survey conducted by Creador, a private equity firm, about 70% of Malaysians require support in financial literacy. In the survey of 3,333 respondents, 700 respondents or 21% of the respondents categorize themselves as "Finance Newbies" who lack the fundamentals of personal finance while 1,600 respondents or 48% of the respondents classified themselves as "Finance Cadets" who just started to understand the basics of personal finance. And the remaining 1,033 respondents or 31% of the respondents ranked themselves as "Money Boss" – someone who could comprehend the basic financial concepts well. A common pain point that is shared among the various financial ranks of respondents is proper budgeting and savings. Approximately one third of Malaysians are risk averse as 32% of the respondents in the survey feel safer to leave their funds in deposit products instead of tapping into higher return investment vehicles that carries along higher risk.

According to the National Strategy for Financial Literacy 2019-2023, a survey conducted in 2018 showed that one third of Malaysians have low financial knowledge and up to 92% of them possess deposit products and are less likely to add high risk investment products into their portfolio. In terms of how prepared Malaysians are for unexpected life events, a staggering 52% of them find it hard to raise even RM1,000 as an emergency fund while only 24% have adequate funds to sustain their living expenses of 3 months or more. The

most concerning item on the survey is that less than 20% of Malaysians have enough life insurance. It is still a long way to go for Malaysians in understanding the use of different financial tools and instruments

Therefore, there is a need to understand what is causing this situation to occur. To further understand the reasons behind the current situation, this study will cover on the factors affecting purchase intention of insurance products by Malaysians in Klang Valley.

### **1.3 Research Questions**

- i. How product quality influences the purchase intention of Malaysians towards life insurance products?
- ii. How perceived risk affect the purchase intention of Malaysians when it comes to life insurance products?
- iii. How company reputation influences the purchase intention of Malaysians regarding life insurance products?
- iv. How service quality affects the purchase intention of life insurance products by Malaysians?
- v. How does financial literacy influence the purchase intention of life insurance products by Malaysians?

### **1.4 Research Objectives**

#### **1.4.1 General Objective**

The main objective of this research is to investigate the factors which influences the purchase intention of life insurance products by Malaysians in Klang Valley.

#### **1.4.2 Specific Objectives**

- i. To examine how product quality influences the purchase intention of Malaysians towards life insurance products.

- ii. To study how risk affect the purchase intention of Malaysians when it comes to life insurance products.
- iii. To investigate how reputation influences the purchase intention of Malaysians regarding life insurance products.
- iv. To examine how service quality affects the purchase intention of life insurance products by Malaysians.
- v. To study how financial literacy influence the purchase intention of life insurance products by Malaysians.

## **1.5 Scope of Study**

Firstly, the insurance policies mentioned in this research will only cover life insurance products and not general insurance products offered by insurance companies in Malaysia. The life insurance products covered would consist of investment-linked life insurance, medical insurance, critical illness, and personal accident insurance which will be further elaborated in this study. Also, this research will be conducted specifically on Malaysians living in Klang Valley. The reason behind that is because Klang Valley is known to be the centre of Kuala Lumpur where the highest monetary transactions are happening. Locals in this area would be the ideal respondents for this study as they would be a well-diversified group of people in terms of income, gender, race, and financial literacy. Research method chosen for this study is quantitative research method and an online survey will be distributed to 200 Malaysians living in Klang Valley.

## **1.6 Significant of Study**

Despite the many evidence and facts on how important life insurance products are in an individual's life, the market penetration rate of life insurance product in Malaysia has yet to achieve majority of the population as they currently stand at only slightly

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above 50% when it should be at least 80%. Despite the rising population in Malaysia, yet the penetration rate of life insurance in Malaysia is still relatively low.

Upon realizing that financial literacy is merely a part of the factors influencing the purchase intention of life insurance policies by Malaysians, this research is essential in determining what are the factors that affect purchase intention of life insurance products by Malaysians in Klang Valley and how much influence each factor has towards Malaysians making the decision to purchase it.

Since the current problem faced is majority of Malaysians not buying life insurance products and having enough coverage, this study will dive deeper into the decision-making process of Malaysians when it comes to purchasing life insurance policies. The results of this study would then be aimed to help life insurance companies to design their awareness campaign that better grab the attention of Malaysians, life insurance consultants to focus on how they can help more Malaysians to be protected against the risks of life, as well as future research in financial literacy and understanding of financial instruments.

## **1.7 Chapter Layout**

### **Chapter 1.0: Research Overview**

This thesis will examine the elements that influence Malaysians' decision to purchase life insurance policies in the Klang Valley. The research backdrop, problem statement, research questions, research objectives, scope of investigation, and significance of study will all be explored in this chapter. of this investigation

### **Chapter 2.0: Literature Review**

This chapter will go through all of the important core concepts, theories, and research models in detail. In addition, this chapter will establish and discuss a number of hypotheses.

### **Chapter 3.0: Methodology**

This study's research design, research instrument, data collecting, data sampling, data processing, and analysis will all be covered. A survey with a series of questions has been designed and will be given to 200 Malaysians in the Klang Valley.

### **Chapter 4.0: Data Analysis**

Analyze the findings of the questionnaire survey and use tools like graphs, pie charts, and tables to better visualize the information. Validation and finalization of hypotheses produced previously in this study will also take place.

## **Chapter 5.0: Discussion & Conclusion**

In the last chapter, more debate and recommendations will be made about the data that has been analyzed.

### **1.8 Summary**

In summary, this chapter introduced the background of the research conducted, to give a clearer view of the study. Then, it mainly covered on the problem statement that highlighted the great need to conduct this research followed by a series of research questions to meet the research objective listed out. This chapter manages the expectations and goal of this study. The benefits of outcome that can be derived from this study will be for many parties such as the government, Life Insurance Association of Malaysia as well as future studies on financial literacy. Finally, it also explains how this research is needful as it will be highly beneficial to future researchers on the related matter followed by a brief layout of all the chapters involved in this study.



## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

In this chapter, all the relevant key concepts, theories and research model will be covered thoroughly. In addition, several hypotheses will also be developed and discussed in this chapter.

### **2.1 Life Insurance**

According to the Life Insurance Association of Malaysia (LIAM), life insurance is a written contract between a big group of people called policyholders who pay a sum of money called premiums to cover certain events within a specified time frame. The premiums collected will then be managed by an insurance company who will invest in several investment vehicles like property, businesses, commodities and so on. So, when someone in that group experiences an unfortunate event that is covered in the contract, the insurance company will then provide the promised fund to ease the hardship faced by the affected individual. In that sense, life insurance policies are a financial instrument that helps an individual to be covered financially if they are met with an unfortunate event. Insurance plays a crucial role in providing financial protection to both personal and business risks. Insurance has been around for more than hundreds of years. It involves gathering premiums which will then be reallocated to various investments. Life insurance products became the main priority due to Covid-19 pandemic. (Low et al.,2021)

According to Free Malaysia Today (FMT), there are a few types of life insurance product available in Malaysia. First, medical and health insurance which covers an individual's hospitalization expenses whether it be a surgery for a critical illness like cancer or treatment for injury from a car accident. Next, life insurance which will provide financial protection to the individual's family when the individual passes on from this world. There are two types of life insurance which is whole life insurance which will release the insured amount at the death of the policyholder which assist the policyholder's family financially in the bereavement process. The other type is term life insurance which

functions the same except that it will only be valid for a certain timeframe and the promised funds will be given only if the policyholder passes on during this period.

The third type of life insurance product is critical illness insurance which provides the policyholder with a sum of money when the policyholder is diagnosed with any type of critical illness, and they are free to use the money however they prefer. The final type of life insurance product is personal accident insurance which provides a sum of money to the policyholder when they are lose their ability to work due to an injury.

According to the Edge Markets (2018), insurance is an essential component in financial planning as it provides a peace of mind and preserves an individual asset efficiently. However, there are some underlying misconceptions among many Malaysians such as they are treating it as expenses instead which makes them delay their decision on purchasing life insurance policies while waiting for the “right time to buy” whereas in reality, it is best to buy it as early as possible. On the other hand, many corporate employees don’t even consider purchasing life insurance policies because they believe their organization has covered their needs adequately during their service with the organization. According to Bank Negara Malaysia, only 36.5% of Malaysians have at least 1 individual life insurance plan in 2017 which falls short of their target to achieve 75% by 2020.

## 2.2 Financial Capability

Financial capability is defined as the consumer’s ability to utilize their current knowledge regarding financial concepts and products as well as having access to various financial products to make better decisions in their best interest, financially. Financial literacy is merely a subset of financial capability as some people may have internal capabilities like understanding regarding financial concepts but lack the external conditions such as the opportunity and access to the relevant products at the appropriate conditions. The same goes for the opposite as well.

According to Nussbaum (2011), there is a great need to overcome the lack clarity and confusion among many consumers by having policy makers and services providers to create a clearer and definitive framework that illustrates to the individual the complete and overall picture that highlights the capabilities needed to have a healthy financial well-being. Figure 1.1 shows a simplified framework that serves as a guide in creating that framework mentioned earlier.

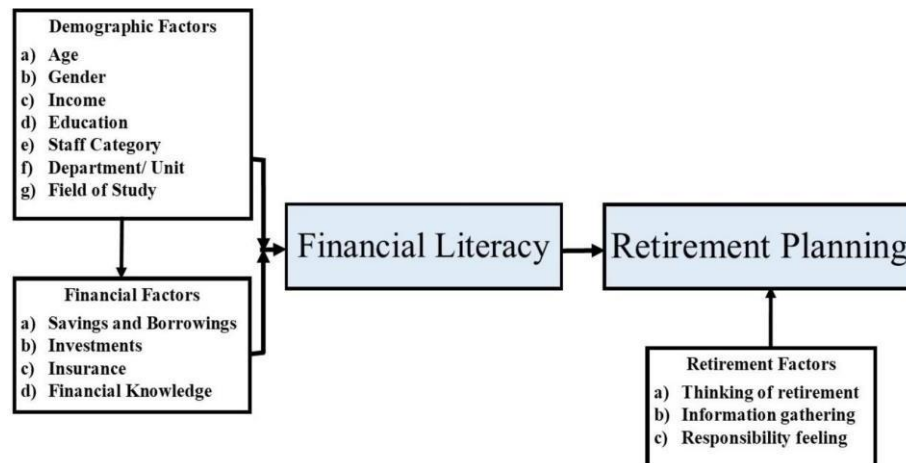


Figure 2.1 shows Conceptual framework relating financial literacy and retirement planning

Source: Achari, Dominic & Oduro, Richard & Felix, & Nyarko, Kwame. (2020).

