Factors Affecting Choice of Comprehensive Motor Insurance in Nepal

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Abstract
Purpose: Compared to third party liability insurance, comprehensive motor insurance offers far more coverage. Nevertheless, despite the bigger benefit, owners of motor vehicles are not particularly motivated to purchase comprehensive auto insurance. The purpose of this study is to determine the primary determinants that influence the owners’ choice of auto insurance.

Methodology: The study used a descriptive and quantitative research approach to look into how consumers’ choice of automobile insurance is influenced by social, psychological, economic, and vehicle factors. A systematic questionnaire was used to collect data, and it was disseminated both physically and digitally. A total of 247 samples were collected and determined to be useful for the study. Using the Statistical Package for Social Sciences (SPSS), version 26, twelve hypotheses were tested through the use of correlation, multiple regression, and crosstabs (chi-square) analysis in the study of the data.

Findings and Conclusion: In addition, the study found that the choice of comprehensive motor insurance was significantly influenced by factors such as marital status, income, age and value of the vehicle, insurance knowledge, and claim history. It also found that psychological and economic factors had a significant impact on this decision. The study’s conclusions showed that people who could afford to pay a large premium, were financially secure, had higher insurance knowledge, and had a favorable claim settlement experience were the main factors influencing their decision to purchase comprehensive auto insurance.

Implications: The research was conducted with few variables and there are a lot more variables that might be associated to the choice of motor insurance, as the R square value was only 32.4%. Further variables can be explored and the study can be carried out separately for four wheelers or two wheelers to be more specific. Based on the results, it is recommended that insurance companies focus on educating the public about the insurance coverages, risks, and advantages of having a comprehensive motor insurance, and simultaneously improve the claim service for the loss bearers.

How to Cite APA Style

1. Introduction
In Nepal, where motor vehicle ownership is on the rise due to urbanization and rising incomes, comprehensive motor insurance is a critical financial decision for car owners as it provides essential protection against a range of risks like theft, accidents, and natural disasters. Khanal (2020), underscores the contemporary challenges surrounding safety and security, particularly in developing nations such as Nepal, emphasizing the pivotal role of insurance in mitigating the financial impact of unforeseen losses and personal tragedies, elucidating that general insurance serves as an investment offering returns solely upon the occurrence of specific external events.

While studies pertaining to general insurance primarily examined insurance company profitability and investment trends, existing research in Nepal primarily focused on consumer
behavior in life insurance and retail products. In terms of consumer buying decisions in general insurance, there were very few researches carried out. Some of them were: as done by Baral (2008), who had studied buyer’s buying behaviour towards general insurance product in Pokhara valley, and Gnawali (2017), who studied the buyer’s behaviour towards general insurance product in Kathmandu city. The need for comprehensive motor insurance is rising in Nepal, but there is a dearth of empirical research on this unique market; the majority of studies have focused on developed economies, leaving a large knowledge gap about the variables influencing insurance choices made by Nepali consumers.

Motor insurance is meant to protect car owners against any monetary losses that may arise from theft or damage to their vehicles. In addition to earning the biggest premium income in the non-life insurance market, auto insurance appears to be the most popular insurance option (Kwiecien & Poprawska, 2011). This is affirmed by the data collected from Nepal Insurance Authority, which indicated a total of 63.90% of the total policies issued belonged to Motor Insurance in the fiscal year 2076/77 with a total of 1,460,630 policies. Next higher policies issued was property insurance at 15.99% in the fiscal year 2076/77 (Nepal Insurance Authority, 2077). Similar case was observed in the recent data collected from Nepal Insurance Authority for the year 2078/79, where 64.28% of the total policies issued belonged to motor insurance.

There are a lot of risks and uncertainties in the future, and we can never be sure of what it has in store for us. Accidents and financial loss cannot always be avoided, even when one is sufficiently foresighted and preventive, as they can lead to disaster that can change one’s life and the lives of others. A comprehensive automobile insurance policy protects vehicles from loss or damage resulting from collisions as well as legal liability to third parties for property or bodily harm. This policy covers a significant area of risk by covering damage to one’s own insured vehicle, damage to another person’s properties, and injury or death to passengers or bystanders as a result of an accident (Life Insurance Nepal, 2022).

Comprehensive motor insurance pays for damage to the insured vehicle as long as it is the result of outside events outside of human control. The material damage resulting from a variety of events covered by comprehensive insurance includes earthquake, flood, inundation, landslide, storm, hailstorm, snow, frost, fire, lightning, explosion, and self-ignition; unintentional external cause; mechanical failure resulting in automobile damage; theft and burglary; and terrorism group (optional, additional premium required); and also the Third Party Liability refers to the vehicle’s obligation to compensate third parties for property damage and bodily injury, including death, that results from using the vehicle. Nevertheless, damages from war, warlike operations, and civil war; claims not backed by an insurable interest; damage from accidents that happened outside of a designated geographic area; damages if the vehicle is driven by an unlicensed person; damages if the driver has used drugs or alcohol before or while driving; damages resulting from overuse of the vehicle; depreciation and normal wear and tear; damage from participating in motor races; durability and speed tests; damages from atomic radiation and radiation from atomic weapons; and damages occurring by accident during the time when the insured vehicle is with the government are not covered by comprehensive motor insurance (Nepal Insurance Authority, 1992).

