

FACTORS AFFECTING BUYING DECISION ON VOLUNTARY SOCIAL INSURANCE IN VINH LONG CITY IN VINH LONG PROVINCE, VIET NAM

Mai Thanh Loan,
Van Lang University (VLU)

Nguyen Hoang Truc Quyen
Vinh Long Social Insurance

ABSTRACT : *This study aims to examine the factors affecting purchase decision on voluntary social insurance of people in Vinh Long City, Vinh Long Province, Vietnam. The sample data of 370 survey responses was collected and stratified by age group. The regression analysis results shows five factors at the level of 0.05 significance. These are: Financial Benefits, Social Security Awareness, Influence of Relatives, Insurance Agents Staff and Income Awareness*

KEYWORDS: decision of buying, voluntary social insurance.

INTRODUCTION

Robert Palacios, the World Bank's chief global pension and social insurance expert, said traditional social insurance based on deductions on workers' wages would not keep pace with the aging population. Vietnam is solving this problem; in particular, by encouraging people to participate in voluntary social insurance program to transform Vietnamese social insurance system into a multi-pillar and sustainable pension system. This study examines factors that affect purchase decision on voluntary social insurance of people in Vinh Long City, Vinh Long Province, Vietnam. This paper provides policy implications to help the Social Insurance Agency encourage people's voluntary social insurance participation.

LITERATURE REVIEW

The theoretical basis for the research model is consumer behavior theory, consumer purchasing decision and voluntary social insurance. Theories of consumer behavior are presented by the following scholars: Theory of rational action model - TRA (Fishbein (1963, 1967, 1980), Fishbein and Ajzen (1975); Theory of planned behaviour – TPB (Ajzen, 1985); and researchers such as Schiffman & Kanuk (1997), Jagdish N. Sheth, Banwari Gangal & Bruce I. Newman (1998), Philip Kotler (2001), Gary Armstrong (2009). Voluntary social insurance is a form of social insurance organized by a nation in which participants are allowed to choose the payment rate and mode of payment in accordance with their income. The Vietnam Social Insurance Law (2014) stipulates voluntary social insurance including two regimes: retirement and survivorship. The experimental

basis for the proposed research model is the previous relevant studies, including 01 foreign research papers and 03 domestic research papers.

The practical basis for the research paper which is also the basis for applying research results is Vinh Long Social Insurance

Table 1: Summary of researches related to social insurance purchase decisions

No	Researcher	Number of studies	Factors affecting the voluntary social insurance purchase decision
1	Truong Thi Phuong (2012)	Factors affecting the intention to participate in voluntary social insurance of informal workers in Phu Yen province, Vietnam	-Media . -Income . -Awareness of social security. -Understanding about voluntary social insurance. -Attitude.
2	Luu Thi Thu Thuy, (2011)	The needs and capabilities of the participants in informal social insurance and voluntary health insurance.	- Academic background. - Occupational nature. - Form of work - Knowledge and income. - The level of income stability.
3	Đang Thi Ngoc Diem, (2010)	Factors affecting the access and use of voluntary health insurance for rural people in Vietnam nowadays	-Psychological factors. -Health services. -Media. - The role of health insurance agent
4	Lin Liyue; Zhu Yu (2006)	Multi-level analysis on the determinants of social insurance participation of China's floating population: a case study of six cities.	- Awareness of social security. - Understanding of social insurance

(Source: Collected from studies)

THEORETICAL BASIS AND RESEARCH MODEL

GENERAL LITERATURE ABOUT BUYER'S PURCHASING DECISION

Consumer behavior and factors affecting consumer behavior

Consumer behavior

According to Philip Kotler (2001): consumer behavior refers to all activities from need recognition to purchase and post-purchase of products

According to American Marketing Association: consumer behavior is defined as the interaction between external environment and people's perception and behavior. It is through this interaction that people change.