Financial Literacy on Retirement Planning. Retrieved from

[https://www.researchgate.net/figure/Conceptual-framework-relating-financial-literacy-and-retirement-planning\\_fig1\\_342500280](https://www.researchgate.net/figure/Conceptual-framework-relating-financial-literacy-and-retirement-planning_fig1_342500280)

## 2.3 Theory of Planned Behavior

According to Antony S. R. Manstead & Dianne Parker (1995), the theory of Planned Behavior is an extended version of the theory of reasoned action (TRA). It links informational and motivation factors which make it easier to understand and predict future behavior. Its behavioral intention requires intention and behavior to be measured with common range of specifications such as target, action, timeframe as well as the overall understanding of the related behavior. It's important to leave small room for intention to change between assessments of behavioral intention and following behavioral measure, and the prediction of the time interval between two measures are to be controlled at a minimum. Intention shows an evaluation of consequences of practicing the behavior and the level of control perceives the success of performing the relevant behavior. Perceived behavioral control act as predictor that is according to the assumption that holding intention is remained unchanged, stronger perceived control will encourage the chances that the practice of the wanted behavior will be successful. In other words, it works as a confidence boost to practice a certain behavior. This theory will be relevant as to predict the future behavior patterns of Malaysians in Klang Valley regarding the purchase intention of life insurance policies.

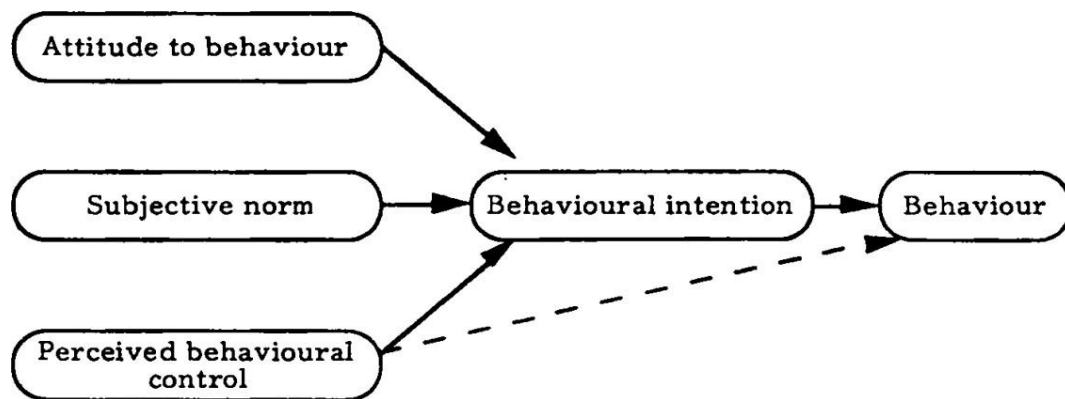


Figure 2.2 shows the theory of planned behaviour (after Ajzen, 1988)

Source: Antony S. R. Manstead & Dianne Parker (1995) Evaluating and Extending the Theory of Planned Behaviour, *European Review of Social Psychology*, 6:1, 69-95, DOI: [10.1080/14792779443000012](https://doi.org/10.1080/14792779443000012)

## **2.4 Population Density of Klang Valley**

According to World Population Review, Klang Valley has approximately 7.6 million people as of 2018. In Kuala Lumpur alone, there is about 1.76 people in area of just 94 square kilometers as of 2016. As a result, it leads to high population density of 6,890 people per square kilometers making it one of the quickest growing metropolitan regions in Southeast Asia which includes both population and economic progression. The major ethnic groups in Kuala Lumpur are Malay or Bumiputera, Chinese and Indians.

## **2.5 Review of Variables**

### **2.5.1 Dependent Variable: Intention Purchase of Life Insurance Policies**

Essentially, purchase intention is the “purchase probability associated with an intention to buy the product” (Halim & Hamed, 2005; Kincaid, 2003). Positive purchase intention attracts more sales and minimizes marketing cost and efforts. (Palmatier, Scheer, and Steenkamp, 2007). This is also aligned with Chadhuri and Holbrook (2001)’s statement on how positive purchase intention lowers marketing costs, adds new customers, revenue grows and develop a unique competitive advantage. Before Malaysians can make the decision to obtain life insurance products, the main concern they would have been their finances, the value of insurance product must be on par with the sacrifice they are making.

Purchase intention is influenced by both external and internal factors. For example, expected outcome, expected value, recommendation and emotional attachment towards products and services. Family income, inflation, insurance price, culture, demographic variables, and religion are the determinants that influences the consumer purchase intention towards life insurance. Purchase intention is known to be one of the most important factors a marketer could utilize to run a successful business in the long term. (Shaifali C. et. al, 2019). Consumer satisfaction is derived from the relation between perceived quality and customer purchasing intention (Nomi, M., & Sabbir, M. M. (2020)).

### **2.5.2 Independent Variable: Product Quality**

According to Atinga (2018), product quality is the customer's satisfaction of the goods they purchase. If the products purchased are better than their expectations, then it will be received as good quality and the opposite also applies. (Bicen, 2015; Zeithaml, 1988; Zeithaml et al., 1996). Products can be categorised as tangible and intangible products. As for life insurance products, it is considered intangible products as it offers contract of financial compensation when the expected event occurs. According to Vijaya (2016), intangible products offered by life insurance companies consist of wealth preservation and accumulation in form of investment. If the benefits attached to the product is not up to part with the want and need of the consumer, then the consumer will move on to the other life insurance companies who can offer better value instead. (Ulaga, 2003; Zeithaml, 1988; Lai et al., 2009)

### **2.5.3 Independent Variable: Perceived Risk**

According to Bong (2019), customers feel uncertainty when they are in the purchasing process as they are worried, they would make the wrong decision. According to Kim (2007), consumer perception towards products can be wavered by potential negative and uncertain outcomes. According to Masoud (2013), perceived risk is formed when consumers experience uncertainty and unexpected outcome in a negative light. When it comes to perceived risk, it is categorized by 3 main types which are security risk and privacy risk. However, the severity of the perceived risk can be lowered by improving the customer experience journey. (Adunito N. et al., 2021)

### **2.5.4 Independent Variable: Company Reputation**

According to Guru & Umamaheswari (2018), company reputation involves the company behavior and their various other physical aspects that shows a certain level of status such as office building, product, and their customer service quality. One of highly valued asset a company can have is their reputation. (Faullant et al., 2008). Life insurance companies will a smoother process of acquiring loyal customers while minimizing their promotional cost when they are a reputable company. (Famiyeh et al). Company reputation is formed from how customers perceive the company. (Lai & Babin, 2009). The better the reputation, the more the customers are familiar with the company, the more trust they will have which leads to increase in purchase of life insurance policies.

### **2.5.5 Independent Variable: Service Quality**

One of the most essential factors in an insurance company's ability to compete with other insurance firms is service quality. Clients will not choose other insurance companies if the service quality is good, and the insurance business may even grow the quantity of customers who come from unsatisfied insurance firms. The discrepancy between consumer perceptions of service and what customers anticipate from the organisation is referred to as service quality. This service quality encompasses facilities as well as employee-customer relationships. (Nursiana et al., 2021)



### **2.5.6 Independent Variable: Financial Literacy**

Financial literacy is defined as the capacity to efficiently organize one's finances by utilizing savings to acquire money, then carefully preserving that wealth against depreciation and losses, and lastly distributing that wealth at a later stage of one's life. Individuals with high financial literacy, as compared to those with low financial literacy, are more likely to engage in financial planning, such as investing in unit trusts and acquiring life insurance, according to study.

People with a poor understanding of money are less likely to accumulate wealth. Financial literacy is vital for smart financial decision making; and affluence makes people less inclined to plan for retirement. Financial literacy improves one's ability to deal with day-to-day financial issues and reduces debt. (Mahdzan & Victorian, 2013)

## **2.6 Hypothesis of the study**

Every insurance firm aims to deliver premium quality products that fulfil the needs of its clients. Customers will make purchases based on the quality of insurance goods. (Nursiana et al., 2021). The quality of insurance products will convince customers to decide to purchase. From the above explanation, the following hypotheses are formulated:

**H1: Product quality has significant influence on the purchase intention of Malaysians towards life insurance products.**

Perceived risk is described as the prospect of losing money during online buying in order to acquire the desired result; it is a combination of uncertainty and the likelihood of a serious outcome. (Masoud, 2013). Based on past study, the following hypotheses are formulated:

**H2: Perceived risk has significant impact on the purchase intention of Malaysians when it comes to life insurance products.**

The reputation of a corporation is defined by the organization's communication process and specific messages to customers about the company's mission, vision, goals, and core values. (Nursiana et al., 2021). Based on past study, the following hypothesis are formulated:

**H3: Company reputation has significant influence on the purchase intention of Malaysians regarding life insurance products.**

While service quality is vital in persuading clients to choose an insurance business that can offer better service than their competition, many organisations recognise that by providing consistent service quality, they will gain the customer's intention to purchase the product. Based on past study, the following hypothesis is formulated:

**H4: Service quality has significant impact on the purchase intention of life insurance products by Malaysians.**

According to Mahdzan & Victoria (2013), individuals who are more financial literate tend to be more involved in financial planning which includes getting life insurance to protect themselves financially. The more financially literate the individual is, the more they will be aware of the financial risks they need to hedge which can be done using life insurance. Therefore, in this study, it is speculated that

**H5: Financial literacy has significant influence on the purchase intention of life insurance products by Malaysians.**

## 2.7 Research Framework

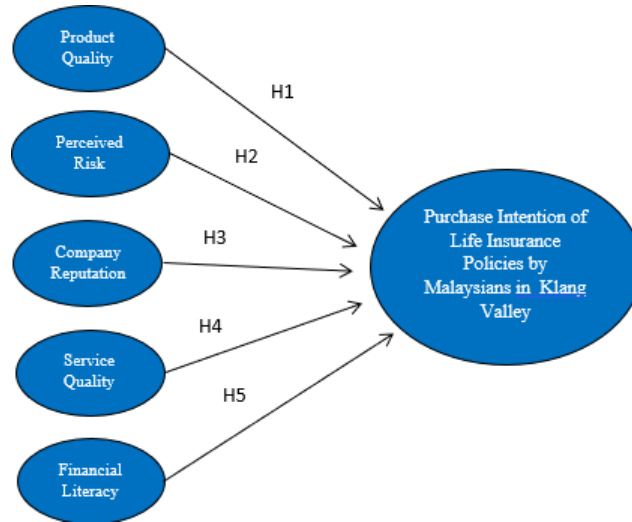


Figure 2.3 shows the proposed research framework

Source: Developed for research

## **2.8 Summary**

In a nutshell, this chapter covered all the key concepts and the factors which affect the purchase intention of insurance products by Malaysians and the hypothesis developed which will be tested and analysed in the upcoming chapters.