The data from the Nepal Insurance Authority underlines the prominence of motor insurance in the non-life insurance sector. In the fiscal year 2076/77, motor insurance accounted for 63.90% of total policies issued, demonstrating its significance in the Nepali insurance landscape (Nepal Insurance Authority, 2077). This trend persists, as evident in the data for the year 2078/79, where motor insurance accounted for 64.28% of total policies issued. However, despite its clear importance, there is a substantial research gap when it comes to understanding the factors that shape consumers’ choices in this domain.

To address this gap and shed light on these influential factors, this study aims to analyze the impact of various elements, including social, psychological, and economic factors, as well as vehicle attributes, on the decision-making process of vehicle owners in choosing comprehensive insurance. By doing so, it aims to provide valuable insights for insurance providers and policymakers in Nepal’s evolving insurance landscape.

2. Review of Literatures

Awunyo-Vitor (2012) has used well-structured questionnaires and a logit model to analyze the data, looking at 350 private vehicle owners in Ghana, and understand the determinants of the demand for comprehensive automobile insurance. He came to the conclusion that a number of variables, including income, the car’s age, value, and perception of the price, all had a significant effect on the demand for comprehensive auto insurance. Wealthy persons and those who used bank loans to make purchases were more likely to choose comprehensive car insurance, and customers’ perceptions of the claim process and premium also had an impact on their purchasing decisions.

Likewise, Borda and Jedrzychowska (2012) conducted a research on deciding considerations of insurance purchase in Poland considering the continuance of prior insurance coverage, favorable claim settlements, insurance terms and conditions, agent and friend recommendations, the insurer’s position, and the amount of the premium. He also investigated the insurance distribution channel, and the results showed that the majority of insurance policies, or 47.09% of the total, were sold by insurance agents. This was followed by employee direct sales, the internet, phone, car dealers, insurance brokers, and banks.

146 respondents from Lagos were taken into consideration for the analysis of the variables influencing the customer to purchase third-party insurance coverage. The findings showed that third-party insurance purchases were influenced by variables such family size, insurance cost, number of vehicles owned, and marital status. And the primary benefit of choosing third-party insurance was that it was less expensive, and purchasing it did not interfere with meeting other family needs (Dansu, Abass, & Oyeyayo, 2018).

The authors examined the effects of buying activity on consumer satisfaction and looked at the relationship between consumer buying behavior and satisfaction among owners of vehicle insurance policies. Bivariate Pearson Correlation was used to examine the association between consumer satisfaction and purchasing behavior among 150 randomly selected respondents, and Linear Regression was used to estimate the value of consumer satisfaction using independent variables (consumer buying behavior). Quality product, psychological safety, insurable risks, agent motivation, financial security, coverage meets expectations, individual attention, flexibility, reasonably priced, and customer relationship management were the factors that were taken into account when analyzing consumer buying behavior and satisfaction in the articles (Das & Rao, 2017).
The insurance market has gotten considerably more competitive over the years, and insurance businesses must now concentrate on enhancing product innovation, enhancing customer service, and enhancing the effectiveness of distribution channels if they want to withstand this competition. The writers have found a number of elements that affect consumer purchasing decisions, including quality, cost, features, goodwill popularity, and support services. For the purpose of the study, authors gathered responses from 242 respondents and compared those responses to customer purchasing decisions, finding that 51.6% of respondents cited safety as their primary motivation for buying motor insurance, followed by speedy claim resolution, affordable premium rates, clear policy conditions, and accessibility of insurance agents (Somani & Shetty, 2019).

The authors looked at many factors that affected consumers' decisions to purchase optional auto insurance in Bangkok. In evaluating the relationship between these characteristics and the consumer's purchasing decision, they have taken into account product awareness, marketing methods, service standards, entrepreneurial responsibility, and other aspects. 400 persons were chosen at random for the sample, and information was gathered via questionnaires. The findings showed that making a purchase required consistent capital, which was important. Similarly, the insurer’s support and customer service had an impact on the buyer’s choice (Poraponchaimin, Jamjumrus, Rusmee, & Krajangyooth, 2021).

2.1 Key factors affecting choice of comprehensive motor insurance

2.1.1 Social Factors

According to Tyagi (2018), social elements including a consumer’s family, social roles, and statuses, as well as their reference group, can also have an impact on their behavior. In a similar vein, Noel (2009) discussed in her study how friends and acquaintances recommend products or services they have used, and how consumers have found success in asking friends for advice when making significant purchases. Additionally, it lessens the time required for information retrieval and saves the user effort and time. Buchner (2006) stated that for the purpose of acquiring a policy, many clients prefer to speak with an insurance agent. As per Somani and Shetty (2019), 13.8% of the respondents consulted with insurance agents or experts before buying insurance products. Borda and Jedrzychowska (2012), in their article published that 47.09% of the motor insurance policies were distributed via insurance agents, which also included car dealers, direct sales, via internet, and via phones among other source of distribution.

