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Analysis of The Relationship Between Risk Management, Economic Situation, Customer Behavior And Insurance Business Growth

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Abstrak

Penelitian ini bertujuan untuk menganalisis faktor-faktor yang membatasi pertumbuhan pasar asuransi di Indonesia. Penelitian ini bersifat deskriptif dan eksploratif. Analisis menggunakan koefisien korelasi. Hasil analisis menunjukkan bahwa terjadinya ketidakstabilan ekonomi, ketidakpercayaan dan kurangnya pemahaman tentang risiko membatasi pertumbuhan pasar asuransi di Indonesia. Faktor-faktor ini tidak hanya mewakili kondisi yang diperlukan tetapi juga cukup untuk membatasi pertumbuhan pasar. Menurut penelitian terdahulu, peneliti dapat membangun hubungan sebab akibat diantara variabel-variabel yang diamati, dimana pada penelitian ini variabel yang diestimasi adalah pertumbuhan pasar asuransi. Pada penelitian ini, baik secara bersama-sama maupun parsial, seluruh variabel bebas memiliki dampak yang signifikan dalam menghambat pertumbuhan pasar asuransi.

Kata Kunci: *Asuransi, Ekonomi, Pasar, Persepsi Risiko*

Abstract

This research aims to analyze the factors that limit the growth of the insurance market in Indonesia. This research is descriptive and exploratory. Analysis uses correlation coefficient. The results of the analysis show that economic instability, distrust and a lack of understanding of risk limit the growth of the insurance market in Indonesia. These factors not only represent necessary conditions but are also sufficient to limit market growth. According to previous research, researchers can establish causal relationships between observed variables, where in this study the variable estimated is insurance market growth. In this research, both jointly and partially, all independent variables have a significant impact in inhibiting insurance market growth.
Keyword*: Insurance, Economic, Market, Risk Perception*

INTRODUCTION

The social implications of not having life insurance impact the family, which is the central unit of society. Beyond the profitable objectives that concern the entire insurance market in general, the reasons underlying and justifying this research also go beyond economic benefits, because life insurance in particular, by covering the risk of death, corresponds to the most important social role of all insurance markets (Afifah et al., 2018). Given that the most dangerous risk for household economic stability is the premature death of the family head and the resulting sudden cessation of resources to support the economy, insurance activities play a crucial role. In this context, the need for awareness of the importance of life insurance as a form of social protection for families becomes very crucial. Life insurance not only offers financial benefits to heirs upon the death of the policyholder but also provides much-needed economic stability in the face of unexpected situations (Dharta et al., 2024). By increasing public understanding of the benefits of life insurance and expanding access to this product, we can reduce the negative social impacts caused by a lack of life insurance coverage. In addition, the government and related institutions need to work together to create an environment that supports the growth of the life insurance sector, such as by encouraging product innovation, providing fiscal incentives, and increasing financial literacy (Anantadjaya, 2009).

Similarly, by identifying current constraints and devising strategies to surmount them, the state can alleviate the financial strain on resources in sectors such as social security, education, and health. By expanding life insurance coverage, the state can reduce the budgetary burden required to provide social security in unexpected situations, such as the premature death of the head of the family (Tannady & Sitorus, 2017). This allows for a more efficient allocation of resources to other areas that are also important for the welfare of society. Apart from that, life insurance companies also have an important role in the country's economy. They can be a driver of economic growth through long-term investments made in various financial instruments, including government bonds. These investments not only benefit insurance companies but also help finance development projects that support the country's overall economic growth. Thus, through developing the life insurance sector, the state can achieve two goals at once, namely reducing the budget burden in the field of social security and supporting economic growth through long-term investments made by life insurance companies (Rahayu et al., 2018).

When analyzing the likely evolution of the life insurance market, it is important to consider the natural direction of the sector, not just past projections (Tannady et al., 2023). In the context of life insurance, this can mean that insurance products and companies that are able to adapt and provide greater added value for customers are likely to survive and develop in the market. Products that are innovative, flexible, and able to meet consumer needs and desires will have a greater competitive advantage (Anantadjaya, 2008). In addition, life insurance companies that are able to manage risk well, have financial sustainability, and can offer competitive prices will also have a better chance of surviving market competition. Thus, we can understand the evolution of the life insurance market through the lens of natural selection, where products and companies with competitive advantages are more likely to survive and thrive, while those unable to adapt may face marginalization or even elimination by the market (Arliani et al., 2019).