## **CHAPTER 3: RESEARCH METHODOGY**

### **3.0 Introduction**

This chapter discusses the strategies used to collect and interpret data in order to achieve the research's goals. In regard to the structure of this research, the research design, data collection methods, sample design, research instrument, construct measurement, data processing, and recommended data analysis tools will be further detailed.

### **3.1 Research Design**

Research design can be defined as the plan of the proposed research structure. The proposed research structure is arranged to achieve the objectives of the research. In other words, it emphasizes on the method of gathering and interpreting the required information to relate to the purpose of this research. (A. Inaam, 2016)

This research will be considered quantitative research as it covers a range of methods of analyzing data in a systematic manner to study about a social occurrence involving statistical and numerical data. Quantitative research is essentially deductive in nature as it consists of making measurements, applying analysis on the data collected to draw a conclusion of the research conducted. (Watson, R., 2015)

### **3.2 Data Collection Method**

#### **3.2.1 Primary Data Collection**

Primary data is essentially the data collected directly by the researcher via surveys and interviews with the goal of gathering relevant data to solve the research problem. (Daas, P., & Arends-Tóth, J., 2012). As for this research, only an online questionnaire was used to gather primary data because the covid-19 situation hindered the researcher from organizing interviews with the respondents.

### **3.2.2 Secondary Data Collection**

As for secondary data, it is defined as data collected and preserved by others in forms of books, articles, journals, and the like. In this research, secondary data was extracted from government official websites such as Lembaga Hasil Dalam Negara (LDHN) as well as official plans published by the government like the National Strategy for Financial Literacy 2019-2023. Besides that, relevant data were also extracted from official newspaper websites such as The Star and The Edge Markets. (Daas, P., & Arends-Tóth, J., 2012)

## **3.3 Sampling Design**

### **3.3.1 Target Population**

Target population is defined as a specific group of respondents who represents the relevant population. It must be exclusive enough to produce adequate data to the research and to avoid misrepresentation of the population studied. To do this, the key terms must be defined clearly. For example, the target population of this research would be Malaysians from who are living in Klang Valley. (Casteel, A., & Bridier, N., 2021)

### **3.3.2 Sampling Frame and Sampling Location**

Sampling frame touches on the whole survey population without redundancy. Unfortunately, there is no sampling frame in this research as the self-administered questionnaire distributed to large number of Malaysians. (Keita, N., & Gennari, P., 2014)

Sampling location points to an area where the population of interest resides in. For this research, the sampling location is limited to Malaysians living in Klang Valley region.

### **3.3.3 Sampling Element**

Sampling element is defined as the method of identifying the individuals or groups to have a fair possibility of being selected for the research. In this research, the sampling element would consist of Malaysians coming from the 3 age groups such as Generation Z, Millennials, and Generation X and their understanding on purchase intention of life insurance policies.

### **3.3.4 Sampling Technique**

The probability sampling and non-probability sampling methods are the two basic sampling techniques that will be employed for research objectives. As previously stated, because this study lacks a defined sample frame, probability sampling is unfeasible and hence, non-probability sampling is appropriate. This research report collected data using voluntary response sampling, which is a non-probability sampling method. A questionnaire survey was given out at random to all the individuals via the internet.

### **3.3.5 Sampling Size**

The sampling size chosen for this research is 200 respondents. Anything lesser than 200 may not be sufficient in concluding data and the research objective. Therefore, 200 Malaysians living in Klang Valley were involved in this research.

## **3.4 Research Instrument**

### **3.4.1 Questionnaire Design**

Questionnaire is the most suitable way to gather data from the target population. Due to the Covid-19 pandemic, physical interactions have been severely limited and to achieve a high number of respondents, the researcher must resort to distributing an online questionnaire instead of a physical one. Distributing an online questionnaire is extremely convenient as respondents can participate in the survey by just clicking on the link provided which will lead them to the questions. The questionnaire is arranged in a manner where respondents can answer anonymously which is a practice to inspire the respondents to answer as honestly as possible. (Chan, J. H., Myron, R., & Crawshaw, M., 2005).

Generally, there two main types of questions used in a questionnaire which are closed and open questions. Open questions involve the respondents to contemplate and jot down their respective perspectives on the subject matter. On the other



hand, closed questions consist of questions with the option to choose the answers. Closed questions are more appropriate to achieve the objectives of this research. It will smoothen the analysis and interpretation process of the study.

The online questionnaire of this study was given to 200 Malaysian respondents living in Klang Valley region. Besides the questions relating to the study, there is a personal data protection statement of the university to ensure the respondents know their privacy is respected and kept confidential. The first part of this questionnaire, Section A, involves collecting information regarding the respondents' demographic information like age group, gender, employment status, marital status, education level and monthly household income level. As for Section B, it covers the respondents' experience with life insurance policies and their awareness regarding the use of it in investment and taxation. Finally, Section C, construct measurement designed to gather respondents' opinion on the dependent and independent variables of this research. The total number of questions related to these variables is 24 questions. The structure of the questions asked in Section C is based on the 5 point-Likert scale.

### **3.4.2 Pilot Test**

Pilot test was conducted at the initial stage of this research. The purpose of the pilot test is to test the validity of the questions structured for the respondents. In other words, it helps discern the strong and weak questions.

In the pilot test conducted, it involved 30 respondents. Statistical Package for Social Sciences (SPSS) version 26 was used by the researcher to analyse and interpret the reliability of the questions given. The results of test results are presented in Table 1.1.

Table 3.1 presents the pilot test results of the questionnaire used in this research

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Number of Items</b>	<b>Range</b>	<b>Internal Consistency</b>
Purchase Intention	0.608	4	$0.9 > \alpha \geq 0.5$	Good
Product Quality	0.744	3	$0.9 > \alpha \geq 0.5$	Excellent
Perceived Risk	0.543	3	$0.9 > \alpha \geq 0.5$	Acceptable
Company Reputation	0.829	4	$0.9 > \alpha \geq 0.5$	Excellent
Service Quality	0.565	3	$0.9 > \alpha \geq 0.5$	Acceptable
Financial Literacy	0.509	2	$0.9 > \alpha \geq 0.5$	Acceptable

Source: Developed for research

### 3.5 Construct Measurement

#### 3.5.1 Origin and Measure of the Construct

Table 3.2 Origin of the construct

Construct	Measurement Item	Source
Purchase Intention of Life Insurance Policies in Klang Valley.	<ol style="list-style-type: none"> <li>1. If someone approaches me to purchase insurance, I will buy it if I do not have one.</li> <li>2. I would make a special effort to buy insurance if I don't have one.</li> <li>3. The likelihood of purchasing an insurance policy is low.</li> <li>4. My willingness to buy an insurance policy is high.</li> </ol>	(Zeng, Y., 2008).
Product Quality	<ol style="list-style-type: none"> <li>1. Do you assess product quality before buying insurance?</li> <li>2. Do you calculate how many benefits you get from an insurance policy?</li> <li>3. Do you calculate the sacrifice of not purchasing an insurance policy from another company?</li> <li>4. Will you stop an insurance policy and go for another company if the product does not match your expectations?</li> </ol>	(Atinga et al., 2011)
Perceived Risk	<ol style="list-style-type: none"> <li>1. You rather minimize risk in life by buying insurance rather than focus on saving that money.</li> <li>2. You greatly consider the potential loss when you purchase an insurance policy.</li> <li>3. You prefer not to buy insurance if you have uncertainties about the company.</li> </ol>	(Mansour Samadi, Ali Yagjoob-Nejagi, 2009)

Company Reputation	<ol style="list-style-type: none"> <li>1. Do you only purchase insurance from companies with good reputation?</li> <li>2. You prefer insurance companies with a good reputation because they will not risk their I believe there are no harmful activities such as scam are undergoing while using e-wallet.</li> <li>3. You would buy from insurance companies with good reputation because they are more trustworthy.</li> <li>4. You buy insurance from companies that have a good reputation because you can anticipate the future of your policies.</li> </ol>	(Chauhan, S., Banerjee, R., & Banerjee, S., 2019)
Service Quality	<ol style="list-style-type: none"> <li>1. You would not switch to another insurance company if the current company has good quality of service.</li> <li>2. You would switch to another insurance company if your current one has bad quality service.</li> <li>3. Having the best quality of service is the most important factor is choosing an insurance company</li> <li>4. You prefer an insurance company that has good facilities and relationship with employees and customers.</li> </ol>	(Caruana, 2002; Bitner & Hubbert, 1994)
Financial Literacy	<ol style="list-style-type: none"> <li>1. Do you also participate in other financial planning activities such as share investments, property etc.?</li> <li>2. You are a risk averse individual and you manage your risk by purchasing life insurance to protect yourself.</li> <li>3. You would procrastinate in your decision to buy life insurance without the intervention of the life insurance agent.</li> </ol>	(Shafii Abiddinand, Ahmad, 2009)

Source: Developed for research

## **3.5.2 Scale of Measurement**

### **3.5.2.1 Nominal Scale**

Nominal scale measures the specific attributes of the information without any mathematical importance. In other words, it helps to categorize the collected data. For example, gender and age. (Brown, J. D., 2011). Nominal scale can be found in Section A of the online questionnaire as it collects information such as gender, age, marital status, employment status, and monthly household income levels.

### **3.5.2.2 Ratio Scale**

Ratio scale assists the researcher in understanding the ultimate order, interval, values and the true zero characteristics in calculating the ratios. (Brown, J. D., 2011). Ratio scale can be found in Section A of the research questionnaire. For example, age group, the different generations involved in this study.