Based on the literatures, following hypothesis was formulated:

H_1 (1): Social factors have significant effect on choice of comprehensive motor insurance.

2.1.2 Psychological Factors

Noel (2009) makes a distinction between the influence of life experiences, or cohort effects, on consumer behavior, and the effect of chronological age, or age effects. These unique encounters influence the decisions that consumers make about what to purchase. Awunyo-Vitor (2012) found that respondents’ perceptions of the premium for comprehensive motor insurance had a positive relationship with the likelihood that they would demand comprehensive insurance, and that this relationship was significant at the 1% level of significance. Respondents’ perceptions of the claim procedures, on the other hand, had a negative impact on their likelihood of purchasing comprehensive motor insurance, and this relationship was significant at the 5% level of significance. Based on these literatures, following hypothesis was formulated:

H_2 (2): Psychological factors have significant effect on choice of comprehensive motor insurance.

2.1.3 Economic Factors

Kotler and Keller (2009) states that family economic conditions have a significant impact on consumer behavior. People’s economic circumstances, including their disposable income, savings, and assets, debts, ability to borrow money, and attitudes toward spending and saving, have a significant impact on the kinds of goods and services they decide to purchase. Consumers’ money has a huge impact on their impulsive purchasing decisions, and as consumer income rises, so does this impulsive purchasing of a certain product (Awan & Abbas, 2015). Dansu, Abass, and Oyetayo (2018) have found that the price of insurance (i.e. product affordability) and third party liability insurance had a significant relationship with r = 0.495 at 5% level of significance. Based on these literatures, following hypothesis was formulated:

H_3 (3): Economic factors have significant effect on choice of comprehensive motor insurance.

2.1.4 Attributes of Owned Vehicle

The data collected from Beema Authority of the year 2078/79 shows that 75.65% of commercial vehicle owners have opted for comprehensive motor insurance, and 83.04% of private vehicle owners have selected comprehensive motor insurance. The purpose of private vehicle and public vehicle is different, the former is used with fewer number of luggage and people, while the latter one is used with higher number of people and heavy luggage, which might be the reason in the difference in numbers of comprehensive motor policy issued. Similarly, highways on hilly regions are more risky than the terai regions, and with higher risks, opting for comprehensive motor insurance is a favorable option. Likewise, Awunyo-Vitor (2012) stated that value of vehicle has a significant relation to demand for comprehensive motor insurance with logit model coefficient = 2.89 at 1% significance level.

Based on the literatures, following hypothesis was formulated:

H_4 (4): Attributes of owned vehicle have significant effect on choice of comprehensive motor insurance.

2.1.5 Gender of Owner

Luciano, Outreville and Rossi (2016) found that choice of insurance was influenced by gender as the result showed men purchasing more of comprehensive insurance than females. But when Somani and Shetty (2019) tested for gender relation to choice of motor insurance, they concluded that gender had no significant relation to choice of insurance as they found p-value to be 0.469.

Based on the literatures, following hypothesis was formulated:

H_5 (5): Gender of owner is significantly associated with choice of comprehensive motor insurance.

2.1.6 Marital Status

Dansu et al. (2018) pointed that motorists who are single obtained third party policy when compare to their married counterparts, and
concluded that marital status was significantly related to the choice of third party liability insurance with $r = 0.335$ and $p$-value = 0.000. But in the research of Somani and Shetty (2019), the relation between marital status and choice of motor insurance was not seen significant with chi-square = 3.664 and $p$-value = 0.160.

Based on the literatures, following hypothesis was formulated:

$H_6$: Marital status is significantly associated with choice of comprehensive motor insurance.

### 2.1.7 Age of Owner

The research done by Somani and Shetty (2019) indicates that age of owner is not significantly associated with the choice of motor insurance with chi square value of 4.721 and $p$-value of 0.317. Similar results were found by Awunyo-Vitor (2012) that indicated age of car owner and demand of comprehensive motor insurance were not significantly related. But, Borda and Jedrychowska (2012) found that young drivers aged 18 to 20 were more inclined to choose third party insurance, while drivers aged 41 to 50 were more apt to purchase comprehensive motor insurance.

Based on the literatures, following hypothesis was formulated:

$H_7$: Age of owner is significantly associated with choice of comprehensive motor insurance.

### 2.1.8 Monthly Personal Income

The research done by Somani and Shetty (2019) indicates that monthly income of family is significantly associated with the choice of motor insurance with chi-square value of 9.573 and $p$-value of 0.048, significant at 5%. Awunyo-Vitor (2012) also found that income level was positively related to probability of purchase of comprehensive motor insurance, significant at 1% level of significance.

Based on the literatures, following hypothesis was formulated:

$H_8$: Monthly personal income is significantly associated with choice of comprehensive motor insurance.

