

# **Impact of Rationality in Creating Consumer Motivation (A Study of State Life Insurance Corporation Peshawar - Pakistan)**

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## **Abstract**

*This study primarily attempts to investigate the relationship among the variable to create rational motivation in the field of insurance in the context of Peshawar. Besides, the study also attempts to identify the reasons behind consumer purchasing behavior for insurance. This purpose of this study is to accomplish a couple of objectives: to identify how rational motivation is created for insurance businesses and it is important to identify the reasons behind a consumer rationale purchase decision for an insurance plan. To empirically examine the main research question "The impact of rationality in creating consumer motivation" has been addressed by this study. Study use framework consisting of different variables and regression and correlation analysis of these variables is conducted to find relationship between motivation and rational factors. The knowledge from the results of this study serves as basis of recommendations for maximizing and help state life insurance that how to create motivation for insurance. The result shows that the consumer motivation raise on the basis of rational and sub variables of rational are responsible for this buying decision.*

**Keywords:** *Motivation, Consumer Motivation, Life Insurance*

## **Introduction**

For insurance business consumer motivation is a driving force behind the purchase decision (Park, & Mithal, 1985) because base on long term customer retention motivation itself play a critical role. This research is focused on finding out as to what kind of motivation should be created by a life insurance that is i.e. *rational* or *emotional*. The main reason for choosing an insurance corporation is because the motivation factor is much more important in this business.

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Consumer motivation is defined as “Consumer’s desire or readiness to process brand information in an ad.”(Park, & Mithal, 1985)

Although properly it is a branch related with study of Consumer Behavior. Motivation research is limited to consumers and their attitudes and actions regarding the purchase of goods and services (Corlett, W.C, 1984).

There are four main types of motivation *positive*, *negative*, *rational* and *emotional* motivation. The positive motivation is in favor of the organization, and negative is against the organization products (Conover 1982; Alba & Hutchinson, 1987).

Alba (1987) both positive and negative motivation cannot be together at the same time for a product similarly rational and emotional can not be at the same time but a positive motivation can be rational or emotional at the same time. Similarly negative motivation can be rational and emotional. Both rational and emotional are parallel decision of a customer and negative and positive are also parallel to each other.

In order to create positive motivation in people’s minds credibility of the product is the main force. Most of the time negative motivation is also removed through credibility (Alba Joseph W. & J. Wesley Hutchinson, 1987).

Droge, Cornelia (1989) However, it all depends upon the efforts of organization that how to create *positive* motivation in *rational* or *emotional* way.

A general assumption in business is that the organization should coordinate the motivation process in such a way that maximum customers are attracted towards the organization products and services because due to the fact motivation is the first important factor, which bring a consumer towards the organization, and the negative motivation moves consumers away from organization products or services (Kardes, Frank R, 1988).

According to Sujan Mita (1985) factors like price and quality service creates motivation. Similarly if a consumer is willing to purchase a product, but he is unable to get the opportunity (company did not provide or make it available in the market) for the purchase of product may be another factor of consumer negative motivation (Meyer 1981).

William H. Wandel (1992) describes businesses like banking, saving schemes, and for insurance companies saving is also a factor of motivation.

### Methodology

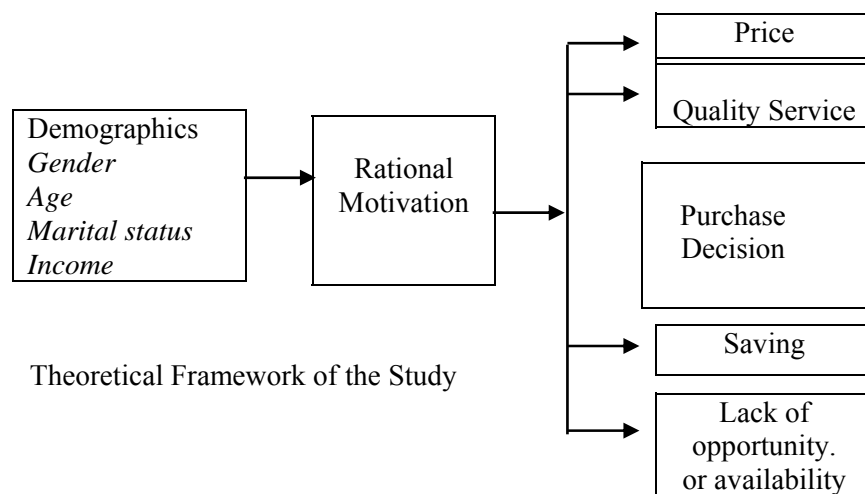
Comparative Analysis refers to the analysis of different factors affecting each other and relation between them. In this case it is the analysis of the

Consumer Motivation that in case of State Life Insurance “Analyzing how and on the basis of which rational factor consumer motivation should arise in Customers minds.

Data had been collected through questionnaires from policy holders of state life insurance corporation, to find which kind of Motivation is created by State Life Insurance Corporation Employees at the time of promoting life insurance to the policy holders. The total number of policy holders in year 2010 in Peshawar region was 10859. for the analysis purpose a 10% sample of 1000 policy holders were drawn randomly through systematic random sampling for final analysis of the study. In 1000 sample 879 received and 121 were not received. In received 879 respondents 63 were discarded because of incompleteness and 816 were considered for the final analysis of the study.