Factors affecting consumer behavior

Based on the definitions, factors affecting consumer behavior include: culture, society, individual and psychology

(Source: Philip Kotler, Gary Armstrong (2009))

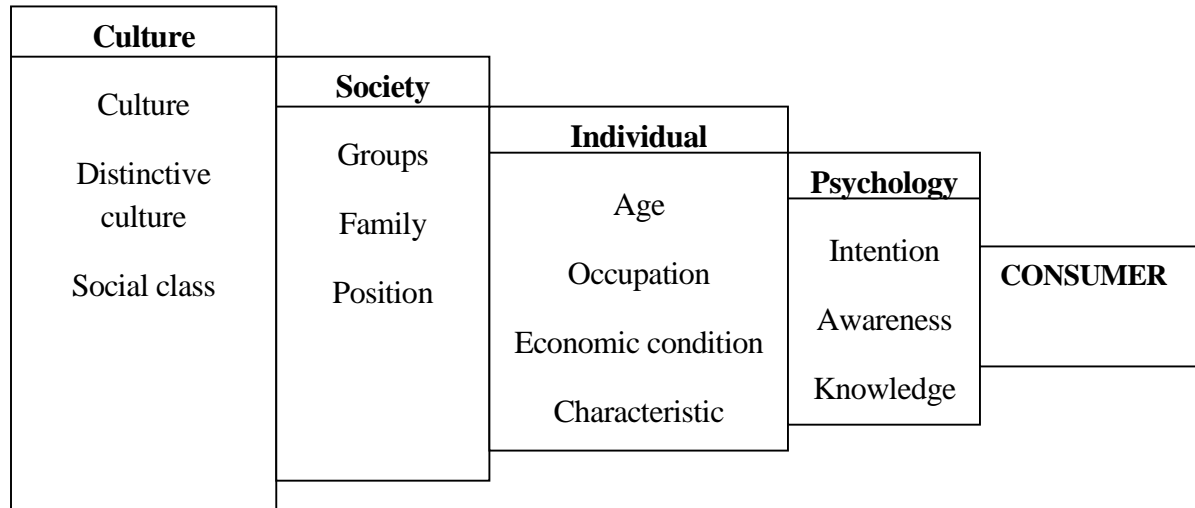
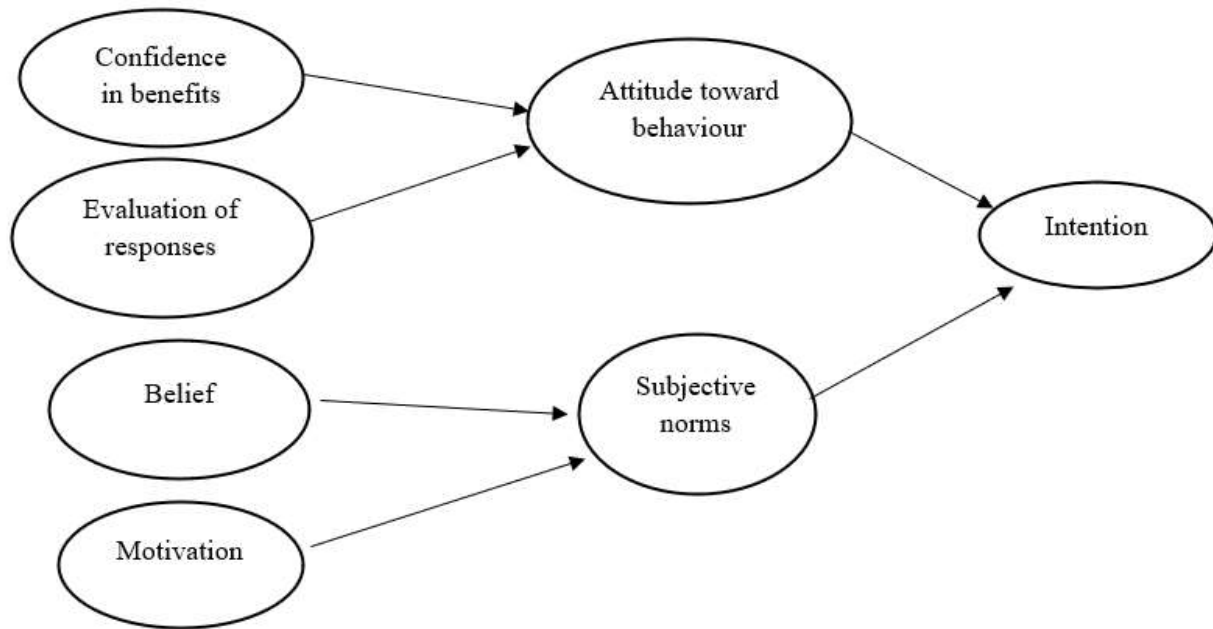