### 2.1.9 Value of Vehicle Owned

Awunyo-Vitor (2012) in his research concluded that value of vehicle was significantly related to demand of comprehensive motor insurance at 1% significance level. And it had showed positive relation, so as the vehicle was more expensive, people shifted towards comprehensive motor insurance.

Based on the literature, following hypothesis was formulated:

$H_9$: Value of vehicle owned is significantly associated with choice of comprehensive motor insurance.

### 2.1.10 Age of Vehicle Owned

Awunyo-Vitor (2012) stated that there was a negatively significant relation between the age of vehicle and demand of comprehensive motor insurance, at 1% level of significance. The average age of the vehicles owned by those without comprehensive automobile insurance is 9.2 years, whereas the average age of those with comprehensive motor insurance is 5.8 years.

Based on the literature, following hypothesis was formulated:

$H_{10}$: Age of vehicle owned is significantly associated with choice of comprehensive motor insurance.

### 2.1.11 Knowledge of Insurance

Somani and Shetty (2019) found that there is no significant difference between purchasing decision of the consumers and their knowledge of the motor insurance. It meant that while buying motor insurance, product knowledge was not a key factor.

Based on the literature, following hypothesis was formulated:

$H_{11}$: Knowledge of insurance is significantly associated with choice of comprehensive motor insurance.

### 2.1.12 Claim Experience

Awunyo-Vitor (2012), in his paper, found that perception of claim procedures had positively significant relation with demand of comprehensive motor insurance at 1% significance level. Somani and Shetty (2019) also indicated, while purchasing motor insurance 23.6% of the respondents considered speed in claim settlement was the most important requirement for selection of motor insurance, and 22% selected claim settlement percentage while opting for comprehensive motor insurance. Furthermore, Borda and Jedrychowska (2012) found around 25% of the respondents voted for favourable claim settlement as the factor influencing the choice of motor insurance.

Based on the literatures, following hypothesis was formulated:

$H_{12}$: Claim experience is significantly associated with choice of comprehensive motor insurance.

### 2.2 Conceptual Framework

Black box model uses the stimulus-response model, which has been developed and tested as a model of consumer behavior. It demonstrates the interactions between inputs, consumer traits, decision-making, and consumer behavior. The black box model is connected to the black box theory of behaviorism, which places more emphasis on the connections between stimuli and consumer responses than on the internal processes of consumers (Furaji, Łatuszyńska, & Wawrzyniak, 2012).

According to Kotler and Keller (2009), the black box model demonstrates the interactions between inputs, consumer traits, decision-making, and consumer behavior. The buyer’s “black box,” which is affected by external environmental stimuli and marketing mix components, interacts with the buyer’s traits and decision-making processes to produce a series of outputs that result in purchase decisions. This includes the decision of whether or not to purchase as well as the specifics of the product, brand, retailer, timing, and quantity (Wilson & Gilligan, 2005).

Using the Black box model, and modifying it as per researcher’s requirement for this study, external stimuli like social factors, economic factors, and attributes of owned vehicle were considered, and for measuring the buyer’s perspective, psychological factors have been considered. As the study would be more complex if psychological factors are considered as mediating variable, so all these four variables are considered independent variables in this study, along with some moderating variables.
2.3 Specification of variables

2.3.1 Dependent Variable

The dependent variable in this research is the choice of comprehensive motor insurance policy. Knowing consumer behavior helps marketers better understand how consumers make decisions about products and brands as well as how their environment, families, friends, and salespeople influence their decisions (Madhavan & Chandrasekar, 2015). The consumer’s decisions are also influenced by a number of other elements, including social, cultural, and psychological ones, apart from economic ones (Gajjar, 2013). The Likert scale questions used in this study for buying intention has been taken partly from (Birhanu, 2022) and partly from (Khine, 2019).

2.3.2 Independent Variables

In this research, there are a total of four independent factors considered. Those factors are: social factors, psychological factors, economic factors, marketing factors, and attributes of vehicle.

Social Factors: The variables mainly studied under this factor are reference groups and pressure groups. Any organization that a person identifies with and often uses to gauge their own worth as well as their own ideals and aspirations is referred to as a reference group. These are the groups that the individual uses as a benchmark for the development of beliefs, attitudes, and conduct. These organizations give customers a way to compare and assess their own brand views and purchasing behavior (Assael, 1981). Pressure groups are mostly insurance agents. Insurance Agents are involved in the company acquisition process, and their compensation is based on the premium they secure. They relate to the range of business placements more. Professionals known as insurance surveyors evaluate the loss in the event of a claim. They only enter the picture when a claim is filed (Pondalur, 2020).

Psychological Factors: The psychological factors are those that discuss a person’s psychology and how it influences his actions in search of fulfillment. Few aspects of psychological factors that are closely linked with consumer’s buying behavior are: perception, motivation, learning, and attitudes and beliefs (Business Jargons, 2022).

Economic Factors: A number of social and economic elements determine one’s position on the socioeconomic scale, such as income, education level and kind, type and prestige of work, place of residence, and—in certain societies or segments of society—ethnic origin or religious background. Being successful or unsuccessful economically is determined by one’s socioeconomic level (American Psychological Association, 2022).

