

Protection and Savings Insurance Consumer Behaviour in Saudi Arabia

Dr. Hashem Abdullah AlNemer^{1*} Dr. Zaid Ahmad Ansari²

1. Department of Finance and Insurance, College of Business, University of Jeddah, Saudi Arabia

2. Department of Marketing, College of Business, University of Jeddah, Saudi Arabia

Abstract

Purpose of the study; the main objective of the study was to find out the Protection and Savings insurance consumer behaviour in Saudi Arabia. The study aimed at exploring the reasons that can motivate the people in buying protection and savings insurance. **Methodology:** To address the objectives of the study quantitative research strategy was used. The study is descriptive as well as quantitative in nature and is based on primary data collected from 300 users and non-users of insurance. The primary data was collected through a structured close-ended questionnaire developed in English and translated into Arabic language. **Findings:** The results show that people in Saudi Arabia are not much aware about the benefits of the P&S insurance, they do not have enough knowledge about it and they are not sure that P& S insurance is shariah compliant. The results also show that price do not influence much as well as the behaviour of insurance employees do not influence the demand. At this stage of insurance market development the customer seems to be indifferent to the online services of the insurance company. Besides, the reliance on family risk financial pool is discouraging the purchase of insurance. Other factors such as disposable income, government security system, and feeling of future risk for family influence the demand for P& S insurance. **Managerial implications:** Insurance market of Saudi Arabia is driven by compulsory lines of insurance namely, health insurance and motor insurance. P&S insurance is not purchased much. The results suggest the managers and policy makers should work on creating and spreading awareness about the risk for family in future, benefits of P&S insurance, insurance as an investment and most importantly that insurance in Saudi Arabia is shariah compliant.

Keywords: Insurance, Muslim consumers, Saudi Arabia, Protection and Savings Insurance, Shariah law

1. Introduction

The insurance industry forms an integral part of the global financial market, with insurance companies being significant institutional investors. The insurance sector, like other financial services, has grown in economic importance. The growth in the industry was due to number of factors such as; rising income and demand for insurance, rising insurance sector employment, and increasing financial intermediary services for policyholders, particularly in the pension business (Ward and Zurbrugg, 2002). Insurance is an important part of any economic system. There are studies which show that insurance industry through transferring risk, financial intermediation, and employment generation releases positive energy in the economy leading to economic growth. There are many studies which illustrate the role of insurance in economic growth such as the study of Outreville (1990). Despite the importance of insurance in some countries it was introduced very late, one such country was Saudi Arabia where it was given attention in 2004 by the government to develop, organize and restructure the industry for enhanced role in economic development. Since 2004 the industry has grown in size but one important area namely Protection and Savings insurance could not do well. In this study the researchers study consumer behaviour of this underperforming area of insurance to know the reasons and suggest measures for developing it.

Consumer behaviour is the study of the processes that individuals or groups go through in making their purchasing choices in order to satisfy their needs. The products and services a customer purchases is influenced by various factors such as the characteristics of the customers, the internal environment of the customer and the external environments in the society. Insurance is one such product which has been playing important role in the world economy. However the insurance has been a product of debate among Muslim customers as something against the will of the God and was considered against the Islamic law popularly known as Shariah law. This debate gave birth to a new form of shariah compliant insurance popularly known as Islamic Insurance and Takaful. The product gained popularity soon in many countries especially in Malaysia however it was partially accepted by the Muslim customers. Two groups formed one accepted it and another doubted it and yet third group strictly refused it. This division was very huge and strong. Saudi Arabia was one country which was hesitant to accept it in any form. The Shariah scholars refused to accept it because of Gharar (uncertainty), Maisir (gambling), and Riba (interest). However after much deliberation, debate and discussion the scholars in the country agreed to introduce shariah compliant insurance. Subsequently, it was made shariah compliant and introduced into the Saudi Arabian market for the public. Despite the promise from insurers that new form of insurance was shariah compliant the public was hesitant however some, accepted it. Initially the market was driven by motor insurance followed by health insurance. Presently health insurance is dominating the market with 52% of the market share, followed by general insurance 45% and Protection and Savings Insurance only 3% (SAMA, Annual Report, 2014).

Protection and Savings Insurance (P&S) is shariah version of traditional life insurance. Though traditional life insurance in countries where it operates shares a huge market share in the insurance industry in Saudi Arabia the market share of P&S insurance is very small, which motivated the researchers to find out the reasons why people are not buying it. This study focuses on finding out the customer behaviour of P&S insurance in Saudi Arabia. It focuses on investigating what are the reasons and situation of buying P&S insurance and what are the reasons and situation for not purchasing it.

Saudi Insurance Market at a Glance

Since reforms in 2004, Insurance Industry of Saudi Arabia had been growing by leaps and bound. However the growth was skewed towards a particular insurance from the beginning. As shown in table 1, in the early stages of the reforms the market growth was driven by the compulsory motor insurance and currently followed by the health insurance which made 52% of the total premium in 2014. Unlike other countries where life insurance is popular, the P&S insurance (Islamic version of Life Insurance) contributes very less to the total premium of the insurance industry in Saudi Arabia. In year 2014 it was just 3% of the total premium. From 2010 to 2014, the insurance market is driven by the health insurance and motor insurance. Table 1 show that more than 70% of the total premium since 2010 has been contributed by these two sectors. In 2014 health insurance contributed 51.1% and motor insurance contributed 26.3% of the total premium (together 77.4% of the premium). P&S insurance share since the beginning had been very insignificant. In 2010 it was 6%, in 2011 it was 5%, in 2012 it was 4.2% in 2013 it was 3.3% and in 2014 it came down to 3%. Thus there is a continuous downfall in the contribution of the P&S insurance since 2010 through 2014. In comparison to other insurance products such as health insurance (21.9%) and motor insurance (26.3%) the growth rate in P&S insurance is less at 7.1%. The poor performance of P&S insurance in Saudi Arabia indicates low coverage of personal and family risk. This low contribution and slow growth in the P&S raise several questions such as; Do the people in Saudi Arabia not care about the problems that may be caused due to surrounding hazards (death or permanent disability), do the people like to take risk, do they not feel the risk, are they not aware that about such an insurance or they do not have enough knowledge to decide, whatever the reason may be it is important for the insurance companies to investigate and find out the P&S insurance consumer behaviour, which will help the companies in focus the important areas in developing marketing strategies, the current study has been undertaken with this objective of empirically find answer to the above questions.

