Sri Lankan Journal of Banking and Finance

An endeavor to share knowledge

Volume: 5 Issue: 01 June: 2022

FACTORS AFFECTING TO THE UNETHICAL BEHAVIOR OF INSURANCE SALESPEOPLE: EVIDENCE FROM SRI LANKAN INSURANCE INDUSTRY

Abewardhana S D[1] and Buddhika H J R[2]

Department of Finance, University of Kelaniya[1, 2]

dilaniabewardhana4@gmail.com[1], buddhikar@kln.ac.lk[2]

https://orcid.org/0000-0002-5967-876X[1]

ABSTRACT

There are limited studies on the unethical behaviour of insurance salespeople in Sri Lanka that focused on organizational factors that affect for unethical behaviour of insurance salespeople. The Ethical Impact Theory (EIT) and the Theory of Bounded Rationality theory used as a unique feature in the study. The sample of 330 insurance salespeople confirmed from the top 05 life and top 05 general insurance companies in Sri Lanka based on market capitalization and simple random sampling method. The data collected via questionnaires. The Researcher used income, benefits, job satisfaction, inability to identify customer needs, failure to fulfil responsibilities, sales target, coaching by the supervisor, and ethical training as independent variables. The data analysed using correlation and multiple regression analysis. The study revealed that income, benefits, job satisfaction, failure to fulfil responsibilities, sales target and coaching by supervisors have a significant positive relationship with the unethical behaviour of insurance salespeople whereas job satisfaction indicated a strong positive relationship. Study concludes that there is a negative impact on coaching by supervisor and unethical behaviour of salespeople in the Sri Lankan Insurance industry. The study is limited only to investigating the reasons for unethical behaviour. Further scholars, can study the consequences of these

unethical behaviours and can conduct in-depth interviews to find more insights.

Keywords – Life Insurance, Sales Target, Operational Risk, Job Satisfaction, Unethical Behavior

1. INTRODUCTION

Insurance is a risk management tool. According to that Insurance can be defined as a legal contract that transfers risk from policyholders to an insurance company. In the Sri Lankan insurance industry, there are mainly two types of insurance namely, Life insurance and General insurance. The main source of income for the insurance service business is customer premiums, insurance agents play an important role in collecting that premium. This research has been based on the factors affecting the unethical behaviour of salespeople in the Sri Lankan insurance industry.

Need and Importance of the study

Customer demand for the insurance industry in Sri Lanka is very low compared to other countries in South Asia. The misconduct of insurance agents is a widely talking topic in these days. Sri Lanka is a developing country. Compared with other South Asian countries, Sri Lankan insurance penetration ratio is very low. Industry experts point out that miss-selling is a big problem there, it can be attributed to the lower penetration.

According to an industry expert, the penetration ratio of the insurance industry can be increased by enhancing the trust and improving the level of perceived skill of sales executives. Although it's important to understand the unethical behaviour of salespeople, only a few studies have empirically tested the determinants of unethical behaviour of insurance salespeople. Most researchers have studied only life insurance agents, according to previous researchers, none of them has analysed the unethical behaviour of the life and general insurance salespeople in Sri Lanka. Thus, this study will help Sri Lankan insurance companies to identify the frauds made by insurance agents and also to know about what are the factors affecting the unethical behaviour of insurance agents. This research study provides insurance companies with guidance on how to avoid such unethical behaviours of the insurance salespeople.

Research Problem

Sales occupation is not existence measured as an occupation by numerous persons owing to the wicked involvement although execution of certain connections with an unprincipled sales assistant. It designates that the subject of integrity is also associated with the sales occupation (Adnan et al., 2013). As per Talwar & Ali (2016), the largest question for any insurance company is the loss-selling of policies to the customers causing in very high causation of policies and very high employee turnover. Prevailing situation according to (Talwar & Ali, 2016) Sri Lanka insurance industry, has the largest policy lapse ratio due to overselling and it identifies the industry’s sales production to the clients. These deceptive and misdirecting deals practice by a portion of the salespersons have acquired protection experts and industry a terrible name among individuals. Because of that, more exertion was needed to expand the insurance penetration rate. In this way, it was critical to ensure the individual sales rep’s standing just the business notoriety. What’s more, the exploitative practices by salespersons cause issues inside deals associations and with other business capacities, harm client connections, decline client maintenance and diminish deals (Somerville et al., 1981); 2005 – 2015 Sandi Kruise Insurance Training. In 2019, insurance penetration, as measured by insurance premiums as a proportion of GDP, was 1.31 percent. Although insurance penetration improved somewhat in 2019 from 1.26 percent in 2018, it remains low in comparison to other Asian countries. In 2019, penetration of the long-term insurance business was 0.59 percent (2018: 0.56 percent), while penetration of the general insurance business was 0.72 percent (2018: 0.70 percent), indicating a minor increase in both long-term and general insurance industries compared to 2018 (IRCSL,2019). University of Kelaniya Head of Department of Marketing Management Dr. Ajith Medis said that the “penetration rates of both life insurance and general insurance can be further improved by increasing the awareness of the people about the insurance industry and by enhancing the trust as well as the perception of the skill levels of sales executives” (Life Insurance Advisors Hold National Forum, 2019).

DG Damayanthi Fernando said that when it comes to insurance salespersons, there is a problem with professionalism and the level of knowledge they have about certain products. Investigations of claims from policyholders in the settlement of claims show that some salespersons do not have proper sales procedures. And also salespeople represent insurers and brokers and therefore they need to acquire businesses to get a commission on behalf of their principals. Therefore, sometimes it is based on commissions rather than being customer-centric. Products are usually sold not to suit customer needs but to meet their business goals or targets ('Daily News', 2020).

According to the investigatory review of the insurance regulatory commission of Sri Lanka as shown in the figure below, the number of annual referrals fluctuated in the past 5 years Graphics.

