



**INSURANCE SELECTION DECISION: FACTORS THAT INFLUENCE  
THE CHOICE OF INSURANCE SERVICES IN SELECTED  
INSURANCE COMPANIES IN JIMMA TOWN.**

A THESIS SUBMITTED TO OFFICE OF POST GRADUATE STUDIES OF JIMMA  
UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE  
DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE (MSc)

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### **Dedication**

I affectionately dedicate this thesis to Tadesse Woldu my beloved Father who was not lucky to see this of my success and *Aberash Banchirga* (My beloved MAM).

**Declaration**

I hereby declare that this thesis is my own work towards the executive Masters of Accounting and Finance and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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Research on Insurance Selection Decision Factors that influence the choice of insurance service in selected insurance companies in Jimma Town.

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## ***Abstract***

*The study was conducted at eight selected insurance companies in Jimma town. The main objective of the study is to determine insurance selection criteria employed by customers what criteria customer considered important in their insurance selection decision. The main problem identified by the researcher was that, insurance companies do not understand their customers and didn't give due attention regarding their customers' preference and selection criteria of insurance companies. And the sampling techniques employed were systematic random sampling and stratified sampling. The study was conducted using primary data. Primary data was collected using Questionnaire. The findings show that the largest impact on the insurance client decision to purchase insurance services is essentially composed of speed of disbursing indemnities, affordable premium (price of the insurance), trust on the insurance company, provision of quality service (fast and efficient services), financially sound organization and insurance company's reputation.*

***Keywords/phrases:*** *Insurance companies selection criteria, customers, Insurance companies, insurance Service.*

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## Acronyms

<b>AIC:</b>	Awash Insurance companies
<b>EIC:</b>	Ethiopian Insurance Corporation
<b>OIC:</b>	Oromia Insurance companies
<b>NBE:</b>	National Bank of Ethiopia
<b>NILE:</b>	NILE Insurance companies
<b>NIB:</b>	Nib Insurance companies
<b>NICE:</b>	National Insurance Company of Ethiopia
<b>NYIC:</b>	Nyala Insurance Company
<b>UNIC:</b>	United Insurance companies

## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1 Background of the Study

The introduction of modern insurance service in Ethiopia dates back to 1905, by foreigners when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company. Imperial Insurance Company were the first domestic insurance company, started issuing policies in general accident fire and life and general since 1951. In 1954, there were nine insurance companies provided insurance service in the country. With the exception of Imperial Insurance Company, all the residual (remaining) of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased to 33 foreign and 1 domestic insurance companies. The first substantial event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation prohibited foreign companies to undertake insurance business in Ethiopia either directly or through agents. Article 56 of the proclamation raised the minimum paid up capital for all insurance types (Hailu, 2007).

Subsequent to 1974 rebellion which followed the path of the command economy, all domestic insurance companies were nationalized by proclamation no. 26/1975. As part of changes in economic policy in Ethiopia, the insurance industry has been re-liberalized again by the proclamation no. 86/1994 that stopped the monopoly over the industry and allowed the establishment of private insurance firms throughout the country, in which 'Ethiopian insurance market has become an arena where the public and private insurance companies challenge to grab a large chunk of the market. This also introduce competitiveness to the insurance business that marked the efficacy of new global economic order (Hailu, 2007).

Currently, there are 15 insurance companies (both public owned and private insurance companies) which are operating on November, 2013 are listed (NBE, 2014) as follow: Africa Insurance Company S.C, Awash Insurance Company S.C, Global Insurance Company S.C., Lion Insurance Company S.C, NIB Insurance Company, Nile Insurance Company S.C, Nyala

Insurance Company S.C, The United Insurance S.C, Ethiopian Insurance Corporation, Abay Insurance Company, Berhan Insurance S.C., National Insurance Company of Ethiopia S.C., Oromia Insurance Company S.C., Ethio-Life and General Insurance S.C and Tsehay Insurance S.C.

Now days Ethiopian government increases the paid up capital under Directive number SIB/34/2013, the provision of these directive applicable to existing insurance, insurer under formation and new applicant for insurance business license .The minimum paid up capital require to obtain a general insurance company shall be birr 60 million for long term insurance license 15 million and to obtain Bothe license shall be 75 million witches ought to be fully paid up in cash and deposited in blocked bank account in the name of insurance to be established. This rising capital play important role in enhancing retention capacity of insurer and the competitive edge (NBE, 2013).

Preference defined as ability to choose one thing over another with the anticipation that the choice will result in greater satisfaction, greater capability or better performance has demonstrated the ability to be effectively measured and to provide meaningful insight into the choices customers make when selecting one provider over another and when determining to continue a relationship over time (Kotler *et al*, 2005).

Customer preference change on constant bases, the occurrence of a constant change is strongly related to the globalization process, development in technology, shifting demographics, restructuring of capital market. The greeter the force for change the grater becomes competitive pressure .The change of customer preference and the emergency of competitors create real challenges for financial institution to stay consumer focused for long time, therefore the issue of meeting or satisfying customers choice is concern of many financial services industry today. (Fatima *et al.*, 2007). In today's economy, the financial services industry is exposed to increasing performance pressures and competitive forces (Goergen, 2001). The highly creation of competitors in the market changes the business form and this competitive force that established financial service company facing to worldwide today. Making constant growth therefore increasingly challenging to achieve one of the financial service organization choices to achieve sales growth

can be produced by better understanding customers need and want through frequently offering products that correspond to those needs and wants (Martina K. *et al*, 2008). Based on these dynamics in the financial services industry, the purpose of this study is to understand Customers preference on Insurance service which can in turn help insurance companies to develop inventive and effective marketing strategies for growing their business widely. Specifically, this study tries to provide an understanding on factors that influence the choice of insurance service in selected insurance companies in Jimma Town.

## **1.2 Justification of the Study**

The study on Insurance selection decisions are made by other researchers (Martina K. *et al*.,2008 ,Matthew *et al*., 2010 and Gangwar *et al*., 2011) and the majority of the literature are related to Insurance behavior of customers by taking specific group of customers like young customers, specific age group(18-27)and students only. In addition so far studies focused on less consideration of different class of the society and taking unsuitable sampling technique, data collection instrument and limited sample size. The extensive research work of marketing construct related to insurance customer's has been investigated including insurance service quality, satisfaction, market segmentation, attitudes, intention, loyalty and image. And they are mostly studied in developed country the results from such studies may not be important for developing country like Ethiopia. Consequently, the current study was conducted by taking the above earlier researches limitations into account and by employing two sampling methods: systematic and stratified sampling techniques. Moreover, the study includes all age group and all type of customers of the insurance companies. Lastly, the researcher has best motivated to undertake this study so far no research appears to have been made on Insurance selection criteria in Ethiopia on individual customers as well as corporate customers. Therefore, the researcher believes that the study fill the literature and knowledge gap observed in the area in Ethiopia as well as other countries especially developing countries. Due to the fact that study undertake in developing country that shares varieties of similar socio-economic features.

### 1.3. Statement of the Problem

A customer is the recipient of a service and product, obtained from a seller, or supplier for a financial or other valuable consideration (Kotler *et al.*, 2005). Good customer service is the lifeblood of any business and is all about bringing customers back, helps to build your business reputation and about sending them away contented enough to inform positive reaction about your business along to others, who may then try the product or service you offer for themselves and in their turn become loyal customers. For a company that produces products and services to sale for the public, the success of its marketing strategy depends on how many people desire their service and product and to be loyal customers on a regular basis ([www.bijou.co.in/customer-service/](http://www.bijou.co.in/customer-service/)).

However, various factors affect customer decision (customer decision is referred to as customer choice) and understanding them will enable the company to have successful marketing strategies while not understanding them is a results for failure. ([www.edmunds.com/auto-insurance/](http://www.edmunds.com/auto-insurance/)). Having Knowledge of customer buying decision is directly affects marketing strategy in the view of how and what customers determine to select, and use of products and services that satisfy their needs (Anderson *et al.*, 2005). Hence, companies satisfy only to the extent that they understand their customers.

Previous researches have come to the conclusion that insurance companies lack essential information about customers, namely their desires and choices (Fatima *et al.*, 2007). It is clear that customers are strategic elements of the companies in financial sectors in general and insurance industry in particular. Therefore, understanding customers' standpoint is essential in order for insurance companies to be able to provide the services they desired. However, these customers' preferences and choice change over time (Fatima *et al.*, 2000). As commonly known, competition has increased greatly in today's business world and insurance companies must compete in order to retain the existing customers and attract new customers. The idea is that understanding the needs of customers as well as the changes in their needs over time, would allow insurance companies to become more customer-focused and hence remain profitable over time. Therefore, this study attempts to investigate how this could be done and is intended to examine the factors that influence the choice of insurance services in selected insurance companies in Jimma town. To the best of the researcher's knowledge, so far no research has been conducted in Ethiopia on insurance selection decision. In addition this study will be expected to fill the gap in literature as

there is lack of literature in the area, as the researcher stated before. Thus, this study is aimed at answering the following basic questions:

1. What are the factors that affect customer's insurance selection decisions? And what are the most important factors?
2. Do customers' have a plan to change their insurance companies?
3. Do insurance customers' selection criteria differ across demographic characteristics' such as gender, age groups, and religions?
4. How can insurance companies cope with the ever-changing needs or preferences of their clients?

## **1.4. Objectives of the Study**

### **1.4.1 General Objective**

The main objective of this study is to investigate the major factors that affect Customers' selection of Insurance companies.

### **1.4.2 Specific Objectives**

In addition to the above broad objective, the study tries to attain the following specific objectives:

1. To ascertain the factors that affect Insurance companies selection criteria and how these criteria are precedence according to their importance.
2. To examine whether customers have a plan to change their insurance company.
3. To examine whether insurance companies selection criteria are differ across demographic characteristics.

## **1.5 Hypotheses of the Study**

In addition to descriptive analyses (mean score analyses), t (employed when the item are two like gender and religions) and F tests (for item more than two like age, ) has been employed to see if Insurance selection criteria of the Jimma town insurance Customers statistically differs in demographic profiles including Gender, religion and age groups; therefore, the following hypotheses has been established for the present study.

H1: Insurance selection criteria in Jimma town do not differ in gender.

H2: Insurance selection criteria in Jimma town do not differ in Religion.

H3: Insurance selection criteria in Jimma town do not differ in age groups.

## **1.6 Significance of the Study**

The primary advantage of this study is for the researcher. Secondly, the study would have different benefits for the insurance companies' managers and decision makers to set feasible marketing strategies so as to retain the existing customers' and to attract the new customers. It also contributes a lot for quality of insurance services by understanding customers' choice to set feasible or effective marketing strategies for growing their business widely. Additionally, it helps to get loyal customers and continuing as profitable company in the insurance industry. Furthermore, the findings from this study can serve as an input for those who need to get information about the insurance selection decision such as government, regulators and policy makers. Finally, it provides insight or starting point for other researchers and the findings of the study used as a reference to conduct research in similar or related fields and reduce the literature gap observed in the area of the study on insurance selection decision particularly in Ethiopia context.

### **1.7. Scope of the Study**

This study was conducted on “Insurance selection decision particularly on factors that affect the choice of insurance services in 8 insurance companies (both public and private) operated in Oromia regional states typically in Jimma town”. There are 15 insurance companies as of 2013 in Ethiopia and from the total, 8 insurance companies are operating in Jimma town are selected. The insurance companies operating in Jimma town are as follow: Awash Insurance Company S.C, Nib Insurance Company, Nile Insurance Company, Nyala Insurance Company S.C, United Insurance Company S.C, Ethiopian Insurance Corporation, National Insurance Company of Ethiopia S.C., Oromia Insurance Company S.C. This research focuses on a specific sector of financial institution specifically insurance companies’ customers and thus the results improve the quality of insurance service.