### **3.5.2.3 Ordinal Scale**

Ordinal scale is used to rank the data collected and arrange accordingly. In this research, all the questions in Section C of the online questionnaire follows the 5-point Likert-scale where it measures each variable from 1-5, 1-Strongly Disagree, 2-Slightly Disagree, 3-Neutral, 4-Slightly Agree, 5-Strongly Agree. (Brown, J. D., 2011)

### **3.6 Data Processing**

Data processing would be the process in which all the information collected via the online questionnaire will undergo a filtering, editing, and coding to smoothen the analysis process and to understand the results more clearly. Data filtering is to ensure the elimination of invalid data while editing is to enhance data accuracy by getting rid of unbiased responses. Data coding involves simplifying information collected to make it easier to analyse. Finally, the statistical software is utilized to ensure the analysis and interpretation of the results produced is done efficiently and accurately.

### **3.7 Proposed Data Analysis Tools**

In this research, Statistical Packages for Social Science (SPSS) software version 26 will be used to ensure the analysis and interpretation of data is done quickly and to reduce mistakes ensuring higher accuracy. The data collected will first undergo descriptive analysis followed by the reliability test to determine the validity of the information collected and ending with inferential analysis to examine the hypothesis proposed in this research.

#### **3.7.1. Descriptive Analysis**

Descriptive analysis is a method to describe the data collected in a manner that makes it easier to analyse, interpret, and comprehend. (Kemp, S. E., Ng, M., Hollowood, T., & Hort, J., 2018). This research highlights frequency, central tendency, and dispersion. Central tendency can be highlighted by interpreting the mean, median and mode. On the other hand, dispersion involves range, standard deviation, and coefficient of variation. Section A and B of the questionnaire distributed adopts frequency and central tendency in its data interpretation. As for Section C, the researcher understands that the dispersion method is most suited and hence, used for this section.

### 3.7.2. Reliability Test

Reliability test helps to ensure the test conducted is legitimate without inaccuracies. It measures the extend of the measurement without problem. The reliability test adopted in this research is Cronbach's Alpha.

Table 3.3 shows the range used in the Cronbach's Alpha

<b>Cronbach's Alpha</b>	<b>Internal Consistency</b>
<b><math>\alpha \geq 0.9</math></b>	Redundant
<b><math>0.9 &gt; \alpha \geq 0.7</math></b>	Excellent
<b><math>0.7 &gt; \alpha \geq 0.6</math></b>	Good
<b><math>0.6 &gt; \alpha \geq 0.5</math></b>	Acceptable
<b><math>0.5 &gt; \alpha</math></b>	Unacceptable

Source: Setyowati, A., Chung, M.-H., Yusuf, A., & Haksama, S. (2020). Psychometric of the curiosity and exploration inventory-II in Indonesia. *Journal of Public Health Research*, 9(3)

### 3.7.3. Pearson Correlation Analysis

Pearson correlation analysis assists the researcher in understanding the linear relationship between two variables and which variables is linearly related to one another. (Asuero, A.G., Sayago, A., & Gonzalez, A.G., 2006).

Table 3.4 shows the range of Correlation Coefficient

Correlation Coefficient	Degree of Correlation
± 0.91 to ± 1.00	Perfect
± 0.70 to ± 0.89	High Degree
± 0.50 to ± 0.69	Moderate Degree
± 0.30 to ± 0.49	Low Degree
± 0.00 to ± 0.29	No Correlation

Source: Asuero, A. G., Sayago, A., & Gonzalez, A. G. (2006). The correlation coefficient: An overview. *Critical reviews in analytical chemistry*, 36(1), 41-59.

### 3.7.4 Multiple Regression Analysis

For both scientific and applied marketing research, multiple regression analysis is widely known statistical approach used. Applicability to various types of data and issues, ease of understanding, robustness to breaches of the underlying assumptions, and broad availability all contribute to its appeal. (Mason, Charlotte H.; Perreault, William D., 1991). The formula of the multiple linear regression can be seen below:

$$y = \beta_0 + \beta_1 x_1 + \dots + \beta_n x_n + \varepsilon$$

where,

y = Dependent variable

Xi = Independent variable



$\beta_i$  = Coefficient

e = Error

Source: Uyanık, G. K., & Güler, N. (2013). A study on multiple linear regression analysis. *Procedia-Social and Behavioral Sciences*, 106, 234-240.

### **3.8 Conclusion**

In a nutshell, chapter 3 elaborates on the methods used in collecting, analyzing, and interpreting data. The upcoming chapter will then focus on data interpretation.

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

This chapter will cover the analysis and interpretation of data gathered via the questionnaire distributed to 20 respondents. The SPSS software will be used to develop the intended results. Graphs and tables will be used to better illustrate the results developed. In addition, this chapter will cover descriptive analysis of Section A and B of the questionnaire, Cronbach's alpha to show the consistency and reliability of the questions in the questionnaire, Pearson Correlation Analysis and finally, the Multiple Regression Analysis.

### **4.1 Descriptive Analysis**

The 200 respondents obtained for the demographic (Section A) and general understanding of life insurance policies (Section B) sections of the questionnaire are interpreted using descriptive analysis. This statistic calculates the data's mean, median, mode, standard deviation, and variance.

#### **4.1.1 Respondent Demographic Profile and General Understanding of Life Insurance Policies**

##### **4.1.1.1 Gender**

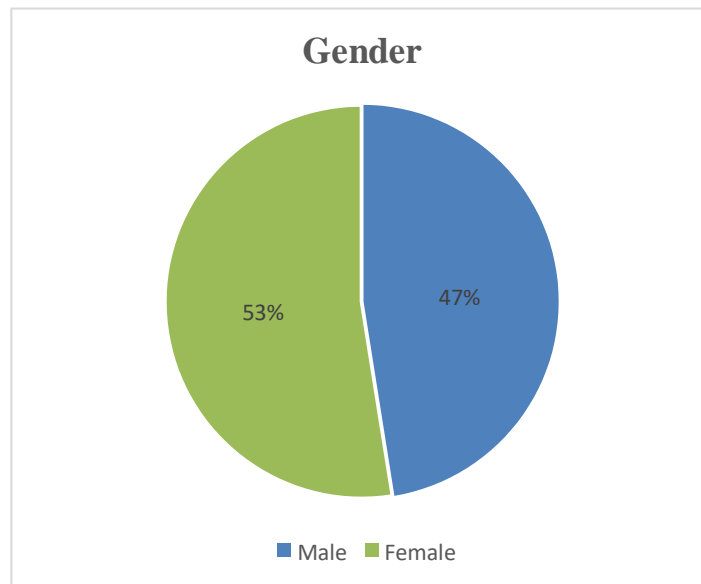
The total number of respondents is 200, as shown in table 4.1 and figure 4.1, with 105 of them being female and 95 being male. In terms of percentages, 52.5 percent of them were female, leaving 47.5% of men to respond to the survey. Females took part in the poll in greater numbers than males.

Table 4.1 Gender

	<b>Frequency</b>	<b>Percent</b>
<b>Female</b>	105	52.5
<b>Male</b>	95	47.5
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.1 Gender



Source: Developed for research

#### 4.1.1.2 Ethnicity

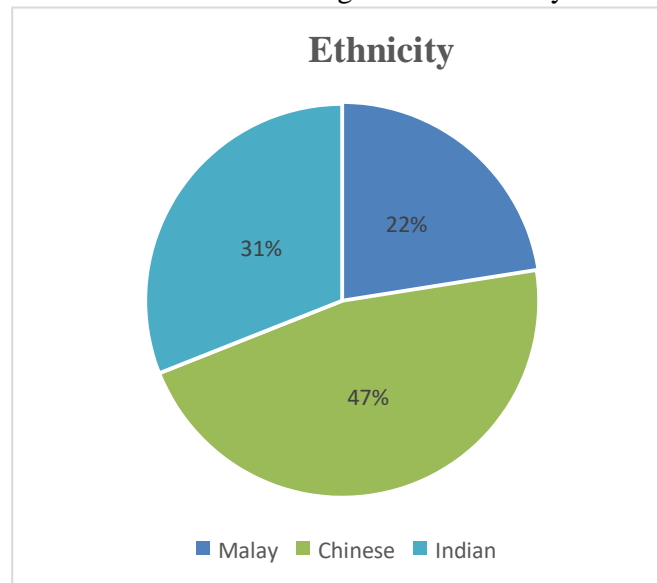
The total number of respondents is 200, as shown in table 4.2 and figure 4.2, with 45 of them being Malay, 93 being Chinese and 62 of them being Indian. In terms of percentages, 22.5 percent of them were Malay, 46.5% of them being Chinese, leaving 31% of them who are Indian to respond to the survey. Chinese took part in the poll in greater numbers than Malay and Indian.

Table 4.2 Ethnicity

	<b>Frequency</b>	<b>Percent</b>
<b>Malay</b>	45	22.5
<b>Chinese</b>	93	46.5
<b>Indian</b>	62	31
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.2 Ethnicity



Source: Developed from questionnaire distributed by researcher.

### 4.1.1.3 Age

The total number of respondents is 200, as shown in table 4.3 and figure 4.3, with 100 of them being 8-25 years old (Generation Z) – 1997-2012, 71 being 26-41 years old (Millennials) – 1981-1996, and 71 of them being 42-57 years old (Generation X) – 1965-1980. In terms of percentages, 50.0 percent of them were 8-25 years old (Generation Z) – 1997-2012, 35.5% of them being 26-41 years old (Millennials) – 1981-1996, leaving 14.5% of them who were 42-57

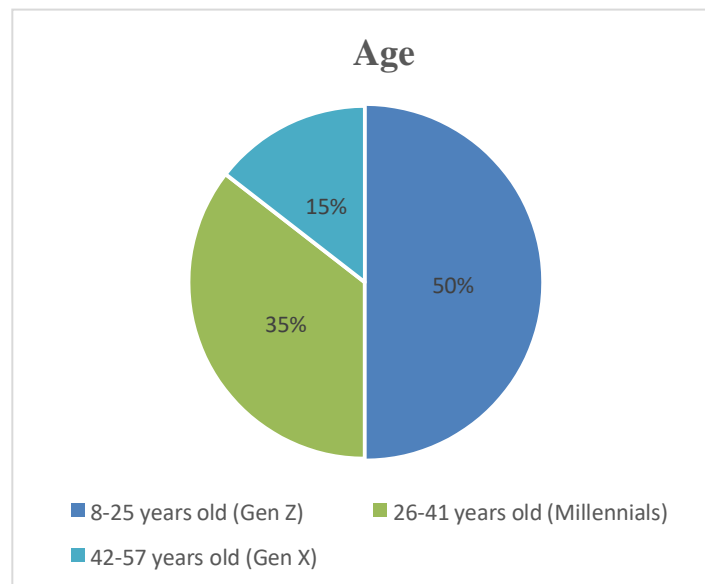
years old (Generation X) – 1965-1980 to respond to the survey. 8-25 years old (Generation Z) – 1997-2012 took part in the poll in greater numbers than 26-41 years old (Millennials) – 1981-1996, and 42-57 years old (Generation X) – 1965-1980.