Table 1; Glance of Saudi Insurance Industry

Insurance	2010	2011	2012	2013	2014	% Change
Health	53%	52%	53.3%	51.1%	51.1%	21.9%
Motor	20%	21%	22.1%	25.2%	26.3%	26.3%
Property	6%	6%	6.4%	6.6%	6.3%	15.5%
Engineering	5%	5%	5.1%	4.8%	4.7%	19.5%
Marine	3%	3%	3.5%	2.9%	2.7%	9.6%
P&S	6%	5%	4.2%	3.3%	3.0%	7.1%
A&L	3%	3%	3.3%	3.7%	3.5%	14.7%
Energy	2%	2%	1.8%	1.8%	1.5%	-2.9%
Aviation	2%	1.5%	.3%	.6%	.5%	-2.6%
Total	100	100	100	100	100	100

Source: Saudi Insurance Market Report, 2010 to 2014

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Beyond doubt understanding consumer behaviour is immensely important for business organizations irrespective of the nature of their business whether they deal in tangible products or intangible products (services), consumer products or corporate products. Understanding of the consumer behaviour facilitates the companies in designing appropriate marketing plans (product, price, place, and promotion) and creating marketing strategies (identifying customers and delivering value) to attract, retain and grow the customers. According to Kotler and Keller (2012) consumer behaviour is the study of how individuals, groups, and organizations select, buy, use and dispose of goods, services, ideas, experiences to satisfy their needs and wants. Khaniwale (2015) in his study found that the consumers' buying behaviour is significantly influenced by the consumers' internal and external factors.

In marketing it is established that there are various factors that influences the demand for a product namely, economic, social, cultural, political, personal, and psychological. Many researchers investigated the factors influencing demand of insurance namely Neil *et al.*, (2004), Browne *et al.*, (2000), Ward and Zurbruegg (2002), Beck and Webb (2003), and Esho *et al.*, (2004). The major emerging insurance markets in Asia attracted a great deal of attention from the researchers (Goenka and Mony, 1997). These researches have shown that the level of insurance demand within an economy can be influenced by a number of variables, including but not limited to economic, legal, political, and social factors. In the following sections the existing literature is analyzed to find

out the previous studies that investigated the factors influencing demand for insurance or insurance consumer behaviour.

A primary motive for purchasing insurance is to minimize the damage from an adverse event. Unfortunately, measuring attitudes to risk is difficult and in the past most insurance studies have used education to proxy risk aversion. According to Outreville (1996), education promotes an understanding of risk and hence increased demand for insurance. However, Szpiro and Outreville (1998) have argued that the more people are educated, the less risk averse they become. One reason for this is that improving cognition enables a better assessment of risk. Alternatively, increasing education levels are associated with lower risk aversion. Following Outreville (1990) we include education, defined as the proportion of the population completing secondary education as a proxy for risk aversion. Although it is expected that the impact of education on insurance demand to be positive, the researchers acknowledge Szpiro and Outreville's (1998) suggestion that a negative relationship may be observed.

The importance of knowledge of customer of a product was realized by the British government, as one of Financial Authority reforms to address the communication in the insurance industry after the failure of the equitable insurance company. Knowledge about a product influences the decision of the customers in purchasing it. According to Alnemer (2015) lack of knowledge and awareness in the customers about the basics and technicalities of a product can demotivate customers to possess insurance products and services. A study conducted by Hamid *et. al.* (2009) on banking customers among Muslims in Malaysia with the objective of finding out the knowledge of customers about takaful. The results showed that majority of the respondents do not understand the concept and are not aware of the element in it such as Maisir, and Gharar. According to Alnemer (2015), the participants believe that intermediaries in Saudi Arabia have weak knowledge about shariah and takaful business. Alnemer (2015) found that there is a need for takaful operators to educate their participants about the takaful. Amin (2007) and Haque *et al.* (2009) have found that participants have low level of understanding of the technical aspects of shariah contracts. Okumus (2005) found that the majority of customers are only aware of the basic Islamic banking. Thus it is evident that there exists a relationship between customer knowledge and insurance purchase, thus the following hypothesis;

H1: Customer knowledge influences the decision of purchasing P&S insurance

If the customers are aware and understand the serious of financial problems their family may get into in case of their untimely death, and permanent disability they will be motivated to buy insurance as a support to their family. According to Chow-Chua and Lim (2000), the most common reason put forth for purchasing a life insurance policy is to ensure a continual stream of income to the family in the event of death/accident. Education is hypothesized to be positively correlated to life insurance demand. Higher level of education increases awareness of the importance of life insurance as an instrument of personal risk management and savings. Additionally, the more people completing secondary and tertiary education, the higher is the dependency ratio and demand for life insurance. Truett and Truett (1990), Browne and Kim (1993), Beck and Webb (2003), Li *et. al.* (2007), found evidences of positive relationship between education and life insurance demand, thus the following hypothesis;

H2: Customers will buy P&S insurance if they are convinced that insurance is beneficial for family

The demand of insurance products is also influenced by number of factors, early theoretical studies highlighted that the demand for life insurance, as a long-term consumption decision, should be positively related to anticipated income, or permanent rather than current income (Yaari, 1965; Hakansson, 1969; Fortune, 1973; Fisher, 1973; and Lewis, 1989). Using this approach, support for a link between income and life insurance consumption has been confirmed by the cross-country studies of Beenstock *et al.* (1986), Truett and Truett (1990), Browne and Kim (1993), and Outreville (1996). Ward and Zurbruegg (2002) and Beck and Webb (2003) verify these findings when applying income per capita. Shoemaker (1980) found that income and age are the most important determinants of insurance decision. Formisano *et al* (1981) found that age and income are two salient differences between those who purchase and who do not purchase. According to Curak and Gaspic (2011) income has a positive and significant impact on life insurance consumption.

