

**Jimma University**  
**College of Business and Economics**  
**Department of Management**



**Determinants of Life Insurance Policy Purchase in Ethiopian Insurance Corporation Jimma Branch**

**By: Galib Jemal**

**A Thesis Paper Submitted to Jimma University College of Business and Economics Department of Management in Partial Fulfillment of the Requirements for the Degree of Masters in Business Administration**

**January, 2020**

**Jimma, Ethiopia**

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**January, 2020  
Jimma, Ethiopia**

### **Declaration**

I, undersigned below, declare that this study entitled " Determinants of Life Insurance Policy Purchase in Ethiopian Insurance Corporation Jimma Branch" is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly referenced and acknowledged.

**Declared by:**

Name: Galib Jemal

Signature: \_\_\_\_\_

Date: January 11, 2021

## **Certificate**

This is to certify that this study, “Determinants of Life Insurance Policy Purchase in Ethiopian Insurance Corporation Jimma Branch”, undertaken by Galib Jemal for the partial fulfillment of requirements for the Degree of Master in Business Administration at Jimma University, is an original work and not submitted earlier for any degree either at this University or any other University.

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**Mr. Wubishet Mengesha (Assit. Prof)**

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### ***Abstract***

*The main purpose of this study was to investigate the determinants of life insurance policy purchase in Ethiopian Insurance Corporation. Descriptive study designs and mixed research approach was adopted to answer the research questions. Primary data have been collected through questionnaire and interview. To achieve the objective of the study 207 questionnaires were distributed and 198 of them were successfully completed and used for analysis. To analyze the data a combination of descriptive (table, percentage, mean and standard deviation) and Inferential data analysis such as multiple linear regression and correlation were used. Multiple Regression analysis was performed to investigate the effect of each explanatory variable on life insurance purchase. Accordingly the result showed that among the demographic factors gender and educational status were significantly determine life insurance policy purchase, but age and religion did not. Monthly income level, awareness, attitude, and premium were found to be significant determinants of life insurance purchase. Among the eight determinant factors, income level takes the highest fraction in influencing the purchasing for life insurance policy followed by educational status, awareness, attitude, gender and premium in that order. It is recommend that the Ethiopian insurance corporation should further enhance public's awareness and financial literacy by using different approaches since the sector have a great importance for the purchasers.*

***Key words:*** *Attitude, Awareness, Insurance, Life, Policy, and Purchase*

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## **Abbreviations**

CRM	Customer Relation Management
EIC	Ethiopian Insurance Corporation
FDI	Foreign Direct Investment
GDP	Gross domestic product
IRDA	Insurance regulatory and development authority
LIC	Life Insurance Corporation
LICI	Life Insurance Corporation of India
SPSS	Statistical Package for Social Science
UNDO	United Nations Development Organizations

## **Chapter one**

### **1. Introduction**

#### **1.1. Background of the study**

Human life is a biological concept regarding the characteristics, state, or mode that separates a living thing from dead matter. The word itself may refer to a living being or ongoing processes of which living things are a part of. It may also refer to the period during which something is functional, the condition of an entity that has been born but yet has to die or that which makes a living thing a live (Koshland *et al.*, 2009). Insurance is a risk treatment option which involves risk sharing. It can be considered as a form of contingent capital and is akin to purchasing an option in which the buyer pays a small premium to be protected from a potential large loss. Insurance risk is often taken by insurance companies, who then bear a pool of risks (Richards and Carl, 2010).

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. An insurance policy is a legal contract between the insurer and the insured. Although the direct advantages and related costs arising out of the existence of insurance contracts are obvious to most readers, there are other benefits and indirect costs generated by the existence of these contracts (François, 2006). There are eight insurance companies in Ethiopia that sells Life insurance business in addition to general insurance. The origin of life insurance is as old as non-life insurance however in Ethiopia the current status of the two are very much varies. Even if there is lower consumption of insurance in general relative to other countries, general insurance has more consumption than life insurance in our country.

Life Insurance consists of a range of advantages as other investment modules have. Financial security is the prime advantage of life insurance. It assists to smooth the progress of economic movements. The life insurance companies to gather large funds collect the premiums from multiple investors. This money finances trade and other financial development activities. It is also useful for tax payment reduction. Policyholders can claim income tax exemptions for the payment of premiums amount (Johannes and Brinkman, 2005)

The determinants of life insurance is a learned predisposition to respond to a given object or class of objects in a consistently favorable or unfavorable way. The widespread view is that attitudes are complex systems made up of three components. These are; cognitive component referring to the person's thoughts, affective component referring to person's feelings, and the cognitive component referring to the person's behavioral tendencies, In marketing context, it is stated that consumers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect consumption indirectly through intention to consume. Most people in the insurance industries agree that life insurance business has a high growth rate potential in Ethiopia. On the other hand, relatively low penetration of the sector indicates that there is still a considerable unexploited potential (Johannes and Brinkman, 2005).

The benefit of life insurance is paramount for an individual, to the society at large and also to the development of the country as a whole. It provides economic links among individuals, families and communities; it has been taken as an important element for individuals and families to overcome risk attached with income. Insurance protects families against financial distress in the event when the bread winner dies that leads to loss of income. Also, life insurance enhances long-term savings and the re-investment in private and public sector projects. The penetration of life insurance in Ethiopia is 0.03% which is extremely low given that the population which stands at over 98million (UNDP, 2012).

Different factors may be taken as the causes for the low consumption of life insurance which triggers to the low development of the market. The insurance market in Africa is still underdeveloped as most Africans cannot afford insurance premiums yet. With most Africans still just struggling to meet their basic food and other day-to-day needs, insurance is still a long way off for the majority of Africans (KPMG, 2012). Individuals will only start to think about long-term savings once their short-term needs are fulfilled, which means that life insurance is not an affordable option for most people on the continent.

In this regard, Jimma town which is found in the Oromia regional state of Ethiopia has been faced with economic, social and political constraints towards its residents. Likewise life insurance is not developed in line with the population of the city because of many factors

associated with it like people's perception, lack of awareness, lack of training (Dejenie, 2016). Accordingly people's attitude, perception and beliefs towards life insurance are not convincing.

## **1.2 Statement of the problem**

Insurance is the most widely used risk management technique for both individuals and businesses. Insurance is a method for transferring from an individual or entity to an insurer the risk of financial loss from events such as accident, illness, or death, and the loss of property. The purpose of insurance is to compensate for financial loss, not to provide an opportunity for financial gain. Pure risk is the only kind of risk that can be insured; speculative risk cannot be insured (Jones and Silver, 2011).

According to Mohamed (2011), the Ethiopian insurance market is relatively underdeveloped in general and life insurance in particular. On average, only 6% of the total premium portfolio is generated from life insurance sector. This low level of development is attributed, among others, to lack of awareness among the public about life assurance, low level of attention given by most insurers for life insurance, lack of government support, low level income of the society, culture, religion, unfair competition in the market (underpricing), underdeveloped domestic financial markets, lack of experience in insurance technique and absence of domestic actuarial service provider (Birritu, 2011).

Even within the insurance industry General Insurance (other than life insurance) dominates long term insurance (life insurance). There is no recent consolidated report, but data from National Bank of Ethiopia shows the status of insurance industry by annual gross written premium generated from non-life and life insurance birr 4.69 billion and 277 million respectively as of June 2014. In other country like South Africa's life insurance industry accounts for 81.6% of all insurance premiums of US\$54,871 million in the country (KPMG,2014). But here in Ethiopia life insurance premium accounted to only 5.6% of the total insurance premium. It is important to notice that, when you purchase life insurance, you are providing for the future-perhaps the fulfillment of promises to loved ones to maintain a lifestyle, to have the necessary funds for a college education, to be able to comfortably pay off bills, even a mortgage, or to provide the edge to help the continuation of your business by providing funds to help cover outstanding loans, or to make a gift to your favorite charity (Zekarias, 2010)

The growth of life insurance industry is lower than the countries average economic growth. The Ethiopian economy growth performance over the last decade with average GDP growth rate of 11 %, in 2017 the respective shares of agriculture ,industry and service sectors in the GDP stood at 43%, 12% and 45% respectively (UNDP, 2017). This shows that other sectors of the economy are growing faster than life insurance.

Despite the number of companies that transact life insurance business are increasing, the consumption of life insurance remains extremely low (Hailu, 2007). Thus this study seeks to find out buyers attitude toward life insurance. Basically, there is no one right quantity of factors or determinants use similarly for all countries, the household's attitude depends on both the economic and social conditions of a country. Since countries differ in their socio-economic conditions, country specific studies are crucial. In Ethiopia there is very little study has been done to look at the reasons why life insurance is low.

Zekarias (2011) study focused on consumers' attitude towards life insurance. The study concentrates on the relationship between demographic variables and buyers behavior towards the purchase of insurance in EIC. Mohammed (2010) study focused on the Life Assurance and its Economic and social benefit. Hailu (2007) looks at the problem of insurance industry as a whole. Gebragzabher ( 2014) targeted on the low development rate of life insurance from organizational side factor. The studies that have been done generally address the status of the industry and the low development insurance in general. They do not address specially the low growth of households/individuals life insurance.

Few studies in Ethiopia were conducted like Zekarias(2011) consumer attitude on life insurance; and Mohammed (2010) life insurance benefits, however, as shown above, these studies focused on the benefit and attitude of life insurance instead of the determinant of purchasers towards life insurance policy. This is the gap that the current study sought to fill. Therefore, this study was determined the effect of demographic variables, income, awareness, premium and attitude on life insurance purchase.

### **1.3. Research questions**

1. What is the effect of age on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?

2. What is the effect of gender on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?
3. What is the effect of religion on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?
4. What are the effects of educational status on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?
5. What is the effect of monthly income on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?
6. What is the effect of awareness on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?
7. What is the effect of attitude on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?
8. What is the effect of premium on life insurance policy purchaser in Ethiopian insurance corporation Jimma Branch?

## **1.4 Objectives of the study**

### **1.4.1 General Objective**

The main objective of this research was to investigate the determinants of life insurance policy purchase, in the case of Ethiopian insurance corporation Jimma Branch.