Attributes of Owned Vehicle: The purchase price of vehicle and current worth after depreciation, are the major determinants of value of vehicle. Repair costs refer to the expense incurred to repair the damages done to the vehicle. Depreciation is the process by which a vehicle’s value declines over time as it is used. The rate at which a car’s value decreases over time is called depreciation. Vehicles can lose about half of their worth after five years, while certain models are better than others at holding their value (Progressive, 2022). Vehicle mainly used for commuting from one place to another, has different ways it could be used. Its use can vary from carrying public
passenger, or carry heavy loads, or just to carry few members and light luggage. Depending on its use, it can be classified under private vehicles, commercial vehicles, diplomatic vehicles, and government vehicles. Along with the vehicle’s purpose, the route of operation also varies as per the user. Route of operation here refers to where the vehicle travels more frequently.

### 3. Methodology

This study was conducted in Kathmandu Valley, including Kathmandu, Lalitpur, and Bhaktapur. One of the primary reasons for this is because, in comparison to other districts, the Kathmandu valley has a denser population of vehicle owners, which is why this study focuses on them. Another reason is that the researcher is based there. This study uses a causal research design and is being conducted using a structured questionnaire. Both an explanatory and a descriptive research strategy were used in this study. A structured questionnaire was disseminated in order to gather quantitative data in order to evaluate the influence of each variable under consideration on the decision to purchase comprehensive auto insurance. Explanatory research design was used in the study because it is the most effective when the goal of the research question is to determine the elements that are related to or comprehend the best predictors of the dependent variable (Kothari, 2004).

The population for this study are the owners of motor insurance policy (private vehicle, public vehicle, and motorcycle). Total number of motor policy holders for the year 2078/79 were 1,792,211 as per the data provided by Nepal Beema Authority. In this study, as the targeted population are motor insurance policy owners, a convenience sampling was used, and data were collected from the individuals at service centers, insurance companies, and other companies. Convenience sampling was selected as it saves times, and makes it easier to gather accurate information from people who have knowledge about the insurance, improving the validity of work.

The sample size used here is thought to be sufficiently big to enable precision, confidence, and generalizability of the research findings, as well as representative of the population. The formula of Águila and Ramírez (2013) is used to determine the sample size.

Where,

\[ t = \text{value of the normal curve associated to the confidence level} = 1.96 \]
\[ e = \text{error or confidence level} = 0.05 \]
\[ p = \text{expected percentage of the response variable} = 50\% \] (for larger group size)
\[ q = 1 - p \text{ (inverse of the above)} = 50\% \]
\[ N = \text{total population size} = 1,792,211 \]
\[ n = \text{sample size} = 384 \]

The primary data used for this study were collected via structured questionnaires that the researcher herself created. In addition to digitally disseminating the URL to the Google Form for questionnaire distribution, the researcher manually distributed physical copies of the questionnaire to encourage a higher response rate. 247 properly completed copies of the entire questionnaire were received and deemed useful out of the total administered (161 samples of motorcycles and 86 samples of other private and public vehicles).

While distributing the questionnaire, the vehicle owners were contacted from different workshops like, Electrica Auto Service and Research Center, Guheshwor; A1 Motor Parts, Bouddha; L I Auto Service, Kupondole; Skoda Service Center, Sitapaila; and by meeting public vehicle owners at taxi-stand and tempo-stand. Similarly, the questionnaires were distributed at different insurance companies like, Siddhartha Insurance, Hanumansthan and Lombini General Insurance, Gyaneshwor. The questionnaires were also distributed at other companies like, Advanced Group, New Baneshwor; Kamana Sewa Bikash Bank, New Baneshwor; Triveni Group, Putalisadak; and others. Out of all the distributed questionnaires, 174 valid responses were received physically.

Likewise, the questionnaire were distributed digitally via email to around 400 people (students and faculty members at Ace Institute of Management). The link for google form was also distributed by printing it in the form of QR code. Out of all the distributed online google form links, 73 valid responses were received.

The analysis in this study was carried out using different statistical tools like correlation analysis, multiple regression analysis, and chi-square tests. Apart from the demographic questions, the independent factors and dependent factors were measured using Likert scale. The social factors consisted various statements that was intended to observe the social influence one has while purchasing insurance, and had statements like consultation with friends, family, insurance agent, automobile dealer, and social media. Likewise, the psychological factors had various statements that induced some form of knowledge in consumer perception prior to selecting type of motor insurance, the statements consisted gist like their experiences on road, with insurance claim settlements, future risks, their age and compulsion made by government. Similarly, the economic factors consisted of statements that measured the economic stability of the respondents. And similarly the attributes of vehicle measured their condition and main purpose of the vehicle.