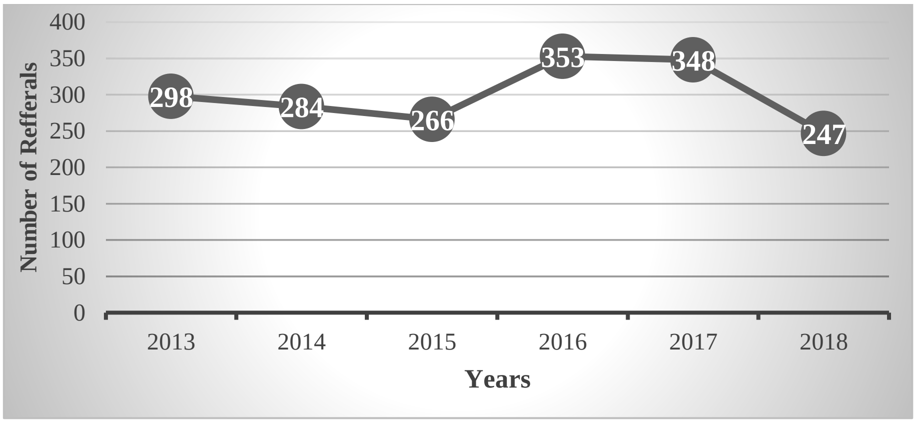

Figure 1: Number of Annual Referrals

Source: IRCSL Annual Report, 2018

This figure 1 as shown the number of matters referred to the commission in the period under review (247) has decreased compared to the previous year (348). These referrals are about various disputes between the claimant and the insurer regarding the settlement of claims and complaints related to market behavior insurance companies, brokers and agents. There were referrals about unfair termination, related to the academic qualifications of the agent.

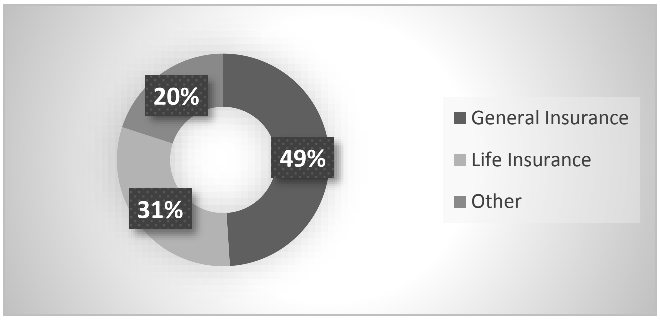

Figure 1: Classification of Total Matters Referred to in the Year 2018

Source: IRCSL Annual Report, 2018

There are other complaints (20%) related to the unethical behaviour of the agent, such as providing information, paying misappropriating premiums with sales staff, fraud, misrepresentation, non-payment claims, unfair termination, backlisting and related to educational qualifications of agents and reported several small cases related to the operation method branch office. The analysis of the root cause of the referral shows that one of the main reasons for life insurance claims disputes is the misunderstanding of the wording of the insurance policy and the insufficient explanation provided by the insurers.

Unsatisfied with the amount of the claim for the same reason. (IRCSL Annual report, 2018).

From the above information, studying the unethical behavior of salespeople is very important to the customers and this study helps the insurance industry to identify the factors affecting the unethical behavior of salespeople. Therefore, unethical behavior has become a major issue for Insurance Salespeople in Sri Lanka. It is important to study the unethical behavior of not only life insurance agents but also general insurance agents. Therefore, the research problem of this study is "What are the factors affecting the unethical behavior of salespeople in the Sri Lankan insurance industry.

According to Chandrarathne and Herath (2020), there are five sorts of unethical behavior among life insurance salespeople that damage the company's reputation: providing supervisory roles, sales targets, organizational culture, code of ethics, and rewarding system. These five items were used to assess life insurance salespeople's unethical behavior. (Cheng et al., 2014) described five types of unethical causing factors among insurance salespeople such as given that improper or false information, or deliberately hide information of the product or service, incapability to introduce customer needs, poor consideration towards the concept, skills or information to implementation of accountabilities, failure to achieve responsibilities due to misconduct that caused the insurance company's status.

Unethical retailing behavior is as regarded the most important unethical activity among workers (Bellizzi & Hasty, 2003). According to the hierarchy of shareholder importance, salespeople appear to perceive ethical wrongdoings against customers as being less ethical than contentious acts against competitors or their employer (Román & Munuera, 2005). When dealing with various stakeholders such as clients, contestants, and employees, the sales assistant may act unethically (Chonko & Hunt, 1985).

2. LITERATURE REVIEW

Theoretical Review

According to the study aim, the existence of those factors that affect the behavior of salespeople was not enough for the ethical behavior, it must be communicated to all employees and needed to be adjusted according to the current ethical situation. Therefore, we need to consider all causing factors that affect the unethical behavior of salespersons facing. Following the literature, the researcher was able to identify two theories namely Ethical impact theory and The theory of bounded rationality. (Giacalone & Rosenfeld, 1987) describe that the Ethical Impact Theory (EIT) is a theoretical outline that defines the effects of unethical working behavior on individual employee well-being. (Job satisfaction and organizational commitment) According to the (Mulki et al., 2008) describe showing that ethical work climate, leadership support for ethics of working environment, ethics codes, ethics training for employees, and professed corporate social responsibility are all connected with positive effects in the workplaces.

The developed hypothesis about the ethical behavior of new salespeople in response to recurring failure and the impact of factors such as customer-oriented reminder and reward structure on this relationship was tested using the Theory of Bounded Rationality (Simon, 1972; Gigerenzer & Goldstein, 1996).

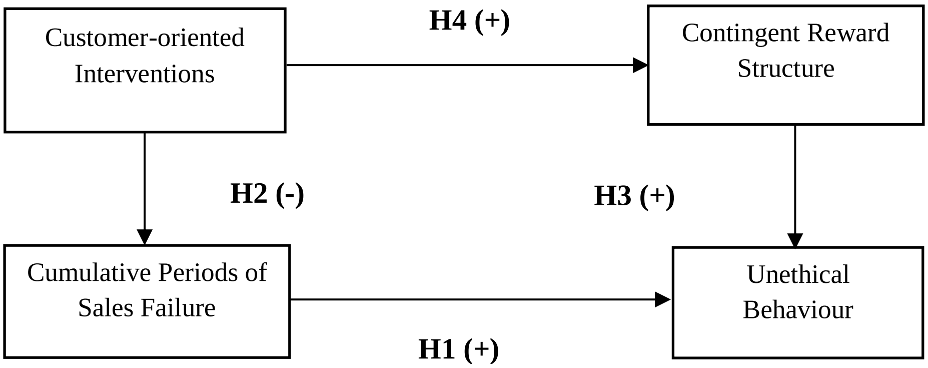

Figure 3- Model relationship and hypothesis

Source: Bolander et al. (2017)

This is somewhat true, according to Bolander et al., (2017), regardless of whether new salespeople are paid for meeting their performance targets. The impact is not just due to the inherent strain and stress that comes with performing poorly, regardless of the compensation structure. As a result, they predict that, even in a non-contingent reward structure, salesmen will engage in more unethical activity after a period of failure. As a result, they stated that in a non-contingent (vs. contingent) compensation structure, repeated periods of failure will lead to higher levels of unethical behavior among inexperienced salespeople.