### **1.4.2 Specific Objectives**

- To examine the effect of age on life insurance policy purchaser
- To investigate the effect of gender on life insurance policy purchaser
- To examine the effect of religion on life insurance policy purchaser
- To investigate the effects of educational status on life insurance policy purchaser
- To investigate the effect of monthly income on life insurance policy purchaser
- To examine the causal relationship between awareness and life insurance policy purchaser
- To investigate the effect of attitude on life insurance policy purchaser
- To explore the effect of premium on life insurance policy purchaser.

## **1.5 Significance of the Study**

Apart from the benefit it bestows to the policy owner and beneficiaries upon the occurrence of certain events, such as untimely death, terminal illness, critical illness of a bread winner or maturity depending on the type of contract, life insurance plays a vital role in a country's socio-economic development. This can be achieved through saving mobilization it embraces the national economic development via development of the financial market, creation of employment opportunity and overall enhancing the socio-economic development of the country.

This in turn will enhance the supply of long-term financial products, thereby triggering a series of effects on the development and structure of the financial markets. In this regards, the study shall make the following contributions: The study shall contribute knowledge in the area of consumer behavior for insurance firms to identify the nature of buyers' attitudes towards life insurance among non-users so that appropriate marketing strategies can be developed. The study shall contribute to the existing wealth of knowledge and thus stimulate further research in consumer behavior. This study has a practical significance in terms of advancing the knowledge and understanding on buyers attitude on life insurance. It is likely use by insurance companies in general and EIC in particular in formulating strategies to increase life insurance sales. It is also hoped that this research will form a basis for further research in this area among academics, whereby other researchers in this field who may use this report as a basis for further studies.

## **1.6 Scope of the study**

The study focuses on the determinant of life insurance policy purchase in the case of Ethiopia Insurance Corporation Jimma district due to awareness and knowledge gap. It is highly dependent on the data collected from the purchaser of life insurance from Ethiopia Insurance Corporation Jimma district. Life insurance policy purchase is being performed mainly in Addis Ababa where the head quarter is located and our geographical scope is limited to Jimma. It also provides highlights on general overview of consumer intentions and degree of life insurance in the case of Ethiopia Insurance Corporation Jimma district.. However, this paper did not go through other factors like performance and organization issues of the organization and government policies that might affect the life insurance purchase.



## **1.7 Organization of the Study**

The first chapter of this study it has been tried to provide brief introduction about the background of the study followed by statement of problem with basic research questions where the study tries to answer. This chapter also includes objectives of the study with its significance and indicates the scope that the study bounded is also explained in this chapter. In the second chapter, detail review of literatures are explained to provide sufficient knowledge to the readers where many journals, books, published research papers are exhaustively presented in the areas of life insurance. The third chapter explains what type of methodology used in different stage of the study from data collection to analysis. The fourth chapter is about data analysis. Finally, the 5<sup>th</sup> chapter deals with summary, conclusion and recommendation.

## Chapter two

### 2. Review of related literatures

#### 2. 1. Theoretical Literatures

Many authors defined insurance in many ways and methods, accordingly, Insurance may be defined as form of contract between two parties (namely insurer and insured or assured) whereby the (insurer) undertakes in exchange for a fixed amount of money (premium) to pay the other party (Insured), a fixed amount of money on the happening of certain event (death) or to pay the amount of actual loss when it takes place through the risk insured (in case of property). In D.S. Hamsell words, insurance is defined as a social device providing financial compensation for the effects of misfortune, the payment being made from the accumulated contributions of all parties participating in the scheme. On other hand, Insurance is a co-operative device to spread the loss caused by a particular risk over a number of persons, who are exposed to it and who agree to insure themselves against the risk. According to mehr and Cammack, (1976 ,6th edition) insurance is usually thought of as a product that distributes the occurred losses of serious, but low-probability, losses among a group of individuals, providing some financial protection to each of them. (kunreuther, 1979), said that his product makes good sense, particularly when the protection is purchased against potential losses so large as to be catastrophic, such as total destruction , a large accident liability judgment, or death of primary family breadwinner and the like.

kotler,( 1973) considers insurance to be in the category of "unsought goods," means Unsought goods are goods that the consumer does not know about or does not normally think of buying, and the purchase of which arises due to danger or the fear of danger and lack of desire and along with products such as preventive dental services and burial plots. It is not the magnitude of a potential loss that motivates people to buy insurance voluntarily due to that people fear buying of insurance

#### 2.1.1 Life Insurance Concepts

According to policy document of Awash Insurance Company S.C, seven types of life insurance that are being written as policies are: Term life insurance: Ordinary endowment, anticipated endowment, Endowment annuity, Education policy. Term life insurance is usually the least

expensive course of protection for people interested in life insurance. Some individuals on restricted incomes purchase term life insurance for the basic insurance protection for their families and, as their salaries rise, they convert the term life insurance policy to different forms of life insurance policies. Another type of whole life insurance is a permanent insurance or a universal life insurance policy. Unlike term insurance policies, permanent life insurance has no specified term of coverage for individuals. Flexible premium or Universal Life Insurance is a life insurance policy designed as a permanent policy for the covered individual(s), but it is different from traditional term life insurance policies because it allows the policy owner to vary the amount and timing of premium payments. The policy also allows the policy owner to increase or decrease the death benefit.

Monetary values will accumulate based on premium payments that are selected during the selection of the policy. Usually monthly deductions are subtracted from this fund for the expenses and cost of insurance. The interest is added to this fund afterwards. In some cases the interest rates are stated by the company and vary from time to time depending on the policy. Under federal law, guidelines are defined for policies to maintain status as life insurance under the internal revenue code. This law puts a cap on total payments to the contract and provides a minimum relationship of death benefit to cash value. Permanent life insurance is subject to a different set of policy conditions normally. A permanent life policy requires for premiums to be paid for as long as the insured individual lives and a permanent life policy accumulates a set cash value during the covered period. If the individual insured were to pass away then the death benefit is payable to the beneficiaries listed on the policy. Another aspect of this policy allows for loans to be made from the insurance company against the monetary value of the policy at a rate of return promised in the policy as security.

The maximum loan rate guaranteed in the insurance policy may be much lower than that available from a bank or other financial institution. Regardless of where the loan is secured from, if the insured individual were to pass away prior to the loan being repaid, the amount of the loan and any interest due must be repaid from the death-benefit amount before the beneficiaries will receive any compensation. Variable life insurance is also a type of permanent insurance but you decide how the premiums are invested instead of the insurer. Variable universal is a combination of variable and whole life insurance policies. These plans allow for variable

premiums and the ability to choose your own investments of premiums. Variable/Adjustable: much like universal insurance except it links your death benefits and premiums directly to your investment's performance. You'll also have more control over how the premiums are invested. Life insurance is a good bet but you must know what you need and what you hope to achieve by it. Good research and proper planning can accomplish several different options and goals; it is your choice to want to secure a better financial future in case of death or just to have a partial cash saving and investment plan (Bradshaw, 2009).

### **2.1.2 Determinants of Life Insurance Purchase**

Many scholars have questioned the existence of true "theory" in the so-called applied sciences such as those taught in the typical school of business administration. Thus no large body of literature exists under the caption, the "theory of marketing," "the theory of finance," "the theory of production," "the theory of insurance," etc. The Journal of Insurance, Vol. 30, No. 2, 1963, pp. 165-182). This should not be taken to mean that no true theory exists in these areas. It is an indication, however, that the various business administration disciplines have not yet matured sufficiently to allow a well-rounded body of "scientific" literature to be developed. In many respects business is still more of an art than a pure science.

In marketing assumption, it is stated that consumers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect behavior. According to life insurance marketing theory, buyers' life insurance purchase behavior could be influenced by many factors including personal characteristic. More over according to Tsaiching Liu and Chin- Chen, (2002, pp:755–774) analyzed the effects of personal characteristics, such as income, education, sex, age , culture , education and occupation on the buyers' purchase intention and attitude and purchase premium of life insurance. Conceptually insurance is understood by most people to be critical to a well-functioning economy by providing payment in the event of unexpected losses; insurance introduces security into personal and business situation. It also serves as a basis of credit as no financial institution would lend money for purchase of capital goods.

There are factors predicting the attitudes of life insurance buyers, for example the main themes in the literature of attitude and perception of life insurance buyers have largely focused on factors predicting these attitude (Skinner and Dubinsky, 1984; Kruse, 2004), purchase decision-making

responsibility (Barron and Staten, 1995), consumers perceived value (Smith, 2006) ) as cited in (Tajudeen Olalekam Yusuf, 2007). For example, in a survey of 1,462 families, Skinner and Dubinsky checked out that employment status of the wife and education of the husband discriminate mostly between which family member(s) is responsible for insurance purchasing decision. Other significant variables include wife's educational level, husband's employment status, family income, age, and husband's occupation. Thus from all the above studies result and others more it is true that individual buyers' attitude theoretically is affected by the buyers' demographic characteristics such as age, gender, monthly income, educational status, employment status, religion and culture, etc. which ,in turn , have some relation with life insurance purchase .

### **2.1. 3. Definition and Nature of Insurance**

The concept of insurance is complicated by its many possible meanings and definitions, however, scholars and writers have given various definitions of insurance from different perspectives such as economic, social, legal, etc. Pfeffer ( 1956) as cited in Zelke (2007) provides the following definition of insurance: "Insurance is a device for the reduction of the uncertainty of one party called the insured, through the transmission of similar risk to another party, called the insurer, who offers a restoration, at least in part , of economic losses encountered by the insured ”.

Pritchett, et al (1996, p: 52) defined insurance as a social device, in which a group of individuals called "insured's" transfer risk to another party called the " insurers "to combine loss experiences , which allow statistical prediction of losses and provides for payments of losses from fund contributed ( premiums ) by all members who transferred risks.

This definition presents fundamental nature of insurance that there are at least two parties in an insurance contract; the insured (beneficiary) and insurer; there is transfer of risk from one party (insured) to another party (insurer); the payment of price (premium) is mandatory by the insured for the transfer of risk; and the insurer, on its part pays a sum of money to the insured in the event of occurrence of risk and creates a loss to the insured. Thus, while payment by the insurer is conditional, the insured is reducing its uncertainty concerning the financial consequences of the risk transferred through scarification of a small certain loss (the premium). Therefore, from

the viewpoint of the insured, insurance can be visualized as a mechanism of substituting “uncertainty” with “certainty”.