In order to investigate the effect of different variables on purchase decision of comprehensive motor insurance, the following multiple linear regression model was considered:

Where,

\[ Y = \text{Dependent Variable (Choice of Comprehensive Motor Insurance)} \]
\[ X_s = \text{Social Factors} \]
\[ X_p = \text{Psychological Factors} \]
\[ X_e = \text{Economic Factors} \]
\[ X_v = \text{Attributes of Owned Vehicle} \]
\[ \beta = \text{constant coefficients} \]
\[ \epsilon = \text{total error of prediction (residual)} \]

Before proceeding with data analysis, the collected data were checked for their reliability. The Cronbach’s alpha were found to be 0.702, 0.643, 0.619, 0.611, and 0.845 for social factors, psychological factors, economic factors, attributes of owned vehicle, and buying intention respectively. Since all the values are above 0.6, it is acceptable, and indicates that the instrument used in this study are reliable.
4. Results and Discussion

The Statistical Package for Social Sciences (SPSS), version 26, was used to analyze the data produced for this study and to test the hypothesis.

Table 1: Chi-Square Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chi Square value</th>
<th>p-value</th>
<th>Level of Significant Association with Purchase Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>1.542</td>
<td>0.463</td>
<td>Not significant</td>
</tr>
<tr>
<td>Marital Status</td>
<td>9.625</td>
<td>0.008</td>
<td>Significant</td>
</tr>
<tr>
<td>Age Group</td>
<td>10.276</td>
<td>0.246</td>
<td>Not significant</td>
</tr>
<tr>
<td>Level of Education</td>
<td>1.240</td>
<td>0.871</td>
<td>Not significant</td>
</tr>
<tr>
<td>Monthly Personal Income</td>
<td>24.135</td>
<td>0.007</td>
<td>Significant</td>
</tr>
<tr>
<td>Type of Vehicle Owned</td>
<td>29.256</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Value of Vehicle</td>
<td>46.586</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Age of Vehicle</td>
<td>116.752</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Knowledge of Insurance</td>
<td>17.200</td>
<td>0.009</td>
<td>Significant</td>
</tr>
<tr>
<td>Driving Experience</td>
<td>10.386</td>
<td>0.109</td>
<td>Not significant</td>
</tr>
<tr>
<td>Experience in Buying Insurance</td>
<td>20.687</td>
<td>0.008</td>
<td>Significant</td>
</tr>
<tr>
<td>Insurance Buying Process</td>
<td>80.953</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Claim Experience</td>
<td>41.334</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Chi-square test was performed between the current motor insurance held by the respondents and each of the variables in the first section of questionnaire. With 5% level of significance considered in the study, this result shows that gender, age group, level of education, and driving experience are not significantly associated with the respondents’ choice of their motor insurance policy. However other factors like marital status, monthly income, type of vehicle, value of vehicle, age of vehicle, knowledge of insurance, insurance experience, insurance buying process, and claim experience were significantly associated with the consumers’ choice of motor insurance.

Table 2: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Buying Intention</th>
<th>Social Factors</th>
<th>Psychological Factors</th>
<th>Economic Factors</th>
<th>Attributes of Owned Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying Intention</td>
<td>1</td>
<td>.315**</td>
<td>.420**</td>
<td>.544**</td>
<td>.257**</td>
</tr>
<tr>
<td>Social Factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychological Factors</td>
<td></td>
<td>.433**</td>
<td>.369**</td>
<td>.130*</td>
<td></td>
</tr>
<tr>
<td>Economic Factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributes of Owned Vehicle</td>
<td></td>
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</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

On 5% significance level, the correlation analysis shows that the choice of comprehensive motor insurance is positively correlated to all the independent variables considered (i.e. social factors, psychological factors, economic factors, and attributes of owned vehicle) implying economic factors most significantly correlates to the choice of comprehensive motor insurance. On the other hand, the relation of buying intention with attributes of vehicle is on the very low side with correlation coefficient only of 0.257.
4.2 Discussion of Findings

The study analyzed the factors influencing consumers’ choice of comprehensive motor insurance in Nepal. Economic factors emerged as the most significant variable, with the higher cost of comprehensive insurance compared to third-party insurance making it challenging for individuals without economic stability to afford. Psychological factors were the second most influential, as people’s knowledge, exposure to risks, and previous insurance experiences shaped their perception of comprehensive insurance. Better knowledge and positive experiences led to a preference for comprehensive motor insurance. Social factors had limited impact, as respondents consulted friends and family but were not influenced by insurance agents, automobile dealers, or social media. The attributes of owned vehicles, mostly motorcycles used within Kathmandu valley by working individuals, showed minimal correlation with the choice of comprehensive motor insurance, except for the type, value, and age of the vehicle, which displayed a significant association.

The result were similar to the results of Awunyo-Vitor (2012), Dansu et al. (2018), and Poraponchianan et al. (2021), who determined that comprehensive motor insurance were mostly selected by wealthy people, and it was most influenced by income. The result of psychological factors is supported by Somani and Shetty (2019) whose results also indicated that 51.6% of the respondents chose safety as major reason for purchasing motor insurance. The result of this study was also similar to Awunyo-Vitor (2012), whose result stated that perception of respondent regarding claim procedures negatively influenced their probability of purchasing comprehensive motor insurance.