The company's or market's actions must reflect an effective social responsibility model and be an integral part of management in each case. Therefore, producing actions aimed at overcoming problems related to social responsibility requires a voluntary commitment and strategic attitude (Ahmed et al., 2022). The development of business activities based on behavior that is ethical, transparent, and contributes to the satisfaction of current and future community needs is the clearest and safest step to achieving business goals. This approach not only takes into account short-term financial gains but also wider social and environmental impacts, which in turn can improve a company's sustainability and reputation (Tanti et al., 2024).

The lack of certainty in determining the causes that shaped the evolution of voluntary life insurance suggests that the policy's development has not yet reached its full potential. This suggests the need for further research to understand market dynamics and factors influencing the evolution of voluntary life insurance. It should be remembered that voluntary life insurance has an important role in providing financial protection for individuals and families facing the risk of death (Feimianti et al., 2014). Therefore, the development of better voluntary life insurance products can provide significant benefits to society (Awa, 2024). In developing voluntary life insurance policies, insurance companies need to consider factors such as consumer needs and preferences, government regulations, and technological developments. By doing this, companies can create products that are more innovative and relevant to market needs, which in turn can increase the penetration of voluntary life insurance in society.

RESEARCH METHOD

This study has explanatory characteristics because of its focus on identifying the conditions of phenomena observed in the evolution of life insurance. This research is also descriptive in nature because it analyzes the nature and manifestation of events that represent the contracting of life insurance. In addition, this research has exploratory characteristics because it seeks to introduce readers to a topic that is often unknown or rarely studied seriously, which can be a starting point for further research with different levels of depth. The overall insurable population for coverage provided by non-capitalization life insurance policies is the focus of this study, assuming that the context and background conditions are similar to reality. Analysis using correlation coefficients makes it possible to establish the logical relationships that exist between these determinants. For this research, the main analytical instruments used were spreadsheets and the application of graphs, formulas, and functions provided by Microsoft Excel.

RESULT AND DISCUSSION

Economic instability is the main obstacle to the growth of the life insurance market. Currency value fluctuations, high inflation, and general economic uncertainty can cause this, prompting people to exercise caution when making long-term investments like life insurance. Apart from that, misinformation at 15% is also an important factor hindering the growth of this market. Misinformation can arise from various sources, including wrong or inaccurate information about life insurance products as well as public ignorance about the benefits and importance of having life insurance. The non-perception of risk of 14% is also an obstacle because some people may not be aware of the financial risks that could occur if they do not have life insurance protection. A lack of understanding of these risks or a belief that they won't occur can lead to this situation. The distrust of 13% is also a significant factor. This distrust may arise from a bad experience with an insurance company or a lack of transparency in the industry. Comprehensive efforts, such as educating the public about the importance of life insurance, enhancing transparency and trust in the insurance industry, and reducing economic instability, are necessary to overcome these obstacles. In this way, the life insurance market can grow and provide broader financial protection for the public.

Misinformation and disinterest in life insurance can be serious obstacles to market growth. If people do not have adequate information about life insurance products and their benefits, they may not realize the importance of having financial protection for their future. Additionally, a lack of interest in or awareness about life insurance can lead to negative perceptions or distrust of the product. We need to increase insurance literacy in the community to overcome this problem. Education and outreach campaigns about the benefits of life insurance can help change perceptions and increase public interest in the product. In addition, insurance providers can also increase the transparency and clarity of information about their products to reduce the possibility of misinformation appearing. In this case, collaboration between the government, financial institutions, and civil society organizations can also help increase public understanding of life insurance. Thus, positive synergy between the efforts of the government, insurance providers, and society can help overcome these challenges and expand life insurance market penetration.

Misinformation and product complexity interact to create significant barriers to life insurance market penetration. When life insurance products become too complex, it is difficult for consumers to clearly understand the benefits and coverage. Misinformation can exacerbate this issue by leading consumers to misunderstand or hold negative perceptions of life insurance products. When product complexity and misinformation combine, consumers can have difficulty making informed decisions about life insurance. They may feel unsure about the benefits of the product or even avoid purchasing life insurance due to their lack of understanding of the product. To address this issue, it is important to simplify life insurance products and provide consumers with clear and accurate information. Education and outreach campaigns can help increase public understanding of life insurance products and eliminate any misinformation that may exist. Transparency in product communications is also important to ensure consumers can make informed decisions about life insurance. By reducing product complexity and ensuring accurate and clear information, the life insurance market can grow stronger and more inclusive, with more people understanding and using life insurance products to protect their future.