H3: Disposable income of the customers influence the decision of buying P&S insurance

Another obvious and potential determinant of insurance demand is its price. Measuring the impact of price on the demand for insurance is, however, difficult due to the problem of actually determining the price. To overcome this problem, studies have used various proxies. Outreville (1996), for example, argues that life expectancy reflects the actuarially fair price for life insurance. This is based on the premise that the longer people are going to live the more premium payments will be made. Outreville (1996) finds a significant positive relationship between life expectancy and life insurance demand in developing countries. Browne and Kim (1993) use the ratio of total expenditure on life insurance premiums to the amount of life insurance in force, and find that price is negatively related to life insurance consumption, with an estimated price elasticity of -0.24 , suggesting that demand is price inelastic. In this study the researchers consider the premium paid as price for the P&S insurance and its influence on demand.

H4: Price of the P&S insurance influences the decision of buying it.

Present time is the time of online business. Every business organization whether dealing in services or goods are digitalized. The company's website becomes the first interface for the customer. Companies provides lots of services online such as product information, delivery, appointment with a sales person, booking order online, payment online almost anything a customer needs. The same is true for the insurance industry also. Thus, the researchers propose the following hypothesis;

H5: Online services of the insurance company

Formisano *et al.* (1981) suggested that purchase of insurance be based on friends' recommendations and agents' service and their recommendations. Thus the hypothesis;

H6: Behaviour of the insurance company employee influences the decision of buying P&S insurance

According to Ansari (2011) the primary motivating factor for purchasing insurance in Saudi Arabia was the legal factor due to which the buyers purchase only the compulsory insurance namely motor insurance and health insurance. Since 2011 there is change or no is the question. Thus the hypothesis;

H7: Customers will buy insurance when it is mandatory

According to Chow-Chua and Lim (2000) the second common reason for purchasing life insurance in Singapore was that it provides a form of retirement savings plan.

H8: Recognized the need for insurance Protection and Savings insurance

According to Ansari (2011) the other hand the main reason for not buying insurance was the cultural factor namely religion, as they were not confident whether the current form of insurance in Saudi Arabia was as per the Shariah law.

H9: Convinced that insurance is as per Shariah

According to Curak and Gaspic (2011) Social security system has statistical significant impact on life insurance demand in Central and Eastern European market. The findings of the Lewis (1989) showed that increasing social security expenditures decreases demand for life insurance. Negative effect of social security expenditure on life insurance demand is found in the studies of Ward and Zurbruegg (2002) and Le *et al.* (2007).

H10: Absence of government social security system

Another study by Ansari (2012) show that the people of Saudi give due importance to various kinds of risks and adopt preventive measures. The most preferred destination of investment is real estate followed by insurance. It also showed that the use of insurance made a positive impact on the user's perception towards insurance and future insurance behaviour. Rothschild and Stiglitz (1976), which predict that it is the high risks who are more keen on buying insurance. According to Hofstede (1995), it is the cultural unwillingness of a society to deal with uncertainty that in part drives a desire to avoid the unknown and seek out insurance. These ideas were formally tested by Park, *et. al* (2002), who found no statistical relationship between UAI and insurance penetration.

H11: Feel the risk for family in future

Another study done by Alnemer (2015), found that the most important factor in motivating consumers to buy Islamic insurance in Saudi Arabia was profit return rather than religion. Solvic *et al.* (1982) proposed that insurance is viewed more as an investment rather than as a protective mechanism as suggested by the expected utility theory. Alnemer (2015) in his study also found that the most important factor in motivating participants to buy Islamic insurance in Saudi Arabia was profit return rather than religion.

H12: Absence of other investment options

People in Saudi Arabia have another form on insurance. It is popularly known as Social family risk financial pool. Despite the fact that insurance in Saudi Arabia is operating in as per Shariah people still do not buy it either because they are not aware of it or they do not trust that in practice it is shariah compliant. Thus the researchers propose the following hypothesis;

H13: Social family risk financial pool influences the decision of buying P&S insurance

3. STATEMENT OF THE PROBLEM

The insurance industry of Saudi Arabia was structured in 2004 by Saudi Arabian Monetary Agency (SAMA) with the main objective of developing the industry for benefiting the corporate world and individuals by providing various risk management options. Since 2004 the industry registered growth by leaps and bounds. However the growth was skewed towards general insurance dominated by the compulsory insurance products initially by Motor insurance and lately by the health insurance. The protection and savings (P&S) insurance share in the total written premium till date remains significantly low. Thus this study aimed at finding the reasons for the low demand of protections and savings in the country.

4. OBJECTIVES OF THE STUDY

The study aimed at finding out the P&S insurance consumer behaviour in Saudi Arabia. The findings of the study are expected to highlight the reasons for buying and not buying P&S insurance from customer's perspective. The results would facilitate the industry in developing effective marketing plans and marketing strategies.

5. METHODOLOGY

The main objective of the study was to find out the drivers of P&S insurance demand in Saudi Arabia. To address the objective of the study quantitative research strategy was used.

Questionnaire

The study was based on primary data collected through a structured close-ended questionnaire. The questionnaire was developed in English and translated into Arabic language. The translation was done to facilitate and encourage the respondents in completing the questionnaire because they were mainly Arabic speakers. The translation also to some extent enhanced the reliability of the information provided. Thirteen factors considered as influencing the behaviour of insurance consumers were identified from existing literature (each factor explained in detail in literature section). It is important to mention here that the factors mainly related to the conventional insurance and not to the Islamic insurance.

Sampling and Sample Size

The study was based on 300 respondents. These respondents were Saudi nationals as well as non-Saudis living in Saudi Arabia primarily employed here. The questionnaire was distributed randomly to the people at their work places and residents directly. The questionnaire was also sent to the respondents through email.