The result from Borda and Jedrzychowska (2012) was contrasted by the result from this study, where it had said 47.09% of the insurance were distributed by insurance agent, but in our study in context of Nepal, people are not much involved with the insurance agents, rather penetration of insurance branch is higher.

For the moderating variables, report from Outreville and Rossi (2016) showed that choice of comprehensive insurance was influenced by gender, while Somani and Shetty (2019) showed that there was no significant relation among them. Our finding has shown similar results as that of Somani and Shetty (2019), where gender is not significantly associated with choice of comprehensive motor insurance. In case of marital status, Dansu et al. (2018) found a significant relation between marital status and choice of third party insurance, while the result from Somani and Shetty (2019) had denied the relationship. In our study for the case of Nepal, the choice of comprehensive motor insurance is significantly associated with marital status. Likewise, the result of age of owner having no significant association with choice of motor insurance is supported by Somani and Shetty (2019) and Awunyo-Vitor (2012), but the result is different from Borda and Jedrzychowska (2012). The relation of monthly personal income with choice of motor insurance being significant in our study is supported by Somani and Shetty (219) and Awunyo-Vitor (2012). Similarly, Awunyo-Vitor (2012) determining age of the vehicle and value of vehicle being significantly related to choice of comprehensive insurance has supported our study which concluded similar result. Our result in case of knowledge of insurance being significantly associated with the choice of motor insurance is opposed by the result from Somani and Shetty (2019), that had concluded knowledge of insurance not affecting purchase decision, but their result in terms of claim settlement and claim settlement percentage impacting consumers decision has supported our result of claim experience being associated with choice of motor insurance. The claim experience being significantly related to choice of motor insurance is also supported by the results of Awunyo-Vitor (2012) and Borda and Jedrzychowska (2012).

Thus in this study, the regression result shows that out of the four independent factors considered, only two of them had a significant effect on choice of comprehensive motor insurance, they were, economic factors and psychological factors. While, the other two factors (i.e. attributes of owned vehicle and social factors) did not have significant effect on choice of comprehensive motor insurance. The finding of regression result of this study also indicated that economic factors was the most influential factor to have positive and significant effect on choice of comprehensive motor insurance in Nepal followed by psychological factors, attributes of vehicle, and lastly social factors. Country Nepal still being an underdeveloped country, not all have a stable economic background, and likewise comprehensive motor insurance is not cheap either; so economic factors having the most impact on choice of motor insurance is a defendable argument.

### Table 3: Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>t-value</th>
<th>p-value</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.621</td>
<td>2.165</td>
<td>0.031</td>
<td></td>
</tr>
<tr>
<td>Social Factors (X1)</td>
<td>0.079</td>
<td>1.340</td>
<td>0.182</td>
<td>1.291</td>
</tr>
<tr>
<td>Psychological Factors (X2)</td>
<td>0.163</td>
<td>2.540</td>
<td>0.012</td>
<td>1.519</td>
</tr>
<tr>
<td>Economic Factors (X3)</td>
<td>0.417</td>
<td>6.886</td>
<td>0.000</td>
<td>1.350</td>
</tr>
<tr>
<td>Attributes of Owned Vehicle</td>
<td>0.087</td>
<td>1.551</td>
<td>0.122</td>
<td>1.148</td>
</tr>
<tr>
<td>R Square</td>
<td>0.342</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-value</td>
<td>31.512</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As depicted in above table, the estimated multiple regression model is as below:

The coefficient analysis in the above equation shows the relationship between buying intention (dependent variable, Y) and each of the four independent variables (X1, X2, X3, and X4). According to the significance value (i.e. p-value), only psychological factors and economic factors have a significant impact on buying intention of comprehensive motor insurance. However, social factors and attributes of owned vehicle do not significantly impact buying intention of comprehensive motor insurance. Likewise, economic factor is the most affecting factor among the four variables taken into consideration with beta value being the highest at 0.417, and next most affecting factor is the psychological factors with beta value of 0.163. The difference in the coefficient values shows that economic factor is a major role player while people opt for comprehensive motor insurance.

Moreover, R-square is 0.342 which states that the 34.2% of change in independent variable is explained by the independent variables. It consists of many other factors as well that influence the dependent variable. This regression coefficient explains only 34.2% of the dependent variable.

Similarly, the Variance Inflation Factor (VIF) is less than 5 in each variable so there is no multicollinearity. Also, the F-value and p-value are 31.512 and 0.000 respectively, which shows that the model is appropriate. The overall p-value being 0.000 from ANOVA analysis shows that there is highly significant relationship between dependent variable (buying intention) and at least one independent variable.
Likewise, what other impacts the most is the experiences of people in their daily lives, if one were to experience the loss coverage during accident with comprehensive insurance, or have suffered huge loss without comprehensive insurance, would better understand the benefits of having comprehensive motor insurance than those who have not yet experienced the benefits of it. So, psychological factors having significant impact on choice of insurance is also a defensible argument that has been derived analytically.