Insurance is a financial or economic arrangement that redistributes and distribute the costs of unexpected losses to the concerning party. Insurance consists of the transfer of potential losses to an insurance pool. The pool joins all the losses and then transfers the cost of the predicted losses back to those exposed. Thus, insurance involves the transfer of loss exposures to an insurance pool and the redistribution of losses among the members of the pool. Certainty of financial payments from a pool with adequate resources and accurate predictability of losses are the hallmarks of insurance transaction (Dorfman, 2005, p :2). From the above definitions one can see through the operation of an insurance system, however, combined losses can be predicted and the predictability of losses is a basic to an insurance system’s operations because insurance allows a group’s but not an individual’s losses to be predicted accurately, it allows the cost of losses to be financed and redistributed in advance.

Moreover, an insurance system redistributes the cost of losses by collecting a premium payment from every participant (insured) in the pool system and in exchange for the premium payment , the insurer promises to pay the insured’s claims in the event of covered loss.

According to John H Magee and David L.Bickeaupt (1964), insurance in social perspective an adequate definition giving recognition to both the end of insurance and to the means for effecting it has been admirably stated as: “We should define insurance, then, as that social device for making accumulations to meet uncertain losses of capital which is carried out through the transfer of the risks of many individuals to one person or to a group of persons. Wherever there is accumulation for uncertain losses, or whenever there is a transfer of risk, there is one element of insurance; only where these are joined with the combination of risks in a group is the insurance complete” John H Magee and David L.Bickeaupt,( 1964). It means that to effect insurance, persons who are exposed to loss from some particular peril agree to contribute to indemnify whichever member of the group shall, because of the peril, suffer loss. It is the more usual practice to contribute to a common fund and, out of this fund, to make payments to those who have suffered loss.

A brief review of literature B (2013) would be of immense help to the researcher in gaining an insight into the selected problem. It would help in gaining good knowledge of the area under study. This study is the first of its category in the way as it attempts to compile the views given by expert commissions, research bodies and individual researchers with reference to private life insurance, level of awareness, policyholders' level of satisfaction with Life Insurance Corporation of India and Private Life Insurance companies. The reviews presented below are based on internet search, perusal of related literature available in libraries and from various publications of books, newspapers, journals, magazines and research studies made on this topic.

#### **2.1.4 Life Insurance Policy Holders Awareness**

Chaudhary (2012) explained that today India is one of the fastest growing economies of the world. The Insurance Industry contributes to the financial sector of an economy and also provides social security to the people of a country and to the GDP in general. The income earning capacity and increasing rate of literacy are the key or the main factors of the growth of the Insurance industry. This sector provides for the long term contractual savings and security. The investors in life insurance are searching for both good return and life risk coverage. This study is conducted in Panipat city to test the awareness and satisfaction level of insurance buyers/ consumers. To overcome these objectives, a questionnaire is designed to collect the data of buyers of insurance.

Jain &Goval (2012), noted that the insurance industry is in existence since long, the level of awareness towards the rights and duties regarding insurance are rare. To really understand this, a the first duties of the research was conducted to find out the level of awareness towards the rights and duties of the policy holders across demographic profiles and the level of awareness towards life insurance policies and regulations prevailing in the market. Chi-square test was used to indicate the significance of the relationship. Prakash (2012), explained that that consumer awareness is the knowledge and skills that a consumer should possess about his/her legal rights and duties. It is implemented for the protection of the consumer, so that the consumer is not attacked by the seller of the products.

Dar A.A (2013), carried out a community-based cross-sectional study towards the awareness of life insurance in the population of Jammu and Kashmir State. A total number of 242 respondents from 242 households were interviewed by using a pretested questionnaire after obtaining

informed consent from the respondents. The understanding of life insurance was found to be 64.0 per cent. Around 45.0 per cent of the respondents came to be aware about life insurance from the media which played an important role in the dissemination of information. The mean and average premium amount agreeable to be paid by the respondents for life insurance was found to be Rs.1804.00; even though the low socio-economic group of people was also willing to part with a reasonable amount of Rs. 697.00 annually for life insurance. The middle and low socio-economic groups favored government life insurance in comparison to private life insurance as they have more faith on Government Company.

The findings show that government should bring with a policy, where the public can be made to contribute to a life insurance scheme to check unnecessary events and also better utilization of life insurance facilities. Choudhuri S (2014), analyzed that the customers are very much conscious about their needs and requirements towards insurance. Based on the several factors, customers are now selecting different/various kinds of products in their life where their awareness about the several existing life insurance products varies situation wise, culture wise, nation wise, sector wise, industry wise, political wise and obviously over times. On the other hand, like any other company, Life Insurance Corporation of India (LICI) is adopting various strategies to develop customers' awareness about the various products as well as involving in the fulfillment of various needs and requirements of the customers through their selection of different life insurance policies available in the market. Observing present scenario of the LICI customers' product awareness and their current transactional life insurance policies, rules in this study the investigation of customers' product awareness and transaction gap in Life Insurance Corporation of India has been conducted in Burdwan district, West Bengal. In this study, accepted 221 usable responses were considered as the sample size and statistical package or SPSS 16 was used to perform the analyses.

Choudhuri S (2014), stated that as a social being customers are not only relationally attached with the different kinds of people in their daily life but also directly related with their service providers in different ways. Empirical studies indicated that in the modern age of the society, the technology savvy customers' awareness about the several existing life insurance products depends on a number of factors where over times these factors varies situation wise, culture wise, nation wise, political wise, sector wise as well as industry wise. Considering awareness



scenario of the customers of Life Insurance Corporation of India about its available products in the present life insurance market, the researcher in this study conducted a study in Burdwan district, West Bengal, to identify the significant factors that play a noteworthy role in customers' mind to make them aware about the different products of the LIC.

Narendar & Sampath (2014) surveyed that the level of awareness towards the rights and duties regarding insurance is negligible. The studies attempt to understand the awareness of the people about the rights and duties towards life insurance products after the privatization of the insurance sector with special reference or focused on the Indian insurance sector. To really understand this, a primary research was conducted to find out the level of awareness towards the rights and duties of the policy holders across demographic profiles and about the level of having information towards life insurance policies prevailing in the Indian market. The study in general concentrates on the individual behavior, attitudes and also creating the awareness regarding their contribution on the Indian insurance sector.

### **2.1.5 Public and Private Life Insurance**

Dhanbhakya M. & Anitha V. (2011) explained/described that the insurance sector, in relation to other elements of marketing, and financial infrastructure have been touched and influenced by the process of liberalization and globalization in India. The customer is the king in the market. Life insurance companies deal with intangible products. With the entry of private players, the competition is becoming inactive. In order to satisfy or fulfill the needs of the customers, every company is trying to implement new creations and innovative product characteristics to attract customers. Keeping this in mind, the present study is designed to analyze the innovation in the Life insurance sector in India.

Sreenivas & Anand (2012) identified in the Indian context that the insurance habits among the general public during the independence decade were rare but there was a remarkable improvement in the Indian insurance industry soon after the economic reform era due to healthy competition from many national as well as international private insurance players. In this study, an attempt has been made to analyze the investors' perceptions towards public and private life insurance companies in India with special reference to Karnataka.

Tiwari A. & Yadav B (2013) decided that the deregulation of the Indian Insurance market, low insurance market penetration and the anticipated potential of the Indian insurance industry make it an attractive opportunity for private entrants. With the progress of IRDA reforms and enactment of IRDA act 1999, liberalization of the insurance market in India gave a way to many private insurers, resulting in drastic changes in respect to people's choice of companies. The other side of the insurances recovery of the market, insurance penetration and density of the nation have been improves, leading to a competition within the businesses in terms of policies sold, collection of premium income, first premium income, market share, settlement of claims and others. In India life insurance is regarded as more than a mere risk cover and is considered an important avenue of investment. Indian investors therefore, evaluate the past problem record and risk potential of an Insurer before taking a policy investment decision. In this study an attempt has been made to analyze the investors' risk attitude towards public and private life insurance companies in India with special reference to Madhya Pradesh.

Rao.(2014), explained that liberalization (releasing) of the financial services sector has led to insurance companies functioning increasingly through competitive pressures; so organizations are consequently directing their strategies towards maximizing customer satisfaction and loyalty through improved service and delivery quality. With the opening of insurance industry to private players, the competition has intensified and it has become very difficult for the companies to attract and stay the policyholders. Every company has recognized the need for changing from a traditional strategy to survive in the market. It is in this context, the process of CRM has been adopted by all private and public sector insurance companies as well.

#### **2.1.6 Policy Holders purchasing Behavior**

Eck. & Nizovtsev (2006) stated that to determine the major reasons for the lack of success in marketing life insurance in Latin America and the Caribbean. Their results indicate at the importance of cultural variables of which the most significant is the percentage of the population that professes to be Catholic. They attribute this to a strong relationship between religious beliefs and risk preferences. The other major factor is the population's attitude toward financial instruments in general. Both results are delineating to the model specification. The findings should be of interest to insurance companies trying to market life insurance throughout the international.

Sahu (2009) indicated that the life is full of risk and uncertainties. Therefore, the men are the social human being has certain responsibilities too. Indian consumers have high influence of emotions and rationality on their buying decisions. They believe in future rather than the present and desire to have a more and secured future, in this context life insurance services have its own value in terms of reducing risk and uncertainties. Indian economy is developing and having large middle class societal status and salaried persons. Their money value for current needs and future desires here the pendulum moves to another side which cultivate the reasons behind holding a policy. Here, the test has been made in this research to study the buying behavior of consumers towards life insurance services.

Dragota & IleanV (2011) inferred that proclaimed in an international context, Romania had a special status, with both positive and negative aspects in its evolution. In addition during a crisis period, starting from 2008 onwards, Japanese life insurance penetration rate had a continuous growing direction, but it has lagged behind other countries, from Europe or from other continents. The statistics for Romania checked that more steps must be done, primarily in terms of people's mentality to understand the usefulness of this sector. Depending on our field research of having more respondents in a nationally representative statistical survey of urban situations in Romania, a binary logit model identified the age, the education level, and income per capita, age, other factors and gender as predictors for the probability a life insurance policy to be chosen against an optional private pension.