Figure 1: Factors affecting consumer behavior

Consumer behavior literature

Theory of Reasoned Action model – TRA

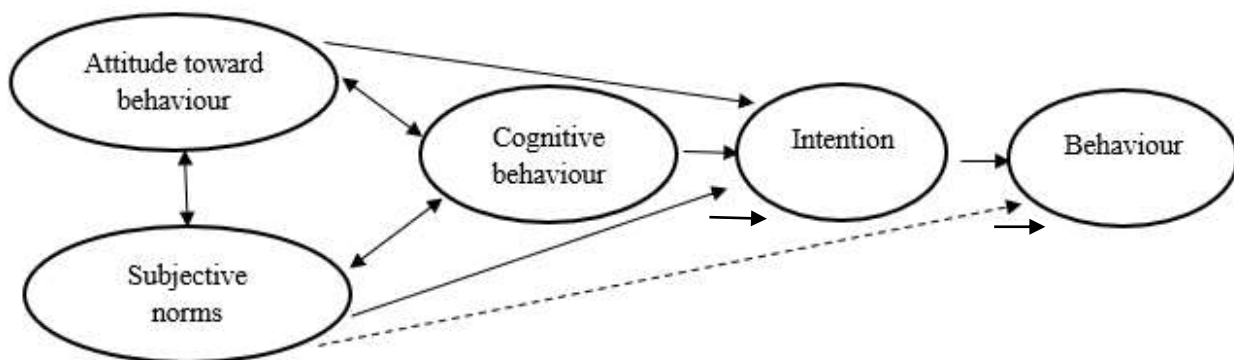
The TRA model was developed by Fishbein (1963, 1967, 1980); Fishbein và Ajzen (1975); Ajzen và Fishbein (1980). TRA explains the relationship between attitude towards behavior and subjective norms that determines consumer behavior



(Source: Schiffman & Kanuk, 1997)
Figure 2: Theory of reasoned action model of Ajzen & Fishbein

Theory of planned behaviour – TPB

TPB by Ajzen (1985) was developed based on the extended theory of reasoned action by adding factors that influence cognitive behaviour into the model



(Source: Ajzen, 1975)

Figure 3: Theory of Planned Behaviour (TPB)
3.2 VOLUNTARY SOCIAL INSURANCE LITERATURE

Insurance

According to International Labor Organization, in Convention 102, 1954: Social insurance aims to protect members of a society through public measures in order to prevent economic and social

difficulties due to suspension or reduction in earnings caused by illness, maternity, work accidents, unemployment, injury, aging and death; while ensure medical care is in place.

Social insurance

From a legal perspective: Social insurance is a legal governance that sets rules for people, conditions, material security level and necessary services to protect workers and their families in case insurance is...

From a financial perspective: Social insurance is a tool of sharing financial risk among insurers in according with the law.

According to the Article 3, Law on Social Insurance No. 58/2014/QH-Vietnam: Social insurance acts as an assurance in replacing or partially offset workers' income in case of income lost due to illness, maternity, work accidents, occupational disease, unemployment, end of working age or death, on the basis of social insurance contributions.