Empirical Framework

The unethical behavior of salespeople is regarded as an important unethical behavior among employees (Bellizzi & Hasty, 2003; Román & Munuera, 2005). Salespeople frequently work in an unpredictable atmosphere (Roman & Ruiz, 2005). Someone who utilizes illegal or morally reprehensible activity to sell items or acts against society's widely accepted code of ethics is engaging in unethical behavior (Jones 1991; Rest 1986). This research will look into the elements that impact salespeople's unethical behavior.

The insurance sector has a severe problem with selling clients improper products. To maintain the industry's quality, regulators have recommended a variety of regulatory regulations to protect consumers' interests and regulate agents' unethical activity. However, some insurance agents may continue to make incorrect product recommendations, believing that such suggestions are acceptable. The findings suggest that inappropriate product recommendations are highly acceptable when insurance agents experience the handling of sales orientation and sales compensation in the insurance companies. Regulators should therefore be aware that problems with inappropriate product recommendations cannot be ruled out, by regulation alone because the insurer’s policies on sales compensation and sales orientation encourage insurance agents to have a positive attitude towards misconduct (Tseng et al., 2016).

Factors influencing the of a Takaful agent have led to ethical issues between them. It is feared that if such ethical issues among Takaful agents do not contain these behaviors that adversely affect the customer, the company and the Takaful industry as a whole, customers will lose confidence and trust in the Takaful industry for good. In addition, the study mentioned that sales target pressure is the most important factor influencing an agent to behave unethically. Past research has shown that leadership in an organization is a critical factor in combating ethical issues among Takaful agents (Rahman et al., 2020).

According to Cheng et al., (2014), there are five categories of unethical behavior among life insurance salespeople.If they are: (1) Incorrect or false product or service descriptions, or deliberately concealed product or service information in the product or service process, (2) Inability to identify customer needs in order to provide appropriate products and services, (3) Lack of concept, knowledge, or skills to implement responsibility, which results in defects in sales or service jobs, (4) Failure to fulfill responsibilities due to conflict of interests, and (5) Misconduct that affects the company reputation.

Rewarding

Organizational rewards, like salaries, commissions, and bonuses, can significantly impact the chance of salespeople participating in unethical sales behavior. (Kurland, 1996; Ross & Robertson, 2003; Trevino 1986). When salespeople are paid on a straight commission basis according to Kurland (1996), they are more likely to engage in unethical activity, to the disadvantage of their clients and the benefit of their business.

In response to their challenge, Chandrarathne & Herath (2020) investigated how the rewarding structure influences salespeople’s unethical behavior.

Their findings show that the rewarding structure has a major impact on unethical behavior. To address the rewarding system as a factor influencing unethical behavior, it is necessary to establish a system that compensates salespeople for behaving ethically.

This study data was gathered by Pakistan Telecommunication Company Limited (PTCL) employees through a structured questionnaire on the impact of Islamic Work Ethics (IWEs), Reward System (RS), and Organizational Work Environment (OWE) on Citizenship Behavior of Employees (CBE). The Simple Random Sampling Technique was used to gather data and the sample size for research was employees ranked from executives to general managers working in Lahore.

The construction of the reward system includes basic salary, commissions, health and other benefits, bonuses, holidays and vacations, and all other salaries and rewards. In the insurance industry, the remuneration of direct selling agents is either a mixture of basic salary and commission or a separate commission. Proper communication and a complete reward and evaluation system help improve employee civic behavior and encourage employees to practice professional ethics and a healthy working environment (Abbasi & Rana, 2012).

H1: There is a significant positive relationship between Income and Unethical behavior of Salesperson

H2: There is a significant positive relationship between Benefits and Unethical behavior of Salesperson

Operational Risk

According to Román & Munuera (2005), a salesperson's ethical behavior will increase his or her job happiness. Mainly, because of the previously outlined negative consequences of unethical sales behavior, a firm may expect its salespeople to function ethically, and their study indicated that ethical behavior had an indirect effect on job satisfaction. Román & Munuera (2005) discovered that ethical behavior has an indirect impact on job satisfaction via role conflict, bolstering earlier theoretical reasons and empirical evidence that role conflict has a detrimental impact on job satisfaction.

After selling a product, ethical selling behaviour comprises considering the buyer's needs (for example, by not selling things that buyers do not require). The ethical behavior of salespeople, according to Ingram et al. (2001), reduces role conflict-interceder by at least the amount attributable to the company's and consumers' conflicting expectations.In marketing ethics study, anonymous questionnaires with vignettes have been used to collect data (Singhapakdi et al., 1996). This method can provide greater control over improper product recommendations that may be difficult to observe. Tseng et al., (2016) used anonymous questionnaires with vignettes to the life insurance agents and found that selling inappropriate products to the customer is a major issue in the life insurance industry.

This article evaluated the impact of role ambiguity (duties and responsibilities), reciprocity norms, and ethical policy on the insurance agent's attitude and intention toward selling insurance to high-risk consumers. According to this study, insurance agents who have had role uncertainty are more inclined to accept questionable practices (such as selling insurance to high-risk customers) than agents who have a clear understanding of their work duties and responsibilities. The researcher used a questionnaire to collect data from full-time life insurance agents and discovered that understanding job tasks and responsibilities between insurance agents and consumers is critical in preventing insurance professionals from selling insurance to high-risk customers (Tseng, 2017).

H3: There is a significant positive relationship between Job satisfaction and Unethical behavior of Salesperson

H4: There is a significant positive relationship between Inability and Unethical behavior of Salesperson

H5: There is a significant positive relationship between Responsibilities and Unethical behavior of Salesperson

Organizational Factors

Chandrarathne & Herath (2020) used 200 insurance salespeople from Sri Lankan life insurance companies to explore the organizational factors influencing unethical sales force behavior in the insurance market. The findings revealed that the supervisory role, as well as sales targets and rewarding systems, are all important predictors of unethical behavior in salespeople. The size of the organization may cause unethical behavior among older salespeople (Cheng et.al., 2014), and unethical sales behavior has nothing to do with the size of the company (Lee & Garrett, 2009). Although some researchers stated that the customer orientation of salespeople's may it is positively correlated with salespeople's behavior, few studies have investigated how sales orientation at the management level encourages employees to engage in unethical selling.

Tseng et.al. (2016) investigated this problem, assuming management sales targets may be a key factor in enhancing insurance agents' positive attitude towards inappropriate product recommendations. Therefore, Tseng et.al. (2016) argued that the sales targets of the management can be used as a mechanism that enhances the positive attitude of insurance agents towards inappropriate product recommendations.