Babita. Y. & Anshuja T (2012), stated that human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to individuals and families at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also initiates savings among people. LIC of India plays a vital role in the welfare of human well-being by giving insurance to millions of people against life risks such as uncertain death or accident. The present exploratory and descriptive based study was selected with an objective to select those factors which influence customers policy buying decision and also analyze the preferences of customers while life policy investment decision-making. Various insurance related factors have been described in this study. The data for the study has been collected from both primary and secondary sources through preparation of data collection tools.

Dash (2012) observed that the assumed differences in the predictions of the customers and the executives of the life insurance product regarding the influence of policy pricing on the final policy buying decisions of the power of policy holders. The various elements involved in the life insurance policy pricing can be pointed as: Price level, Terms of payments, Customer's own anticipated value, Policy quality and price comparison, Differentiation, Flexibility, Clearly laid price structure, Incentives and discounts which consists of seasonal, quantity, etc. This study relies on assumption that both the customers and the executives (of both urban and rural area) have the similar perceptions regarding the influence life insurance product pricing on the customers' buying decisions. Finally, it was found that almost all the categories of participants have similar perceptions except executives of urban area and rural area differing in their opinions about its impact on customers' buying decision. This study will go within a way in helping the life insurers to formulate a good pricing strategy to influence the customers' purchasing behaviors'.

Karthiga & Vadivalagan (2012) explained that the Indian Insurance Industry is as old as it is in any other part of the world. There were number of international and Indian insurers operating in the Indian market. Regulations were passed to regulate the Indian insurers but not the foreign companies providing insurance services in the country. Analysis and understanding of prospective buyers of life insurance according to their demographic characteristics in specific geographical regions thus becomes important. In the future this will enable the insurers to better prepare their marketing strategies as per the requirements of the people in the region.

Loke & Goh (2012), determined that the socio-demographic and economic factors that have significant influence on the demand for life insurance in Malaysia. A double hurdle count-data model is used to accommodate the identified decisions on the demand for life insurance which is divided into two parts: the decision whether to purchase a life insurance policy and if so, how various policies to purchase the term of purchase. The findings of the results show that there are certain slight differences in the factors that determine the decision to purchase life insurance and the quantity of life insurance policies that a consumer will purchase.

### **2.1.7 Life Insurance Policy Holders Perception**

Yusuf *et al*,(2009) described the Nigerians attitude/intention towards the insurance institution. The attitudes of, most often negative are mirrored through low patronage of insurance services. It

discusses such social-cultural factors that account for these attitudes and what role marketing strategies and rules can play to change such negative tide. Through theoretical foundation, an empirical observation was conducted among a number of more than 400 members of the public-insuring and non-insuring to gauge their awareness level and general attitudes towards insurance companies and their operations. The results present different demographical factors and their attitudes towards insurance companies and their services. The study demonstrates that results from such observation would consist an important input for insurers in designing marketing strategies that would further stimulate and boost patronage and perception of insurance services.

Huber & Schlager (2011) explained that in real world decision-making under risk and uncertainty presents one of the most difficult areas of research nowadays. To date, only little is known about the underlying perception that present the foundation of decision-making. They develop a necessary model examining the antecedents of consumers' purchase behavior in the context of long-term savings, particularly unit-linked life insurance products. Our experimental approach (n = 929) builds on two theoretical foundations: the risk as analysis and risk as feeling perspective which they apply to shed further light on the formation of product perceptions. Our research identifies a pivotal role of risk and uncertainty avoidance. Moreover, they complement our findings by investigating the conditions under which the two components exert their full influence on purchase behavior. The results indicate moderating effects of trust in the industry, product guarantees, including expertise, which underline the risk as feeling and risk as analysis perspective.

Kothar *et al.* (2011) stated that the life insurance is one of the most crucial social security measures undertaken in the country. Based on primary data generated through direct contacts, this study attempts to identify factors influencing of life insurance ownership in the country. The investigation of the scholars and scientists resulted into finding out what factors play very important role in life insurance policies purchase. Total 100 respondents were used in this study. A single to combination correlation was applied to check the consistency of the questionnaire. The measures were standardized through computation of reliability and validity tests. Factor investigation was applied to identify the underlying factors. The findings of this study provide the individual perception about the insurance policies.

Rajeswani& Kartheeswani (2011)) decided that the customer satisfaction as the perception of customers on the service whether that service has met his needs and expectations. Service quality cost of the product, personal factors, perception of equity and fairness, price, product quality, situational factors and attributions for service success or failure are the factors that influence the customer satisfaction. However, the perceptions and expectations of the policyholders who have taken the policies from Life Insurance Companies different from person to person. According to the research conducted emphasizes the assumptions made by the policyholders about the service provided by the LIC of India and intends to promote a better theoretical understanding and recognition of the difficulty identification of service quality and its measurement with respect to life insurance. The opinion survey with the policyholders also brings to the fore that the LIC has served them well in regarding to dissemination of product knowledge, issue of policies, after sales service there was claims even though a slight discontent is reported by minority.

#### **2.1.8 Life Insurance Policy Holders Satisfaction**

Alursuresh (2011) suggested that the success of the life insurance business depends on the awareness of the policyholders about the products and satisfaction of the policyholders regarding the service provided by LIC of India. Life insurance is one of a service sector which is no exception to this principle. The basics of Customer Relations Management (CRM), consists many types of strategies of which a business strategy that focuses on developing and retaining the relationships existing between customer and organization. Customer relation management also provides the customer with a much needed avenue to find expression for his problems, ideas and suggestions. Huge numbers of sales leads are losses yearly as disinterested employees pay slack attention to customer suggestions. A venue is required for these suggestions. This is supplied by customer relation management implementation.

Dhanbahkyam&Kavitha (2011) stated that the life insurance is the fastest growing sector in India since 2000 as Government allowed Private players and FDI up to 26%. Life Insurance in many countries was nationalized by including Life Insurance Corporation (LIC) in 1956. Most of non-government life insurance companies at that time were taken over by life insurance corporation. The insurance sector went through a full circle of phases from being unregulated to completely regulate and then currently being partly deregulated. It is governed by a number of acts. Life insurance growth has opened an array of opportunities for national firms to either set-up their

division in India or to enter into a joint venture with the Private Insurance Companies in India. In this study clients satisfaction towards private life insurance companies are discussed. Three objectives are framed for the analysis. The private life insurance company should have a clear vision and mission that should be known to all the stakeholders like employees, agents, customers and business associates. To achieve greater insurance penetration, private sector insurance company is to create a more vibrant and competitive industry, with greater efficiency, choice of products and value of customers.

Rajkuman & Kannan (2011) showed that the life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a total of money upon the occurrence of the policy due to owner's death. The results of the investigation, the policy owner (or policy payer) agree to pay a stipulated amount called a premium at regular intervals. Investors have different type's opinions and assumptions based on that an investor's point of view, an investment can play two roles - asset appreciation or asset protection. While most financial instruments have the underlying benefit of asset appreciation, life insurance is unique in that it gives the customer the reassurance of asset protection, along with a strong element of asset appreciation. At the same time, insurance products also have a strong inbuilt wealth creation proposition in the study area.

According to Larry *et al.*, (2013) benefits on two counts and life insurance occupy a unique space in the landscape of investment options available to a customer. Life insurance permits long term savings to be made in a relatively painless manner because of the minimum and convenient investments made through premiums. Beside this, it initiates 'forced thrift' which means the insured is made to pay premiums and save money, which he/she may not do in the regular course of life. More investment options make ones money work harder, but there are no substitutes to the life insurance. Because only a life insurance gives one both – risk cover against one's life as well as returns on the money invested. Amongst the most known benefits of Life Insurance is the savings on people income taxes. Most importantly it provides people with that unique sense of security and peace of mind that no other form of investment provides.

#### **2.1.9 Insurance Service Quality**

Goswami .P ( 2007) noted that the insurance industry in India was opened up to private sector participation in the year 2000. Life Insurance Corporation (LIC) of was the sole player in the life

insurance industry in study area. In certain years, since the entry of private players in the insurance market, life insurance corporation has lost 27% market share to the private players, although both, market size and the insurance premium being collected are on the rise. In 2005, life insurance accounted for 78% of the total insurance market in India. In view of the increasing competition, this study attempts to understand the dimensions of service quality, which helps ensuring maximum customer satisfaction and hence, helps life insurers to acquire a larger share of the market. The research conducted was on a systematic sampling design. To determine the results of the research scale was used to discern the different dimensions of service quality and stepwise multiple regressions was run with the scores on tangibility, reliability, responsiveness, assurance and empathy as independent variables and customer satisfaction as the dependent variable, because to check the satisfaction with the help of the regression to identify the effects of those variables.

Vijayalakshim. R&Keethi. Pa (2007) explained that customer service assumes vital importance in the marketing programmes of all modern organizations, specifically service organizations. As insurance is a service industry, the main focus is on the efficient and effective delivery of services to the policyholders. The most important factors in the insurance industry are, security of the amount insured and customer satisfaction. Obviously, there is no best way to determine the surviving environment, but the most convenient way of surviving and prospering in the competitive environment is through providing prompt, relevant and efficient customer services at measurable cost. After the liberalization of the insurance sector, it has been duly realized by all the players that, offering “quality service” is the only differentiating factor to attain sustainable growth in the competitive environment.

Siddiqui & Shama (2010) analyzed that liberalization of the financial services sector has taken to insurance companies functioning increasingly under fired competitive pressures; so companies are consequently directing their strategies towards maximizing customer satisfaction and loyalty through increasing service quality.

Kumri &Murthy (2013) observed the quality of service delivery results in customer satisfaction and their retention as it reinforces the perception that the value of service received is greater than the price paid for it. Quality improvement and adherence to accepted forms of quality are central to the modern concept of marketing of services. Customer service assumes vital importance in



the marketing programmers of all modern organizations including service organizations. As Insurance is a service industry, the main focus is on the efficient and effective delivery of services to the policy holders. The most important factors in the insurance industry are security of the amount insured and customer satisfaction. No simple and single way for prosperity, but the best way of surviving and prospering in the competitive environment is through providing prompt relevant and efficient customer services at measurable cost. After liberalization of the insurance sector it has been duly realized by all the players that customer satisfaction is the pivotal element for enhancing business performance. In order to attain sustainable growth in the competitive environment, offering quality service is the only differentiating factor.