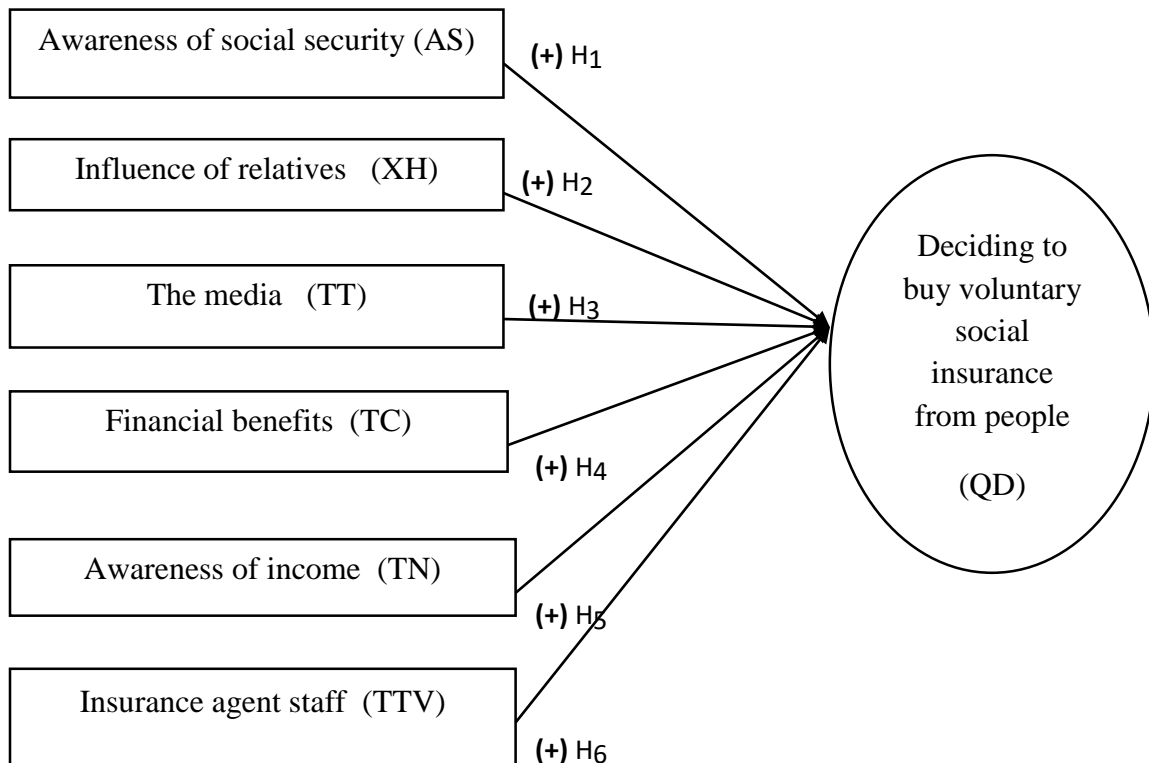
Compulsory social insurance

Compulsory social insurance is a form of social insurance developed by the State that require both workers and employers to participate. Vietnam's Social Insurance Law (2014) specifies that compulsory social insurance consists of five regimes: illness, work accident, occupational disease, maternity, retirement and death.

Voluntary social insurance

Voluntary social insurance is a form of social insurance developed by the State in which participants are allowed to choose payment rate and mode of payment in accordance with their income. Vietnam's Social Insurance Law (2014) specifies that voluntary social insurance comprises two regimes: retirement and death.

Table 1 showed that there were four studies related to social insurance purchase decisions. Based those mentioned above, the researchers develop a new model below (Figure 1):



(Source: The researchers' collecting and proposed)

Figure 1: Research model for factors affecting the voluntary social insurance purchase decision of people in Vinh Long City, Vinh Long Province, Vietnam

Figure 1 showed that there were six factors affecting the voluntary social insurance purchase decision of people in Vinh Long City. All of factors are positive relationship with the dependent variable. In this research model, the content of factors defined in Table 2 is as follows:

Table 2: Describe variables in the model

No	Code	Factor (variable)	Describe variables	Sources
1	AS	Awareness of social security	- In this study, Social security is a social security with contribution; in which, social insurance includes compulsory social insurance and voluntary social insurance. - Voluntary social insurance includes two regimes, retirement and survivorship.	Vietnam Social Insurance Law (2014)
2	XH	Influence of relatives	Social influence is the impact of people influencing an individual so that an individual decides whether or not to conduct a certain behavior.	Ajzen & Fishbein (1975)
3	TT	The media	Social influence is the impact of people influencing an individual whether or not they should conduct a certain action	(P.Koler, 2017,)
4	TC	Financial benefits	Are advantage, privilege, right, or financial reimbursement (such as that made under an insurance policy, medical plan, or pension plan	Business Dictionary ; Jagdish N.Sheth & ctg (1998)
5	TN	Awareness of income	Is the insurer's awareness to ensure income to pay for insurance premiums.	Lin Liyue; Zhu Yu (2006)
6	TTV	Insurance agent staff	As the person who brings the insurance product package to the participant, they represent the insurance company to sign a temporary contract and directly solve the participants' problems related to the product.	Vietnam Social Insurance Law (2014)

(Source: The researchers' collecting and proposed)