Data analysis

Descriptive analytical tools such as frequency, percentage, mean and standard deviation were used to summarize the respondents' feedback. The results were also presented in graphical form. Reliability test was done by Cronbach Alpha analysis. In the following sections empirical results are presented and discussed.

6. RESULTS AND DISCUSSIONS

This section presents the research results related to the objectives of the study proposed earlier. As the study was about the customers there were large number of respondents reachable and as proposed 300 usable questionnaires were collected. Table 1 illustrates the reliability of data tested by Cronbach Alpha analysis. The reliability of research results depends on the reliability of empirical data. Reliability was evaluated by assessing the internal consistency of the items representing each factor using Cronbach's Alpha. Table 1 illustrates the reliability statistics for 13 items. The Cronbach Alpha value for is 0.662, though the value is not very high but is acceptable in the research. Thus data on these variables are reliable and consistent with research standards.

Table 1; Reliability Statistics

Cronbach's Alpha	N of Items
.662	13

6.1 Demographic Profile of the respondents

Data was collected from 300 respondents. From which 272 respondents were Saudi nationals and 28 respondents were non-Saudis living in Saudi Arabia mainly for employment. The respondents were mainly young people, more than 75% respondents were less than 30 years of age, 12.7% respondents were between 30 to 34 years of age, 6% between 35 to 39 years of age, and 4.3% respondents were 40 years and above. In Occupation category, 45.3% respondents were employed, 6.3% were self-employed, 3.7% housewives, 3.3% unemployed, 39.3% were students, and 2% were in others category. The respondents were diverse and represented all sections of the society ranging from employed to unemployed to housewives to students. In the income category it was again representative of the people, 47% respondents income was less than SAR 5000, 22.1% had income between SAR 5001 to SAR 10000, 17% had income between SAR 10001 to SAR 15000, 7.3% had income of SAR 15001 to SAR 20000, and 4.3% had monthly income of more than SAR 20000.

Table 2; Profile of Respondents

Nationality	Frequency	Percentage
Saudi	272	90.7
Non-Saudi	28	9.3
Age		
15 to 19	71	23.7
20 to 24	85	28
25 to 29	72	24
30 to 34	38	12.7
35 to 39	18	6.0
40 and more	16	5.3
Occupation		
Employed	136	45.3
Self Employed	19	6.3
Housewife	11	3.7
Unemployed	10	3.3
Student	118	39.3
Others	6	2.0
Monthly Income		
Less than SAR 5000	143	47.6
SAR 5001 to SAR 10000	66	22.0
SAR 10001 to SAR 15000	51	17.0
SAR 15001 to SAR 20000	22	7.3
More than SAR 20000	13	4.3
No Income – NA	5	1.7

6.2. Protection and Savings Insurance Consumer Behaviour in Saudi Arabia

The main aim of the study was to find out the behaviour of people towards P&S insurance in Saudi Arabia. In this section the results in table 3 show the opinion of the people towards each factor. It tells how important a particular factor is for them to motivate them in buying P&S insurance. From the results the researchers proposed a three stage strategy for the insurance companies to enhance the demand for P&S insurance. As mentioned in the methodology section there were 13 proposed factors identified from the existing literature which were considered as influencing the demand for insurance. These thirteen factors were divided into three groups based on its mean value. In discussion section these three groups are discussed further. The first variable was respondents '*knowledge of insurance*' for which 24% respondents strongly agreed that they will buy P&S insurance if they have knowledge about it. Another 25% respondents also agree to it and 33% somewhat agreed that they will buy if they have knowledge about insurance, only 17.7% disagreed that they will buy if they have knowledge. In short more than 80% respondents said that they will buy P&S insurance if they have knowledge. The second variable was respondents will buy P&S if they were '*convinced that insurance is beneficial for their family*', for which 22.3% strongly agreed to it, 32% agreed, and 30% somewhat agreed. Thus 54.3% currently agree that they will buy P&S insurance if they are convinced that it is beneficial for their family. Ones these people become P&S insurance customers the 30% of the somewhat agreed category will follow them, only 15.7% disagreed indicating that whatever they will not buy the P&S insurance. However it is worth mentioning here that 84.3% people can become customers in stages if the insurers convince them about its benefits. Disposable income of the customers influences the decision of buying insurance? How strongly they agreed that disposable income will influence their decision to buy P&S insurance, 19% strongly agreed to it, 27.3% agreed and 31.3% somewhat agreed. The disagreed percentage was 22.4%. Thus, the majority of respondents agreed that availability of disposable income will influence their decision to buy P&S insurance.

Price of the product which is premium of the insurance product may also influence the demand for insurance. The results in table 3 show that only 12.3% respondents strongly agreed to it, 22% agreed, and 32% somewhat agreed. Whereas 33.7% disagreed that it influences their decision of buying P&S insurance. Thus the price does not seem to paly significant role in influencing the demand for P&S insurance as majority of the respondents disagreed and only somewhat agreed. Another important factor in present time that generally influences the demand for products in general and for insurance in particular is the online services of the insurance companies. The results show that like price the online services of the insurance company do not influence the decision of the customers in purchasing P&S insurance. Only 9.7% strongly agreed and 21.3% agreed that online services may influence their decision of buying P&S insurance. On the other hand 35% somewhat agreed, 34% disagreed that it may influence their decision. Thus the result show that online services do not play significant role

in influencing the demand for P&S insurance in Saudi Arabia. Another important factor which generally influences the decisions of the customers is the employee behaviour. The result show that behaviour of the insurance company employee does not influence the decision of the customers in buying P&S insurance, only 10.3% strongly agreed to it, and 22.3% agreed that behaviour of insurance company may influence their decision of buying P&S insurance. However a large percent of the respondents 33.7% somewhat agreed to the influence of employee behaviour on demand. Majority of the respondents 33.7% disagreed that it may influence their decision of buying P&S insurance. The law of a country plays important role in influencing the demand for a product especially for insurance. To the question that they will buy P&S insurance if it is compulsory, only 10.3% strongly agreed to it and 24.3% agreed. On the other hand 35% said they somewhat agree that they will buy it and 30% disagreed that they will buy even if the P&S insurance is mandatory. Thus the people are reluctant to buy P&S insurance even it is compulsory. In response to the factor that they will P&S if they 'recognized that they need P&S insurance' 19.3% strongly agreed that they will buy, and 25% agreed that they will buy. In other words presently they even do not recognize that they need insurance, 33.7% somewhat agreed that they will buy insurance and 16% disagreed that they will buy P&S insurance even if they realize that they need.