Table 4.3 Age

	Frequency	Percent
<b>8-25 years old (Gen Z)</b>	100	50.0
<b>26-41 years old (Millennials)</b>	71	35.5
<b>42-57 years old (Gen X)</b>	29	14.5
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.3 Age



Source: Developed from questionnaire distributed by researcher.

#### 4.1.1.4 Education Level

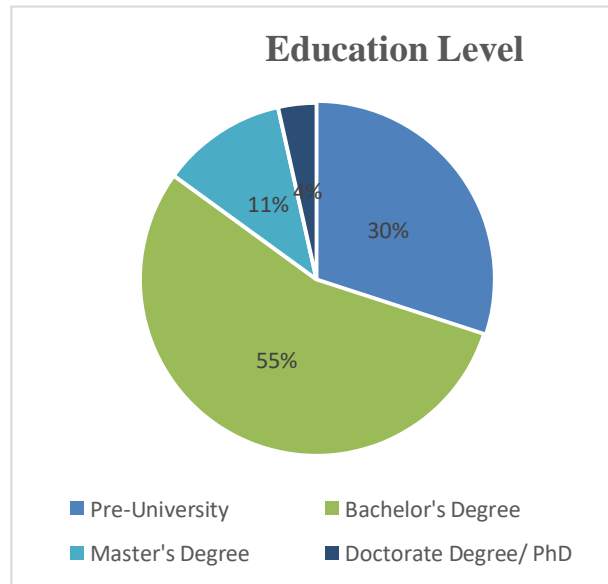
The total number of respondents is 200, as shown in table 4.4 and figure 4.4, with 60 of them being Pre-University (Foundation, STPM, Diploma, A-Level, UEC), 110 being Bachelor's Degree, 23 of them being Master's Degree and 7 of them being Doctorate Degree. In terms of percentages, 30.0 percent of them were Pre-University (Foundation, STPM, Diploma, A-Level, UEC), 55% of Bachelor's Degree, 11.5% of them were Master's Degree, leaving 3.5% of them were Doctorate Degree/PhD to respond to the survey. Respondents with Bachelor's Degree took part in the poll in greater numbers than respondents with Pre-University (Foundation, STPM, Diploma, A-Level, UEC), Master's Degree and Doctorate Degree/PhD.

Table 4.4 Education Level

	<b>Frequency</b>	<b>Percent</b>
<b>Pre-University</b>	60	30.0
<b>Bachelor's Degree</b>	110	55.0
<b>Master's Degree</b>	23	11.5
<b>Doctorate Degree/PhD</b>	7	3.5
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.4 Education Level



Source: Developed from questionnaire distributed by researcher.

#### 4.1.1.5 Marital Status

The total number of respondents is 200, as shown in table 4.5 and figure 4.5, with 116 of them being single, 55 being married, 16 of them being divorce and 13 of them being widowed. In terms of percentages, 58.0 percent of them were single, 27.5% of them were married, 8% of them were divorce, leaving 6.5% of them were widowed to respond to the survey. Respondents who are single took part in the poll in greater numbers than respondents who are married, divorce, and widowed.

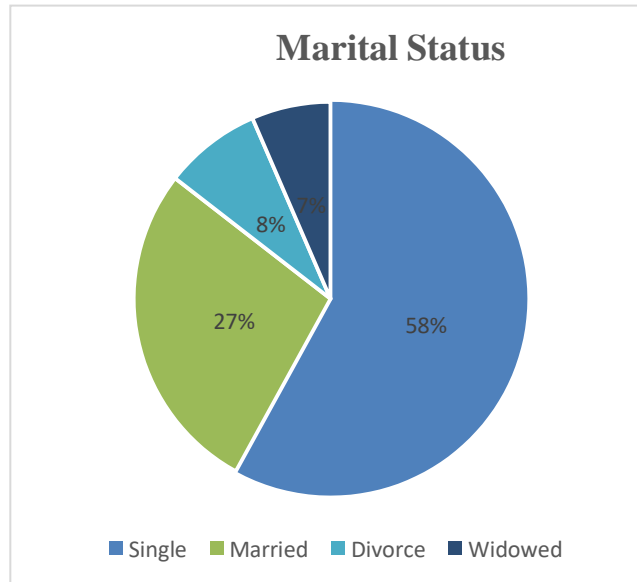
Table 4.5 Marital Status

	Frequency	Percent
<b>Single</b>	116	58.0
<b>Married</b>	55	27.5
<b>Divorce</b>	16	8
<b>Widowed</b>	13	6.5
<b>Total</b>	200	100



Source: Developed for Source: Developed from questionnaire distributed by researcher.

Figure 4.5 Marital Status



Source: Developed from questionnaire distributed by researcher

#### 4.1.1.6 Employment Status

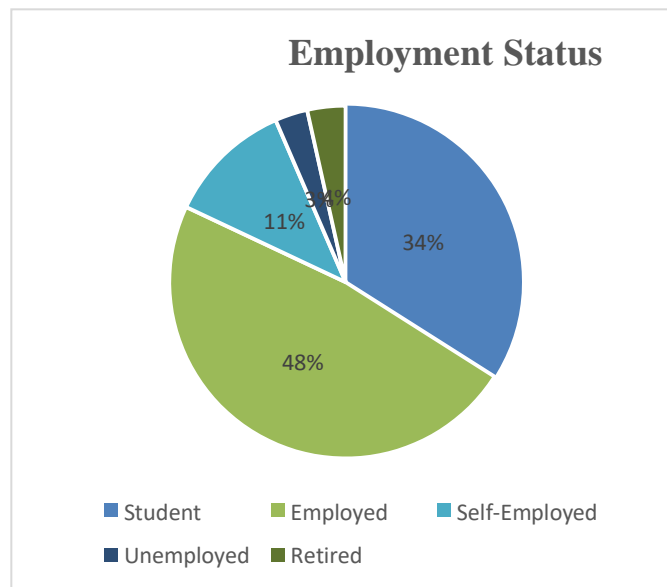
The total number of respondents is 200, as shown in table 4.6 and figure 4.6, with 68 of them being student, 96 being employed, 23 of them being self-employed, 6 of them being unemployed, and 7 of them being retired. In terms of percentages, 34.0 percent of them are student, 48.0% of them are employed, 11.5% of them are self-employed, 3.0% of them are unemployed, leaving 3.5% of them were retired to respond to the survey. Respondents who are employed took part in the poll in greater numbers than respondents who student, self-employed, unemployed, and retired.

Table 4.6 Employment Status

	<b>Frequency</b>	<b>Percent</b>
<b>Student</b>	68	34.0
<b>Employed</b>	96	48
<b>Self-Employed</b>	23	11.5
<b>Unemployed</b>	6	3.0
<b>Retired</b>	7	3.5
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.6 Employment Status



Source: Developed from questionnaire distributed by researcher.

#### 4.1.1.7 Monthly Household Income level

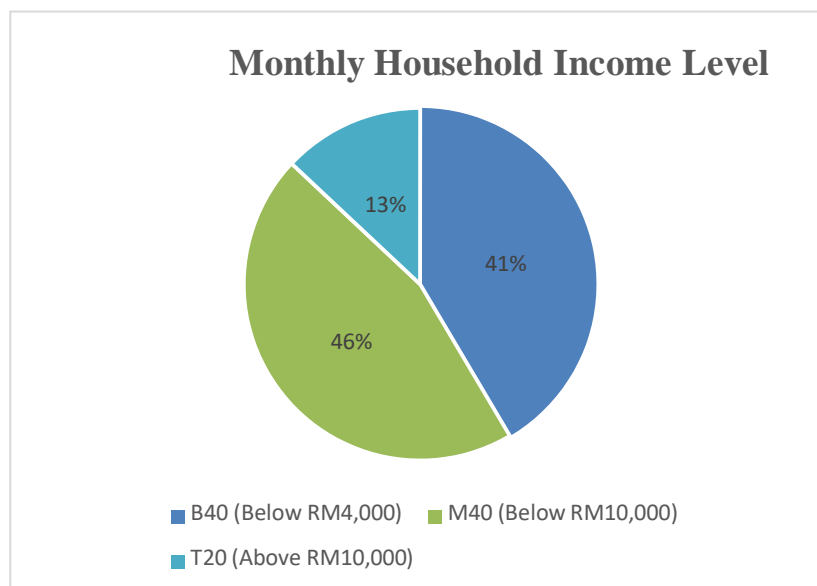
The total number of respondents is 200, as shown in table 4.7 and figure 4.7, with 83 of them being B40 (Below RM4,000), 91 being M40 (Below RM10,000), and 26 of them being T20 (Above RM10,000). In terms of percentages, 41.5 percent of them are B40 (Below RM4,000), 45.5% of them are M40 (Below RM10,000), leaving 13.0% of them who are T20 (Above RM10,000) to respond to the survey. Respondents who are M40 (Below RM10,000) took part in the poll in greater numbers than respondents who are B40 (Below RM4,000) and T20 (Above RM10,000).

Table 4.7 Monthly Household Income Level

	Frequency	Percent
<b>B40 (Below RM4,000)</b>	83	41.5
<b>M40 (Below RM10,000)</b>	91	45.5
<b>T20 (Above RM10,000)</b>	26	13
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.7 Monthly Household Income Level



Source: Developed from questionnaire distributed by researcher.

#### 4.1.1.8 Have you ever heard about insurance before?

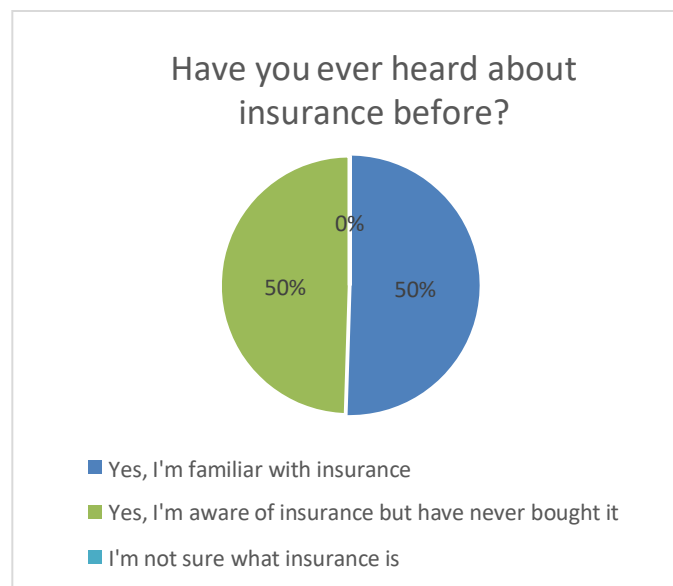
The total number of respondents is 200, as shown in table 4.8 and figure 4.8, with 101 of them answered “Yes, I’m familiar with insurance” while the remaining 99 answered “Yes, I’m aware of insurance but have never bought it”, no respondents answer “I’m not sure what insurance is”. In terms of percentages, 50.5% of respondents answered “Yes, I’m familiar with insurance” while the remaining 49.5% answered “Yes, I’m aware of insurance but have never bought it”.