## **2.2 Factors influencing or affecting customers insurance purchasing policy**

**Income:** The result shows that when income increased, an individual has a more reason to purchase life insurance due to life insurance is mainly for income protection purpose when there are unforeseen circumstances such as death of the income support of the family.

Besides that, Sibel and Mustafa (2009) study on the factors of consumption for life insurance on cross section of 31 European countries. The result shows that the income is one of the most important variables that affected the consumption of life insurance. The result shows that income per capita has positive and momentous effect on consumption for life insurance, which 1 per cent increase in income per capital will cause the increased of the life insurance the consumption by 1.91percent.

According to the research of Redzuan, Zuriah and Aidid (2009), they used time series data from the period of 1985-2007 to recognize the factors of family tankful life insurance consumption in Malaysia. Their result showed that the income variable is significantly and robustly predictive of family taka full life insurance consumption within the nation.

**Level of Education:** According to Beck and Webb (2003), the level of education will determine a person capability to comprehend the advantage of risk management and savings. A person with higher level of education will bring to higher awareness on the risk aversion and more alert on the needs of the life insurance protection; Browne and Kim (1993) discovered that education level could increase the duration of dependency, which drives to an increase in the consumption

for mortality protection, a life insurance. They also predict that with a higher level of education in the population, it will have significant relationship with the consumption of life insurance.

Browne and Kim (1993) used the ordinary least squares (OLS) to evaluate the predicted signs of education level. The results presented that the education level has a significant hypothesized sign with the life insurance consumption. The level of education is positively and significantly interrelated to the life insurance in 1980 force model. Nonetheless, Beck and Webb (2003) carried out a research and found that education is insignificant to the consumption of life insurance. They concluded that schooling is not robust predictors with the life insurance consumption by using the regular years of education in the population over age 25 and the gross secondary enrolment proportion to evaluate the education level.

In Nesterova (2008), panel estimation denoted that countries with higher level of education will have higher life insurance protection request. The higher education level implied a greater demand of life insurance in the market. Hence, a better Factors Influencing Life Insurance Consumption living standard will lead to increase of the life insurance consumption and furthermore encourage the capital accumulation through savings weights for a consumer. A simple OLS estimator is used to define the effect on life insurance consumptions. In the results, it showed that the level of education is positively and significantly determined the consumption for life insurance. They also claimed that the finding has a large impact compared to other researchers, which had emphasized the importance of education among the research countries.

The researchers, Browne and Kim (1993), Nesterova (2008) and Min (2008) found that the level of education are significantly affected the consumption of life insurance. However, Beck and Webb (2003) showed level of education is not important in determining the life insurance consumption. Therefore the expected sign is ambiguous.

**Age:** As per the Affordable Care Act (ACA), it required the insurer to cover any individual who intended to enroll and control the insurer on how they rated the premium according to the individual characteristic or background. They stated that insurer are not allow to rate the premium according to vary health status and different gender. Premium rated according to the age are restricted to a proportion of three to one (which means the premiums for a 64 years old is

three times the premium for a 21 years old). Beforehand, premium differences according to age were around five to one.

The breaking point on age assessment implies that, older age adult will be paying premiums that don't completely shield their normal medical costs, while younger age adult will be paying premiums that more to shield their medical costs. For this Factors Influencing Life Insurance Consumption framework to work, youngsters need to enlist adequate numbers to deliver a excess in premium incomes that can be utilized to cross-sponsor the shortage made by the enrolment of more established individuals (Larry, Gary and Anthony,2013).

For age, based on the research, Berekson (1972) had found that positive relationship within age and life insurance consumption; nonetheless, Bernheim (1991) had found that there is no significant relationship among age and life insurance consumption. On the other hand, by using 1984 LIMRA data, Gandolfi and Miners (1996) claimed that life assured age and life insurance demand has no relationship.

Bergheim (1991) used 3 models to estimate the demand of life insurance, which is Probit, Tobit and Heckman model .This researcher also used the 1975 Longitudinal Retirement History Survey data, oldest respondent was 69 year-old and youngest respondent was 64 year-old. And result showed the 3 models used by Bernheim (1991), possibility of life insurance is holding fall with age, which mean that age and life insurance consumption are negative relationship.

This research shall study on is there any relationship on Life Assured's age with the trends of life insurance in Malaysia market. In order to further analyse the relationship between Life Assured's ages toward the trends of life insurance in Malaysia market, this study proposed that;

**Genders:** As indicated by the Malaysia Statistics Department Labour force study in year 2011, 47.6per cent of the labour force is female. Almost all of the female (97.3per Factors Influencing Life Insurance Consumption) joined from primary school reached the last grade previous year compared to 97.1per cent of the male joined. The proportion of female to male university graduates is at 60:40. With the increase of the female graduates, found that the number of female participant in paid work had increase with more than half a billion women assembly the world's labour force over the past 30 years (Raina, 2011).

For gender, based on case study on Ethiopian Insurance Corporation(EIC) undertaken by Yigzaw (2010), respondents asked the question by using five point Likert scale the level of agreement, which their gender has relationship between gender and life insurance demand or not.

The important step used to test in relationship between demands of life insurance and gender is chi-square test. Based on the result of bar chart, we can see that, gender has no relationship with the attitude of buying life insurance. Furthermore, the projected marginal effect from probit model: change in predicted likelihood of having life insurance in China is based on the unit change showed that male purchaser have 17.94per cent likelihood to have the life insurance compare to female purchaser Wang (2010). For consumption of life insurance in Malaysia, the result showed that, both male and female has no positive relationship on the consumption for life insurance by Yiing and Yi (2012).

This research shall study on is there any relationship on the increase of female labor force with the trends of life insurance in Malaysia market. In order to further analyses the relationship between female labour forces toward the trends of life insurance in Malaysia market, this study proposed that;

**Premium:** The previous findings reported with respect to the effect of price on the demand for life insurance are indicated that the price of insurance is significantly and inversely related to the demand for life insurance (Babbel, 1985 and Browne and Kim, 1993). A high insurance cost tends to discourage the purchasing of life insurance.

The pooled cross-sectional models, insignificance negative relation is reported (Hwang & Greenford, 2005). These researchers have opinioned that the lesser the price of insurance, the higher its expected demand. While a different study by (Sen & Madheswaran, 2007) concluded that price does not affect life insurance demand at all.

### **2.3 Review of the Empirical Literature**

Wireko (2010), conducted a research on the determinants of life insurance purchase in Ghana. In his study, Logit regression model was estimated to help investigate the determinants. The Logit regression coefficients, the z-values and the p-values were used for the evaluation and statistical significance of variables in the model estimated. The Logit model was evaluated or analyzed with both p-values and the coefficients for the purpose of statistical significant of the explanatory

variables in the model. Results of the study showed that price of insurance (level of premium) appeared to have no robust influence on life insurance purchase as showed by insignificant negative coefficient. Inflation on the other hand had an indirect association with life insurance purchase with statistically significant values. Education, employment status and the age of consumers had significant positive influence on life insurance purchase. But family size had statistically insignificant positive effect on life insurance purchase. Overall, life insurance purchase is better explained when the economic and socio -demographic factors are considered jointly.

Huihui (2010) studied on factors influencing consumers' life insurance purchasing in china. In his study used survey data to identify key determinants related to Chinese consumers' ownership of life insurance, by using a probit model. The results revealed that several groups of variables influence Chinese consumers' life insurance purchases, including knowledge and trust, attitude, awareness, consumer profile and investment preferences, importance of product attributes, and socio-demographics. Also, the study applied factor analysis to investigate factors that are important for Chinese consumers regarding life insurance purchase. Factor analysis results indicated that four factors are identified including importance of product attributes, consumers' financial strength, consumers' attitude and trust toward the life insurance industry, and consumer attributes. The result shows attitude, educational status, awareness, gender knowledge and trust; consumer profile and investment preferences had significant positive influence on life insurance purchase.

Wang (2010) a study on factors influence consumers life insurance purchase decision in CHINA by using survey data cluster suggest that a number of variables helped explain Chinese consumers' ownership of life insurance. These included knowledge of life insurance, proportion invested in life insurance, buying preference from foreign firms, importance of death benefit and low premium, gender, and family monthly income. The importance of product attributes is the most important factor affecting Chinese consumers' ownership of life insurance.

Zekarias (2010) study on buyers' attitude towards Life Insurance Policy Purchase: a Case Study on Ethiopian Insurance Corporation (EIC). He selected 120 sample buyers of life insurance policy from EIC that are classified in to 4 groups or strata for the purpose of easy access and each stratum has again 30 samples selected purposively in which only 98 were fully completed

and returned. Mainly this research used the Chi-square- test of independence with ( $\alpha= 0.05$ ). On the basis of the data obtained from the respondents and results of the tests, the study identified that demographical factors play considerable role of varying degrees on buyers' attitude towards life insurance policy purchase. Particularly age, educational status, income level, and working status of buyers all have significant impact of varying degrees on attitudes towards life insurance purchase. Surprisingly sex, religion with the exception of Muslim religion, and number of dependents that buyers possess for financial support all proved not to have significant impact on life insurance purchase attitude of buyers.

Roman (2011) a study on determinants of life insurance purchase in Ethiopia using a log linear model and the result indicate that a change in income has a positively correlated in the short run, while the long run regression shows that current income is inversely related to demand for life insurance. The current price of insurance, a change in real interest rate (RIR) and gross domestic saving per-capita(GDS) have significant but inversely related to demand for life insurance in Ethiopia.

Kjosevski (2012) a study on the determinants of life insurance purchase in central and south Easter Europe by using regression output the result indicates that The higher GDP/capital, inflation, health expenditure, level of education and rule of law are the most robust(strong) predictor of the use of life insurance but real interest rate, ratio of quasi money , young dependency ratio, old dependency ratio, corruption and gov't effective do not appears to be robustly associated with life insurance.

Amrot (2014) a study on determinants of life insurance purchase in Ethiopia using a log linear model and the result reveled that GDP per capita, real interest rate, level of education and life expectance are positively related with life insurance demand whereas inflation is negatively related with life insurance purchase. Dependence ratio does not have a statistically significant relationship with life insurance.