Social factors play important role in influencing the demand for a product. In case of insurance it is even stronger, because of which the Islamic insurance, and takaful came into existence. In response to the factor that they will buy P&S insurance if they were 'convinced that the P&S insurance is as per Shariah', 18% strongly agree to it and 27% agree that it influences their decision, another large group of 32.7% respondents said that they somewhat agree and the last group of 22% respondents disagree that they will buy P&S insurance even if they are convinced that it is as per Shariah. The role of government security system play important role in Saudi Arabia on limiting the demand for P&S insurance, 12.3% strongly agreed, 28.7% agreed and 33.3% somewhat agreed that they will buy P&S insurance in absence of government security system. However, 25.3% respondents disagreed that they will buy insurance in absence of government security system.

Do the people in Saudi Arabia feel risk for their family in future? To find out their perception towards the risk for their family the researchers asked you will buy if you 'feel the risk for the family in future'. The results showed that 15.6% strongly agreed to it, 28.3% agreed, and 33.3% somewhat agreed. Only 22.6% disagreed that they will buy the insurance even if they feel the risk for their family in future. The next question enquired about the insurance in terms of investment. The question was 'Will buy P&S insurance if do not have other investment options', the result was 13% strongly agreed, 26% agreed, and 34.7% somewhat agreed. The disagreeing group was 26.4% who will not buy insurance even if they do not have other investment options. In Saudi Arabia there is a system of 'family risk financial pool' system. It is a group created among the family members. In this pool each member contributes some predetermined amount of money on regular basis as agreed among the members in the beginning. The money can be used by any member on predetermined basis. The family risk financial pool system influences the decision of the people, 38.7% agreed that they will buy insurance if there is no social family financial pool system, 30.7% somewhat agreed, and 30.6% disagreed that they will buy P&S insurance if there is no social family risk financial pool.

Table 3; Drivers of Insurance Buying in Saudi Arabia

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
	%	%	%	%	%
Knowledge about insurance	24.0	25.0	33.0	8.7	9.0
Convinced that insurance is beneficial for my family	22.3	32.0	30.0	9.7	6.0
Have Disposable Income	19.0	27.3	31.3	15.7	6.7
Price of the insurance	12.3	22.0	32.0	20.0	13.7
Online services of the insurance company	9.7	21.3	35.0	23.0	11.0
Behaviour of insurance company employee	10.3	22.3	33.7	21.0	12.7
If buying insurance is mandatory	10.3	24.3	35.0	19.3	11.0
Recognized the need of insurance	19.3	25.0	33.7	16.3	5.7
Convinced that the insurance is as per Shariah	18.3	27.0	32.7	14.0	8.0
Will purchase if there is no government security system in place	12.3	28.7	33.7	17.3	8.0
Feel the risk for family in future	15.6	28.3	33.3	14.3	8.3
Will buy insurance if do not have other investment options	13.0	26.0	34.7	17.7	8.7
No social family risk financial pool	13.7	25.0	30.7	15.6	15.0

Table 4; Drivers of Insurance Buying in Saudi Arabia

	Agree	Somewhat Agree	Disagree
	%	%	%
Knowledge about insurance	49.0	33.0	17.7
Convinced that insurance is beneficial for family	54.0	30.0	15.7
Have Disposable Income	46.3	31.3	22.4
Price of the insurance	34.3	32.0	33.7
Online services of the insurance company	31.0	35.0	24.0
Behaviour of insurance company employee	32.6	33.7	33.7
If buying insurance is mandatory	34.6	35.0	30.3
Recognized the need of insurance	44.3	33.7	22.0
Convinced that the insurance is as per Shariah	45.3	32.7	22.0
Will purchase if there is no government security system in place	41.0	33.7	25.3
Feel the risk for family in future	44.0	33.3	22.6
Will buy insurance if do not have other investment options	39.0	34.7	26.4
No social family risk financial pool	38.7	30.7	30.7