Table 4.8 Have you ever heard about insurance before?

	Frequency	Percent
<b>Yes, I’m familiar with insurance</b>	101	50.5
<b>Yes, I’m aware of insurance but have never bought it</b>	99	49.5
<b>I’m not sure what insurance is</b>	0	0
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.8 Have you ever heard about insurance before?



Source: Developed from questionnaire distributed by researcher.

#### 4.1.1.9 What is the type of insurance you use?

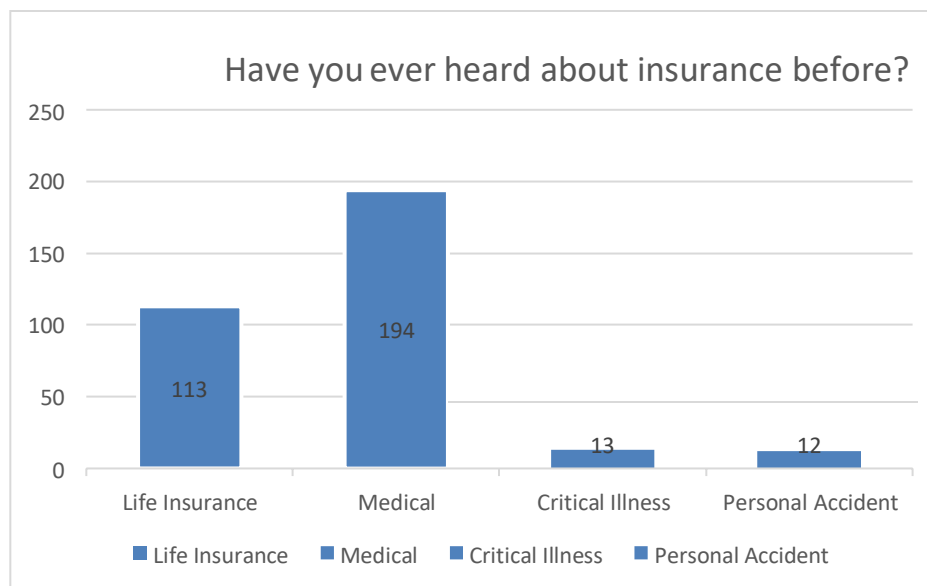
The total number of respondents is 200, as shown in table 4.9 and figure 4.9, respondents were given the option to choose more than one type of insurance. 113 or 56.5% of the respondents use life insurance followed by medical insurance with 194 or 97% of the respondents, then, critical illness with 13 or 6.5% respondents and finally, 12 or 6% of the respondents uses personal accident. Medical insurance is the most used insurance among the four.

Table 4.9 What is the type of insurance you use?

	<b>Frequency</b>	<b>Percent</b>
<b>Life</b>	113	56.5
<b>Medical</b>	194	97.0
<b>Critical Illness</b>	13	6.5
<b>Personal Accident</b>	12	6.0

Source: Developed from questionnaire distributed by researcher.

Figure 4.9 Have you ever heard about insurance before?



Source: Developed from questionnaire distributed by researcher.

**4.1.1.10 Do you know that insurance is a form of tax relief up to RM9,000 set by the government?**

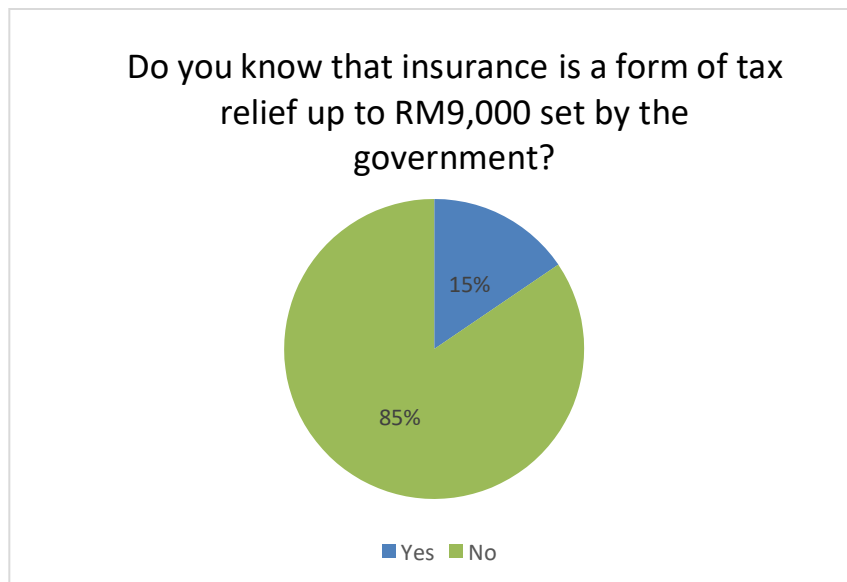
The total number of respondents is 200, as shown in table 4.10 and figure 4.10, with 169 or 84.5% of the respondents answered “no” while the other 31 or 15.5% of the respondents answered “yes”. There are more respondents who answered no compared to those who answered yes. In other words, majority of the respondents are not aware of that insurance is a form of tax relief.

Table 4.10 Do you know that insurance is a form of tax relief up to RM9,000 set by the government?

	<b>Frequency</b>	<b>Percent</b>
<b>Yes</b>	169	84.5
<b>No</b>	31	15.5
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.10 Do you know that insurance is a form of tax relief up to RM9,000 set by the government?



Source: Developed from questionnaire distributed by researcher.

**4.1.1.11 Do you have experience with claiming insurance compensation?**

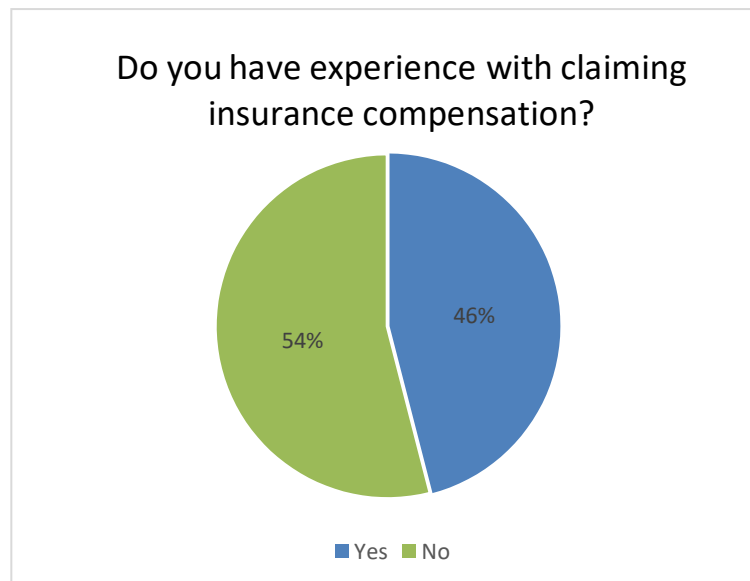
The total number of respondents is 200, as shown in table 4.11 and figure 4.11, with 92 or 46% of the respondents answered “yes” while the other 108 or 54% of the respondents answered “no”. There are more respondents who answered no compared to those who answered yes. In other words, majority of the respondents don’t have experience with claiming insurance compensation.

Table 4.11 Do you have experience with claiming insurance compensation?

	<b>Frequency</b>	<b>Percent</b>
<b>Yes</b>	92	46
<b>No</b>	108	54
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.11 Do you have experience with claiming insurance compensation?



Source: Developed from questionnaire distributed by researcher.

**4.1.1.12 Are you aware that insurance plays a major role in your investment portfolio?**

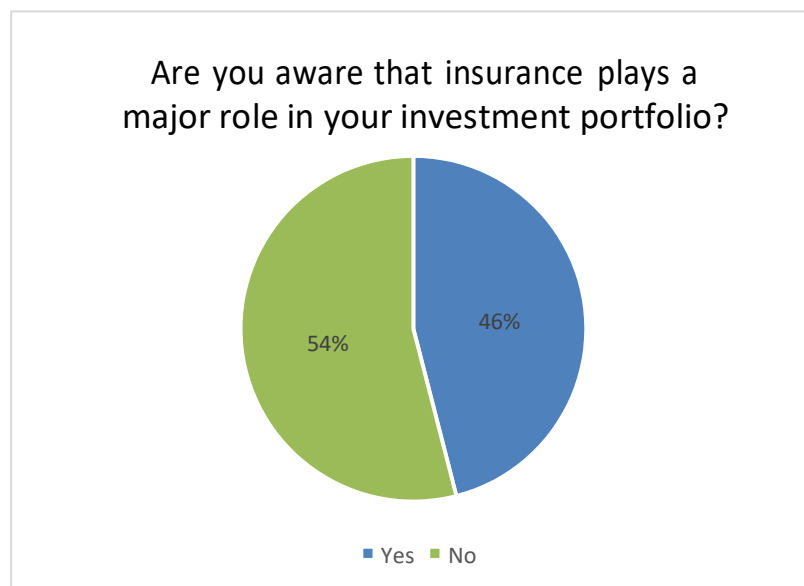
The total number of respondents is 200, as shown in table 4.12 and figure 4.12, with 40 or 20% of the respondents answered “yes” while the other 160 or 80% of the respondents answered “no”. There are more respondents who answered no compared to those who answered yes. In other words, majority of the respondents are not aware that insurance plays a major role in an investment portfolio.

Table 4.12 Are you aware that insurance plays a major role in your investment portfolio?

	<b>Frequency</b>	<b>Percent</b>
<b>Yes</b>	40	20
<b>No</b>	160	80
<b>Total</b>	200	100

Source: Developed from questionnaire distributed by researcher.