Haron et al., (2011) used the modified theory of planned behavior to conduct an empirical investigation. He employs a distinct theoretical framework here. He tested the effect of supervisory influence, role ambiguity and sales targets as external variables on the propensity to do unethical behavior. Attitude, subjective norms, perceived behavioral control and moral duty are employed as mediating variables, whereas age and experience are used as control variables in the modified theory of planned behavior. In Malaysia, 246 life insurance agents are participating in the study. The findings of the study show that there is a relationship between supervisory influence, role ambiguity and sales target on an inclination to do unethical action. According to hierarchical multiple regression findings, attitude partially mediates the relationship between supervisory influence, role ambiguity, and the willingness to participate in unethical activity. Nonetheless, subjective norm and moral responsibility were found to mitigate the interaction between supervisory influence and job ambiguity on the intention to engage in immoral behavior.

Chandrarathne and Herath (2020) found that the supervisory role has a significant negative relationship with the unethical behavior of salespeople. It shows that when managers have ethical behavior or leadership, it helps to reduce the unethical behavior of salespeople. To address a supervisory role, more stringent recruitment practices need to be incorporated and potential employees are evaluated based on integrity and ethics. In addressing the behavior of existing managers, the organization can provide ethics training to all its managers and supervisors to make them aware that their behavior is more ethical and organizations can add rewards or incentives to managers' annual salary increases and performance bonuses to demonstrate ethical behavior.

Senior salespeople receive a long period of training and education within the organization, the internalization of sales and service skills is different. In particular, life insurance agents must participate in various training courses at different stages of their career development, in addition to professional knowledge, they also receive moral education. Life insurance salespeople can only be promoted after completing a package of training courses and meeting specific performance standards (Cheng et al., 2014)

Understanding how a sales manager's direct supervision can mould salespeople's ethical behavior may be a major controllable key to understanding unethical sales behaviors that offer upper management strategic options to enrich customer relationships in this study. 240 sales managers were questioned to identify their impact on unethical sales behaviors as part of this framework for understanding unethical sales behaviors. The findings show the impact on the sales forces' ethical training and hiring ratings (Jr & Good, 2013).

"Determinants of telemarketer misselling in life insurance services," investigates the critical aspects that may assist reduce unethical salespeople in the insurance service business. 204 respondents from five South Korean life insurance companies' telemarketing sections participated in this study. Finally, the degree of ethics instruction and unethical behavior were found to be linked in this study. Insurance salespeople with less ethical training are more likely to engage in unethical activity (Yi et al., 2012).

H6: There is a significant positive relationship between Sales targets and the Unethical behavior of Salesperson

H7: There is a significant positive relationship between Coaching and Unethical behaviors of Salesperson

H8: There is a significant positive relationship between Ethical training and the Unethical behavior of Salesperson

Research gap

According to the theories (Ethical Impact Theory and Theory of Bounded Rationality) and empirical studies conducted in different countries, researchers can conclude that there is a relationship between different types of rewarding, operational risk, and organizational factors, but the importance of the independent variables varies based on the country's context and the methods used to collect data and analysis methods. In the Sri Lankan context, the number of investigations that have examined the unethical behavior of salespeople in the insurance industry is limited. Empirical studies from other developing and developed countries indicate that there are many other factors affecting the unethical behavior of insurance salespeople, but Sri Lanka has examined the only organizational factors that influence Salesforce's unethical behavior in the life insurance industry. So there is an empirical gap and a performance gap. After all these researchers, this study focuses on factors affecting the unethical behaviour of salespeople in the Sri Lankan insurance (both life and general) industry.

3. METHODOLOGY

Data Collection

The current study uses primary data collected through questionnaires distributed among life and general insurance agents. The first part of the questionnaire contains demographic factors about insurance agents, and the second part of the questionnaire contains statements about each structure coded on a five-point Likert scale. The questionnaire was initially prepared in English and then translated into Sinhala by the researcher. Then data was collected from the insurance agents of the top five life and general insurance companies to ensure that each company made a significant contribution to the sample. The responses were collected by the researcher by distributing questionnaires to each participant. In both quantitative and qualitative research, the researcher must decide the number of participants to choose (sample size) and how to choose the sample members of these members (sampling plan).

This study was designed as a descriptive study by collecting the questionnaire to analyze whether and what factors affect the unethical behavior of salespeople in Sri Lanka. The growing demand for research creates an effective method for determining the sample size required to represent a given population (Krejcie & Morgan, 1970). The study's sample size was 375 respondents in the top 5 life and 5 general insurance companies in Sri Lanka through the "Morgan table" under the 95% confidence level. These 375 salespersons were selected based on the percentages of individual insurance agents registered with insurance companies around Sri Lanka.

In this research, the researcher uses a simple random sample, which is a randomly selected subset of the population. In this sampling method, each member of the population has the same chance of being selected. The sample selection is based on a simple random sampling method, which represents the overall characteristics and research goals. This study uses descriptive and statistical techniques to analyze quantitative data, such as descriptive analysis (mean, median, and standard deviation) and correlation testing between variables more than regression analysis using SPSS software.

The majority of researchers use questionnaires to measure independent variables and unethical behavior in reading literature. Cheng et al., (2014) identified five types of unethical behaviors among life insurance salespersons. Here, researchers use 3 questions (Shahriar Ferdous & Polonsky, 2013) and 2 questions from (Román & Munuera, 2005) to measure salespeople's unethical behavior. Income and benefits are measured by 4 items (Abbasi & Rana, 2012) and 2 items (Tseng et al., 2016).To measure job satisfaction 4 items from each (Fu et al., 2020) was used. The inability to identify customer needs was measured using 05 constructs and sales targets measured by 04 items from (Tseng et al., 2016).

Failure to fulfil responsibilities was measured using 4 constructs developed by Tseng, (2017). Coaching by the supervisor is measured by 06 items from the ethical leadership questionnaire developed by (Yukl et al., 2013). Ethical training was measured using 03 items from the (Yi et al., 2012). The 5 points in the scale are respectively from 1 to 5; strongly disagree, disagree, neutral, agree and strongly agree.

Before distributing the questionnaire to the final respondents, a pilot study of 50 insurance agents was done. The questionnaire's reliability and validity were tested in a pilot study. This means that the survey is trustworthy and valid. The surveys will then be distributed to 375 insurance agents in the Sri Lankan insurance market. Cronbach's alpha value is used by the researcher to assess the constructs' dependability (Sekaran, 2003). A pilot survey comprising 13% of the sample (50 respondents) was done to detect potential issues with the questionnaire. After that, two factors were excluded from the questionnaire (inability to detect consumer demands and ethical training) to assure the measurements' reliability and validity.