### **1.8. Structure of the thesis**

This thesis contains a total of five chapters. The contents of the chapters presented as follows: Chapter one presents introduction. This chapter intends to give introductory view to the reader about the thesis work, the problem statement, objectives, significance, scopes, limitations and how the whole thesis is organized or structured. Chapter two presents review of related literature: This chapter consists of review in detail the literature available in the area of customer’s insurance selection criteria to give the reader both theoretical and empirical background. Chapter three provides the research design and methodology part of the study. This chapter describes different aspects of the methods used in the study. The purpose of this chapter is to make the reader understand the methodological selection used in the study. Chapter four presents results and analysis of findings. Finally, chapter five presents study’s conclusions part that encompasses summaries of major findings, conclusions, recommendations.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITRETURE

#### 2.1 Theoretical Literature

##### 2.1.1 Definition of Terms

Insurance is protection against financial loss arising on the happening of unexpected event. Insurance companies collect premium to provide security for the purpose and bear risk in return for fee collected premium .thus, Insurance Companies are risk bearers .they accept or underwrite the risk in return for an insurance premium .the term insurance may also defined as a co-operative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it who agree to ensure themselves against that risk. Risk is uncertainty of financial loss (Emmett *et al*, 2009).

Insurance Company is a business that provides coverage in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments. The company calculates the risk of occurrence then determines the cost to replace the loss to determine the premium amount (ibid).

##### 2.1.2 Customer Behavior

Customer behavior is the study of when, why, how, and where people do or do not buy a product. It try to understand the buyer decision making process and studies characteristics of individual customers' as well as groups in an attempt to understand people's needs. And wants Customer behavior is the processes consumers use to select, secure, use and dispose of products and services that satisfy their needs. These attitudes and expectations are constantly changing in response to a continuous flow of events, information and personal experiences Understanding customer Knowledge directly affects marketing strategy of organizations (Anderson et al, 2005).

Consumer behavior it involves the buyers of and customers for products and service as well as the people who actually use them .It deals with the buying decision itself and far beyond

consumer behavior extended all the way from 'how do we know what we want ?' in between these two phases consumer behavior deals with issues such as :why do different people choose or use different products , who influence buying decisions and how do different people assess alternative product and service.

Further, consumer behavior also defined as 'the mental, emotional and physical activities that people engaged in when selecting, purchasing, using and disposing of products and services so as to satisfy needs and desires' (David and Statt,1997).

### **2.1.3 Customer Psychology**

Customers' psychology study deal with a variety of issue including how customers choose businesses, products and services. The thought processes and emotions behind customer decisions, how environmental variables such as friends, family, promotion and culture influence buying decisions, what motivates people to choose one product over another, how personal factors and individual difference affect people's buying choices and what companies can do to effectively reach out to their target customers. Because organizations' need to understand their customers in order to build up products and marketing campaigns that plea to their target audience, customer psychologists often spend a great deal of time learning more about what makes buyer tick. This often involves first figuring out the target customers' for a particular product and services (Linguist and joseph,2003).

Other consumer psychologists focus on social marketing or how information extends among groups. Understanding how beliefs and attitudes spread among groups can help business organization learn how to better get their message out and encourage word-of-mouth marketing (Solomon , 2010).

Rational choice theory Attempts to explain all social phenomenon in terms of how self-interested individuals make choices under the influence of their preferences. RCT's basic premises are that human beings base their behavior on rational calculations, they act with rationality when making choice and their choices are aimed at maximization of their satisfaction (Ivan and Paola , 2009).

### **2.1.4 Factors Influencing Consumer Behavior**

There are various factors that influence the way people behave and make decision in a particular situation. Customers vary tremendously in age, income, education, taste, price, good will and other factors. The behavior of customer while engaging in a purchase decision is influenced by these characteristics. Customer characteristics include four major factors and these factors are majorly responsible for the different types of behaviors depicted by the customers. Though it does not mean that people of same, age or gender or social background are similar, because there is a lot of influence of the psychological factors that vary from individual to individual. Factors like culture and social can influence the buying decision of buyer's. Culture is the basic determinant factors of a person's wants and behaviors acquired through socialization processes with family and other key institutions. Consumer Behavior is also influenced by social factors like reference groups, family, social role and status personal. A buyer's decisions are majorly influenced by personal characteristics like gender, age, stage in lifecycle, occupation, income, and lifestyle. Psychological factors like motivation, perception, beliefs & attitudes of customers also have a deep impact on the buyer decision ([www.ukessays.com](http://www.ukessays.com)).

Additionally there are also other factors that influence Consumer buying decisions Such as prices, reference group, emotional attachment, need satisfaction, technical factors and advertisements. A fall in the price of a product or service will result to an increase in the quantity of a product purchase. Reference groups are those groups used by individuals as a point of reference for their own judgment, values and behavior. The reference group shapes the taste and preference of an individual.

Under the technical criteria consumers will make buying decisions depending on the performance which will be evaluated depending on the quality of service and products reliability and convenience. Products that possess the above properties will be more likely to be purchased by customers compared to other products with lesser properties mentioned. The others factors are emotional attachments and advertisement. Certain products evoke satisfaction and pleasure, when customers attach certain emotions to a product then this will influence their buying decisions. Similarly, Advertisements also act as an influence to the buyer's decision to buy. Advertisements are means by which the availability and the quality of products are notified to

consumers and they act as ways in which confidentiality is increased to the buyers of a product, promotion also aid in building brand preferences and loyalty through their constant and consistent campaigns. Advertisements are a major influencing factor to buyers when they decide what to buy, they are persuasive in nature and also they provide information about a product including quality, offers and price cuts, availability of a product and the price of the product and this aids the customers to make quick decisions about purchasing a product ([www.upublish.info/Article/](http://www.upublish.info/Article/)).

### **2.1.5 The Customer Decision-making Process**

Understanding consumers' purchase decision-making process allows marketers to gain more Knowledge about their consumers. Moreover, it can be a foundation for them to create more suitable marketing strategies for their target consumers. If marketers understand this process of their consumers, they will know how their consumers search for information before buying, which criteria can encourage them to buy, and what factors influence their purchase decision-making(Solomon et al., 2010).

Five stages of consumer decision-making Process such as problem recognition, information search, alternatives evaluation, product or service choice and post-purchase evaluation.

#### **2.1.5.1 Problem Recognition**

Problem recognition is the first stage of consumer decision-making process. It happens when Consumer realizes that there are some differences between their actual state and ideal or desired state.

#### **2.1.5.2 Information Search**

Information search is the stage when consumers are searching for more knowledge in order to solve the recognized problem. To help themselves to make a decision, consumers will look for information from their environment. (Solomon et al., 2010)

### **2.1.5.3 Alternative Evaluation**

In this stage, consumers have to evaluate their available alternatives that they have received from the previous stage, information search (ibid). Since there are number of competitor in the market consumers will create their own selection criteria to make purchase decision.

### **2.1.5.4 Product or Service Choice**

Consumers have to choose one product or service among after evaluating their choices from the previous stage. Consumers' product choices can be affected by various source of information during the process of decision-making factors such as price, promotion, friendliness, reputation, etc (ibid).

### **2.1.5.5 Post Purchase Evaluation**

Even though the buying decision has finished, consumers often still evaluate their decisions. This is because they want to feel confident about their choices and to ensure that the product can solve their problems or satisfy their needs. Stated in his study, the quality of product and service is the main determinant in post-purchase evaluation (Jobber,2007).

## **2.2 Empirical Literature**

This section of the study includes a review of various empirical studies that have been made on Insurance selection criteria.

Mohammad (2011), conducted a study on Customer Preference of Private Insurance Covers in Iran. An exploratory research design method applied to meet the research objectives. The sample size of 191 customers randomly selected from two province of Khorasan Razavi and Khorasan Shomaly, Iran, the research tool is a self-constructed 7-points Likert questionnaire (1= strongly disagree, 7= strongly agree) by which respondents asked to show their agreements about 25 attributes. The findings of the study on customer preferences of private insurance covers over public ones determined by human and economic factors it means customers' buying decisions determined by performance and their friends and relatives' role.

Study conducted by Martina *et al.*, (2008) determines the factors affecting customers' preferences of financial services rendered by various banks and insurance companies in US, Germany and Russia. The main objective of the study was to determine the factors affecting customers' preferences of financial Services rendered by various banks and insurance companies in US, Germany and Russia. The other objective of the study was to help financial services firms functioning in the international economy to design marketing strategies based on cross-cultural differences and similarities in political, socio-economic and cultural factors. The implementation of the oral questionnaire was performed by the students in introductory finance classes at the University of South Florida - St. Petersburg, Florida (USA), University of Applied Sciences FHDW Paderborn (Germany) , Saint Petersburg State University, and Saint Petersburg (Russia). The study used data obtained from a survey of a total of 587 respondents. 187 surveys conducted from University of South Florida, FHDW Paderborn and Saint-Petersburg State University conducted 200 surveys each, The research tool employed was a 5-points Likert questionnaire (0 = not important to, 5 = extremely important) by which respondents asked to show the level of importance of those attributes. This study shown that with respect to insurance companies' customers prefer that speed of claims payment is the most important attribute, along with trust and financial condition across all three countries. Whereas personal relationship is the least important factor for the Russian respondents in their selection criteria of an insurance company, facility is less significant factor in insurance selection decision for the American and German respondents.

Matthew *et al.*, (2010) conducted a research entitled "Crop insurance purchase decisions: a study of Northern Illinois Farmers". The general objective of the study was to determine factors influencing farmers' crop insurance purchase decisions. The importance associated with factors that are considered when making crop insurance decisions varies among individual farmers. The data collection tools used by the researchers are questionnaires and the target population was included all farming operations in the forty-two county region that were clients or prospective clients of 1st Farm Credit Services. And the sampling technique was systematic sampling to provide a list of 1,000 determined sample sizes. From the total population of 35,000 clients or prospective clients was provided by 1st Farm Credit Services in northern Illinois. The results show that price of the insurance, compatibility of the insurance coverage with grain marketing plans and probability of receiving a claim payment were the most important factors of crop

insurance purchase decision as perceived by respondents. And the lower ranked factors were agent recommendations, required by lender to carry crop insurance, government programs, spouse, friend or neighbor, landlord, and farm manager. Availability of a Premium Discount Plan (PDP), Government subsidization of insurance premiums was considered very important or somewhat important by 274 respondents and not important by 22 respondents. And unit structure flexibility provided by the insurance was considered very important or somewhat important by 254 respondents and not important by 36 respondents. Crop yield in previous year was considered very important or somewhat important by 209 respondents and not important by 82 respondents.

The other study on customers' preferences of insurance services was made by (Fatima & Maira, 2007). The major objective of this study was to understand the preference of young customers in the case of students. The research paper adopted a qualitative research strategy, and collected data through semi-structured interviews. On two focus-group interviews with young customers between the ages of 18 and 27, and with the management at LFV, *LFV* (Länsförsäkringar Västerbotten) it is an insurance company operating within the Swedish insurance industry. Further, the studies were targeted on students who study in the county of Västerbotten, Sweden, between the ages of 18 and 27. This specific age group was chosen due to their accessibility and their strategic importance to insurance companies since this is the age when people move away from home and begin to take responsibility of their own economy. Moreover, the finding of the study shows that price is a decisive factor in the choice of Insurance companies and the young customers base their preferences on their life circumstances such as age and income in addition; certain respondents showed they desire more information about the conditions of various insurances. Finally, Customers desire flexibility in the services offered by insurance companies.