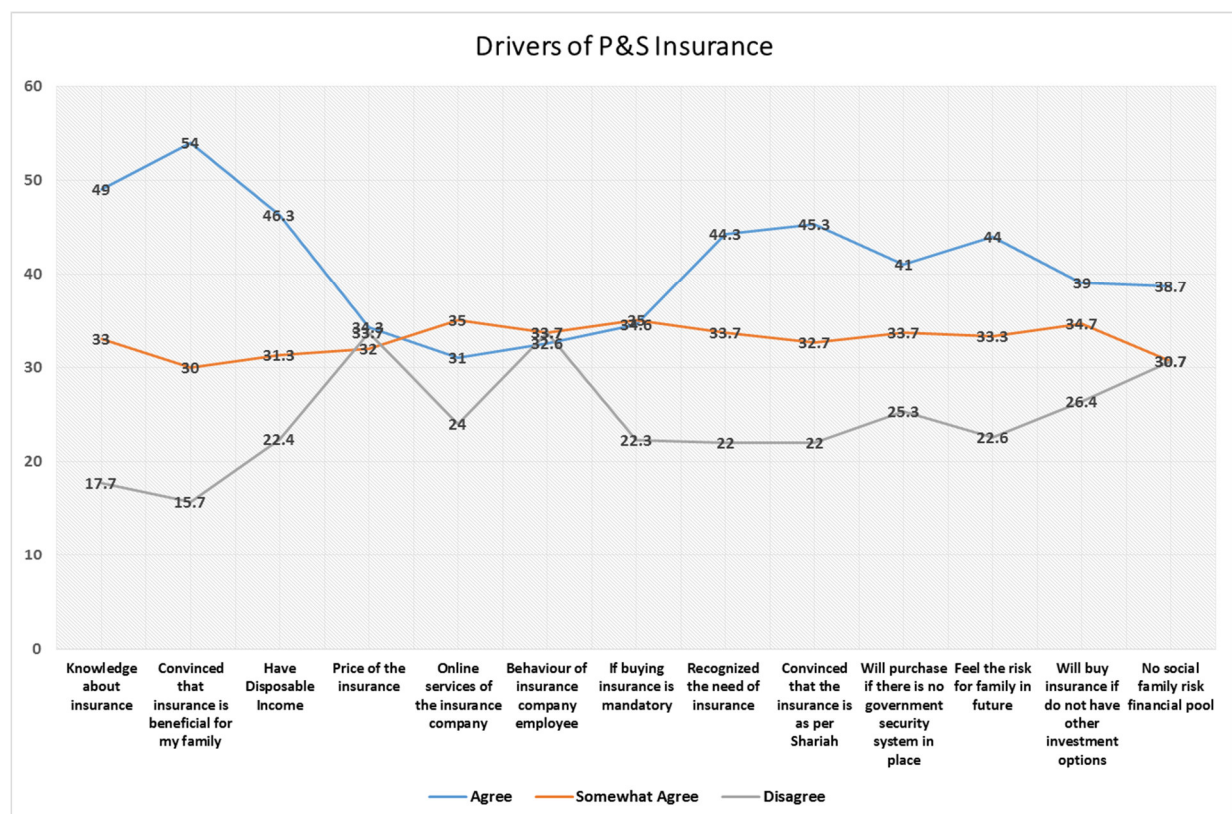


Figure 1

7. DISCUSSION

Table 5 and figure 2 shows the mean value for all the 13 factors investigated. The mean value for all the 13 factors were less than 4, indicating that general attitude of the people towards insurance in the country is not very positive, they are not highly motivated, not interested in buying P&S insurance, people in Saudi Arabia are ignorant about P&S insurance. The results in table 5 have been arranged in descending order from highest to lowest mean value. Further in the figure these factors have been divided into three categories based on its mean value namely; most important factors, important factors and less important factors. Based on the importance of each factor the insurers can plan and design the contents of their marketing strategies. The researchers suggest three stage strategies each stage focusing on particular areas for creating demand for P&S insurance.

Stage 1 comprises of four factors having the highest mean value that need to be focused. These four factors are very important in motivating the people in buying P&S insurance as they have the highest mean value

first, the people will buy P&S only when they are convinced that P&S insurance is beneficial for their family. In Saudi Arabia people need to know the benefits of insurance. Second important factor that the people said was that they will buy P&S insurance if they are convinced that insurance is as per shariah. Despite the fact that the insurance industry in Saudi Arabia is working as per Shariah law the respondents were either not aware that the industry in Saudi Arabia is as per Shariah or they are not convinced about it. Third, the respondents said that they will buy P&S insurance if they had knowledge about it. The fourth and last factor in the first stage was that they will buy P&S insurance if they feel the risk for their family.

The results show that a large number of respondents were not aware about the benefits of the P&S for their family as *'they said that they will buy P&S insurance if they were convinced that insurance is beneficial for their family'* 54% respondents agreed to this point and 30% somewhat agreed to this. The mean value for this factor was (3.55) which is highest among all. This was followed by the fact that *'they will buy insurance if they were convinced that insurance is as per shariah'* mean value (3.47), 45.3% respondents agreed and 32.7% somewhat agreed that they will buy P&S insurance if they were convinced with its compliance to shariah. The next important factor which may motivate them in buying P&S insurance is *'knowledge about P&S insurance'*. The mean value is 3.46 and 49% respondents agreed and 33% somewhat agreed. And the fourth factor in this group was they will buy P&S if they *feel the risk for their family in future'*, mean value (3.45), besides 44% respondents agreed to it & 33% somewhat agreed. According to Chow-Chua and Lim (2000) generally people are not pressured by friends and/or agents to purchase an insurance policy. The most common reason for purchasing a life insurance policy is to ensure a continual stream of income to family in the event of death/accident and a large majority of people also purchased life insurance for a retirement savings plan. But in Saudi Arabia they even do not feel the risk for the family. Thus the main problems of P&S insurance low demand in Saudi Arabia are very basic like knowledge and attitude of the people along with religion. The insurers need to educate the masses about the basics of the P&S insurance.

In the second stage of marketing strategy after educating the people about P&S savings insurance the insurers should focus on six areas. The factors in the second stage were grouped based on its mean values ranging between (3) to (3.9). The six factors in this stage were; buy if have disposable income (3.36), buy if recognize the need for insurance (3.36), buy insurance if they do not have other investment options (3.33), will purchase P&S insurance if there is no government security system in place (3.20), purchase if there is no social family risk financial pool system (3.06), and if buying insurance is mandatory (3.03). Thus, it is very obvious that ones they get the knowledge about the P&S insurance, other factors come into scene. Income of the respondents will influence their decision to buy P&S insurance. The insurers need to tell the customers about P&S insurance in terms of investment. Apart from these the government security system, family risk financial pool system is also preventing them from buying P&S insurance. It is worth mentioning here that as they are not convinced about its' shariah compliance they may have developed the family risk financial pool system as an alternate.

In the third stage of marketing strategy when the market is supposed to be very well informed, educated about the P&S insurance the insurers should focus on the third group of variables. These are those factors that are comparatively less important in motivating the people in buying P&S insurance indicated by mean value less than 3. The respondents disagreed that at this stage these factors influence their decision of purchasing P&S insurance. These factors were namely, price of the P&S insurance (2.99), behaviour of the insurance company employee (2.96), and online services of insurance (2.95). But naturally these factors influence the decision of customers in selecting a particular insurance company which promises good price, good employee behaviour, and better online services. In the present market scenario of P&S in Saudi Arabia, people first need to be educated and convinced about the benefits of the P&S insurance, they should be convinced that insurance is as per shariah compliant, they should be educated about the insurance, and they should be educated about the risk so that they can feel the risk, so that they can feel that they need the insurance for the protection of their family from future unforeseen events and in some cases untimely death of the bread earner of the family.