Research Design

Considering the literature as reviewed above, it is evidence that the theories are more vital to be concerned in a practical point of view about salespeople’s unethical behavior in this study. Based on the theoretical/conceptual framework of the previous studies done in different countries, the study identified eight more common factors namely; Income, Benefits, Job satisfaction, Inability of identifying customer needs, Failure to fulfill responsibilities, Sales targets, coaching by supervisor and ethical training.

The research design explains a set of methods and procedures used to collect and analyze the measures of the variables specified in the research problem. In short, it is a framework created to answer the research problem. In this study, the researcher used quantitative research. Quantitative research focuses on collecting numerical data to answer specific research questions. When deliberating the empirical analysis of the above review, this research uses a survey research design because it contains more qualitative behavior factors that cannot be collected through secondary data. Therefore, a structured questionnaire set based on the conceptual framework (3.3) is used to collect primary data. The main survey is conducted after the pilot survey to understand the reliability of the data collected through the questionnaire.

Conceptual Framework

The following conceptual framework for this research project was created based on the literature review. The conceptual framework serves as the bedrock for the entire research project. It's a rationally created, defined, and elaborated network of relationships among variables judged significant to the problem situation and identified using methods including interviews, observations, and literature studies. The theoretical framework is also guided by the practical issues of university and intuition.

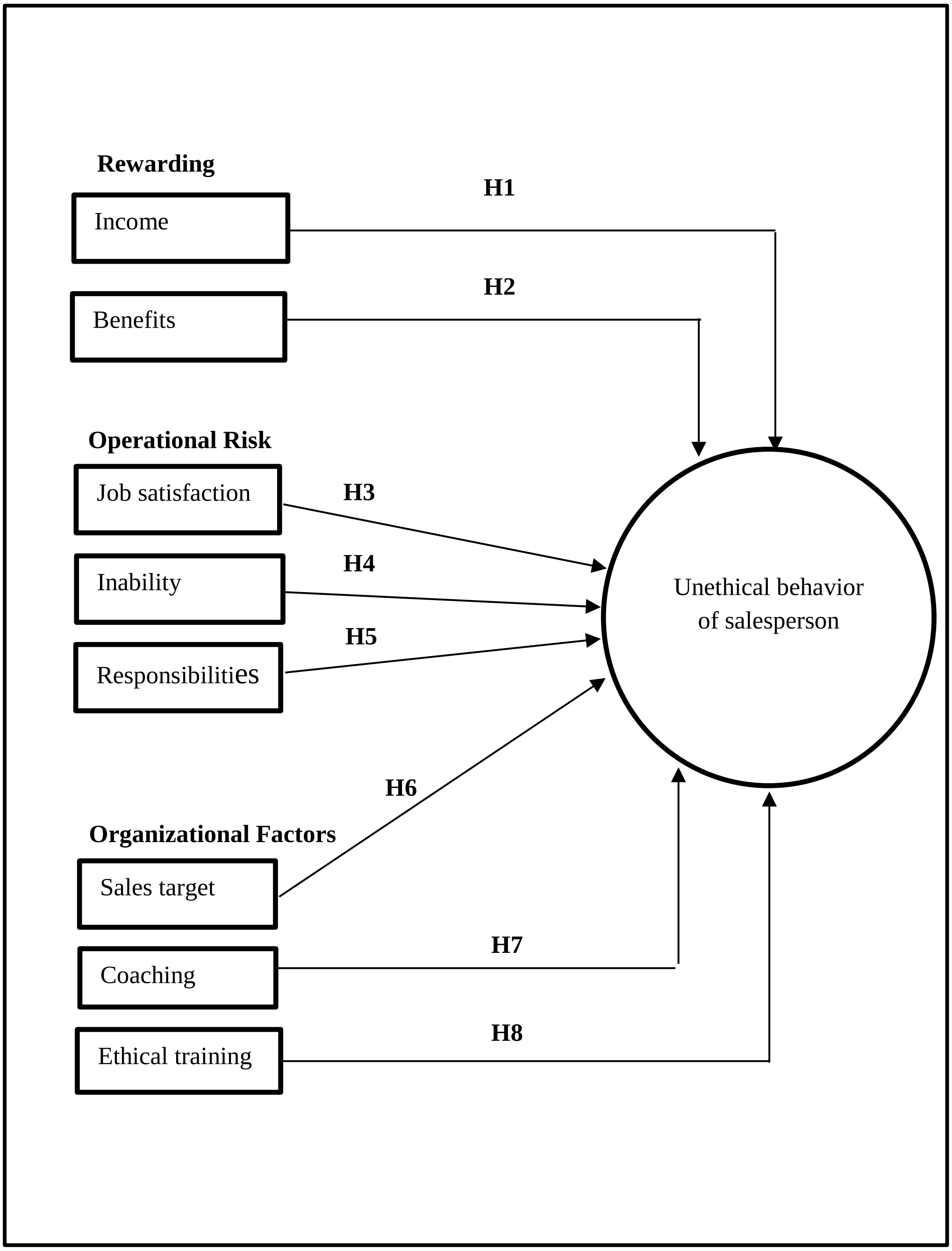

Figure 4- Conceptual Framework

Source: Developed by Researcher (2021)

Operationalization of the Study

Table 1: Operationalization Table

Variable	Measurement Scale	Indicator	Source
Demographic variable	Likert scale from 1 to 5	Age Gender Level of education Experience Monthly Income	Kengatharan & Kengatharan (2014)
Rewarding	Likert scale from 1 to 5	Income	L.Tseng et al. (2016)
		Benefits	Abbasi & Rana (2012)
Operational risk	Likert scale from 1 to 5	Job satisfaction	Fu et al. (2020)
		Inability of identify customer needs	L.Tseng et al. (2016)
		Failure to fulfil responsibilities	L. Tseng (2017)
Organizational factors	Likert scale from 1 to 5	Sales target	L.Tseng et al. (2016)
		Coaching by supervisor	Yukl et al. (2013)
		Ethical training	Yi et al. (2012)
Unethical behavior	Likert scale from 1 to 5		Cheng et al. (2014) Shahriar Ferdous & Polonsky (2013) Román & Munuera (2005)

Source: Developed by Researcher (2021)

4. RESULTS AND DISCUSSION

Response Rate

Only 352 people answered to the 600 surveys that were sent out. However, 22 of the 352 replies were deleted because: 05 questionnaires were completely blank, 09 questionnaires were partially answered—only demographic factors or Likert scale items were evaluated, and 08 respondents had given the same rating to all Likert scale items. As a result, the researcher only considered and entered into SPSS those 330 entirely completed responses.