Suneja et al., (2009) studied about factors influencing choice of insurance company. The purpose of the study was to find out the factors influencing the choice of insurance companies to purchase a policy. In order to collect data, a primary data has been collected and questionnaire was developed by employing 20 variables to ascertain the choice of an insurance company. Five (5) point Likert- scale (where least important=1 and very important=5) was used to measure the significance given by customers to each of the variables. Stratified random sampling technique

has been implemented to collect the data from sample respondents. The sample size was 404 respondents from the 13 insurance companies (one state owned Insurance companies 12 private sector). To reduce the number of variables, factor analysis approach has been applied. The study area was limited to Delhi and National of India. The study found out various variables that have a bearing on the choice of insurance company by different customers. For younger customers' promotional activity are most important factors in the activities of choosing insurance companies. The research also revealed that for lower income customers, the most importance factors are promotional activities, premium and procedural formalities and financial and non-financial facilities. The study also shows that customers of private insurance companies consider promotional activities as most important in their selection of insurance companies.

Similarly, in Lithuania Determinants of Insurance Purchase Decision Making were made by (Aurelija, et al., 2013). Their paper examines the factors that influence the insurance service purchasing decision of the Lithuanian citizens. A structured 5-point Likert-scale questionnaire-based survey is employed to collect data. It contains 59 variables which reveal the different stages of insurance purchase decision making process and the determined sample size was 336 respondents including both potential and existing customers. Factor analysis and multiple regression analysis was used to determine how the factors are formed and what their relative weights and Five factors were identified namely; the acceptability of insurance conditions (F1), Insurance service provider's competence (F2), customers monetary attitude towards insurance (F3), the positivity of consumers' insurance experience (F4), and the possibility to reduce the amount of premiums payable for insurance (F5). Accordingly, the study results shows that in Lithuania, insurance buying decision making is mostly influenced by the amount of premiums payable for insurance. The results also indicate that the demographical and socio-economical characteristics of the consumers influence their insurance purchase decision. Among the main findings the following are the most important factors: men base their insurance decisions mostly on the acceptability of insurance conditions (F2) whereas women do on the insurance service providers' competence (F2) when purchasing insurance services, mature adults only care about the possibility to reduce the amount of premiums payable (F2) for insurance, while the youth and young adults mostly rely on the insurance service provider's competence (F2). Moreover, the results of the factors analysis suggest that five factors form insurance service purchase decision making of the Lithuanians citizens and the results of multiple regression and path analysis

indicate that the largest impact on the Lithuanian consumers' decision to purchase insurance services is essentially composed of the competence of the insurance service provider and the acceptability of an insurance service and its provision conditions.

Another study by Gangwar et al., (2011) entitled "Factors Affecting Customers' Preferences for Insurers: An Empirical Study" analyzed the factors influencing the selection of insurance company for purchasing the policy. Respondents were required to list the factors which strongly influenced their preference of insurance companies. The variables for the selection of a company consisted of 7Ps of services marketing, which services providing companies like insurance companies are assumed to have given due importance. The results were analyzed using ANOVA test for each of the 7p<sub>s</sub> and the results of the study show that accessibility, low premium amount, product features, advertising, proper redress of complaints and better claim settlement are some of the factors that significantly influence the choice of insurance companies.

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

To conduct the study it is essential to plan and formulate appropriate research design, source of data for the study, types and nature of data, data collection instrument, sampling technique, sample size determination, study variables, and the collected data were critically analyzed and examined using statistical tools.

#### **3.1 Study Area and**

This study entitled “Insurance selection decision: factors that influence the choice of insurance service in selected insurance companies” was undertaken in Jimma town. It is found in southwestern Ethiopia, at a distance of 345 Km from the capital Addis Ababa. Jimma town is commercially known center for coffee product.

#### **3.2 Target Population**

The target population included in the study was active customers of eight insurance companies found in Jimma town such as: traders, individuals, and corporate customers’ selected using probability sampling technique particularly systematic random sampling method. Among the total of fifteen (15) insurance companies in Ethiopia Eight (8) insurance companies are currently operating in Jimma town (seven private and one public). To investigate and analyze the factors affecting Insurance selection criteria of customers among insurance companies in Jimma town, the researcher collected the relevant data through questionnaire from selected customers of the 8 insurance companies which are Awash Insurance Company, Ethiopian Insurance Corporation, Nib Insurance Company, Nile Insurance Company, Niyala Insurance Company, National Insurance Company of Ethiopia, United Insurance Company and Oromia Insurance Company. In the study the term customer refers to any individual (person or organization) that have underwriter service in one of the selected insurance companies.

The source of data for the study undertake on insurance selection decision was obtained from customers of eight insurance companies in Jimma town. The total customers of those insurance companies are 7,260(seven thousand two hundred sixty) including both private and public (From

respective branch customers profile list). All customers' are active customers those are Engineering insurance customers 1, bonds insurance customers 329, Marian insurance customers 6, and Motor insurance customers 4201. Damage to property insurance customers 4, Accident sickness insurance customers 10, workmen compensations insurance customers 557, Agriculture and livestock insurance customers 13, pecuniary insurance customers 14, crop insurance customers 1, 3<sup>rd</sup> party compulsory insurance customers 628, Liability insurance customers 312, Fire and lightning insurance customers 1177, Burglary house braking insurance customers 7. The exact number of the total population has been taken from the respective branch customers profile record list by the willingness devotion made by the respective branch managers and employees. Hence, the customers have been accessed during data collection period through best contact made by the researcher with all underwriters of each insurance company and most of the customers' are traders doing their business activity in Jimma town. In addition, since the researcher's home and work place are near to all insurance companies, he can easily accessed the determined sample size of respondents.

### **3.3 Survey Design**

In an effort to examine the customers' choice of insurance companies, the study employed survey research design. According to Polit & Hungler (1999) survey is used to get information from group of people (i.e. population). In order to meet the objective of the study, a questionnaire is prepared based on the survey of different literature (Mohammad & Behzad, 2011, Farooq and Hisham, 2012 and Fatima & Maira, 2007). These are empirical literatures where the researcher used and the questionnaire was implemented by modifying to the Ethiopian (local) context.

The questionnaire consists of three parts which are Insurance selection criteria, insurance behavior and personal back ground. The questionnaire is well designed to get relevant information from the respondents. In the first part of the questionnaire customers were asked their personal background. The second section requires obtaining information on the insurance behavior of respondents. The respondents were asked for name of insurance companies and the type of the underwriting service and whether customers plan to change their insurance companies. Lastly, respondents were asked to rate the relative importance of 22 independent

variables that customers' of insurance companies considered important factors to make selection decision. In order to increase the reliability and effectiveness of the questionnaire and to get specifically relevant information to the study, the questionnaire was tested prior to conducting the survey study. As a result, the questionnaire was sent to 8 insurance companies' branch officials for any comment or suggestion and modification which the researcher believes that it increases the credibility of the instrument. In order to measure those independent attributes factors of insurance selection decision a four-point Likert-Scale response format were used for the sake of asking respondents to indicate the degree or level of importance of the factors customers considered important in selecting their preference insurance companies .A four-point Likert Scale ranging from "Not significant at all = 1" to most significant = 4" used to measure 22 items of insurance selection factors in the Questionnaire. A four-point Likert-Scale was chosen due to the soundness to respondents by reducing their laxity of respondents while responding to the questionnaire. Finally, the questionnaire was given to the respondents who are currently customers of insurance companies which means during data collection period for those who have underwriting service in their respective branches of insurance companies in terms of different personal background.

### **3.4 Types and Nature of Data**

Under basis of research approach more qualitative data were used to assess those factors affecting insurance companies' selection criteria and qualitative approach is concerned with subjective assessment of opinion, preferences, interest, attitude and behavior of the respondents. In this specific case, the insurance customers having these natures of this study, the researcher used primary source of data. The primary data was collected using questionnaire from the customers of 8 insurance companies in Jimma town. In addition, to substantiate the information collected from primary sources, related journal articles, books, websites, and proceedings of insurance companies were used from different sources.

### **3.5 Method of Data Collection**

The method of data collection depends mainly upon the nature, purpose, and the scope of research conducted. Therefore, primary data was collected using questionnaire. The major reason to use questionnaire as a data collection instrument for the study is that the questionnaire can enable to obtain information about the thoughts, feelings, attitudes, and opinions of the research participants (Johnson and Christensen, 2008). In addition, for research that focus on survey designs it is important method in collecting data than others. Due to this precision to the study it permits adequate answers to complex issues and sanction creativity, self-expression and richness of detail.

The questionnaire designed to gather information from respondents on the insurance companies' selection criteria. The questionnaire was distributed to 365 customers who were selected from 8 insurance companies that are operating their business in Jimma town. For the purpose of simplicity and understandability of the questionnaire to all respondents and to get valid answer for the questions, the researcher provides questionnaires in both English and Amharic languages. The questions were measured on a four point Likert- scale as observed from different literature review.

### **3.6. Sampling Technique and Sample Size**

#### **3.6.1 Sampling Technique Used**

As the nature of insurance customers' population is homogeneous, from probability sampling technique, systematic random sampling was used. Systematic random sampling technique was employed because it is more precise in its nature of randomness and probability which makes the sample representative by giving equal chance for whole population to be selected. The other reasons to use systematic random sampling technique is that, it improves the potential for the units to be more evenly spread over the population. Therefore, systematic random sampling technique is used to take representative sample from that homogeneous population. Moreover, after the total sample size has been determined through systematic sampling technique, proportional stratified sampling scheme was employed in order to allocate the total sample size to the proportion of population in each stratum or Insurance companies (i.e.  $N=N_1+N_2+N_3+N_4+N_5+N_6+N_7+N_8$ ) (Table 3.1).

**Table 3.1** Proportion allocation of sample size

Population size ( $N_i$ )	Proportion of the population ( $P_i=N_i/N$ )	No. of element selected $n=n.p_i$
EIC=2028	2028/7260=0.27	0.279339*365=102
NYIC=1364	1364/7260=0.18	0.187879*365=69
AIC=528	528/7260=0.07	0.072727*365=27
NICE=657	657/7260=0.0904	0.049173*365=33
OIC=607	607/7260=0.08	0.083609*365=31
NIB=1527	1527/7260=0.21	0.21*365=76
UNIC=224	224/7260=0.03	0.030854*365=11
NIC=325	325/7260=0.044	0.044766*365=16
TOTAL	7260	365

Where  $N_i$  is Customers of  $i$  insurance companies,  $P_i$  is proportion of the population,  $N$  is total population and  $n$  is sample size.

### 3.6.2 Sample Size Determination

Determining the sample size refers to determining the number of items to be selected from the population. To constitute a sample an appropriate sample size was taken from the total population. Choosing appropriate sample size brings on efficiency, representativeness, reliability and flexibility of the study (Bartlett *et al*, 2001). Sample size is determined using the systematic random sampling technique. From the total number of customers of eight insurance companies in the study area, 365 sample representatives were determined or selected using the following systematic scientific formula.

$$N_0 = \frac{(z)^2 * (p)(q)}{(d)^2}$$

$$N_0 = \frac{(1.96)(.5)(.5)}{(.05)} = 384$$

Where,  $z$  = value for selected alpha level of .025 in each tail (for 95% level of confidence) = 1.96.