Figure 4.12 Are you aware that insurance plays a major role in your investment portfolio?



Source: Developed from questionnaire distributed by researcher.



### 4.1.2 Central Tendencies Measurement of Construct

Table 4.13 presents the descriptive statistics of purchase intention, product quality, perceived risk, company reputation, service quality, and financial literacy. Product quality has the highest mean of 4.7883 followed by service quality with the mean of 4.2250. Third, company reputation with the mean of 4.1263. Next, followed by purchase intention and financial literacy with the mean of 3.2575 and 2.9838, respectively. Finally, perceived risk has the lowest mean of 2.7963. The results developed highlights that product quality has the highest influence on the purchase intention of life insurance policies by Malaysians in Klang Valley while perceived risks have the lowest impact.

Besides that, standard deviation shows how distinct the information is from the mean. According to table 4.13, financial literacy has the highest standard deviation of 1.18621. Coming in from behind would be the purchase intention, perceived risk, company reputation, and product quality with a standard deviation of 1.12137, 1.01530, 0.48469, and 0.47983, respectively. Service quality has the lowest standard deviation of 0.46077.

Table 4.13 Descriptive Statistics on Variables

	<b>Mean</b>	<b>Standard Deviation</b>	<b>N</b>
<b>Purchase Intention</b>	3.2575	1.12137	200
<b>Product Quality</b>	4.7883	0.47983	200
<b>Perceived Risk</b>	2.7963	1.01530	200
<b>Company Reputation</b>	4.1263	0.48469	200
<b>Service Quality</b>	4.2250	0.46077	200
<b>Financial Literacy</b>	2.9838	1.18621	200

Source: Developed from questionnaire distributed by researcher.

## 4.2 Reliability Analysis

Based on Table 4.14, all variables have Cronbach's Alpha more than 0.5 which indicates that all the variables are considered acceptable. Firstly, purchase intention (0.546), and financial literacy (0.591) are considered acceptable. Next, perceived risk (0.614) falls under good in range of reliability. Finally, service quality (0.723), product quality (0.766), company reputation (0.823) is all excellent in the range of reliability.

Table 4.14 Result of Reliability Test

	<b>Cronbach's Alpha</b>	<b>Number of Items</b>
<b>Purchase Intention</b>	0.546	4
<b>Product Quality</b>	0.766	4
<b>Perceived Risk</b>	0.614	4
<b>Company Reputation</b>	0.823	4
<b>Service Quality</b>	0.723	4
<b>Financial Literacy</b>	0.591	4

Source: Developed from questionnaire distributed by researcher.

## 4.3 Pearson Correlation Analysis

Pearson correlation analysis in Table 4.15 shows that the major correlation support almost all variables except product quality. Since significant level are below 0.05 all variables except product quality are positively correlated. The bigger the value, the healthier the relationship between dependent variable (purchase intention of life insurance policies) and the independent variables (product quality, perceived risk, company reputation, service quality and financial literacy)

Table 4.15 Pearson Correlation

		<b>Product Quality</b>	<b>Perceived Risk</b>	<b>Company Reputation</b>	<b>Service Quality</b>	<b>Financial Literacy</b>
Purchase Intention of Life Insurance Policies	Pearson Correlation	0.137	0.773	0.614	0.671	0.330
	Sig. (2-tailed)	0.053	0.001	0.001	0.001	0.001
	N	200	200	200	200	200
	Degree of Correlation	No Correlation	High Degree	Moderate Degree	Moderate Degree	Low Degree

Source: Developed from questionnaire distributed by researcher.

#### 4.4 Multiple Regression Analysis

Based on Table 4.16, R value is 0.862, and adjusted R Square is 0.743. As a result of R Square's outcome, 74.3% of variation in dependent variable (purchase intention of life insurance policies) is influenced by the independent variables (product quality, perceived risk, company reputation, service quality, and financial literacy). On the other hand, 26.9% remains unaffected. Nevertheless, the independent variable in this study continues to influence the dependent variable.

Table 4.16 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.862	0.743	0.736	0.57578

a. Predictors: (Constant), Financial Literacy, Product Quality, Perceived Risk, Service Quality, Company Reputation

Source: Developed from questionnaire distributed by researcher.

Table 4.17 illustrates that the F value is 112.162 at 0.001 significant level. Hence, the suitability for this model is validated. In other words, the independent variables are significant in elaborating the dependent variable in this research.

Table 4.17 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	185.923	5	37.185	112.162	0.001 <sup>b</sup>
	Residual	64.316	194	0.332		
	Total	250.239	199			

a. Dependent Variable: Purchase Intention

b. Predictors: (Constant), Financial Literacy, Product Quality, Perceived Risk, Service Quality, Company Reputation

Source: Developed from questionnaire distributed by researcher.

Table 4.18 shows the coefficient value of this study. The B value in Unstandardized coefficient highlights every 1-unit value goes up in independent variables while the dependent variable remains constant. Service quality has the highest unstandardized B value among variables with 0.665. As for the standardized coefficient, the bigger Beta value indicates a higher influence of independent variables to dependent variables. Perceived risk has the highest standardized coefficients beta of 0.596.

Table 4.18 Coefficients

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
1	(Constant)	-4.305	0.569		-7.568	<0.001
	Product Quality	0.391	0.089	0.167	4.387	<0.001
	Perceived Risk	0.658	0.049	0.596	13.376	<0.001
	Company Reputation	0.211	0.127	0.091	1.669	0.097
	Service Quality	0.665	0.131	0.273	5.097	<0.001
	Financial Literacy	0.57	0.370	0.06	1.52	0.1300

a. Dependent Variable: Purchase Intention

Source: Developed from questionnaire distributed by researcher.

## 4.5 Hypothesis Testing

**H1:** Product quality has significant influence on the purchase intention of Malaysians towards life insurance products.

Accept H1 of  $p < 0.05$

Based on Table 4.18, the significant t-value is 4.387 and the p-value for product quality is less than 0.001. Hence, H1 is accepted because the p-value is lesser than 0.05. This means there is a significant relationship between product quality and purchase intention of life insurance policies.

**H2:** Perceived risk has significant impact on the purchase intention of Malaysians when it comes to life insurance products.

Accept H2 of  $p < 0.05$

Based on Table 4.18, the significant t-value is 13.376 and the p-value for product quality is less than 0.001. Hence, H2 is accepted because the p-value is lesser than 0.05. This means there is a significant relationship between perceived risk and purchase intention of life insurance policies.

**H3:** Company reputation has significant influence on the purchase intention of Malaysians regarding life insurance products.

Accept H3 of  $p < 0.05$

Based on Table 4.18, the significant t-value is 1.669 and the p-value for company reputation is 0.097. Hence, H3 is rejected because the p-value is more than 0.05. This means there is no significant relationship between company reputation and purchase intention of life insurance policies.

**H4:** Service quality has significant impact on the purchase intention of life insurance products by Malaysians.

Accept H4 of  $p < 0.05$

Based on Table 4.18, the significant t-value is 5.097 and the p-value for service quality is less than 0.001. Hence, H1 is accepted because the p-value is lesser than 0.05. This means there is a significant relationship between service quality and purchase intention of life insurance

policies.

**H5:** Financial literacy has significant influence on the purchase intention of life insurance products by Malaysians.

Accept H5 of  $p < 0.05$

Based on Table 4.18, the significant t-value is 1.520 and the p-value for product quality is 0.13. Hence, H1 is rejected because the p-value is more than 0.05. This means there is no significant relationship between financial literacy and purchase intention of life insurance policies.

## **4.6 Conclusion**

In a nutshell, all the data collected via the questionnaire has been thoroughly analysed and interpreted according to several methods such as descriptive analysis, Cronbach's Alpha reliability test, Pearson correlation analysis and multiple regression analysis. To conclude this chapter, the researcher tested the hypothesis and explained why the hypothesis is accepted or rejected.

## **CHAPTER 5.0: DISCUSSION & CONCLUSION**

### **5.0 Introduction**

This chapter summarises the findings from the previous chapter and discusses the most important discoveries. Furthermore, the researcher will outline the research's implications and limitations, after which a recommendation for further research will be made. Finally, conclusions will be reached.

### **5.1 Implication of the Study**

In the previous chapter where the researcher tested the hypothesis via multiple linear regression technique, it was discovered that only 3 out of the 5 hypotheses were accepted. Surprisingly, company reputation and financial literacy were not significant in influencing the purchase intention of life insurance policies. Firstly, the reason behind the rejection company reputation as a significant factor in purchase intention could be due to the Covid-19 pandemic which severely impacted Malaysian's income which led to a lower budget among households.

As a result, Malaysians living Klang Valley did not bother about whether the life insurance company is reputable or not but rather if the life insurance policy premium is within their budget. As for the rejection of financial literacy, it could be due to the similar reason of Malaysians not wanting to purchase intention not because they are financially illiterate but because they lack the means to afford it and have priorities elsewhere.

Another notable implication from this research is the untapped potential of life insurance industry in Malaysia. As quoted in the initial chapters of this study, the penetration rate of life insurance policies in Malaysia has only arrive at 55% which falls short of the government's target of 75%.

There is still 45% of Malaysians who are not insured. Research can be conducted to determine which age group, marital status, education level and location this untapped market belong to. The researcher believes that acquiring this data will benefit life insurance companies as well as the consumers who purchase their products to be adequately protected financially and physically.

## **5.2 Limitations of the Study**

### **5.2.1 Covid-19 Pandemic**

Due to the recent pandemic, there were many restrictions in terms of data collection. Due to the implementation of social distancing, physical interviews were not encouraged, and questionnaire were forced to be distributed virtually via social media. The limitation in this data collection is the fact that it can only capture information from those who are technology savvy which ignores the group of Malaysians who are not on social media. This leads to potential loss in valuable information and accuracy in data. Besides that, it also impacted the target population income which could have jeopardised the results developed to a certain extend.

### **5.2.2 Limited Journal Articles**

Due to the limited journal articles surrounding the topic of this study especially in Malaysian context, it was rather challenging to structure higher reliable questions which will affect the quality of finding among the investigated variables especially company reputation and financial literacy. For instance, the Cronbach's Alpha was rather low for financial literacy. Perhaps with access to better and more relevant journal articles, the construct of questions regarding this variable could be significantly improved.

### **5.2.3 Uneven Number of Respondents in The Demographic Section**

Majority of the respondents who participated in this research were Chinese, single, bachelor's degree holders, under the M40 (Household monthly income below RM10,000) income category and under the Generation Z age group. Data collected may not be sufficient to conclude on the respondents of the other demographic factor in a fair manner.