Sample Composition

The demographic factors of the respondents showed that the highest number of respondents came from the life insurance industry; male respondents; ages from 26-35 years; level of education from high school and lower; experience from under 5 years and monthly income from Rs. 30,000-Rs. 40,000.

Reliability

Cronbach's alpha value is used by the researcher to assess the constructs' dependability (Sekaran, 2003).All of the variables have Cronbach's Alpha values more than 0.5, indicating that the multi-item scale is reliable and that all of the items have had a substantial part in conceptualizing the respective constructs, as shown in Table 2.

Table 2: Cronbach Alpha Value Table

Construct	No of Items	Cronbach's Alpha
Rewarding	6	0.826
Income	4	0.773
Benefits	2	0.638
Operational Risk	8	0.834
Job Satisfaction	4	0.717
Failure to fulfill responsibilities	4	0.723
Organizational Factors	10	0.834
Sales target	4	0.704
Coaching by supervisor	6	0.726
Unethical Behavior	10	0.851

Source: SPSS Output (Compiled by Author)

Validity

The Kaiser-Meyer-Olkin (KMO) measure and Bartlett's test were used to assess sampling adequacy and sphericity, respectively. Because the KMO coefficient for both variables is larger than 0.5 and the Sig. value is less than 0.05, statistically, the study sample of 330 observations is sufficient to proceed with EFA. Furthermore, the results show that there are adequate correlations among the variables to proceed, indicating that sample adequacy is significant in this investigation. There is no need to investigate the Anti-Image Correlation Matrix because the KMO measure of sampling adequacy passes the minimum criteria. The KMO and Bartlett's test results are presented in (Refer table 3).

Table 3: Validity

Construct	KMO	BTS
Rewarding		
Income	0.761	0.000
Benefits	0.500	0.000
Operational Risk		
Job Satisfaction	0.735	0.000
Failure to fulfill responsibilities	0.744	0.000
Organizational Factors		
Sales target	0.735	0.000
Coaching by supervisor	0.805	0.000
Unethical Behavior	0.911	0.000

Source: SPSS Output (Compiled by Author)

Descriptive Statistics

According to the descriptive statistics, the highest mean is recorded for the "Failure to fulfil responsibilities” and “sales target”, the lowest mean is recorded for “unethical behavior”. Moreover, “income” shows the highest standard deviation. Table 4 shows the descriptive statistics of each independent variable and the dependent variable.

Table 4: Descriptive statistics

Construct	N	Minimum	Maximum	Mean	Std. Deviation
Income	330	1	5	4.22	0.995
Benefits	330	1	5	4.29	0.841
Job Satisfaction	330	1	5	4.29	0.976
Failure to fulfil responsibilities	330	1	5	4.35	0.964
Sales target	330	1	5	4.35	0.976
Coaching by supervisor	330	1	5	4.26	0.797
Unethical behavior	330	1	5	4.18	0.897

Source: SPSS Output (Compiled by Author)

Correlation Analysis

Correlation analysis shows the relationship between two variables. It can be used to identify the directions of the relationship (Positive, Negative or Zero) and the strength of the relationship between two variables. The correlation coefficient ranges from +1 to - 1.-1 represents a perfectly negative relationship, +1 indicates a perfect positive relationship and 0 indicates no linear relationship. The researcher used Pearson's correlation coefficient to assess the strength of association among the said two constructs. Further, Sig. (2-tailed) the test was applied to test the significance of the correlation coefficient as the advanced hypothesis was non-directional. Accordingly, in correlation analysis, all variables have a significant strong positive relationship with the unethical behavior of salespeople. (See Table 5)

Table 5: Correlation Analysis

Variable	N	Person's Correlation Coefficient	P Value
Income	330	0.770	0.000
Benefits	330	0.712	0.000
Job Satisfaction	330	0.854	0.000
Failure to fulfill responsibilities	330	0.785	0.000
Sales target	330	0.844	0.000
Coaching by supervisor	330	0.709	0.000

Source: SPSS Output (Compiled by Author)

Regression Analysis

Regression analysis can be used to investigate the relationship between one variable and one or more other variables. Regression must forecast the value of a dependent variable based on changes in the independent variable. The R square regression coefficient can be defined as the amount of variance explained by predictors in the independent variable. Based on the value of R-Square it can be concluded that only 86.2% of the variance of unethical behavior can be explained by the model. The rest of the 13.8% is explained by another variable that is not examined by the researcher.

Table 6: ANOVA

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.928[a]	.862	.859	.336

Source: SPSS Output (Compiled by Author)

ANOVA table shows the significance of the regression model. If the output significance value is 0.05 at a 95% level confidence level, the model is significant. According to the table, the output p-value is 0.000 hence the researcher concludes the model was significant. (See Table 6). Multiple regression analysis was used to predict the dependent variable unethical behavior based on Income, Benefits, Job satisfaction, Failure to fulfil responsibilities, Sales target, Coaching by supervisor. The relationship was not significant on coaching by the supervisor (B= 0.034; P> 0.05) and all other variables show a significant impact (P < 0.05) on unethical behavior of salespeople. Therefore, H1, H2, H3, H4 and H5 were supported.

Table 7: Multiple Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.253	.114		-2.218	.027
	Income	.149	.030	.165	5.026	.000
	Benefits	.224	.029	.210	7.700	.000
	Job satisfaction	.342	.041	.373	8.356	.000
	Failure	.187	.039	.201	4.787	.000
	Sales target	.095	.045	.104	2.112	.035
	Coaching	.034	.041	.030	.838	.403

Source: SPSS Output (Compiled by Author)

Discussion

According to Chandrarathne and Herath (2020), the reward structure has a significant impact on unethical behavior. To address the rewarding system as a factor encouraging unethical behavior, a system that compensates salespeople for acting ethically must be established. The researcher discovered that the remuneration system (pay and benefits) has a considerable impact on unethical behavior.

Impact of job satisfaction on unethical behavior shows mixed findings where (Román & Munuera, 2005) found that ethical behavior also has an indirect impact on job satisfaction through role conflict, and provides additional support for previous theoretical arguments and empirical evidence supporting the negative impact of role conflict on job satisfaction. Rahman et al., (2017) mentioned that job satisfaction significantly impacts job performance, job growth, development and good relationships with supervisors and colleagues. Their research shows that if the agent is satisfied or happy at working the probability of the agent's negative behavior will decrease. Conversely, if the agent is unsatisfied at work, he is likely to be affected by unethical behavior. But our results align with (Rahman et al., 2017) that job satisfaction significantly impact unethical behavior of salespeople.