$(p)(q)$  = estimate of variance = .25.

$d$  = acceptable margin of error for proportion being estimated 5% = .05

Therefore, while the sample size exceeds 5% of the population ( $7260 * .05 = 363$ ), Cochran's (1977) correction formula used to determine the final sample size. These calculations are as follows;

$$N_1 = \frac{N_0}{1 + N_0 / \text{population}} = \frac{384}{1 + 384 / 7260} = 365$$

Where; population size = 7260

$N_0$  = required return sample size according to Cochran's formula (1977).

$N_1$  = required return sample size because sample > 5% of population. ( $384 > 363$ ).

Where  $n_0$  = required return sample size according to Cochran's formula = 384

Where  $n_1$  = required return sample size because sample > 5% of population

$$K = N/n = \text{The Interval Size}$$

$$= 7260/365$$

$$= 20$$

$K^{\text{th}}$  = the ratio of the population to sample size.

Systematic sampling was used to generate a list of 365 insurance customers from within the 8 insurance companies. Next, 20<sup>th</sup> respondent was selected which is the ratio of the population to

sample size used as the interval for selecting specific insurance customers from the list until 365 insurance customers has been chosen. This was done to include variety of respondents from 8 insurance companies proportionally.

### **3.7 Study Variables**

Variables are defined operationally and are commonly divided into independent variables (active or attribute), and dependent variables.

#### **3.7.1 Dependent Variable**

The dependent variable is the variable supposed to react to the independent variable. As a result, dependent variable of the study is the choice and selection of customer among alternative insurance companies. In consequence, the customers' preference or selections depend on 22 attribute or independent variables.

#### **3.7.2 Independent Variables**

An independent variable is a variable that causes a change or presumed will cause a change to other dependent variable and explicate the dependent variable. For the purpose of this study the researcher has included 22 independent variables. By considering they explained more about the customers insurance selection decision the variable were deported from different empirical studies. (Mohammad and Behza, 2011, Farooq and Hisham, 2012, Fatima &Maira , 2007, Tomasz, 2002 and Martina et al, 2008).The researcher suggested those variables based on their level of importance and those variables are as follow:

1. Affordable premium (price of the insurance)
2. Speed of disbursing indemnities
3. Provision of quality service (fast and efficient services)
4. Financially sound organization
5. Insurance company's reputation
6. Trust on the Insurance company
7. Proximity to home/work place

8. Private Insurance company
9. Public insurance company
10. Knowledgeable and competent personnel/ Knowledge and skills of underwriter.
11. Variety of services offered to customers
12. Attractiveness of the branch building (physical appearance)
13. Establishment time (open before others)
14. Friendliness of insurance personnel
15. Having several branches
16. Branch office facility the availability of information and parking space.
17. Promotional activity
18. Staff gives adequate explanation of services and products
19. Recommendation from family and friends
20. Confidence in the insurance companies' manager.
21. Hours of operation.
22. Agent recommendation

### **3.8 Methods of Data Analysis**

The analysis part of the study was carried out in clear and better manner as much as possible to determine the factors that affects the choice of insurance service. After the data has been collected using the appropriate instrument; it has been properly edited, coded and analyzed.

To reach at feasible finding the analysis were conducted or investigated analyzed using descriptive static by computing the frequencies, tables mean, standard deviation. It is integrated in a SPSS package. Finally, the data was analyzed using statically package for social since (SPSS version 16 for window).

### **3.9 Reliability Test**

Cronbach's alpha is the most common measure of internal consistency ("reliability") (Fornell and Lacker, 1981). It is most commonly used when you have Likert questions in a survey questionnaire that form a scale and you wish to determine if the scale is reliable. And in order to understand whether the questions in this questionnaire all reliable, Cronbach's alpha was calculated by the application of SPSS for reliability analysis. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale as indicated by (Joseph A. et al., 2003).

## CHAPTER FOUR

### 4. DATA ANALYSIS AND DISCUSSIONS

This chapter deals with data analysis and interpretation. Statistical Package for the Social Scientists (SPSS) Version 16.0 for Windows Software was used to process & analysis the data that were collected from the sample of 307 customers of eight selected insurance companies in Jimma town. A total of 365 questionnaires were distributed for eight insurance companies' customers. However, actually, 307 (84.11%) questionnaire were properly filled and returned. Accordingly, analysis and interpretation of data has been made in this part of the study based on the 307 returned questionnaires.

Finally, based on the responses obtained from the survey, the task of rating for the 22 evaluation criteria (variables) were made to identify the underlying criteria/attribute(s) that is/are most important in the selection of insurance services by selected customers of insurance companies in Jimma town.

#### 4.1 Reliability Analysis

Table 4.1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.885	.885	22

Key indicators of the quality of a measuring instrument are the reliability on reducing error in the measurement process. Reliability estimates evaluate the stability of measures, internal consistency of measurement instruments and interpret of reliability of instrument scores. Validity is the extent to which the interpretations of the results of a test are warranted, which depends on the particular use the test is intended to serve (Carole L. et.al, 2008). Cronbach's alpha

coefficient at 0.5 or higher was considered acceptable (Kerlinger & Lee, 2000). To assess the internal consistency of each factor obtained, a reliability test was conducted. As shown in the above Table 4.1 the results of reliability analysis, the alpha coefficient for the 22 items is .885, suggesting that the items have relatively high internal consistency. Since that a reliability coefficient of .70 or higher is considered "acceptable" in most social science research situations (field, 2009). Therefore, all variables used in this research are highly reliable for data analysis.

## 4.2 Demographic Profile of the Respondents

Demographic characteristics of the respondents include Gender, Age and Religion. Accordingly, from the total respondents, 225(73.3%) were males and 82(26.7%) were females as shown in table 4.1 below. It is clearly shown that the number of male customers in the insurance companies in Jimma town is higher as compared with females. In order to support these finding different authors wrote about the involvement of male and female in making financial decision. According to Turner et al., 1994, by tradition, men have been regarded as better suited to manage family affairs than women (Imam, 1987; Anakwue, 2002). As a result of tradition and culture women's involvement in socio-political matters especially in financial decision-making have been limited or even negligible (Woldie et al., 2004).

**Table 4.2** Demographic Profile of the Respondents (N=307)

	Demographic	Frequency	Percent
<b>Sex</b>	Male	225	73.3
	Female	82	26.7
<b>Age</b>	28-35 years	122	39.74
	36-45 years	90	29.32
	Less than or Equal 27 years	74	24.10
	Above 46 years	21	6.84
<b>Religion</b>	Christian	175	57
	Muslim	132	43

*Source: Survey Data, 2014*

The above table 4.2 revealed that 122(39.74%) of the respondents were between 28-35 years old, whereas 90(29.32%) of them were between the age interval of 36-45 years; another, 74 (24.10%) of the respondents were in age group of below 27 years. The rest 21(6.84%) of the



respondents were in the age category of above 46 years. As a result, one can see from the above table that the highest percentage of participants (insurance customers) in this study were found in the age interval of 28-35 years, which represents 39.74% of the respondents followed by age interval of 36-45 years which represent 29.32% from total participants; and customers with age of above 46 years represents a small proportion 21(6.84%) of the insurance clients in Jimma town.

Regarding religion of insurance clients, one can clearly observe from table 4.2 that the majority 57% (175) of the total respondents are Christian and 43% (132) of respondents were Muslim. And from the above table one can see that the majority of the insurance companies' customers were Christian.

### 4.3 Insurance Customer Behavior

#### 4.3.1 Customers Satisfaction with Insurance Services

Table 4.2 below shows clients response regarding "Customers level of satisfaction" with the insurance services offered by the insurance companies. As shown from the table the majority, 211(68.7%) of insurance clients were satisfied and the rest 96(31.3%) of the respondents were unsatisfied with the services provided by insurance companies in the town. Unsatisfied customers were forwarded the following ideas to be taken by the insurance companies to satisfy their customers: shun delay in claims payment and delay in giving response when accident occurs through providing quality service. From this, one can infer that as 31.3% of the clients were not satisfied.

**Table 4.3** Customers Level of Satisfaction with the Insurance Services

Response	Frequency	Percent	Valid Percent	Cumulative Percent
YES	211	68.7	68.7	68.7
NO	96	31.3	31.3	100.0
Total	307	100.0	100.0	

*Source: Survey Data, 2014*

### 4.3.2 Intention of customers whether they have a plan to change their Insurance providers

**Table 4.4** Intention of customers to continue with their insurance company

Question	Answer	Frequency	Percent	Valid Percent	Cumulative Percent
Do you have a plan to shift your insurance company?	YES	127	41.4	41.4	41.4
	NO	180	58.6	58.6	100.0
	Total	307	100.0	100.0	

*Source: Survey Data, 2014*

As the above Table 4.4 clearly stipulated, greater number of clients in the insurance industry in Jimma town do not have any intention of changing their insurance companies, i.e., they want to continue with their current insurance service providers. This is indicated by 180 (58.60%) of the customers. On the other hand, 127 (41.4%) of the customers stated that they have a plan to shift to the other insurance company. From this, even if the majority of the customers have no plan to change their company, 41.4% of the respondents want to change their insurance company.

### 4.3.3 Reasons why customers shift their insurance company

As indicated in table 4.5 below, 56.7%, 28.3%, 12.6% and 2.4% of the customers desire to shift to the other insurance company due to high price of the premium, decline services quality, transfer to other location and to see the services of other insurance companies respectively. Therefore, the insurance companies should try to retain such customers by adjusting the premium price and providing quality services.

**Table 4.5** Presentations of reasons why customers shift their insurance company

	Frequency	Percent	Valid Percent	Cumulative Percent
Due to a decline service quality of the insurance companies	36	11.7	28.3	28.3
Just to see the services of other insurers	3	1.0	2.4	30.7
Due to transfer to other locations	16	5.2	12.6	43.3
Due to high price of the insurance	72	23.5	56.7	100.0
Total	127	41.4	100.0	

*Source: Survey Data, 2014*

#### 4.4 Insurance Companies Selection Criteria

**Table 4.6** Insurance companies selection criteria (N=307)

Insurance companies selection criteria	N	Mean	Std. Deviation	Ranks
Speed of disbursing indemnities	307	3.59	.642	1
Affordable premium (price of the insurance)	307	3.54	.864	2
Trust on the Insurance company	307	3.52	.789	3
Provision of Quality service (fast and efficient services)	307	3.51	.773	4
Financially sound organization	307	3.44	.808	5
Insurance company's reputation	307	3.37	.804	6
Variety of services offered to customers	307	3.27	.854	7
Knowledgeable and competent personnel	307	3.26	.864	8
Confidence in the insurance companies' manager	307	3.08	1.042	9
Agent recommendation	307	3.05	1.036	10
Hours of operation	307	2.97	.990	11
Proximity to home/work place	307	2.94	1.137	12
Having several branches	307	2.88	.981	13
Friendliness of insurance personnel	307	2.85	1.073	14
Staff gives adequate explanation of services and products	307	2.82	.933	15
Recommendation from family and friends	307	2.75	1.102	16
Establishment time (open before others)	307	2.74	1.090	17
Promotional activity	307	2.73	1.014	18
Branch office Facility the availability of information and parking space's	307	2.67	1.125	19
Attractiveness of the branch building (physical appearance)	307	2.48	1.175	20
public insurance company	307	2.09	1.303	21
Private Insurance company	307	1.87	1.211	22
Valid N (list wise)	307			

*Source: Survey Data, 2014*

Table 4.6 above outlines the evaluation of Insurance Company's selection criteria by respondents .it shows the level of importance of the criteria that are considered most important when selecting insurance companies. The insurance companies' selection criteria were rated based on the average responses (mean value). The arithmetic average or mean takes into account all of the available information in computing the central tendency of a frequency distribution and standard deviation has also been included to see how responses deviate among individual respondents from the central value calculated for each response. And this was deliberate using SPSS Version 16.0 Software from the response given by respondents using four point likert scales. The four point likert scale answer format were ranked as 'Not significant', 'Less significant', 'Significant' and 'Most significant', and having numeric representation of 1,2,3,4 respectively.