5. Conclusion and Recommendations

5.1 Conclusion

The study found that social, psychological, economic, and vehicle-related factors significantly influenced the choice of comprehensive motor insurance. Correlation analysis indicated positive correlations between each independent variable and the dependent variable. However, multiple regression analysis revealed that only economic and psychological factors had a significant impact, while vehicle attributes and social factors did not. Economic factors were the most influential, followed by psychological factors, vehicle attributes, and social factors.

Regarding moderating variables, gender was not significantly associated with the choice of comprehensive motor insurance, consistent with other research. However, marital status was found to be significantly associated with the choice of insurance in the context of Nepal. Age of the owner did not have a significant association, in line with some studies but contradicting others. Monthly personal income was significantly related to the choice of motor insurance, as supported by previous research. The age and value of the vehicle were also found to be significantly related to the choice of comprehensive insurance, consistent with prior studies. Knowledge of insurance did not significantly affect the purchase decision, but claim experience had a significant impact, which is supported by other research.

In this study, a gap could be seen in the value provided by comprehensive equivalent to its cost. The first finding was economic factors being the most influential variable on choice of comprehensive motor insurance. Likewise, the other finding was the respondents voting for high premium as their reason to shift from comprehensive motor insurance to third party insurance. Lastly, when asked whether they could afford the comprehensive insurance, most of them were able to afford it. So, we can derive an argument that the gap could be in the value provided by comprehensive equivalent to its cost. Most of the respondents were seen to have below average knowledge on insurance coverages, and their tendency to select third party liability insurance instead of comprehensive insurance. Respondents might have felt that the price and the value did not match, and hence this issue could be solved by educating the public about the risks and coverage of comprehensive motor insurance in order to increase the consumption of comprehensive motor insurance.

5.2 Recommendations

This study was aimed to investigate the effect of social factors, psychological factors, economic factors, and attributes of owned vehicle on consumer’s buying intention of comprehensive motor insurance: in case of Nepal. Based on the findings and conclusions reached, the following recommendations can be made:

The first observation made was in the social factors scale items, where most of the respondents disagreed to the statements that had insurance agent and social media as an influencer to buy motor insurance. This shows that insurance agents are not amply available in the field of motor insurance and social media penetration has not been effective, due to which many respondents had below average knowledge of motor insurance. Insurance companies are recommended to penetrate the market and provide education to general public regarding the comprehensive motor insurance policies and its coverages. The study has also indicated that knowledge on insurance is significantly related to choice of comprehensive motor insurance, so focusing on educating people can help increase the probability of people buying motor insurance.

The next critical observation made was the respondents stating they would buy motor insurance even if it was not made compulsory by the government. So the target market for the insurance company is high and people are willing to buy motor insurance, the thing missing is their knowledge, which further supports the first recommendation. Respondents have agreed that the claim settlement is a factor they consider while purchasing motor insurance, and claim experience is also observed to have significant association with choice of motor insurance. So, insurance companies need to have a better claim settlement strategy that the people would find satisfactory. There were few cases where owners changed their policy from comprehensive to third party because of poor customer service, so this point has to be taken into consideration by insurance companies. The claim settlement amount can also be made more lenient by updating the already set rules, where government intervention also plays important role.

The other output to consider is that people said they can afford comprehensive motor insurance, so why are they not buying comprehensive motor insurance? It is because of their lack of knowledge, services from insurance companies, and some of them due to its unaffordability, as some have voted for high premium as their reason to change from comprehensive motor insurance to third party insurance. Economic factor is the most influential factor influencing the choice of comprehensive motor insurance, and monthly personal income has also shown significant relationship with choice of comprehensive motor insurance. With the fact that people are shifting from comprehensive motor insurance to third party insurance due to high premium, it is essential for insurance companies to bring different schemes affordable to all the consumers, and motivate them in consuming comprehensive insurance.

And lastly, as people consider the input most from their family and friends, insurance company should also consider the word-of-mouth advertisement. And with that in mind, services have to be improved that in turn brings in more customer for comprehensive motor insurance.

5.3 Direction for Future Researchers

This study was aimed at determining the effect of four independent variables and seven moderating variables in the choice of comprehensive motor insurance. The samples were collected mainly from the office workers and the vehicle owners at service centre who were present in Kathmandu valley at the time of survey. The collected data consisted of various respondents from different backgrounds, but most of them were of the age below 35, and with incomes below NRs. 50,000. The result also showed dependent variable had significant relationship with only economic factors and psychological factors.
So overall, the study had many limitations and shortcomings, the future researcher can focus on only one aspect i.e. it can be four-wheelers, or motorcycles, or public vehicles, and carry out the study. This study has provided the result of combined effects from all those vehicle and motorcycles owner. Other variables can also be considered to study their effect. As the R square value is only around 32.4%, there can be many other variables that affect choice of comprehensive motor insurance.

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Ethical statement: This research did not require ethical approval as it does not involve any human or animal experiment.

Data deposition: Data have been used only for this paper.

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