Eric and Hadrat (2015) on their research on determinants of Life Insurance purchase, - A Case Study of Ayeduase-Kumasi Community, Ghana using Logistic regression modeling technique with 256 cross section observations. Income, higher education, number of dependents, employment by someone else and better perception about insurance firms improved the chances

of taking life insurance. Age however, has negative relationship with the odds of taking life insurance. Number of dependents was statistically significant at 1%. Age and Type of employment were both significant at 5% while's income and education level were significant at 10%. Overall the Chi-Square showed that the model was statistically significant at less than 0.001. Moreover, segmenting customers into different groups by using the type of employment as basis of segmentation could help insurance firms to prescribe policies that customers may patronize.

Elisa *et al.*, (2015) a study on life insurance purchase evidence from Italian households a micro economic view and gender issues using regression the result show that inflation and real interest rate had a negative effect, income and old dependency had a positive impact. The analysis also suggests that increasing net income for a given gross income, improving education or relying on both is less effective than fostering stock market participation. They conclude that, all others equal, a way in which financial intermediaries or policy makers can increase further insurance demand is by increasing financial market proximity as a whole.

Abenezer (2017) conducted a research on factors affecting the development of life insurance in Ethiopia. The study is made based on a primary data collected through self-administered questionnaire from buyers who have purchased life insurance from EIC and aged 18 years or older. To analyze the data a combination of descriptive form of data analysis and multiple regression analysis was used. Multiple Regression analysis was performed to investigate the effect of each explanatory variable on life insurance purchase. Accordingly except family size and gender factor, income level, age factor, education level and health status were found to be significant determinants of life insurance purchase. Among the six determinant factors, income level takes the highest fraction in influencing the purchasing for life insurance policy followed by age factor, family size, gender, education level and health status in that order.

Ganesh (2018) was conducted on determinants of life insurance purchase: evidences from India. He was trying to find out those demographic and socio-economic characteristics of the potential customers responsible for influencing their decisions to purchase a life insurance policy. He discussed numerous variables associated with the customers such as: age, gender, Religion, marital status, occupation, education, awareness, attitude, family size and annual income and their impact on their purchasing behaviors. It also included residing locality, selling company

and annual premium amount (price) along with these variables. The study was conducted in rural Odisha with a sample of more than 400 life insurance policy holders. To find out significant variations and relationships among these different categories, one-way ANOVA test and correlation analysis was applied. Further, factor analysis (EFA and CFA) and linear multiple regression were used to find out significance. Results of the study showed that gender, marital status, occupation, education, awareness, attitude, family size and annual income had statistically significant positive effect on life insurance policy purchase. Religion and age on the other hand had no association with life insurance purchase with statistically insignificant values

Tigest (2018) studied on determinants of life insurance purchase in Ethiopia. Ordinary Least Squares (OLS) regression was used to examine the effect of level of income, premium of life insurance, life expectancy, education, financial deepening and inflation on life insurance demand in Ethiopia over a period of 30 years from 1987/1988 to 2016/2017. Correlation analysis was carried out to show the direction of relationships among the dimensions included in the model. Moreover, regression analysis was conducted to determine the predictive values of the variables. The findings revealed that life expectancy has statistically noticeable negative effect on the life insurance purchase in Ethiopia. In addition to that, results shows that the education, per capita income and financial deepening have statistically significant positive influence on life insurance purchase in Ethiopia. The other findings discovered that premium of life insurance and inflation has negative impact on life insurance purchase but age and religion does not show any effect on life insurance purchase in Ethiopia for the study period.

### **2.3.1 Gap in literature**

According to Tigest (2018) education, per capita income and financial deepening have statistically significant positive influence on life insurance purchase in Ethiopia. Premium of life insurance and inflation has negative impact on life insurance purchase but age and religion does not show any effect on life insurance purchase in Ethiopia for the study period. And the second researcher Abenezer (2017) said life insurance determined by income, age, gender and inflation, but does not determine by premium and inflation. The third one Amrot (2014) she finds out that GDP per capital, income, education and life expectancy are positive and significant and inflation negative and significant. The fourth one Elisa *et.al.*, (2015) said young dependency negatively and old dependency positively related to life insurance purchase but income, saving, real interest



rate, premium of one unit of insurance, death rate and life expectancy were insignificant variables.

As we can see in the above paragraph, the significant variable of one researcher becomes an insignificant variable for another researcher, so this is unclear and needs additional investigation, since there is a time gap from previous studies and this time gap has an effect on life insurance purchase. So this study investigates the main determinant factors by studying the variables on income, age, gender, religion, premium of life insurance, educational status, awareness and attitude.

## 2.4 Conceptual Framework

The study included the independent variables such as age, gender, religion, educational status, income, awareness, attitude and premium/price and the dependent variable of life insurance policy purchase. These relationships are represented in Figure 2.1 below.

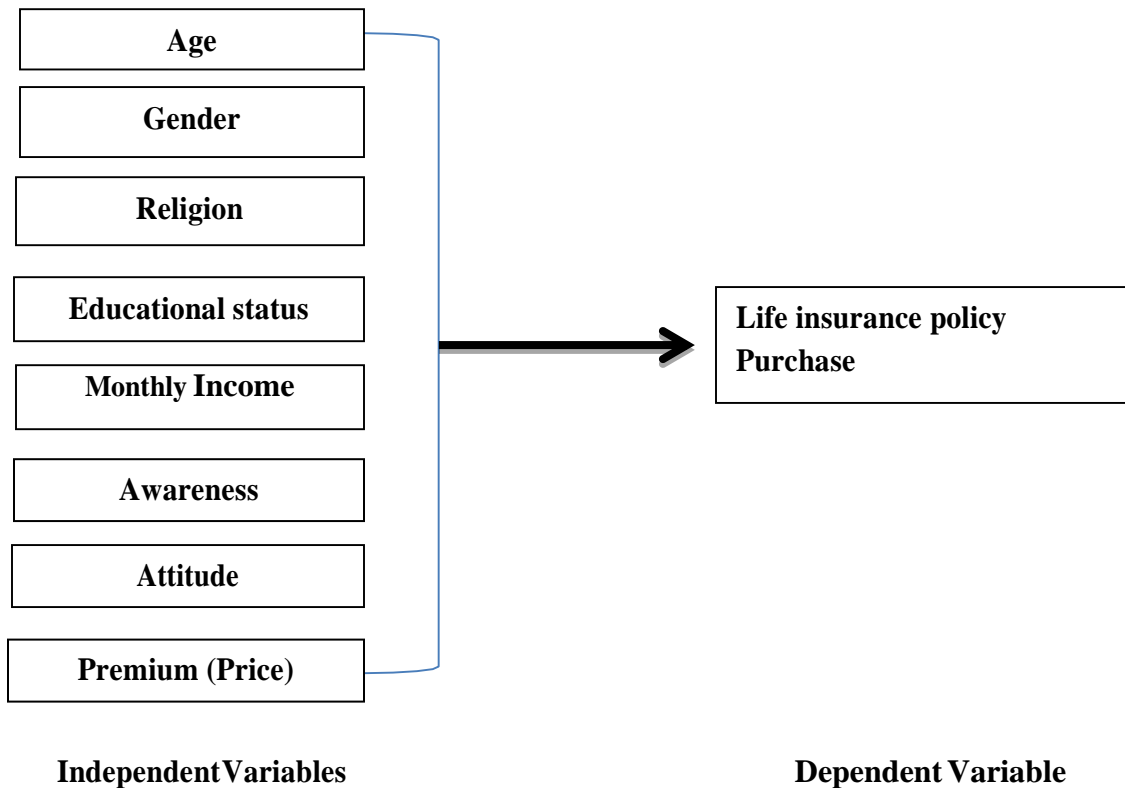


Figure 2.1 Conceptual Framework

## Chapter three

### 3. Research methodology

#### 3.1. Research design

Based on the purpose, this study used explanatory research design in analyzing the data. An explanatory research tries to establish relationship that exists between variables. It aims at identifying how one variable affects the other; it seeks to provide an empirical explanation to the causes and effects relationship between one or more variables. It aims at identifying how one variable affects the other; it seeks to provide an empirical explanation to the causes and effects relationship between one or more variables (Mark *et al.*, 2009).

#### 3.2 Types and Source of Data

In this study both the primary and secondary data sources was used. Primary source of data was collected from respondents by using questionnaires. The secondary source of data was used to support the topics in some different issues collected from different written document available such as internet, and book, and research articles.

#### 3.3 Study Population

Study population is the specific population about which information is desire. According to Ngechu (2004), a population is well defined or set of people, service, elements, and events, group of things or households that are being investigating. Mugenda and Mugenda(1999), explain that the study population should have some observable characteristics, to which the study intends to generalize the results of the study. In this study, the target population was 400 life insurance customers and 32 employees in Ethiopian Insurance Corporation, Jimma branch.

#### 3.4 Sampling Technique and Sample Size

In order to determine the desired number of sample from the total population, this study used the following Tayro Yamen (1967) sample determination formula:

$$n = \frac{N}{1+N(\epsilon)^2} = \frac{432}{1+432+(0.05)^2} = 207$$

Where, n= sample size

N= the total size of the study population

e= acceptable sampling error, 95% confidence.

The type of sampling techniques used in this study was a Probability sampling technique. Probability samples are characterized by the fact that, the sampling units are selected by chance. In such case, each member of the population has a known, non-zero probability of being selected (Greener, 2008). Under the probability sampling techniques, the study used Proportional Stratified random sampling techniques in order to get information from different group (strata). The strata are including customers and employees.

After the Proportional Stratified sampling method used to determine the number in each group, random sampling technique was used to select the final respondents which were given equal chance of being selected into sample. Accordingly, 192 respondents were selected from the total of 400 populations who are purchaser and 15 respondents were selected from the total of 32 populations who are employers depending on the following formula.

$$ni = \frac{Ni}{N} \times n$$

Where,  $n_i$  = Number of sample units from stratum     $N_i$  = the total number of units in the stratum

$n$  = the desired sample size     $N$  = Total number of units in the population

**Table 3.1: Proportional allocation of the desired sample size**

Strata	Total Study population	Sample proportion
Customers Purchase	400	$\frac{400 \times 207}{432} = 192$
Employees purchase	32	$\frac{32 \times 207}{432} = 15$
Total		207

### 3.5 Method of data collection

Primary data can be obtained by using quantitative data collection tool (questionnaire). Questionnaire was used in research study to collect primary data. The questionnaire comprised of close ended in order to enable the respondent to express their opinion in relation to the objectives of the study. Kothari (2004) argues that the use of a questionnaire is a cheap method to obtaining information particularly from a large group of respondents and it also permits for anonymity.