Table 5; Drivers of Insurance Buying in Saudi Arabia		
	Mean	Std. Dev.
Convinced that insurance is beneficial for my family	3.55	1.1187
Convinced that the insurance is as per Shariah	3.47	2.6707
Knowledge about insurance	3.46	1.2028
Feel the risk for family in future	3.45	3.1961
Have Disposable Income	3.36	1.1528
Recognized the need of insurance	3.36	1.1349
Will buy insurance if do not have other investment options	3.33	3.1975
Will purchase if there is no government security system in place	3.20	1.1124
No social family risk financial pool	3.06	1.2466
If buying insurance is mandatory	3.03	1.1270
Price of the insurance	2.99	1.2103
Behaviour of insurance company employee	2.96	1.1647
Online services of the insurance company	2.95	1.1279

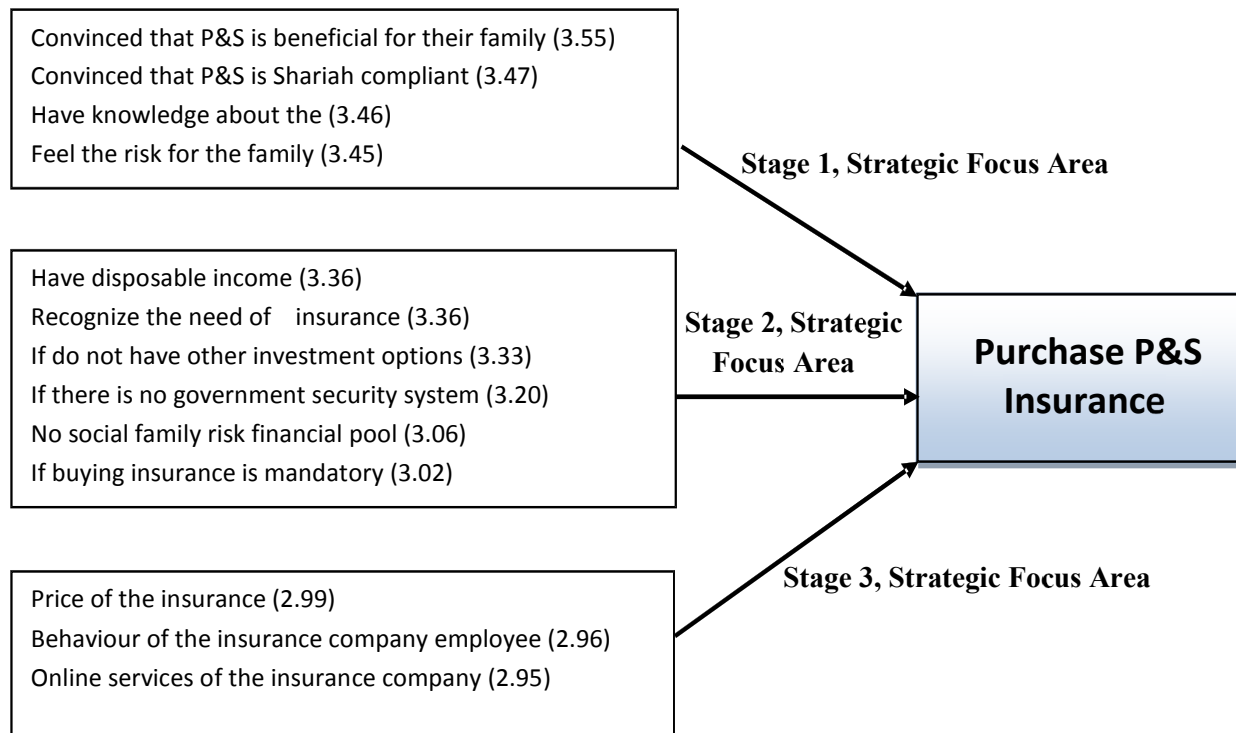


Figure 2

8. CONCLUSION

The main objective of this study was to study the P&S insurance consumer behaviour in Saudi Arabia. The approach of the study was to find out what factors are important enough in motivating the people to buy P&S and what are not motivating or they are not important to the people of Saudi Arabia. The results showed that the P&S insurance industry is still not popular among the people. The industry to grow needs strong marketing strategy from the policy makers as well as from the insurance companies. The marketing strategies should be planned in stages. Each stage should focus on particular factors. In general the insurers need to work on the basics such as educating people about the benefits of P&S, educating and convincing the people that it is different from conventional life insurance, all the points against shariah in conventional insurance has been removed to make it Shariah compliant, each company has a shariah board which approves the product before sale. The companies should focus on educating them so that they can understand that P&S savings can be helpful to their families in case of unfortunate incidents and also it is beneficial for them at old ages when they would be having no source of income. Price, employee behaviour and online services at this stage do not play any role in motivating the customers in buying P&S insurance.

8.1. MANAGERIAL IMPLICATIONS

The above study provides us with a comprehensive picture of the insurance industry of Saudi Arabia, specially the Protections and Savings insurance. The P&S segment in Saudi Arabia is still hugely untapped and thus promises huge business for the insurers. However this huge untapped potential also has challenges which need to be addressed. The findings of the study can be used as a guide for the marketing department of the insurance company in designing the marketing plans and marketing strategies. The findings suggest that people will buy P&S insurance if they have knowledge about the product. Thus the managers' first job based on the findings would be to educate people about P&S insurance. The educating program will focus on educating the people about the benefits of the insurance for the family, how it is going to support the family financially in case of untimely death of the income earner of the family. Not only this they can also be told in detail that in case of permanent disability the insured himself shall be compensated and supported financially. Besides, P&S can be seen as a retirement plan also. The other important concern of the people in Saudi Arabia is that insurance should be as per the Shariah law it should not go against the Islamic law. The people can be educated and explained in detail how P&S insurance has been made and customized from conventional life insurance to shariah compliant P&S insurance. The people can also be made aware about the risk for the family in case of death and permanent disability.