In view of this, as table 4.6 reveals 'Speed of disbursing indemnities' is the most influential factor in customers' buying decisions of insurance policy with the mean score of 3.59 followed by 'Price of the insurance' (3.54), 'Trust on the Insurance company' (3.52), 'Provision of Quality service' (fast and efficient services) (3.51), 'Financially sound organization' (3.44), and 'Insurance company's reputation' (3.37). This finding is supported by (Matthew et al, 2010), (Mohammad, 2011), (Fatima, et al., 2007). On the other hand, 'being private insurance company' is rated by the clients as the least and insignificant insurance selection criteria (1.87) followed by 'Public insurance company' (2.09), 'Attractiveness of the branch building' (physical appearance)(2.48), 'Branch office Facility, the availability of information and Parking spaces' (2.67), 'Promotional activity' (2.73), 'Establishment time' (open before others) (2.74), and 'Recommendation from family and friends'.

**Table 4.7** Insurance Selection Criteria as it is Rated by Male Respondents (N=225)

Factors	N	Mean	Std. Deviation	Rank
Speed of disbursing indemnities	225	3.62	.546	1
Provision of Quality service (fast and efficient services)	225	3.58	.704	2
Trust on the Insurance company	225	3.52	.813	3
Financially sound organization	225	3.50	.720	4
Affordable premium (price of the insurance)	225	3.46	.945	5
Insurance company's reputation	225	3.45	.725	6
Variety of services offered to customers	225	3.35	.804	7
Knowledgeable and competent personnel	225	3.27	.846	8
Confidence in the insurance companies' manager	225	3.11	.962	9
Having several branches	225	3.00	.940	10
Hours of operation	225	2.96	.963	11
Friendliness of insurance personnel	225	2.94	1.088	12
Agent recommendation	225	2.94	1.046	13
Proximity to home/work place	225	2.86	1.187	14
Staff gives adequate explanation of services and products	225	2.85	.941	15
Establishment time (open before others)	225	2.77	1.098	16
Branch office Facility the availability of information and parking space.	225	2.75	1.154	17
Recommendation from family and friends	225	2.74	1.059	18
Promotional activity	225	2.69	1.060	19
Attractiveness of the branch building (physical appearance)	225	2.53	1.169	20
Public insurance company	225	2.11	1.323	21
Private Insurance company	225	1.80	1.174	22

*Source: Survey Data, 2014*

The above table 4.7 reveals that insurance companies selection criteria for male respondents. Accordingly, 'Speed of disbursing indemnities (3.62)' is the most important decision-making criteria to select insurance companies; secondly, 'Provision of Quality service (fast and efficient services) (3.58)'; 'Trust on the Insurance company (3.52)', 'financially sound organization (3.50)' and 'Price of the insurance (3.46)' and finally, 'Insurance company's reputation (3.45)' were indicated by male respondents as the most important factors. 'Private Insurance company (1.80)', 'Public insurance company (2.11)', 'Attractiveness of the branch building (physical appearance)(2.53)', 'Promotional activity, (2.69)' and, 'Recommendation from family and friends (2.74)' have been given relatively less consideration by male respondents while making

insurance companies selection decision. Similar study by (Aurelija et al., 2013) suggests that Men base their insurance decisions mostly on the acceptability of insurance conditions.

**Table 4.8** Insurance Selection Criteria as Rated by Female Respondents (N=82)

Factors	N	Mean	Std. Deviation	Rank
Affordable premium (price of the insurance)	82	3.76	.534	1
Trust on the Insurance company	82	3.51	.724	2
Speed of disbursing indemnities	82	3.51	.850	3
Agent recommendation	82	3.35	.948	4
Provision of Quality service (fast and efficient services)	82	3.32	.915	5
Financially sound organization	82	3.28	.997	6
Knowledgeable and competent personnel	82	3.22	.917	7
Proximity to home/work place	82	3.16	.962	8
Insurance company's reputation	82	3.16	.962	9
Variety of services offered to customers	82	3.07	.953	10
Hours of operation	82	3.00	1.066	11
Confidence in the insurance companies' manager	82	3.00	1.237	12
Promotional activity	82	2.83	.872	13
Recommendation from family and friends	82	2.77	1.220	14
Staff gives adequate explanation of services and products	82	2.74	.914	15
Establishment time (open before others)	82	2.65	1.070	16
Friendliness of insurance personnel	82	2.62	1.002	17
Having several branches	82	2.55	1.020	18
Branch office Facility the availability of information and parking space.	82	2.46	1.021	19
Attractiveness of the branch building (physical appearance)	82	2.34	1.189	20
Private Insurance company	82	2.07	1.294	21
Public insurance company	82	2.04	1.252	22
Valid N (list wise)	82			

*Source: Survey Data, 2014*

Table 4.8 above presents the findings with respect to relative importance of insurance companies' selection criteria by Female insurance clients. The top five factors found in the listing were "price of the insurance" (mean= 3.76) and "Trust on the Insurance company"

(mean= 3.51), “Speed of disbursing indemnities” (mean= 3.51), “Agent recommendation” (mean=3.35) and “Provision of Quality service” (mean=3.32) were the most important factors for female respondents. While, “Being a governmental insurance company” (mean= 2.04) factor was ranked as the least or unimportant followed by “Private Insurance company” (mean=2.07), “Attractiveness of the branch building (physical appearance)” (mean=2.34), and “Branch office Facility, availability of information and Parking space” (mean=2.46). Here also earlier study made by (Aurelija et al., 2013), found out that women pay due consideration to the insurance service providers’ competence and ability or capability when purchasing insurance services (Aurelija et al., 2013).

**Table 4.9** Insurance Selection Criteria as Rated by Muslim Clients (N=132)

Factors	N	Mean	Std. Deviation	Rank
Affordable premium (price of the insurance)	132	3.69	.594	1.
Speed of disbursing indemnities	132	3.59	.731	2.
Trust on the Insurance company	132	3.46	.756	3.
Provision of Quality service (fast and efficient services)	132	3.40	.864	4.
Insurance company’s reputation	132	3.34	.898	5.
Financially sound organization	132	3.33	.922	6.
Knowledgeable and competent personnel	132	3.25	.795	7.
Variety of services offered to customers	132	3.25	.832	8.
Agent recommendation	132	3.16	.995	9.
Confidence in the insurance companies’ manager	132	3.04	1.014	10.
Proximity to home/work place	132	2.98	1.119	11.
Hours of operation	132	2.86	.947	12.
Promotional activity	132	2.86	.892	13.
Recommendation from family and friends	132	2.86	1.027	14.
Staff gives adequate explanation of services and products	132	2.86	.884	15.
Having several branches	132	2.85	1.037	16.
Friendliness of insurance personnel	132	2.84	1.097	17.
Establishment time (open before others)	132	2.82	1.097	18.
Branch office Facility the availability of information and parking space.	132	2.74	1.176	19.
Attractiveness of the branch building (physical appearance)	132	2.62	1.122	20.
Public insurance company	132	2.01	1.214	21.
Private Insurance company	132	1.76	1.140	22.
Valid N (list wise)	132			

*Source: Survey Data, 2014*

As can be seen in tables 4.9 and 4.10, the investigator of this study attempts to determine the impact that demographic characteristics of Jimma town insurance customers would have on the choice of insurance service providers and gauge the knowledge of Muslim and Christian customers regarding their preference of insurance companies. Accordingly, the findings (See table 4.9) clearly show that the most important attributes by Muslim customers of insurance companies at Jimma town were (ranking in descending order) "Price of the insurance" (mean=3.69), "Speed of disbursing indemnities" (mean=3.59), "Trust on the Insurance company" (mean =3.46), "Provision of Quality service" (mean =3.40), "Insurance company's reputation" (mean=3.34). Whereas, the least important factors in the selection of insurance companies by Muslim respondents were "Private Insurance company" (mean=1.76), "Public insurance company" (Mean=2.01), "Attractiveness of the branch building" (mean=2.62), "Branch office facility, the availability of information and parking space" (mean=2.74), and "Establishment time (open before others)" (mean=2.82).

**Table 4.10** Insurance Selection Criteria as Rated by Christian Customers (N=175)

Factors	N	Mean	Std. Deviation	Rank
Speed of disbursing indemnities	175	3.59	.568	1.
Provision of Quality service (fast and efficient services)	175	3.59	.688	2.
Trust on the Insurance company	175	3.56	.813	3.
Financially sound organization	175	3.53	.702	4.
Affordable premium (price of the insurance)	175	3.42	1.008	5.
Insurance company's reputation	175	3.40	.727	6.
Variety of services offered to customers	175	3.29	.871	7.
Knowledgeable and competent personnel	175	3.26	.916	8.
Confidence in the insurance companies' manager	175	3.11	1.064	9.
Hours of operation	175	3.06	1.015	10.
Agent recommendation	175	2.97	1.061	11.
Having several branches	175	2.90	.939	12.
Proximity to home/work place	175	2.90	1.153	13.
Friendliness of insurance personnel	175	2.86	1.058	14.
Staff gives adequate explanation of services and products	175	2.80	.971	15.
Establishment time (open before others)	175	2.67	1.084	16.
Recommendation from family and friends	175	2.67	1.152	17.
Promotional activity	175	2.63	1.090	18.
Branch office Facility the availability of information and parking space.	175	2.62	1.086	19.
Attractiveness of the branch building (physical appearance)	175	2.37	1.205	20.
Public insurance company	175	2.15	1.366	21.
Private Insurance company	175	1.95	1.259	22.
Valid N (list wise)	175			

*Source: Survey Data, 2014*

Table 4.10 gives mean scores of insurance company's selection factors that are sorted in descending order for Jimma town insurance customers. As can be seen from the same table, "speed of disbursing indemnities", "provision of quality service", "trust on the insurance company", "financially sound organization" and "affordable premium" were the most important factors for clients whose religion is Christian in Jimma town with mean score of 3.59, 3.59, 3.56, 3.53 and 3.42 respectively by remembering that item "4" stands for "Most significant" in the instrument. On the other hand, "Private Insurance company" (mean score = 1.95), "Being a governmental insurance company" (mean score = 2.150), "Attractiveness of the branch building"

(mean=2.37), “Branch office Facility, the availability of information and parking space” (mean=2.62), and “Promotional activity” (mean=2.63) were the least insurance companies selection criteria rated by Christian respondents.