In relation to this, Cohen *et al.* (2008), argue that questionnaires encourage the respondents to be honest since they are answered anonymously. Moreover, it has the ability to solicit information from several respondents within short period of time (Johnson & Christensen, 2008). It has an advantage for respondent the scaled items, according to (McMillan and Schumacher, 2010), allow the respondents to choose.

### **3.6 Validity and reliability**

#### **3.6.1 Validity Test**

According to Creswell (2003) validity is the extent to which results acquired from process of analysis of the data actually embodies the phenomenon under study. There are two types of validity: content validity and face validity. Face validity refers to probability that a question is misinterpreted or misunderstood. According to Cooper and Schindler (2006) pre-testing is a proper way to increase the possibility of face validity. On the other hand, content validity, also referred to as logical validity, refers to the degree to which a measure depicts all facets of a given social construct. In this study, the content validity was improved by seeking the opinions of experts in the field of study, particularly the supervisors. Also, the face validity of the research instrument was improved by carrying out a pilot test and changing any unclear and ambiguous question.

#### **3. 6.2 Reliability Test**

Measurement or questionnaire adopted from several journals was used to ensure higher validity. The questionnaire adopted for this research undertaking, is known as the Workforce diversity survey. The decision to utilize the particular measuring instrument is because its psychometric properties were evident, and the questionnaire had been used in a number of empirical studies Cooper & Schindler (2003). The questions consisted of 5 point Likert scale where the respondent expected to strongly agree, agree, neutral, disagree and strongly disagree with carefully constructed that ranged from very positive to very negative toward an attitudinal phenomenon. The questionnaire was tested by Pilot test using Cronbach reliability coefficient testing. Cronbach's Alpha can be interpreted as percentage of variance where the observed scale would explain in hypothetical true scale composed of all possible items in the universe. According to Zikmund *et. al.*, (2010) scales with coefficient alpha score of 0.6 and 0.7 indicate fair reliability, a Cronbach's alpha score of .70 or higher and considered as adequate to determine

reliability. An alpha coefficient of 0.7 was obtained. Thus, the data generation was reliable and free of random error.

**Table 3.2 Reliability Statistics**

	<b>Cronbach's Alpha</b>	<b>Number of items</b>
Age diversity	.886	6
Gender diversity	.786	4
Religion diversity	.859	4
Educational background	.828	6
Awareness	.735	6
Attitude	.773	4
Monthly Income	.762	5
Premium	.754	6
Life insurance policy	.767	5

Thus, as shown in table 3.1 the reliability of the scores was evident by strong Cronbach's alpha coefficients for all variables, which used as independent and dependent variables of the study. The Cronbach's alpha ranged from 0.735 to 0.886 indicating that items are highly reliable to measure the variables they are expected to measure.

### **3.7. Method of Data Analysis**

The data collected for this study was checked and organized with respect to basic research questions and objectives of the study. The quantitative data was analyzed using descriptive and inferential statistics. Relevant statistical techniques which include tables and descriptive techniques were used to present data. The statistical package for social science (SPSS version 23) was used to process the data obtained from primary sources. Descriptive statistics such as mean, standard deviation, percentage were used and presented in charts. Descriptive analysis is used to reduce the data in to summary format by tabulation. As inferential method of data analysis, multiple linear regressions were used to examine the determinants of life insurance purchase policy in relation to each of the independent variables of the study.

### 3.8 Model specification

Within this study multiple linear regression model were used to achieve research objectives. The basic objective of using multiple linear regression analysis is to make the research more effective in analyzing impacts of independent variables on the dependent variable. Additionally, according to Grigoroudis (2010); “Multiple linear regression method is used to study the relation between the independent variables and dependent variable.”(Gujarati 1995) defines a regression function as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \epsilon_i$$

Where: Y = Life insurance policy

$X_1$  = Age       $X_2$  = Gender       $X_3$  = Monthly income       $X_4$  = Educational background

$X_5$  = Religion       $X_6$  = Awareness       $X_7$  = Attitude       $X_8$  = Premium (Price)       $\epsilon_i$  = error term

$\beta_0$  is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.

Multiple linear regression model assumptions were conducted based on a Gujarati (1995) to check goodness-of-fit carry significant benefits for the research; because once the model is fitted, it is effective in describing the outcome of variables. Let summarize each assumption one by one;

**3.8.1 Normality:** The distribution of residuals should be normal at each value of the dependent variable is one of multiple linear regression assumption. This means that errors are normally distributed, and that a plot of the values of the residuals was approximated a normal curve (Keith, 2006). According to Gujarati (1995)  $\epsilon_i$  are independently and normally distributed with mean zero and a common variance  $\sigma^2$  was given as;  $\epsilon_i \sim (0, \sigma^2)$

**3.8.2 Linearity Test:** Linearity is used check whether all the estimates of regression including regression coefficients, standard errors and tests of statistical significance are biased or not (Keith, 2006).

**3.8.3 Homoscedasticity;** the variance of residuals for every set of values for the independent variable is equal and violation of Heteroscedasticity. This means that the researcher assumes that errors are spread out consistently between the variables. Symbolically described as follow;

$$\text{var} = \left( \frac{\epsilon_i}{(x_1, \dots, x_k)} \right) \sigma^2$$

For all  $\epsilon_i$  is disturbance term or error term  $X_k$  is explanatory variable  $\sigma^2$  is the constant or homoscedastic variance of  $\epsilon_i$ .

**3.8.4 Multi-collinearity:** it meant the existence of a perfect or exact, linear relationship among some or all explanatory variables of a regression model. If there is perfect collinearity among the independent variables, their regression coefficients are indeterminate and their standard errors are not defined. Therefore, independence of independent variables was tested by Variance inflation factor (VIF) and tolerance.

$$VIF(X_j) = \frac{1}{1-R_j^2} \quad \text{Tolerance } 1-R^2$$

Where;  $X_j$  = the  $j^{\text{th}}$  explanatory variables regressed on the other independent variables.

$R_j^2$  = the coefficient of determination when the variable  $X_j$  regressed on the remaining explanatory variable.

### 3.9 Ethical consideration

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaires. The right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like “respondents “were used.

## Chapter four

### 4. Data analysis, interpretation and presentation

#### 4.1 Introduction

The analysis and interpretation of this study is based on the data collected from the purchaser and employees of Ethiopian insurance corporation Jimma branch. The data was collected through survey questionnaire. The survey questionnaires were distributed to a randomly selected 207 life insurance policy holders, and employees. Six respondents could not be returned and a total of returned 3 responses were excluded from analysis due to irrelevant information and not correctly filling the questionnaires. Thus, the study analysed the data on only 198 responses of insurance purchasers and employees, which resulted a sufficient percentage (95.6%) response rate. Hence, the data gathered were organized and analysed in a manner that enables to answer the basic research questions raised at the beginning of the study by SPSS version23.

#### 4.2: Background information of the respondents

The questionnaires were distributed with stratified random sampling method to the respondents who are eligibly available at Ethiopian insurance corporation Jimma branch. The demographic characteristic consists of sex, age, educational background, religion, income category and years spent in using the life insurance policy. This aspect of the analysis deals with the personal data which is briefly described through the bar chart, pie chart and tables found below.

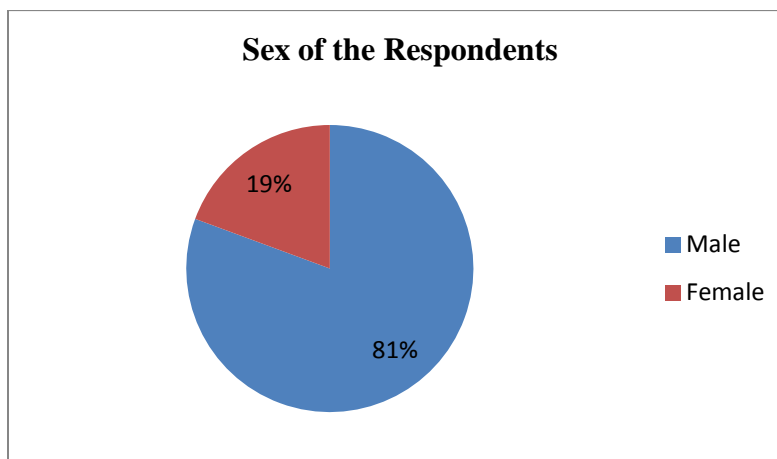


Figure 4.1 Gender of the respondents



The above pie-chart gives information on the composition of the respondents in terms of sex. The reason that the researcher included this part is for example, to make sure that respondents are in appropriate mix in terms of gender. As a result, the responses to the items in the instrument are also expected to be balanced. The survey showed that there were more males as compared to females. Male respondents represented 81%; on the other hand 19% were females. As a result, as the pie-chart indicates there is no balancing of gender in the study area.