ACKNOWLEDGEMENT

The researchers would like to acknowledge the strong research environment of University of Jeddah which encouraged them to conduct this research. The Deanship of Scientific Research at the university is promoting and facilitating the research activities in the campus. The researchers would also like to acknowledgement the efforts of the Deanship of Scientific Research in finalizing this study.

References

- Alnemer, H.A (2015), "Participants' preferences & motivations about takaful products and services: An empirical study on Saudi Arabia", *South East Asia Journal of Contemporary Business, Economics, and Law*, Vol. 7 (1): pp. 49 – 57.
- Alnemer, H. A. (2015), "Intermediaries are a poor market conduct and disclosure channel: An empirical study on Saudi Arabia", *European Journal of Business and Social Sciences*, Vol. 4 (2): pp.1 – 15.
- Amin H. (2007), "Borneo Islamic automobile financing: Do demographics matter?", *Labuan e-Journal of Muamalat and Society*, Vol. 1(1): pp. 68 – 81.
- Ansari, Z.A. (2011), "Analyzing the factors affecting demand for insurance in Saudi Arabia", *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 2(10): pp. 282-93
- Ansari, Z.A. (2012), "An empirical analysis of risk perception, remedial measures and behaviour of people in Saudi Arabia towards insurance", *African Journal of Business and Management*, Vol. 6(10): pp. 3733 – 44.
- Beck, T. and Webb, I. (2003), "Economic Demographic and Institutional Determinants of Life Insurance Consumption across Countries", *World Bank Economic Review*, Vol. 17 (1): 51 – 88.
- Browne, M.J., and Chung, J. and Frees, E.W. (2000), "International Property-Liability Insurance Consumption", *Journal of Risk and Insurance*, Vol. 67 (1): 73 – 90.
- Browne, M.J. and Kim, K. (1993), "An International analysis of life insurance demand", *Journal of Risk and Insurance*, Vol. 60 (4): pp. 634 – 676.
- Chow-Chua, C. and Lim, G. (2000), "A demand audit of the insurance market in Singapore", *Managerial Auditing Journal*, Vol. 15 (7): pp.372-382.
- Curak, M. and Gaspic, M.K (2011), "Economic and Social Determinants of Life Insurance Consumption – Evidence from Central and Eastern Europe", *The Journal of American Academy of Business* Vol. 16 (2): pp. 216 – 222.
- Esho, N., Kirievsky, A., Ward, D. and Zurbruegg, R. (2004), "Law and determinants of property-casualty insurance", *Journal of Risk and Insurance*, Vol. 71 (2): 265 – 83.
- Formisano, Olshavsky and tap (1981), "Choice strategy in difficult task environment", *Journal of Consumer Research*, Vol.15: pp. 474-8.
- Goenka, A. and Mony, S.V. (1997), "Emerging markets and liberalization in insurance", *Asia Insurance Review*, March: pp. 44 – 47.
- Hakansson, N. H. (1969), "Optimal investment and consumption strategies under risk, uncertain lifetime and insurance", *International Economic Review*, Vol. 10 (3): pp. 443 – 466.
- Hamid, A.H.A. and Nordin, N.A.M. (2001), "A study on Islamic banking education and strategy for the new Millenium – Malaysian experience", *International Journal of Islamic Financial Services*, Vol. 2 (4).
- Haque, A., Osman, J. and Ismail, A.Z. (2009), "Factors influences selection of Islamic banking: A study onmalaysian customer preferences", *American Journal of Applied Sciences*, Vol. 6(5): pp. 922 – 928.
- Khaniwale, M. (2015), "Consumer buying behaviour", *International Journal of Innovation and Scientific Research*,

- Vol. 14 (2): pp. 278 – 286.
- Kotler, P, and Keller, K. (2012), “Marketing Management”, Upper Saddle River, NJ: Prentice Hall, USA.
- Lewis, E.D. (1989), “Dependents and the demand for life insurance”, *American Economic Review*, Vol. 79 (3): pp. 452 – 467.
- Li, D., Moshirian, F., Nguyen P. and Wee, T. (2007), “The demand for life insurance in OECD countries”, *Journal of Risk and Insurance*, Vol. 74 (3): pp. 637 – 652.
- Okumus, H. S. (2005), “Interest-free banking in turkey: A study of customer satisfaction and bank selection criteria”, *Journal of Economic Cooperation Among Islamic Countries*, Vol. 26 (4): pp. 51 – 86.
- Outreville, J.F. (1990), “The economic significance of insurance markets in developing countries”, *Journal of Risk and Insurance*, Vol. 18 (3): pp. 487 – 98.
- Outreville, J.F. (1996), “Life insurance markets in developing countries”, *Journal Risk and Insurance*, Vol. 63 (2): pp. 263 – 278.
- Rothschild, M., and Stiglitz, J.E. (1976), “Equilibrium in competitive insurance markets: An essay on the economics of imperfect information”, *Quarterly Journal of Economics*, Vol. 90: pp. 626 – 649.
- Solvic, P., and Fischhoff, B. and Lichtenstein, S. (1982), “*Response Mode, framing and information processing effects in risk assessment*”, Jossey Bass, San Francisco, CA.
- Truett, D. B. and L.J. Truett (1990), “The demand for life insurance in Mexico and the United States: A comparative study”, *Journal of Risk and Insurance*, Vol. 57 (2): pp. 321 – 328.
- Ward, D. and Zurbruegg, R. (2000), “Does insurance promote economic growth? Evidence from OECD countries”, *Journal of Risk and Insurance*, Vol. 67 (4): pp. 489 – 507.
- Ward, D. and Zurbruegg, R. (1990), “Law, Politics and Life Insurance Consumption in Asia, Geneva papers on risk and insurance”, Vol. 27 (3): pp. 395 – 412.
- Yaari, M. (1965), “Uncertain lifetime, life insurance and the theory of the consumer”, *Review of Economic Studies*, Vol. 32 (2): pp. 137 – 150.