METHODS OF RESEARCH

This research is done through two steps: Qualitative research and Quantitative research. *Qualitative research*: It is a kind of research used to adjust, modify and unify observing variables to measure the research concept. (đoạn màu đỏ là cô lấy trong sách ra, có thể con không phải quan tâm nhiều) The biggest contribution of the research paper is questionnaires which is suitable with the reality of voluntary social insurance in Vietnam. Based on a small number of original scales and the theory of variable content; The researchers have built the draft scale, consulted experts, interviewed the test, adjusted the scale, verified the suitability of the scale through Cronbach 'Alpha coefficient, completed the official scale. The scale of the research in Table 3 follows. *Quantitative research*: The sample data of 370 survey questionnaire responses. Respondents is residents living in Vinh Long city, Vinh Long province, Vietnam. Methods of stratified sampling

by age group of the insured . Survey method is face-to-face interview and respondents self-vote. On the collected data, data analysis includes: measuring reliability of scales, exploring factor analysis, estimating regression parameters and tests.

Table 3: Observed variables

1	2	3	4	5
Totally Disagree	Disagree	No idea	Agree	Totally Agree
<i>Code</i>	<i>Awareness of social security (AS)</i>			
AS1	You think about getting older, depending on your loved ones			
AS2	You participate in voluntary social insurance as a preparation for old age.			
AS3	Voluntary social insurance is a social security policy that ensures a minimum of basic services for people.			
AS4	The voluntary social insurance provides stable income and medical care when it is over the working age			
AS5	You join voluntary social insurance to take care of yourself.			
	<i>Influence of relatives (XH)</i>			
XH1	Family members support you to participate in voluntary social insurance.			
XH2	Friends and colleagues recommend and encourage you to participate in voluntary social insurance.			
XH3	You heard about voluntary social insurance from people around you who are participating in voluntary social insurance.			
XH4	You heard about voluntary social insurance from people who have been and are enjoying social insurance.			
	<i>The media (TT)</i>			
TT1	You know about voluntary social insurance from panels, posters, leaflets.			
TT2	You know about voluntary social insurance through a propaganda conference by the post office.			
TT3	You know about voluntary social insurance through mass media such as newspapers, television.			
TT4	You know about voluntary social insurance from social networks (Facebook, Zalo, ...)			
TT5	You are introduced to voluntary social insurance through local organizations and unions.			
	<i>Financial benefits (TC)</i>			
TC1	Social insurance voluntarily provides income compensation when the working age ends.			
TC2	Voluntary social insurance reduces the burden of health care costs when the working age ends.			
TC3	Voluntary social insurance is a safe investment.			

(Source: The researchers' collecting and proposed)

TC4	When a participant of voluntary social insurance dies, there is still a payment to the person who is responsible by the social insurance participant but has not reached the age of majority or the working age.
TC5	Voluntary social insurance participation is risk prevention.
	<i>Awareness of income (TN)</i>
TN1	Income is an important factor affecting your voluntary social insurance participation
TN2	If your income is stable, you will participate in voluntary social insurance
TN3	If there is support from relatives, you will participate in voluntary social insurance.
TN4	The minimum contribution rate in the current voluntary social insurance contribution frame is VND 154,000 / person / month, which is suitable with your actual income.
TN5	The voluntary social insurance policy has support for all participants and higher support for the poor and near-poor.
	<i>Insurance agent staff (TTV)</i>
TTV1	Insurance agent staff are gentle, enthusiastic.
TTV2	Insurance agent staff thoroughly answer your questions
TTV3	Insurance agent staff promptly detect errors in your voluntary social insurance records.
TTV4	Insurance agent staff have good knowledge about voluntary social insurance.
TTV5	Insurance agent staff promptly reminds you to pay your money on time.
	<i>Decide to buy (QĐ)</i>
QĐ1	You are hesitant about participating in voluntary social insurance.
QĐ2	You intend to participate in voluntary social insurance.
QĐ3	You want to join voluntary social insurance.
QĐ4	You will participate in voluntary social insurance.
QĐ5	You will decide to participate in voluntary social insurance.

RESEARCH RESULTS

Table 4: Correlation matrix of factors influencing buying decisions

		QD	TN	AS	XH	TT	TC	TTV
Pearson Correlation	QD	1.000						
	TN	.378	1.000					
	AS	.354	-.059	1.000				
	XH	.348	-.074	-.061	1.000			
	TT	-.031	-.048	-.037	-.027	1.000		
	TC	.448	.024	-.069	.059	.057	1.000	.
	TTV	.432	.092	.074	-.069	.043	.008	1.000
Sig. (1-tailed)	QD	.						
	TN	.000	.					
	AS	.000	.131	.				
	XH	.000	.076	.119				
	TT	.279	.176	.241	.299	.		
	TC	.000	.320	.093	.127	.138		
	TTV	.000	.039	.077	.094	.207	.436	.