## **5.3 Recommendation for Future Research**

### **5.3.1 Narrow down to focus on a specific group**

As mentioned in the implication of the study, future research could narrow down the target population to the untapped potential of the life insurance industry. Perhaps, further investigation can be conducted to understand where this huge market share is located at which will be valuable information to life insurance companies and the government to ensure Malaysians across the country are protected financially regardless of race, age, gender, education level, and income level.

### **5.3.2 Get An Equal Number of Respondents in The Demographic Area.**

Once future researchers have narrowed down the scope to a very niche target population, it would be ideal to get an equal number of respondents surrounding the various demographic factors to ensure the data collected is as accurate as it can be.

### **5.3.3 Focus on the aftereffect faced by Malaysians when they lack adequate life insurance coverage**

One of the reasons why life insurance industry penetration rate is still very low in Malaysia could be due to the lack of awareness of the severity of not having sufficient life insurance coverage. Hence, future research could focus on the aftereffect Malaysians faced in this regard.

## **5.4 Conclusion**

In short, the researched managed to achieve most of the research objectives set in the beginning of the research project and figured out how to further enhance the quality of research in this specific niche. All data collected, analysed and interpreted has given a clearer view and understanding regarding the degree to which the independent variables affect the dependent variable.

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## **APPENDIX I: QUESTIONNAIRE**

Dear respondents, I am Nathanael Goh, student ID 1904450. I am currently pursuing my undergraduate in Bachelor of International Business (Hons) from Universiti Tunku Abdul Rahman (UTAR) Sungai Long. I am conducting my final year project (FYP) on the " Factors Affecting Purchase Intention of Insurance Policies in Klang Valley" I hope you could spare approximately 15 minutes of your time to complete this questionnaire survey.

This questionnaire survey consists of 3 sections including, Section A: Demographic, Section B: General and Section C: Construct Measurement. Please answer all the questions genuinely. Your participation will help make this survey a success. All your information will be kept private and confidential. Your responses are essential in completing this research.

Thank you for your willingness to participate in this survey. I am grateful for your time and cooperation in completing this survey.

### **Section A: Demographic**

Please pick the most applicable option, each question should only contain ONE answer.

1. Gender

† Male

† Female

2. Ethnicity

† Malay

† Chinese

† Indian

† Other

3. Age

- † 18-25 years old (Generation Z) – 1997-2012
- † 26-41 years old (Millennials) – 1981-1996
- † 42-57 years old (Generation X) – 1965-1980

4. Education Level

- † Pre-University (Foundation, STPM, Diploma, A-Level, UEC)
- † Bachelor's Degree
- † Master's Degree
- † Doctorate Degree/PhD

6. Marital Status

- † Single
- † Married
- † Divorce
- † Widowed

7. Employment Status

- † Student
- † Employed
- † Self-Employed
- † Unemployed
- † Retired

8. Monthly Household Income Level

† B40 (Below 4,000)

† M40 (Below RM10,000)

† T20 (Above RM10,000)

**Section B: General**

Please choose the most relevant option, each question should only have **ONE** answer.

1. Have you ever heard about insurance before?

- Yes, I'm familiar with insurance.
- Yes, I'm aware of insurance but have never bought it.
- I'm not sure what insurance is.

2. What is the type of insurance you use? You are allowed to choose more than ONE answer.

- Life
- Medical
- Critical Illness
- Personal Accident

3. Do you know that insurance is a form of tax relief up to RM9,000 set by the government?

- Yes
- No

4. Do you have experience with claiming insurance compensation?

- Yes
- No

5. Are you aware that insurance plays a major role in your investment portfolio?

- Yes
- No



**Section C:**

Construct Measurement (5-point Likert scale)

Please rate the questions below and answer them by putting a tick (√) for each part.

(5 – Strongly Agree; 4 - Slightly Agree; 3 – Neither Agree nor Disagree; 2 – Slightly Disagree; 1 – Strongly Disagree)

**Dependent Variable:**

Purchase Intention of Insurance Policies in Klang Valley

Statements	1	2	3	4	5
1. If someone approaches me to purchase insurance, I will buy it if I don't have one.					
2. I would make a special effort to buy insurance if I don't have one.					
3. The likelihood of purchasing an insurance policy is low.					
4. My willingness to buy an insurance policy is high.					

**Independent Variable:**

Product Quality

Statements	1	2	3	4	5
1. I assess product quality before buying life insurance.					
2. I calculate how many benefits I get from a life insurance policy.					
3. I calculate the sacrifice of benefit when I don't purchase a life insurance policy from another company.					
4. I would stop my current life insurance policy and go for another company if the product does not match my expectations.					

Perceived Risk

Statements	1	2	3	4	5
1. I rather minimize risk in life by buying life insurance rather than focus on saving that money.					
2. I greatly consider the potential loss when I purchase a life insurance policy.					
3. I prefer not to buy life insurance if I have uncertainties about the insurance company.					
4. I don't mind the risks involved when purchasing a life insurance policy.					

Company Reputation

Statements	1	2	3	4	5
1. I only purchase life insurance from companies with good reputation.					
2. I prefer life insurance companies with a good reputation.					
3. I would buy from life insurance companies with good reputation because they are more trustworthy.					
4. I buy life insurance from companies that have a good reputation because I can anticipate the future of my policies.					

Service Quality

Statements	1	2	3	4	5
1. I will not switch to another life insurance company if the current company has good quality of service.					
2. I would switch to another life insurance company if your current one has bad quality service.					
3. I believe quality of service is the most important factor is choosing a life insurance company.					
4. I prefer a life insurance company that has good facilities and relationship with employees and customers					

Financial Literacy

Statements	1	2	3	4	5
1. I also participate in other financial planning activities such as share investments, property etc.					
2. I attend financial planning seminars to increase my awareness towards the financial products available in the market.					
3. I am a risk averse individual, and you manage your risk by purchasing life insurance to protect yourself.					
4. I would procrastinate in my decision to buy life insurance without the intervention of the life insurance agent.					

## APPENDIX II: SPSS OUTPUT

### Reliability Test [Pilot Test]

#### Reliability

##### Scale: Purchase Intention

#### Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.608	.638	4

#### Reliability

##### Scale: Product Quality

#### Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.744	.785	3

**Reliability**

**Scale: Perceived Risk**

**Case Processing Summary**

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.543	.523	3

**Reliability**

**Scale: Company Reputation**

**Case Processing Summary**

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.829	.833	4

**Reliability**

**Scale: Service Quality**

**Case Processing Summary**

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.565	.627	3

**Reliability**

**Scale: Financial Literacy**

**Case Processing Summary**

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.427	.395	3

## Reliability Analysis

### Reliability

#### Scale: DV: Purchase Intention

##### Case Processing Summary

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.546	.542	4

### Reliability

#### Scale: IV1: Product Quality

##### Case Processing Summary

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.766	.818	3

**Reliability**

**Scale: IV2: Perceived Risk**

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.614	.602	4

**Reliability**

**Scale: IV3: Company Reputation**

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.823	.826	4

**Reliability**

**Scale: IV4: Service Quality**

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.723	.731	4

**Reliability**

**Scale: Financial Literacy**

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.591	.574	4



## Pearson Correlation

### Correlations between Purchase Intention and Product Quality

**Correlations**

		DVMean	IVAMean
DVMean	Pearson Correlation	1	.137
	Sig. (2-tailed)		.053
	N	200	200
IVAMean	Pearson Correlation	.137	1
	Sig. (2-tailed)	.053	
	N	200	200

### Correlations between Purchase Intention and Perceived Risk

**Correlations**

		DVMean	IVBMean
DVMean	Pearson Correlation	1	.773**
	Sig. (2-tailed)		<.001
	N	200	200
IVBMean	Pearson Correlation	.773**	1
	Sig. (2-tailed)	<.001	
	N	200	200

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Correlations between Purchase Intention and Company Reputation

**Correlations**

		DVMean	IVCMean
DVMean	Pearson Correlation	1	.614**
	Sig. (2-tailed)		<.001
	N	200	200
IVCMean	Pearson Correlation	.614**	1
	Sig. (2-tailed)	<.001	
	N	200	200

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Correlations between Purchase Intention and Service Quality

**Correlations**

		DVMean	IVDMean
DVMean	Pearson Correlation	1	.671**
	Sig. (2-tailed)		<.001
	N	200	200
IVDMean	Pearson Correlation	.671**	1
	Sig. (2-tailed)	<.001	
	N	200	200

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Correlations between Purchase Intention and Financial Literacy**

**Correlations**

		DVMean	IVEMean
DVMean	Pearson Correlation	1	.330**
	Sig. (2-tailed)		<.001
	N	200	200
IVEMean	Pearson Correlation	.330**	1
	Sig. (2-tailed)	<.001	
	N	200	200

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Central Tendencies Measurement of Construct**

**Frequencies**

**Statistics**

		DVMean	IVAMean	IVBMean	IVCMean	IVDMean	IVEMean
N	Valid	200	200	200	200	200	200
	Missing	0	0	0	0	0	0
Mean		3.2575	4.7883	2.7963	4.1263	4.2250	2.9838
Median		3.5000	5.0000	3.2500	4.2500	4.5000	2.7500
Std. Deviation		1.12137	.47983	1.01530	.48469	.46077	1.18621

## Multiple Linear Regression

### Regression

#### Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	IVEMean, IVAMean, IVBMean, IVDMean, IVCMean <sup>b</sup>	.	Enter

a. Dependent Variable: DVMean

b. All requested variables entered.

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.862 <sup>a</sup>	.743	.736	.57578	.743	112.162	5	194	<.001

a. Predictors: (Constant), IVEMean, IVAMean, IVBMean, IVDMean, IVCMean

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

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185.923	5	37.185	112.162	<.001 <sup>b</sup>
	Residual	64.316	194	.332		
	Total	250.239	199			

a. Dependent Variable: DVMean

b. Predictors: (Constant), IVEMean, IVAMean, IVBMean, IVDMean, IVCMean

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.305	.569		-7.568	<.001
	IVAMean	.391	.089	.167	4.387	<.001
	IVBMean	.658	.049	.596	13.376	<.001
	IVCMean	.211	.127	.091	1.669	.097
	IVDMean	.665	.131	.273	5.097	<.001
	IVEMean	.057	.037	.060	1.520	.130

a. Dependent Variable: DVMean