Tseng (2017) used the questionnaire with scenarios to gather the data from full-time life insurance agents and found the significant impact on insurance agents' unethical behavior and it is important to understand their job duties and responsibilities. The current study also found that same context so it can be assuring again the findings of the previous study. It can be concluded that failure to fulfill responsibilities significantly affects the unethical behavior of insurance salespeople.

Chandrarathne & Herath (2020) used 200 insurance salespeople from Sri Lankan life insurance companies to explore the organizational factors influencing unethical sales force behavior in the insurance market. The findings revealed that the sales targets and supervisory role are all important predictors of unethical behavior in salespeople. As was expected, results found that sales targets have a significant positive effect on the unethical behavior of insurance salespeople. Usually, sales pressure comes from the organizational level, from top management and the targets also create selling pressure. According to the findings, this is how sales pressure comes about at the organizational level, motivates unethical behavior by agents. Empirical evidence of the positive effect of sales targets on unethical behavior salespeople (Haron et al., 2011).

In the Sri Lankan context, Chandrarathne & Herath (2020) has observed the impact of supervisory role on unethical behavior of life insurance agents using

10 life insurance companies. They found that the supervisory role has a significant impact on the unethical behavior of insurance agents. The findings of Jr & Good (2013) also confirm that the trust in the manager has a negative relationship for the unethical intentions. Contrary to these, findings of the current study thus indicate a significant impact on the unethical behavior of salespeople. Although both studies in the same country context sample of this study too large sample (330 respondents) top life and general insurance companies that can be causes for the different results of the studies in Sri Lanka. It is hard to change personal characteristics by the supervisors.

5. CONCLUSION

This study looks into the elements that influence salespeople's unethical behavior in the Sri Lankan insurance business. The major goal of this study is to look into the elements that influence insurance agents' unethical behavior in Sri Lanka. The study's main goals were to look into the effects of salary, benefits, job happiness, inability to understand client demands, failure to meet responsibilities, sales targets, supervisor coaching, and ethical training.

The above variables are identified through a comprehensive reading of the previous literature and they were categorized as rewarding, operational risk and organizational factors. Eight hypotheses were built by the researcher accordingly. The researcher conducts a pilot test. Afterwards, 08 questions from 02 variables (Inability to identify customer needs and ethical training) were removed from the questionnaire to ensure the reliability and validity of the measures. Then researcher builds up six hypotheses. According to the results, only coaching by supervisors has no impact on the unethical behavior of salespeople. All other hypotheses were accepted. Furthermore, job satisfaction has a strong relationship with the unethical behavior of salespeople rather than a sales target. The findings of the study support the hypothesis that Income and Benefits significantly affect unethical behavior. In Sri Lanka insurance agents are rewarded through insurance commissions in general insurance it’s around 10% and in life insurance, it's around 30%. Therefore, the researcher suggests aligning the rewarding system with a combination of commission and basic salary since some researchers suggest that the rewarding system significantly affects unethical behavior. By identifying new ways to give employees job responsibility, creating opportunities for interest in the work itself, and improving efficiency by training supervisors, today's insurance industry leaders have the opportunity to positively impact their employees' work lives. Many insurance companies try to put sales pressure on their insurance salespeople but do not give an idea of their responsibilities and the authorities they have. Insurance companies can reduce the unethical behavior made by insurance agents by conducting training programs for their insurance agents and constantly advising and guiding them. Most of the times insurance companies want to increase their performance. Companies strive to achieve this by giving sales targets to insurance agents to increase the company's performance. Therefore, an agent has to bear the burden and they are tempted to take many actions to reach the target set by the company. As a result, agents resort to unethical behavior to achieve their sales targets. Properly set up a monitoring system to guide the salespeople and not put too much pressure on them to meet challenging short-term financial goals (Abdullah et al., 2020; Chandrarathne & Herath, 2020). Although the results of this study confirm that the supervisory role has no effects on the unethical behavior of insurance salespeople. It indicates that if supervisors'/team leaders have ethical behavior or leadership, it helps reduce the unethical behavior of salespeople. The other studies in the Sri Lankan context confirm that the supervisory role can influence on unethical behavior of salespeople. To address a supervisory role, it is required to adopt more rigorous recruiting practices for prospective employees to be assessed for integrity and ethics. Regarding addressing the behavior of existing managers, the organization could offer ethics training to all its managers and supervisors to sensitize them to more behavior ethically. In addition, the organization could include a reward or incentive annual salary increases and incentives for ethical behavior managers behavior (Chandrarathne & Herath, 2020).

Implications

Insurance companies need to recruit salespeople with high interpersonal skills, sales presentation skills, and marketing skills. Insurers need to offer structured training programs for recruiting salespeople on industry, customer character, product design, and product development. Regulatory authorities must ensure that salespeople have appropriate educational level qualifications and insurance companies need to check that the newly appointed agents have appropriate qualifications (e.g., passed the IBSL insurance exam). The insurance company should ensure that the experienced salespeople stay with the company, as it costs more to train a newly appointed salesperson.

Future studies can also consider personal factors such as age, education, experience, income level, and subjective norms. Organizational factors such as organizational size and environmental factors such as community culture can also be adopted for the course. The current research limits only the investigation of the reasons for unethical behavior, but the researchers can investigate the consequences of this unethical behavior for the Sri Lankan insurance industry. Researchers can do the same study using the qualitative data collected from insurance salespeople with in-depth interviews. Future research can also be done by considering banks, insurance broker companies, and finance companies. Future researchers can do that, factors affecting the unethical behavior of insurance salespeople who use the customer perspective rather than the salesperson's perspective.

REFERENCES

Abbasi, A. S., & Rana, A. H. (2012). Impact of Islamic Work Ethics (IWEs), Reward System (RS) and Organizational Work Environment (OWE) on Citizenship Behavior of Employees (CBE). *Science International (Lahore) Journal*, *24*(4), 513–519.