### Theoretical Frame work of the study

In this study Motivation is dependent upon four independent factors. All these four factors are the sub parts of rationality the first factor of the rational is price that at time of purchase people think over it and purchase decision becomes more complex especially in high involvement products. The second factor of the rational is quality service that in case of service providing institutions people are more conscious and their rational decision of purchase depends upon service quality. In case of insurance business saving is the most important rational factor and it is interesting to find its impact in rational purchase decision making for life insurance. The last factor of the study is the convenient availability of the service in the market of the insurance.



### **Reliability**

In order to measure the reliability of the scale a correlation coefficient was used in this study. After distributing 1000 questionnaires among policy holders of state life insurance corporation in year of 2010, 816 respondent responses were considered for final analysis. The Cronbach's Alpha of research instrument was 0.765. The scale of the research questionnaire was well established but reliability was calculated for conformity and for final analysis of the study.

### **Socio-demographic Profile**

Both male and female policy holders of state life insurance corporation of 2010 were the respondents of this study. In this study the 94 % policy holders respondents were males and the rest 6 % were female policy holders. Respondent's age ranged from 20 to above 50 years. The above graph shows that 32.7% of the respondents were in the 20-30. While in 30-40 range 43.3% respondents, in age of 40-50 only 21.4% respondents and only 2.6% respondents are above 50. With respect to respondents marital status 27.7 % of the respondents were single and 72.3% respondents were married. 60.2% of the respondents are serving in different organizations while only 1% of the respondents are house wives. The graph shows that majority of the respondents are salaried people. 11.3% respondents earn between 11000-20000. 20.5% respondents earn between 20000-30000 per month. 25.6% respondents earn between 30000-40000. In respondents 27.1% earn between 40000-50000, while only 15.6% respondents earn above 50000.

### **Hypotheses of the study and Regression Equations**

An overview of the hypotheses related to the relationship among consumer motivation with price, quality service, saving, availability of product, family care, children's education, celebrity and. In order to test the hypotheses of the study, eight regression equations were developed along with eight hypotheses.

H.1. Motivation of a policy holder depends upon price of an insurance plan.

H.2. Policy holder motivation depends upon quality service provided by an insurance corporation.

H.3. Policy holders' motivation dependent upon saving in an insurance plan.

H.4. There is strong relationship exist between motivation and availability of insurance in market.

Table 1 below explains overall significance of the all eight models of the study along with summary statistics for equations 1, 2, 3, 4, 5, 6 and 7.

Table 1 shows that the overall model is highly significant ( $P=0.000$ ). The over all model is significant which mean that there is a significant relationships between motivation and price (t-statistic = 25.670 and  $P\text{-value}=0.00$ ) which mean with change in price the motivation of the policy holder changed. There is a positive relationship between motivation and quality service provided along an insurance plan (t-statistic = 24.169 and  $P\text{-value}=0.00$ ) that upon providing good quality service motivation will increase and policy holders become more near to purchase decision.

Table 1: Regression Results for Variables of the study

	Dependent variable	Independent variable	Adjusted $R^2$	F		Standard error	T	P-value
1	Motivation	Price	.447	658.962	.669	.016	25.670	0.00
2	Motivation	Quality Service	.417	584.145	.646	.018	24.169	0.00
3	Motivation	Saving	.504	828.637	.710	.015	28.786	0.00
4	Motivation	Avaaiability	.337	415.598	.581	.018	20.386	0.00

Saving is the important factor in the study which has significant relationship with motivation (t-statistic = 28.786 and  $P\text{-value}=0.00$ ). Respondent motivated on the basis of saving for insurance in order to cover the unseen events financially. Motivation also has a significant relationship with availability of the insurance (t-statistic = 28.786 and  $P\text{-value}=0.00$ ).

### Correlation Analysis

To measure the association of the variables between motivation and rational factors correlation analysis has been conducted.

Table 2: Correlation Analysis for Variables of the study

	Dependent variable	Independent variable	R	$R^2$
1	Motivation	Price	.669	.447
2	Motivation	Quality Service	.646	.418
3	Motivation	Saving	.710	.504

4	Motivation	Availability	.581	.338
5	Motivation	Rational	.875	.766

As shown in table 2 and above classification price has a moderate association between price and motivation with correlation coefficient ( $r = .669$ ) that there is a moderate relationship between them.

Survey demonstrate that there is a moderate relationship between motivation and quality service correlation coefficient ( $r = .646$ ).

The value of correlation coefficient ( $r = .710$ ) for saving which mean that there is a strong relationship between motivation and saving.

For availability the correlation coefficient ( $r = .581$ ) which mean there is a moderate relationship between motivation and availability of insurance plan.

When the motivation of the respondents were checked with rational factors it gives a correlation coefficient ( $r = .875$ ) which mean there is a strong and high association between rational factors and motivation.

### **Conclusion**

While comparing rational factors of motivation of policy holders the saving base motivation is high in the respondents and low in other variables.

The findings from analysis part of the study show that motivation has a direct strong relationship with rational factors. The findings of this study show that a strong significant relationship between motivation and rational factors ( $t$ -statistic = 51.555 and  $P$ -value= 0.00). According to the results of this study relationship between motivation and saving shows that the value of  $\beta$  is 0.710 which is highly significant ( $t$ -statistic = 28.786 and  $P$ -value= 0.00). So the reason behind the rational motivation is saving according to response of respondents 71% positive relationship exists between saving and motivation.

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