**Table 4.11** Insurance Companies Selection Criteria as it is Rated by Respondents whose Age is 27 years and below (N=74)

<b>Insurance companies selection criteria</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Financially sound organization	74	3.88	.436	1.
Trust on the Insurance company	74	3.84	.550	2.
Insurance company’s reputation	74	3.73	.531	3.
Speed of disbursing indemnities	74	3.72	.454	4.
Provision of Quality service (fast and efficient services)	74	3.70	.697	5.
Affordable premium (price of the insurance)	74	3.68	.796	6.
Knowledgeable and competent personnel	74	3.50	.687	7.
Variety of services offered to customers	74	3.49	.530	8.
Agent recommendation	74	3.32	1.008	9.
Proximity to home/work place	74	3.32	.981	10.
Confidence in the insurance companies’ manager	74	3.31	1.019	11.
Establishment time (open before others)	74	3.31	.950	12.
Having several branches	74	3.30	.887	13.
Hours of operation	74	3.16	.966	14.
Branch office Facility the availability of information and parking space.	74	3.14	.896	15.
Recommendation from family and friends	74	3.14	.956	16.
Friendliness of insurance personnel	74	3.08	1.168	17.
Attractiveness of the branch building (physical appearance)	74	3.00	1.123	18.
Staff gives adequate explanation of services and products	74	2.93	.912	19.
Promotional activity	74	2.92	.933	20.
Private Insurance company	74	2.73	1.275	21.
Public insurance company	74	2.68	1.336	22.
Valid N (listwise)	74			

*Source: Survey Data, 2014*

The above table 4.11 reveals insurance selection criteria for those found in the age group of 27 years and below. Consequently, customers in this age group give more consideration (in descending order) for “financially sound organization” (3.88), “Trust on the Insurance Company”(3.84, “Insurance company’s reputation” (3.73), “Speed of disbursing indemnities” (3.72), and “Provision of Quality service (fast and efficient services)” (3.70). Inversely, the factors that they give less consideration were outlined as “being a governmental insurance company”, “Privet insurance companies”, “Promotional activity”, “Staff gives adequate explanation of services and products” and “Attractiveness of the branch building (physical appearance)” with average response or mean value of (2.68), (2.73), (2.92), (2.93) and (3.00), respectively. Regarding this, earlier study made by Fatima et al., (2007), indicated that for young customers between the age of 18-27 in Swedish insurance industry, price is a decisive factor in the choice of Insurances, followed by “trust-based relationships” and “flexibility”. On the contrary, the other study made by Aurelija, et al.(2013),youth and young adults mostly rely on the insurance service provider’s competence.

**Table 4.12** Insurance Companies Selection Criteria as it is rated by respondents whose age interval is between 28-35 years (N=122)

Insurance companies selection criteria	N	Mean	Std. Deviation	Rank
Speed of disbursing indemnities	122	3.53	.592	1.
Affordable premium (price of the insurance)	122	3.50	.795	2.
Provision of Quality service (fast and efficient services)	122	3.40	.735	3.
Variety of services offered to customers	122	3.39	.732	4.
Trust on the Insurance company	122	3.35	.812	5.
Financially sound organization	122	3.29	.798	6.
Knowledgeable and competent personnel	122	3.24	.772	7.
Insurance company's reputation	122	3.22	.808	8.
Confidence in the insurance companies' manager	122	3.18	.988	9.
Agent recommendation	122	3.02	.927	10.
Hours of operation	122	2.84	.954	11.
Friendliness of insurance personnel	122	2.82	.996	12.
Promotional activity	122	2.78	1.041	13.
Branch office Facility the availability of information and parking space.	122	2.76	1.106	14.
Staff gives adequate explanation of services and products	122	2.75	.958	15.
Having several branches	122	2.72	.893	16.
Establishment time (open before others)	122	2.57	1.028	17.
Proximity to home/work place	122	2.55	1.084	18.
Recommendation from family and friends	122	2.48	1.152	19.
Attractiveness of the branch building (physical appearance)	122	2.23	1.059	20.
Public insurance company	122	1.94	1.255	21.
Private Insurance company	122	1.32	.730	22.
Valid N (list wise)	122			

*Source: Survey Data, 2014*

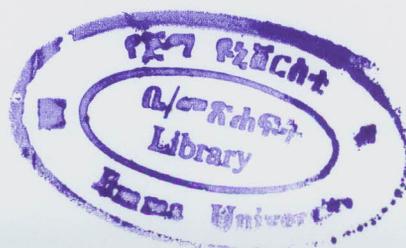
The above table 4.12 attempts to identify the most important factors that affect the choice of respondents whose age interval is between 28-35 years in choosing insurance companies namely: Speed of disbursing indemnities(mean=3.53), Affordable premium (price of the insurance) (mean =3.50),Provision of Quality service (fast and efficient services) (mean =3.40), Variety of services offered to customers (Mean= 3.39 ),Trust on the Insurance company (mean=3.35), Financially sound organization, (mean=3.29). On the other hand, according to mean scores of Private Insurance company(mean=1.32), Being a governmental insurance company(mean=1.94), Attractiveness of the branch building or physical appearance (mean=2.23), Recommendation from family and friends (mean=2.48) have the weakest power to influence of insurance selection decision.

**Table 4.13** Insurance Companies Selection Criteria as it is Rated by Respondents whose age interval is between 36-45 years (N=90)

Insurance companies selection criteria	N	Mean	Std. Deviation	Rank
Speed of disbursing indemnities	90	3.73	.536	1.
Provision of Quality service (fast and efficient services)	90	3.66	.752	2.
Financially sound organization	90	3.60	.614	3.
Affordable premium (price of the insurance)	90	3.58	.960	4.
Trust on the Insurance company	90	3.52	.851	5.
Insurance company's reputation	90	3.49	.674	6.
Proximity to home/work place	90	3.30	1.022	7.
Variety of services offered to customers	90	3.20	1.008	8.
Knowledgeable and competent personnel	90	3.14	1.034	9.
Hours of operation	90	3.10	.960	10.
Friendliness of insurance personnel	90	3.02	.971	11.
Having several branches	90	2.96	.970	12.
Agent recommendation	90	2.91	1.108	13.
Staff gives adequate explanation of services and products	90	2.91	.956	14.
Recommendation from family and friends	90	2.84	1.059	15.
Confidence in the insurance companies' manager	90	2.80	1.019	16.
Establishment time (open before others)	90	2.78	1.089	17.
Attractiveness of the branch building (physical appearance)	90	2.56	1.228	18.
Promotional activity	90	2.51	.997	19.
Branch office Facility the availability of information and parking space.	90	2.43	1.171	20.
Private Insurance company	90	1.99	1.311	21.
Public insurance company	90	1.99	1.311	22.
Valid N (list wise)	90			

*Source: Survey Data, 2014*

According to table 4.13 of insurance companies selection criteria as it is rated by respondents whose age interval is between 36-45 years; Speed of disbursing indemnities, Provision of Quality service (fast and efficient services), Financially sound organization, Affordable premium (price of the insurance) and Trust on the Insurance company with a mean value of 3.73, 3.66, 3.60, 3.58 and 3.52, respectively are the five most important determinant factors. Being a governmental insurance company (mean= 1.99), Private Insurance company (mean = 1.99), Branch office Facility the availability of information and parking space (mean= 2.43), Promotional activity



(mean= 2.51) and Attractiveness of the branch building or physical appearance (mean= 2.56) were the least important factors in insurance selection decision. A study made by (Aurelija et al., 2013) indicated that mature adults only care about the possibility to reduce the amount of premiums payable for insurance products.

**Table 4.14** Insurance Companies Selection Criteria as it is Rated by Respondents whose age is 46 years and above (N=21)

Insurance companies selection criteria	N	Mean	Std. Deviation	Rank
Trust on the Insurance company	21	3.33	.796	1.
Affordable premium (price of the insurance)	21	3.10	.944	2.
Knowledgeable and competent personnel	21	3.00	1.000	3.
Speed of disbursing indemnities	21	2.90	1.221	4.
Agent recommendation	21	2.86	1.276	5.
Confidence in the insurance companies' manager	21	2.86	1.276	6.
Provision of Quality service (fast and efficient services)	21	2.81	.873	7.
Promotional activity	21	2.71	1.102	8.
Hours of operation	21	2.52	1.209	9.
Recommendation from family and friends	21	2.52	1.078	10.
Staff gives adequate explanation of services and products	21	2.52	.680	11.
Insurance company's reputation	21	2.52	1.209	12.
Proximity to home/work place	21	2.29	1.419	13.
Variety of services offered to customers	21	2.19	.928	14.
Financially sound organization	21	2.14	1.014	15.
Having several branches	21	2.00	1.095	16.
Attractiveness of the branch building (physical appearance)	21	1.76	1.044	17.
Branch office Facility the availability of information and parking space.	21	1.57	.746	18.
Friendliness of insurance personnel	21	1.52	.512	19.
Private Insurance company	21	1.52	.928	20.
Establishment time (open before others)	21	1.52	.512	21.
Being a governmental insurance company	21	1.33	.483	22.
Valid N (list wise)	21			

*Source: Survey Data, 2014*

Based on the results given in table 4.14 above, insurance companies selection criteria as rated by respondents whose age is above or equal to 46 years: Trust on the Insurance company, Affordable premium (price of the insurance), Knowledgeable and competent personnel, Speed of

disbursing indemnities and Agent recommendation with a mean value of 3.33, 3.10, 3.00, 2.90 and 2.86 respectively were the five most important determinant factors. Whereas, Being a governmental insurance company (mean= 1.33), Establishment time (open before others) (mean = 1.52), Private Insurance company (mean= 1.52), Friendliness of insurance personnel (mean= 1.52) and Branch office Facility the availability of information and parking space (mean= 1.57) were the least important determinant factors in insurance selection decision.

#### 4.5 Results of the hypothesis

Table 4.15 Tests for significant differences

Demographic	Test statistic	
<b><u>Gender</u></b>		
Male	t-stat: 0.844	p-value=0.39
Female		
<b><u>Religions</u></b>		
Muslim	t-stat: 0.26	p-value=0.79
Christian		
<b><u>Age</u></b>		
Less than 27		
28-35	F- stat: 22.604 ***	p-value<0.001
36-45		
46 and upper		

\*\*\* denote the rejection of the null hypothesis at < 1% levels of significant

Finally, t and F test results are presented in table 4.15 to test those hypotheses presented previously. The independent samples t-test has been employed for variables contain two items sex and religions. Whereas, F tests using one way ANOVA have been employed for age groups since these variables contain more than two items.

The Results show that overall insurance companies selection criteria (average of 22 items in insurance selection instrument) do not statistically differ in gender and religions' Since, there is no statistically significant difference between genders and religions in their insurance companies selection criteria at 5% level of significance .The null hypothesis of "no difference in insurance selection criteria in gender and religions" cannot be rejected). However, Insurance selection criteria differ across age group (Less than 27,28-35 ,36-45 and 46 and upper) since the value of F test is 22.604 which implies there is statistically significant difference( $.000 < .05$  reject null) in insurance selection criteria of different age group at 5 % level of significance. Therefore, the hypotheses H3(Insurance selection criteria do not differ in age) of the present study can be rejected while H1 and H2 cannot be rejected.

In general, Insurance companies selection criteria in the case of Jimma town do not statistically differ between demographic characteristics such as genders and Religions .however, Insurance companies selection criteria in the case of Jimma town statistically differ between different age group(Less than 27,28-35 ,36-45 and 46 and upper).

## **CHAPTER FIVE**

### **4. SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents the summary, conclusions and recommendations on the study's findings on the factors influence insurance companies' selection criteria in line with the objective of the study.

#### **5.1 Summary of Major Findings**

This study has investigated the determinants of insurance selection criteria by insurance customers in Jimma town. By providing recent and extensive evidence on the factors of insurance selection criteria and to better inform insurance executives and authorities with insights into the kinds of service customers find most appropriate for their insurance needs. From a total of 7260 respondents from eight insurance companies in Jimma town, 365 were sampled using systematic sampling technique and proportionally allocate in each stratum or insurance companies using stratified sampling technique. Their responses on the importance of 22 different factors while choosing insurance companies were sought and analyzed.