The interplay between disinformation and distrust can significantly influence the penetration of the life insurance market. Disinformation, or false or inaccurate information, can lead to distrust of life insurance products. When consumers are unsure about the veracity of the information they receive about life insurance products, they tend to become skeptical and reluctant to purchase an insurance policy. Distrust can also arise from a lack of reliable information or transparency in the life insurance industry. If consumers feel that the information they receive is unclear or incomplete, they may feel distrustful and unsure about the benefits or reliability of life insurance products. In this context, disinformation and distrust work together to create obstacles to the growth of the life insurance market. To overcome this problem, it is important to provide consumers with clear, accurate, and transparent information. Effective education campaigns can also help overcome disinformation and build consumer trust in life insurance products. By reducing disinformation and increasing consumer confidence levels, the life insurance market can become more inclusive and better developed, with more people feeling comfortable and confident purchasing life insurance to protect themselves and their families.

Economic instability and distrust do have a strong correlation, especially in the context of the life insurance market. Economic instability, such as exchange rate fluctuations, high inflation, or political uncertainty, can create distrust in the market's ability to provide stable and reliable financial protection. When the economy is unstable, people tend to feel uncertain about their future and are wary of making long-term financial decisions, such as purchasing life insurance. Economic uncertainty may also affect an individual's ability to pay insurance premiums consistently due to changes in their economic conditions. In this relationship, economic instability and distrust reinforce each other, creating obstacles to the growth of the life insurance market. To overcome this problem, it is important for the government and insurance industry to create a stable economic environment and build public trust through transparency and reliability in insurance services. By creating economic stability and increasing levels of public trust, the life insurance market can better develop and become more inclusive, with more people feeling confident about protecting themselves and their families through life insurance.

Economic instability and the perception of no risk can indeed influence each other. When the economy is unstable, people tend to focus more on their immediate needs and current financial situation than considering long-term risks such as life insurance. Worries about work, income, or general economic conditions can trigger this tendency. On the other hand, the perception of no risk may also be a factor in a person's inability or unwillingness to consider the risks associated with economic instability. People may feel that they do not need additional protection through life insurance because they feel their situation is secure enough or because they do not see the benefit. The combination of economic instability and the perception of no risk may discourage people from taking out life insurance, thereby limiting the growth of this insurance market. To overcome this, it is important for the government and related institutions to increase awareness of the importance of life insurance, especially in unstable economic situations. We hope that educating the public about the benefits of life insurance's long-term financial protection will inspire more people to protect themselves and their families.

Several factors explain the negative correlation between product complexity and preferences for other financial products. First, the more complex a life insurance product, the more difficult it is for consumers to understand the benefits and risks associated with the product. This can cause consumers to prefer other financial products that are easier to understand and more transparent. Second, the complexity of life insurance products can also reflect the level of competition in the market. If there are many other financial product options that are simpler and more accessible, consumers are more likely to choose those options over complex products. Factors such as consumer confidence in the financial industry, risk preferences, and pressing financial needs can also influence preferences for other financial products. In this context, the high complexity of life insurance products can be an obstacle to the growth of the life insurance market because consumers tend to switch to other financial products that are simpler and easier to understand. Therefore, insurance companies need to consider simplifying their products and increasing transparency to increase their attractiveness in the market.

From the analysis of expert responses, there are two groups of determining factors that influence the growth of the life insurance market namely factors that meet sufficient conditions and factors that meet taxpayer requirements. Factors that meet sufficient conditions, such as economic instability, misinformation, distrust, disinterest, and non-perception of risk, contribute significantly to limiting the growth of the life insurance market. While not all factors need to be present simultaneously to limit growth, the presence of one or more of these factors can be sufficient to influence the market. On the other hand, a lack of fiscal incentives is considered a factor that meets the requirements of taxpayers. That is, the presence of these factors significantly supports limiting the growth of life insurance and is likely to contribute to inhibiting market growth, although these factors are not alone sufficient to completely determine the limiting of growth. By understanding the role of each of these factors, policymakers and market players can formulate appropriate strategies to overcome these limitations and encourage the growth of the life insurance market.

CONCLUSION

This analysis concludes that economic instability, distrust, misinformation, and a lack of risk perception significantly limit the growth of the life insurance market. These factors not only represent necessary conditions but are also sufficient to limit the growth of that market. According to the specialists consulted in this study, we can establish a causal relationship between these variables and the observed effect, which is the limited growth of the life insurance market. This means that these factors, together or individually, have a significant impact on hindering the growth of the life insurance market. With this understanding, we can take appropriate steps to overcome these obstacles and stimulate growth in the life insurance market. Efforts to increase economic stability, increase public confidence in life insurance products, provide clear and accurate information about these products, and increase risk perception and awareness of the need for life insurance can be important steps in overcoming restrictions on the growth of the life insurance market.

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