Abdul Rahman, S., Hussin, N., Kamal, J. I. A., Noh, N. M., Abdullah, S. N. M., & Amin, Z. M. (2020). The Challenges in Implementation of Ethics in Organization. *International Journal of Academic Research in Business and Social Sciences*, *10*(11), 1187–1194. https://doi.org/10.6007/ijarbss/v10-i11/8195

Abdullah, N. A., Hassan, S. A., & Yusoff, S. Z. (2020). Factors that Influence the Ethical Behaviours of Takaful Agents. *International Journal of Academic Research in Business and Social Sciences*, *10*(8), 270–282. https://doi.org/10.6007/ijarbss/v10-i8/7535

Adnan, A., Saher, N., Sadaf, H. N., Naheed, Q., & Khan, Y. (2013). *INTERDISCIPLINARY JOURNAL OF CONTEMPORARY RESEARCH IN BUSINESS What shapes Ethical Behavior of Sales Team? A case study of banking sector of Pakistan*. 424–442. http://journal-archieves32.webs.com/424-442.pdf

Bolander, W., Zahn, W. J., Loe, T. W., & Clark, M. (2017). Managing New Salespeople's Ethical Behaviors during Repetitive Failures: When Trying to Help Actually Hurts. *Journal of Business Ethics*, *144*(3), 519–532. https://doi.org/10.1007/s10551-015-2817-8

Chandrarathne, W. R. P. K. (2020). *Impact of Organizational Factors on Sales Force Unethical Behavior in the Sri Lankan Life Insurance Industry*. *06*(1), 1–27.

Cheng, C. Y., Hsieh, C. H., & Yang, Y. S. (2014). Who would engage in unethical behavior? Should organizations bear the responsibility? *Quality and Quantity*, *48*(4), 2341–2354. https://doi.org/10.1007/s11135-013-9895-4

Commission, I. R., Lanka, S., Lanka, S., Treatment, F., & Treatment, F. (n.d.). *Insurance Regulatory Commission of Sri Lanka Principles on Fair Treatment of Customers*. 1–2. http://www.ibsl.gov.lk/images/guidelines/Principles on FTC - 26.01.2018.pdf

Daily News. (2020, September). *Current Landscape of the Insurance Industry in Sri Lanka*. https://ircsl.gov.lk/wp-content/uploads/2020/10/DG-Daily-News29.09.2020NID-Attachment-02-scaled.jpg

Fu, W., He, F., & Zhang, N. (2020). Antecedents of organizational commitment of insurance agents: Job satisfaction, ethical behavior, and ethical climate. *Journal of Global Business Insights*, *5*(2), 134–149. https://doi.org/10.5038/2640-6489.5.2.1135

Giacalone, R. A., & Rosenfeld, P. (1987). Impression Management Concerns and Reinforcement Interventions. *Group & Organization Management*, *12*(4), 445–453. https://doi.org/10.1177/105960118701200406

Haron, H., Ismail, I., & Abdul razak, shaikh hamzah. (2011). Factors influencing unethical behavior of insurance agents. *International Journal of Business and Social Science*, *2*(1), 84–100.

Jr, C. H. S., & Good, D. J. (2013). *Sales Management ' s Influence on Employment and Training in Developing an Ethical Sales Force SALES MANAGEMENT ' S INFLUENCE ON EMPLOYMENT AND*. *November 2014*, 37–41. https://doi.org/10.2753/PSS0885-3134270404

Kengatharan, L., & Kengatharan, N. (2014). The Influence of Behavioral Factors in Making Investment Decisions and Performance: Study on Investors of Colombo Stock Exchange, Sri Lanka. *Asian Journal of Finance & Accounting*, *6*(1), 1. https://doi.org/10.5296/ajfa.v6i1.4893

Krejcie, R. V, & Morgan, D. (1970). *ACTIVITIES*. 607–610.

Lee, N., & Garrett, T. C. (2009). *A Study of the Attitudes Towards Unethical Selling Amongst Chinese Salespeople*. 497–515. https://doi.org/10.1007/s10551-009-0302-y

Life Insurance Advisors hold National Forum. (2019, October). https://www.ft.lk/Financial-Services/Life-Insurance-Advisors-hold-National-Forum/42-686797

Mulki, J. P., Locander, W. B., Marshall, G. W., Harris, E. G., & Hensel, J. (2008). Workplace isolation, salesperson commitment, and job performance. *Journal of Personal Selling and Sales Management*, *28*(1), 67–78. https://doi.org/10.2753/PSS0885-3134280105

Nancy B.Kurland. (1996). *Downloaded from ioc.sagepub.com at CARLETON UNIV on May 8, 2015*. 138–144.

Rahman, K., Akhter, W., & Khan, S. U. (2017). Factors affecting employee job satisfaction : A comparative study of conventional and Islamic insurance Factors affecting employee job satisfaction : A comparative study of conventional and Islamic insurance. *Cogent Business & Management*, *4*(1). https://doi.org/10.1080/23311975.2016.1273082

Román, S., & Munuera, J. L. (2005). Determinants and consequences of ethical behaviour: An empirical study of salespeople. *European Journal of Marketing*, *39*(5–6), 473–495. https://doi.org/10.1108/03090560510590674

Ross', 'William T., & Robertson, D. C. (2003). A Typology of Situational Factors: Impact on Salesperson Decision-Making about Ethical Issues. *Journal of Business Ethics 46 (3):213 - 234 (2003).*

Shahriar Ferdous, A., & Polonsky, M. J. (2013). Predicting Bangladeshi financial salespeople's ethical intentions and behaviour using the theory of planned behaviour: Implications for developing countries. *Asia Pacific Journal of Marketing and Logistics*, *25*(4), 655–673. https://doi.org/10.1108/APJML-01-2013-0019

Somerville, M. A., Solomon, L. R., Coward, R. A., & Mallick, N. P. (1981). Ethics and the Nephrologist. In *The Lancet* (Vol. 317, Issue 8229). https://doi.org/10.1016/S0140-6736(81)92280-7

Talwar, R., & Ali, S. W. (2016). *Ethical Issues in Insurance Marketing in India : The Policy Holders ' View*. *XI*(June), 1–12.

Tseng, L.-M., Kang, Y.-M., & Chung, C.-E. (2016). The insurance agents' intention to make inappropriate product recommendations. *Journal of Financial Regulation and Compliance*, *24*(3), 230–247. https://doi.org/10.1108/JFRC-03-2015-0014

Tseng, L. (2017). *To sell or not to sell : the insurance agents ' attitude toward high-risk customers*. https://doi.org/10.1108/IJSE-07-2016-0206

Tseng, L., Kang, Y., & Chung, C. (2010). *The insurance agents ' intention to make inappropriate product recommendations Some observations from Taiwan life*. https://doi.org/10.1108/JFRC-03-2015-0014

Yi, H. T., Dubinsky, A. J., & Lim, C. U. (2012). Determinants of telemarketer misselling in life insurance services. *Journal of Services Marketing, 26*(6), 403–418. https://doi.org/10.1108/08876041211257891

Yukl, G., Mahsud, R., Hassan, S., & Prussia, G. E. (2013). An improved measure of ethical leadership. *Journal of Leadership and Organizational Studies*, *20*(1), 38–48. https://doi.org/10.1177/1548051811429352