The demographic characteristics of the respondents as shown in table 4.2 provides sample respondents profile in terms of 'Gender', 'Age group' and 'Religions'. Accordingly, the majority 73.3 percent of the respondents were male while female respondents accounted for the remaining 26.7 percent. In terms of age grouping, those below 27 years constitute about 24.1 percent followed by those between 28-35, 36-45, and 46 years and above with about 39.7 percent, 29.3 and 6.8 percent, respectively. Concerning the religious background of sample respondents, the greater (57) percent of the respondents was Christian and the remaining 43percent were Muslim there is no other religion among respondents.

As depicted in Table 4.3 in the findings, the majority 211(68.7%) of sample respondents confirmed their level of satisfaction with the current insurance services offered by the insurance companies at Jimma town. The remaining 96(31.3%) of the respondents indicated that they were not satisfied with the current level of services offered by insurance companies at Jimma town.

On the other hand, 41.40% of insurance companies' customers at Jimma town have a plan to change or shift their insurance companies. However, the majority, 58.60% of the respondents confirmed that they have no intention of changing their current insurance provider this means that they will continue with their current insurance companies in the future.(refer table 4.4)

In addition, insurance company's customer was asked to elaborate why they had a plan to shift their insurance company. It has been observed that, 56.7 % of the respondents were changed due to high price of the insurance (premium). While 28.3% due to a decline service quality of the insurance companies and 12.6 % due to transfer to other locations and the remaining of 2.4% were Just to see the services of other insure(refer table 4.5).

The result of the study mainly shows the levels of importance that the respondents in Jimma town associate with different attributes. Accordingly, speed of disbursing indemnities has the highest important factor for customer to choose insurance companies, along with price of the insurance, trust on the insurance company, provision of quality service, financially sound organization and insurance company's reputation. In contrary, private insurance e companies and public insurance company is rated by the clients as the least and insignificant insurance selection criteria followed by attractiveness of branch building (physical appearance), Branch office facility, the availability of information and parking spaces, promotional activity ,establishment time (open before other) and recommendation from family and friends(refer table 4.6).

as depicted in table 4.7 high mean score have been observed for male respondents on the variables speed of disbursing indemnities, provision of quality service, trust on the insurance company, financially sound organization, and price of the insurance .But factors rated as least important are private insurance company, public insurance company, attractiveness of the branch building (physical appearance), Promotional activity and recommendation from family and friends.

Price of the insurance is a most significant factor in the choice of insurances for female clients along with trust on the insurance company, speed of disbursing indemnities, agent recommendation and provision of quality service. being a governmental insurance company and private insurance company ,attractiveness of the branch building (physical appearance), branch office facility, availability of information and parking space, have been given relatively less consideration by female clients to choose a given insurance companies(refer table 4.8).

Finding show that the most important criteria identified by respondents whose religions were Muslim and Christian in the Jimma town were as follow; price of the insurance speed of disbursing indemnities, trust on the insurance company, provision of quality service, and insurance company's reputation are the most voluble criteria given for insurance selection decision for Muslim respondents. on the other hand, the least important factors in the selection of insurance companies by Muslim respondents were private insurance company, public insurance company, attractiveness of the branch building ,branch office facility, the availability of information and parking space and establishment time (open before others)(refer table 4.9).

Speed of disbursing indemnities and provision of quality service are the most important factor for client whose religion is Christian along with trust on the insurance company, financially sound organization and affordable premium. In contrary, private Insurance company, public insurance company, Attractiveness of the branch building Branch office Facility, the availability of information and parking space, and Promotional activity were the least insurance companies selection criteria rated by Christian respondents.(refer table 4.10)

The most important factors of insurance company's selection criteria were financially sound organization, trust on the insurance company, insurance company's reputation, speed of disbursing indemnities and provision of quality service (fast and efficient services). differently, being a governmental insurance company, private insurance companies, promotional activity, staff gives adequate explanation of services and products and attractiveness of the branch building (physical appearance) were insignificant selection criteria used by respondents in age 27 years and below (refer table 4.11).

Customers whose age interval between 28-35 years rated speed of disbursing indemnities, affordable premium (price of the insurance), provision of quality service (fast and efficient services), variety of services offered to customers, trust on the insurance company and financially sound organization, as they are top important insurance selection criteria. on the contrary, private insurance company, being a governmental insurance company, attractiveness of the branch building (physical appearance) and recommendation from family and friends have the weakest power to influence of insurance selection decision(See table 4.12).

The study result shows the respondents' most important selection criteria in their choice of insurance companies. from the finding, speed of disbursing indemnities, provision of quality service (fast and efficient services), financially sound organization, affordable premium and trust on the insurance company were influential factors for insurance selection decision while being a governmental insurance company, private insurance company, branch office facility the availability of information and parking space, promotional activity and attractiveness of the branch building (physical appearance) constituted unimportant attributes by respondents whose age interval is between 36-45 years(see table 4. 13).

Based on table 4.14 determinate of insurance companies selection criteria as it is rated by respondents whose age is 46 and above years; trust on the insurance company, affordable premium (price of the insurance), knowledgeable and competent personnel, speed of disbursing indemnities and agent recommendation were most determinant factors. Being a governmental insurance company, establishment time (open before others), private insurance company, friendliness of insurance personnel and branch office facility the availability of information and parking space were insignificant selection criteria used by customers.

Generally, the result of hypothesis testing shows there is no difference on insurance selection criteria by the respondents with respect to their sex and religion whereas there is difference in criteria of selecting a particular insurance company based on the age group of the respondents(see table 4.15).

## **5.2 Conclusions**

This study used to investigate customer preferences for insurance services in Jimma town. The study of customer attitudes and preferences are likely to exist in the financial sector, especially insurance sector. Identifying insurance companies' selection criteria mostly used by clients are important part in the formulation of an effective and successful marketing strategy for insurance companies. The insurance companies needs to focus on the customer's needs and wants as well as the value it provides for the customer. It is very important that insurance companies stay in focus with the continuous changes in the business world. Thus it needs time to time gap analysis as well as market surveys and research to focus on customers' preference of insurance service.

The main purpose of the study is to determine the factors influence customer's insurance companies' selection criteria and to determine whether there is significant difference in insurance selection criteria among customers'.

The finding from this study revealed that majority of the respondents were male and most respondents fall in the age group of between 28-35 years. Concerning their religions, highest percent of the respondents were Christian.

An important issue in dealing with satisfaction is to see the customer level satisfaction. the results show that about 68.7% of them were showed satisfied and the remaining of 31.3% of the respondents were not satisfied. Displeased customers were forwarded the following ideas to be taken by the insurance companies to satisfy their customers: delay in claim payment, giving response when accident occurs and provision of service quality.

High price of the insurance, decline service quality of the insurance, delay in claims payment and responsiveness when claim occurs leads coustomers to have a plan to change their insurance companies.

The most important part of the study is investigating customers' insurance companies' selection criteria. The researcher fined that speed of disbursing indemnities and affordable premium (price of the insurance) as fundamental determinants of insurance selection criteria for coustomers from Jimma town along with trust on the insurance company, provision of quality service, financially sound organization and insurance company's reputation.

The finding from the study reveals that male respondents give more value for speed of disbursing indemnities, provision of quality service, trust on the insurance company, financially sound organization, and price of the insurance while female give more value for price of the insurance, trust on the insurance company, speed of disbursing indemnities, agent recommendation and provision of quality service. Finding also show that Muslim customer give great consideration for price of the insurance speed of disbursing indemnities, trust on the insurance company, provision of quality service, and insurance company's reputation and Christian give more value speed of disbursing indemnities, provision of quality service trust on the insurance company.

But, Insurance companies selection criteria in the case of Jimma town do not statistically differ between demographic characteristics s such as ganders and Religions .however, Insurance companies selection criteria in the case of Jimma town statistically differ between different age group(Less than 27,28-35 ,36-45 and 46 and upper).

### 5.3. Recommendations

As the main objective of this study is to investigate the major factors that affect Customers' selection of insurance companies operated in Jimma town. The recommendation is essential for all decision makers of the insurance companies. The implication of the study provides a benchmark from which insurance companies executive compare their marketing strategies so that they could take a course of action that best fit their plan/objective to understand customer preference and cope up with the change in customer preference.

The researcher drawn the following recommendation based on the result of the study and the above conclusion, in line with the objectives set in the very beginning of the study. Thus, the researcher reached on the following recommendation.

- ❖ It is advisable for insurance companies to continue and keep satisfying its customer. Even if, most of respondents were explain satisfied and making attractive marketing strategies, reducing delay in claim payment and giving immediate response when accident occurs and through providing fast and efficient service customers' Satisfaction increased similarly, coustomers who are not satisfied will be contented.
- ❖ Based on the findings of the study, large number of insurance companies customers have plan to change their coustomers insurance companies for the reason that high price of the insurance service and due to declining service quality of the insurance companies. As a result, it is advisable for insurance companies to enhance customers' targeted prices on the insurance service and service quality of the insurance in order to turn back their customers and maintain loyal customers.
- ❖ It is advisable for insurance companies to focus on Speed of disbursing indemnities and price of the insurance (reasonable price) by giving more emphasis while designing their marketing Strategies through building Trust on the Insurance Company and providing fast and efficient services to customers.

- ❖ Since this study did not find any significant differences between genders and religions in their insurance companies' selection criteria, insurance companies should not invest highly and give emphasis on the gender and religions as insurance selection factor. but, they should be implemented may be with different age group (characteristics) due to the fact that insurance companies selection criteria statistically differ between different age group(Less than 27,28-35 ,36-45 and 46 and upper).Therefore, it is advisable for insurance companies to take the variable in to Consideration in designing their marketing strategies for competitive advantage.

#### **5.4 Limitations of the Study**

To conduct this research in all customers of insurance companies in Ethiopia it is difficult in order to easily accomplish. The area of research study were only limited in Jimma town and not included other town insurance companies in Ethiopia. Additional, limited number of sample size and method of data collection may not be appropriate .The other limitation of this study is that there is no research undertaken previously, especially on insurance customers' selection criteria in Ethiopian context and some of the respondents are not willing to express their true feeling of insurance company selection criteria. Further there is no well-developed and structured theory of insurance selection criteria by scholars.

#### **5.5 Future Research Directions**

As the survey conducted was only confined to Jimma town, the results may vary if the research was conducted in other parts of Ethiopia. Furthermore, if the study is conducted through qualitative interviews with insurance customers to identify other factors not identified in the analysis. So, it is recommended that future researcher may consider the above limitations of the study.

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APPENDIX A

JIMMA UNIVERSITY  
COLLEGE BUSINESS AND ECONOMICS  
POST-GRADUATE PROGRAM  
IN  
ACCOUNTING AND FINANCE

Dear Sir/Madam,

The purpose of this questionnaire is to collect data for a research project titled "*insurance selection decision: factors that influence the choice of insurance service in selected insurance Companies in Jimma town.*" the purpose of the study is to analyze factors that affects insurance selection criteria. As a result you are kindly and respectfully required to forward your genuine and unbiased response. All responses will be used to conduct a study for the partial fulfillment of Master's Degree in Accounting and Finance from Jimma University and used as an input for insurance companies to improve their service Quality.

**Thank you for your committed cooperation, time and thoughtfulness!!!**

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Jimma University,  
Ethiopia.