(Source: The researchers' processing SPSS 22.0)

Table 4 shows a positive and quite strong correlation between the 5 independent and dependent variables. In addition, there is no correlation between the factor The media (TT) and the dependent variable (QD). However, the researchers continued to regression analysis with 6 independent variables TN, AS, XH, TT, TC, TTV and QD dependent variable.

Table 5: The summary output of factors affecting the voluntary social insurance purchase decision

Model	Standardized Coefficients	t	sig	VIF
(Constant)	0,000	-10,324	0,000	0,000
TN	0,383	15,888	0,000	1,022
AS	0,401	16,655	0,000	1,020
XH	0,401	16,692	0,000	1,018
TT	-0,028	-1,165	0,245	1,011
TC	0,441	18,377	0,000	1,012
TTV	0,392	16,276	0,000	1,021
R ² Adjusted = 0,790				
Sig. F change = 0,000				
Durbin-Watson = 2,032				
Sig.F = 0,000				

a. Dependent Variable: PT

b. Predictors: (Constant), TN, AS, XH, TT, TC, TTV

(Source: The researchers' processing SPSS 22.0)

Table 5 shows the voluntary social insurance purchase decision explained by 5 independent variables of the model at significance level of 0.05. Sort 5 variables: Financial benefits (TC), Awareness of social security (AS), Influence of relatives (XH), Insurance agent staff (TTV) and Awareness of income (TN).

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

Conclusions

Based on the findings of this study, the following conclusions were drawn. Chi-Square testing of model suitability meets inspection standards, for conclusions:

1. *Adjusted R Square = 79,0%* : reflecting 79,0% of the change in the voluntary social insurance purchase decision of people due to the change of 5 factors
2. *In addition, the results of other tests:* (1) Multicollinearity testing: VIF are all <10: there are no signs of multicollinearity.(2) . Durbin-Watson = 1,552 (1 < D < 3) : The model has no autocorrelation. (3) The model does not violate the uniform variance hypothesis, the normal distribution hypothesis of residuals. (4) There is no difference in the decision to participate in voluntary social insurance among different population groups in Education, Age, Occupation and Income. But between women and men, there is a difference in the decision to buy voluntary social insurance
3. *The link between research results and practice :* (1) *Regarding variables with no statistical significance:* compared with current practice, the factor The media has no statistical significance is appropriate. Insurance agencies rarely use modern communication channels and thus are less effective. (2) *Regarding the magnitude and sign of coefficient beta:* all the factors that influence positive the buying decision and Financial benefits have the strongest impact. This result is consistent with the situation of voluntary social insurance participation in the locality. The fact is that most buyers plan for the future, they will have a certain income when they get old. In addition, they choose the maximum premium rate appropriate for their ability to pay premiums in order to gain the greatest financial benefit.
4. *Compared to previous studies:* model results are similar to previous studies.

Managerial implications

Based on the findings and conclusions about the model, the following recommendations are proposed: *Firstly, about Financial benefits:* People are primarily interested in the financial benefits of insurance products. Therefore, the social insurance agency needs to review and improve the voluntary social insurance policy. *Secondly, about Influence of relatives :* This factor has the second strongest impact on the participants' decision to buy voluntary social insurance; Since then, the social insurance agency should propagate to everyone because they can affect relatives who are eligible to participate in voluntary social insurance. *Thirdly, about Awareness of social security :* Social insurance agencies enhance the propaganda to make people aware that voluntary social insurance participation not only for their own lives, but also for practical contributions to the state's social security policies. *Fourth,* the Social Insurance Agency needs to train professional agent staff and ensure that the information transmitted to people from them and from social insurance agency officials is consistent.

Proposing the next research direction: (1) Add independent variables to the research model in the direction of testing policy factors of voluntary social insurance. (2) Expand the scope of research to other provinces so that the model can be tested more widely. (3) In the same study area, it is recommended to test other research models to have more synchronized solutions.

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