**Remark:**

- ❖ Do not write your name
- ❖ Your response will kept confidential and will be used only for academic purpose.



Independent Variables	Degree of importance			
	1	2	3	4
Factors				
1. Affordable premium (Price)				
2. Speed of disbursing indemnities				
3. Provision of Quality service (fast and efficient services)				
4. Financially sound organization				
5. Good reputation (goodwill and insurance image in the society)				
6. Trust on the Insurance company				
7. Proximity to home/work place				
8. Private Insurance company				
9. public insurance company				
10. Knowledgeable and competent staff/ Knowledge and skills of underwriter or broker				
11. It offered variety of services to customers				
12. Attractiveness of the branch building (physical appearance)				
13. Friendliness of insurance personnel				
14. Having several branches				
15. Branch office Facility the availability of information and parking space				
16. Promotional activity				
17. Staff gives adequate explanation about the services and products				
18. Recommendation from family and friends				
19. Confidence in the insurance manager.				
20. Establishment time (open before others)				
21. Hours of operation				
22. Agent recommendation				

**PART III:INSURANCE BEHAVIOR OF RESPONDENTS:**

1. Which insurances service do you have, and at which Insurance companies?

\_\_\_\_\_

\_\_\_\_\_

2. Are you satisfied with the current insurance services offered by your insurance company?

1) Yes

2) No

3. If your answer for the above question is No, please elaborate why?

---

---

4. Do you have a plan to shift your insurance company?

1) Yes

2) No

4.1 If your answer for the above question is yes, please elaborate why?

1. Due to a decline service quality of the insurance companies
2. Just to see the services of other insurers
3. Due to transfer to other locations
4. Due to high price of the insurance
5. Other

---

APPENDIX B

ጅግዳንሽርሲቲ

ቢዝነስናኢኮኖሚክስኮሌጅ

የድህርምረቃፕሮግራም

በአካዉንቲግናፋይናንስ ት/ክፍል

የጥናትመጠይቅ

የተከበራችሁ የጥናቱ ተሳታፊዎች፡-

የዚህ መጠየቅ ዋና ዓላማ የጥናት ወጥን መረጃ መሰብሰብ ሲሆን የጥናቱ አርሰት “Insurances selection decision: factors that influence the choice of insurance in selected insurance companies in Jimma town.” የጥናቱ ዋና ዓላማ የኢንሹራንስ ደንበኞች ኢንሹራንስ ኩባንያ ምርጫ መስፈረት መተንተን ሲሆን እርሶ ይህንን መጠይቅ በአግባቡና ግልፅ በሆነ መልክ መፅተው እንዲመልሱልኝ በአፅናትና በአክብሮት እጠይቃለሁ። ሁሉም ምላሾች ለጥናቴ ሟ ሟ ያና ለድህረ ምረቃ በአካዉንቲግና ፋይናንስ ት/ክፍል እንዲሁም ለኢንሹራንስ ኩባንያ የአገልግሎት ጥራት ማሻሻያ ግባዓት የሚውሉ ሲሆን ሚኒ ጥራዊነ ታቸውም የተጠበቀ ይሆናል።

ጊዜዎን መከታተል አድርገው  
ይህንን መጠይቅ በመላክ ት  
ስለተባበሩኝ በቅድሚያ አመሰግናለሁ።

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ሚክታወሻ: እባክዎን ማልስ ዎን እንደየ አስፈላጊነቱ ተሰጠውክ ብቦ ታሲይዩ '√' ምላክት

ያስቀምጡ:

ክፍሌ አንድ: የተሳታፊዎች አጠቃላይ ሁኔታ:

1. ያታ:- ወንድ  ሴት

1 .የ ማልስ ሰጪዎ ድሜ -ከ27 ዓመት በታች  28- 35 ዓመት  36 - 45 ዓመት   
46 ዓመት በላይ

2 ሀይማኖት: 1) ሙስሊም  2) ክርስቲያን  3) ሌላ

ክፍል-2 የእንጅራን ስምር ጫመዳዊ ኛዎች መሰፈረትን በተመለከተ

የእንጅራን ስምር ጫመዳዊ ሳኔ በተመለከተ ከዚህ በታች የተለያዩ ጫመዳዊ ኛዎች ቀርቦ ልቦና ሰጥተዎትዎታል ለዚህ ስምር ጫመዳዊ ኛዎች ላይ በመመስረት የጠቀሙት ወደ ሌላ ጉዳይ ለመሄድ ለመቻላቸው ለተሰጠው ደረጃ መሠረት ለርስዎ ላላቸው ጠቀሜታ ለሌላ ጉዳይ ለመሄድ ለመቻላቸው (✓) ከ “4=በ ጣም ጠቃሚ” እስከ

“1=ምንም ዓይነት ጠቃሚም” እያሉ አንድ ቁጥር ብቻ በሚረዱ ስምር ጫመዳዊ ኛዎች ያስቀምጡን።

4= በጣም ጠቃሚ 3= ጠቃሚ 2= አነስተኛ ጥቅም 1= ምንም አይጠቅምም

መመዘኛዎች	የጠቀሜታቸው ደረጃ			
	4	3	2	1
1. የመክፈል አቅምን ያገናኘበዎ ጋ/ተ መጣጣኝ አረቦን ስለሆነ	4	3	2	1
2. የካሳ ክፍያ ጥያቄ ጥነት (ቀላል የክፍያ ስርዓት)	4	3	2	1
3. ፈጣን እና ብቁ አገልግሎት የሚሰጥ ስለሆነ	4	3	2	1
4. የዳቦ ረዩ ሩይና ንስኦቅ ስላለው/በቁገቢ ያለው ድርጅት ስለሆነ	4	3	2	1
5. በህብረተሰብ ወስጥተው ዳጅና መልካም ዝና ያለው ኢንሹራንስ ኩባንያ በመሆኑ	4	3	2	1
6. በኢንሹራንስ ኩባንያው ላይ ያለው እምነት /የኢንሹራንስ ኩባንያው ታላማኒነቱ	4	3	2	1
7. ከመኖሪያ አካባቢ (የሥራ ቦታዬ) ቅርብ ስላለው	4	3	2	1
8. እንሹራንስ ኩባንያው መንግስታዊ በመሆኑ	4	3	2	1
9. እንሹራንስ ኩባንያው የግለሰብ ስለሆነ	4	3	2	1
10. ብቃት ዕና እዉ ቀት ያለው ዕንዲሁ ምተ ዳዳሪ የሰው ሀይል ወይም ወልፈ ማረከላለው	4	3	2	1
11. የተለያዩ የአገልግሎት ዓይነቶችን ለተጠቃሚ መስጠት የሚችል ስለሆነ	4	3	2	1
12. የኢንሹራንስ ኩባንያው ውጫዊ/ውስጣዊ ቅርፅ/ህንፃ ማራኪ በመሆኑ	4	3	2	1
13. የመጀመሪያ የኢንሹራንስ ኩባንያ ስለሆነ (ሌላ ኢንሹራንስ ኩባንያ ስላልነበረ)	4	3	2	1

14.	የኢንሹራንስኩባንያውንስራተያዥምክርሰምቼ	4	3	2	1
15.	ብዙቅርንጫፍስላሰው	4	3	2	1
16.	የቅርንጫፍጽ/ቤትግብአት የተደራጀ የመረጃ ስረአት መስጫእናየመኪናማቆምያቦታስላሰው	4	3	2	1
17.	ማራኪ የሆነ የማስታወቂያ እንቅስቃሴስለሚያደርግ	4	3	2	1
18.	ስራተኛውየሚሰጠውንብቂየሆነየአገልግሎትማብራሪያሰምቼ	4	3	2	1
19.	በቤተሰብእናበጓደኛምክር ወይም ግራት	4	3	2	1
20.	በአስተዳደሩላይዕምነትስላሰኝ	4	3	2	1
21.	አገልግሎት የሚሰጥበትሰዓት	4	3	2	1
22.	በወኪልአማካኝነት	4	3	2	1

ምዕራፍ 3: የኢንሹራንስ አጠቃቀም ሁኔታ

1. የትኛውን ኢንሹራንስ አገልግሎት ይጠቀማሉ? የትኛው ኩባንያ ይገለገላሉ?

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2. ለእርሶበአሁኑ ሰዓት የኢንሹራንስ ኩባንያው የሚሰጠው አገልግሎት አርኪነው ?

አዎ  በፍፁም

3. የላይኛው ጥያቄ መልስ አይደለም ከሆን ለምን እንዳልሆነ ያብራሩልን?

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4. የሚገለገሉበትን ኢንሹራንስ ኩባንያ ለመቀየር ሐሳብ አለዎት?

አዎ  በፍፁም

4.1 የላይኛው ጥያቄ መልስዎ “አዎ” ከሆነ ለምን ለመቀየር እንዳሰቡ ቢያብራሩልን?

ሀ ኢንሹራንስ ኩባንያው የሚሰጠው አገልግሎት ጥራት ስለቀነሰ

ለየሌላ ኢንሹራንስ ኩባንያን አገልግሎት ለማየት

ሐ ወደሌላ ቦታ በመዘዋወሪያ

መ የኢንሹራንስ ኩባንያን አረቦን 76 ከፍተኛ በመሆኑ

ሰ ሌላ ሐሳብ አለዎት?

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5. ኢንሹራንስ ኩባንያውን በተመለከተ ማንኛውም ዓይነት አስተያየት ካለዎት?

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APPENDIX C

Group Statistics					
	Religion	N	Mean	Std. Deviation	Std. Error Mean
factors	Muslim	132	2.9910	.57541	.05008
	Christian	175	2.9751	.49594	.03749

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Factors	Equal variances assumed	5.25344	.02258	<b>.84382</b>	<b>305</b>	<b>.39943</b>	.05780	.06849	-.07698	.19257
	Equal variances not assumed			.78770	1.27470E2	.43234	.05780	.07337	-.08739	.20298

Group Statistics

	Religion	N	Mean	Std. Deviation	Std. Error Mean
factors	Muslim	132	2.9910	.57541	.05008
	Christian	175	2.9751	.49594	.03749

	Levene's Test for Equality of Variances		T-TEST FOR EQUALITY OF MEANS							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% CI of the Difference		
								Lower	Upper	
Factor	Equal variances assumed	8.470	.004	.261	305	.794	.01598	.06128	-.10460	.13656
	Equal variances not assumed			.255	257.958	.799	.01598	.06256	-.10721	.13918

ANOVA					
Factors					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	15.762	3	5.254	22.604	.000
Within Groups	70.427	303	.232		
Total	86.189	306			

Multiple Comparisons						
factors						
LSD						
(I) Age of Respo nents	(J) Age of Respo nents	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
<=27	28-35	.45399*	.07104	.000	.3142	.5
	36-45	.31103*	.07565	.000	.1622	.4599
	>46	.85533*	.11920	.000	.6208	1.0899
28-35	<=27	-.45399*	.07104	.000	-.5938	-.3142
	36-45	-.14296*	.06699	.034	-.2748	-.0111
	>46	.40134*	.11390	.000	.1772	.6255
36-45	<=27	-.31103*	.07565	.000	-.4599	-.1622
	28-35	.14296*	.06699	.034	.0111	.2748
	>46	.54430*	.11684	.000	.3144	.7742
>46	<=27	-.85533*	.11920	.000	-1.0899	-.6208
	28-35	-.40134*	.11390	.000	-.6255	-.1772
	36-45	-.54430*	.11684	.000	-.7742	-.3144

\*. The mean difference is significant at the 0.05 level.



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