**Table 4.1 Educational background of the respondents**

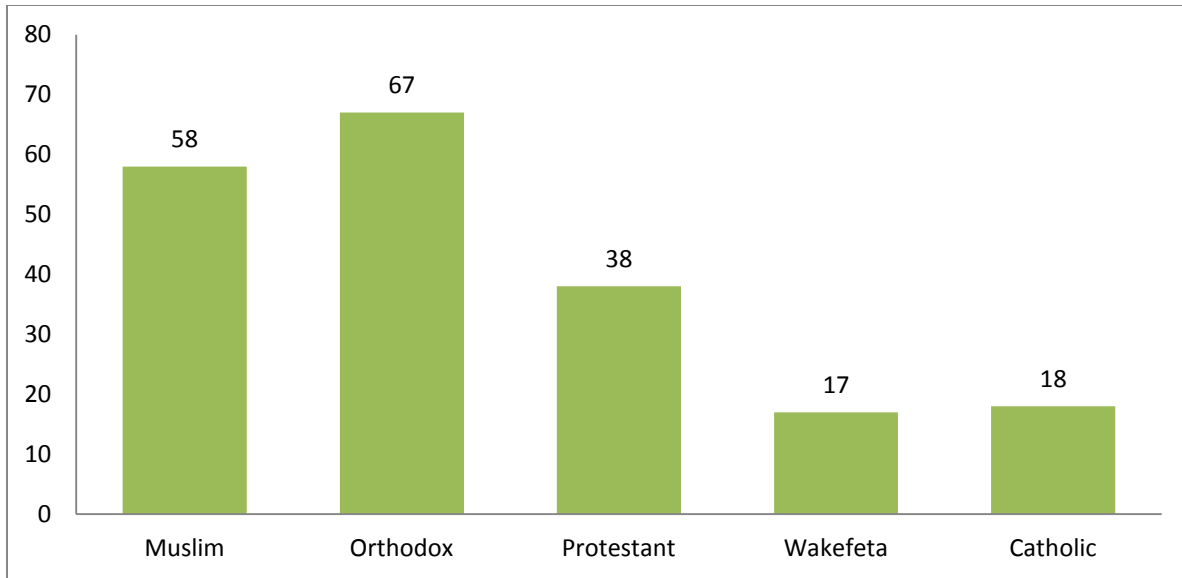
	Frequency	Percent	Valid Percent	Cumulative Percent
Bellow Diploma	27	13.6	13.6	13.6
Diploma	78	39.4	39.4	53.0
Frist degree	69	34.8	34.8	87.9
Masters and above	24	12.1	12.1	100.0
Total	198	100.0	100.0	

When it comes to the educational background of respondents, it is clearly understood from the above table 4.1 that about 39.4% of the respondents are diploma holder, 34.8% of the respondents are 1<sup>st</sup> degree holder and 12.1% of the respondents are second degree holders. This indicates that most of the respondents can understand and evaluate the subject matters and its paramount important for the successful acquisition of the respondents' valuable judgment pertaining to the study area.

**Table 4.2 Age of the respondents**

Age	Frequency	Percent	Valid Percent	Cumulative Percent
20-30	3	1.5	1.5	1.5
31-40	43	21.7	21.7	23.2
41-50	56	28.3	28.3	51.5
51-60	68	34.3	34.3	85.9
>60	28	14.1	14.1	100.0

A table 4.2 summarizes the respondent's age composition. Information on age might give a clue about respondents understanding level about the issues raised on the survey questionnaires. Most of the respondents are in the age range of 51-60 and it's also about 34.3% of the total sample size. The second largest portion was found to be the age category between 41 and 50 about 28.3% of total sample size.



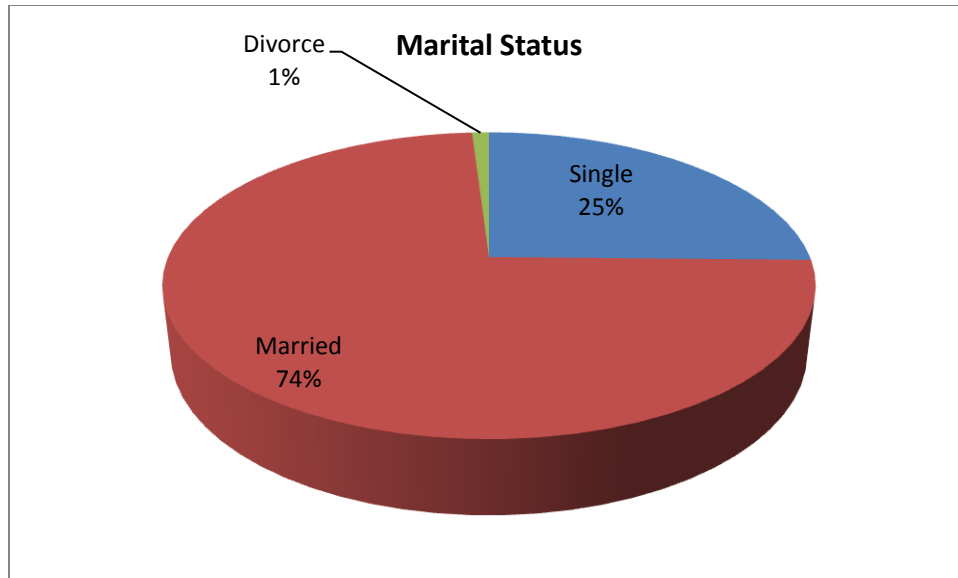
**Figure 4.2 Religion of the respondents**

The above bar-chart gives information on the composition of the respondents in terms of religion. The reason that the researcher included this part is for example, to make sure that respondents are in appropriate mix in terms of religion. As a result, the responses to the items in the instrument are expected to be balanced. The survey showed that there was more orthodox follower as compared to other religions. Orthodox respondents represented 67(33.8%) followed by Muslim followers 58(29.3%) of the sample size. The remaining respondents were Protestant 38(19.2%), Catholic 18(9.1%) and Wakefeta 17(8.6%). As a result, as the bar-chart indicates there is an appropriate mix of religion in the study.

**Table 4.3 monthly incomes of the respondents**

Monthly income	Frequency	Percent	Valid Percent	Cumulative Percent
Below 5000	71	35.9	35.9	35.9
5001-8000	66	33.3	33.3	69.2
Above 8000	61	30.8	30.8	100.0

A table 4.3, deal with income category of the respondents and 35.9% portion of the respondents earn less than ETB 5,000.00. The remaining 33.3% fall under the income category from ETB 5,000 up to 8,000 and the rest of income categories were found to be above ETB 8000.



**Figure 4.3 Marital status of the respondents**

Above pie-chart shows as there were a large number of married respondents which accounts for 74% of the sample size while 25% of them were married and the rest 1% were Divorce.

**Table 4.4 Stayed with the insurance**

Stay	Frequency	Percent	Valid Percent	Cumulative Percent
1-5 years	91	46.0	46.0	46.0
6-10 years	87	43.9	43.9	89.9
More than 10 years	20	10.1	10.1	100.0

As it can be easily observed on the above mentioned table, about 10.1% of the respondents found to spend more than 10 years of using life insurance policy of availed by EIC. It's reached that 46% of the respondents were using life insurance facilities for less than five years and the remaining respondents were used life insurance policy for six to 10 years.

### **4.3 Descriptive analysis of responses of the questionnaire**

In order to see the general perception of the respondents regarding the determinants of life insurance policy purchase in Ethiopian insurance corporation Jimma branch. The researcher has included the measures stated in the following tables and followed by analysis & interpretation supplemented using mean and standard deviation.

Mean was used to analyse the data. Under this circumstance, the maximum mean which is above 3(three) to 5(five) indicates the maximum number of respondents those who are agreed and strongly agreed to each question drawn by the researcher and mean whereas, less than 3 (three) indicates the number of respondents those who are disagreed and strongly disagreed to the question drawn by the researcher and 3(three) is considered as neutral or indifferent to the question. Based on this, the analysis traced here below is outlined according to nomination of mean listed on the table for each question.

**Table 4.5 Mean and Standard deviation of age diversity on life insurance policy purchase**

Item	N	Mean	Std.
Your age is your reason to purchase the life insurance policy	198	3.47	1.12
The level of age has its own influence on attitude to purchase life insurance	198	3.58	1.03
Young people are less interested in purchasing of life insurance	198	3.63	.98
People at medium age are interested to purchase a life insurance	198	<b>3.35</b>	1.13
Old people are more interested in purchasing life insurance	198	3.60	1.04
Life insurance is important to all ages.	198	<b>3.73</b>	1.06
<b>Overall Mean</b>		<b>3.56</b>	

**Source:** Survey Data (2020)

As it was seen in the above table 4.5 six items were prepared to collect data from purchasers of selected life insurance company in the case of Ethiopian insurance corporation Jimma Branch. All the items related to age diversity on life insurance policy Purchaser.

The mean value of all questions is in the range of 3.35– 3.73 and the standard deviation is 0.98 – 1.13. The highest mean score from items was 3.73 for the statement “Life insurance is important to all ages and the item “People at medium age are interested to purchase a life insurance” has the lowest mean score of 3.35. Regarding standard deviation 0.98 was the smallest standard deviation for item “Young people are less interested in purchasing of life insurance” while 1.13 is the highest standard deviation for item “People at medium age are interested to purchase a life insurance”. Based on the information provided in the study the overall feeling (M=3.56) is that, almost all the respondents were agreed that age diversity has an effect on life insurance policy purchaser. The high standard deviation 1.13 observed for this question reflects the higher

difference of opinion among the respondents on the statement people at medium age are interested to purchase a life insurance.

**Table 4.6 Mean and Standard deviation of gender diversity on life insurance policy purchase**

Items	N	Mean	Std.
Gender has its own influence to purchase life insurance	198	<b>3.86</b>	.87
For a reason of their gender, peoples are not willing to purchase life insurance	198	3.82	.92
Females have a positive intention to purchase life insurance than males	198	3.32	1.13
Males have a positive intention to purchase life insurance than females	198	3.59	.96
<b>Overall Mean</b>		<b>3.64</b>	

**Source:** Survey Data (2020)

As it was seen in the above table 4.6 four items were prepared to collect data from purchasers of selected life insurance company in the case of Ethiopian insurance corporation Jimma Branch.

All the items related to gender diversity on life insurance policy Purchaser.

The mean value of all questions is in the range of 3.33– 3.86 and the standard deviation is 0.92– 1.13. The highest mean score from items was 3.86 for the statement “Gender has its own influence to purchase life insurance” and the item “Females have a positive intention to purchase life insurance than a male” has the lowest mean score of 3.32. Regarding standard deviation 0.92 was the smallest standard deviation for item “gender, peoples are not willing to purchase life insurance” while 1.13 is the highest standard deviation for item “Females have a positive intention to purchase life insurance than males”. Based on the information provided in the study the overall mean (M=3.64) is that, almost all the respondents were agreed that gender difference has an effect on life insurance policy purchaser. The high standard deviation 1.13 observed for this question reflects the higher difference of opinion among the respondents on the statement “females have a positive intention to purchase life insurance than males”.

**Table 4.7 Mean and Standard deviation of religious diversity on life insurance policy purchase**

Religion	N	Mean	Std.
Your religion prohibits you from buying life insurance	198	3.79	.99
Life insurance is against the trust in protection of God/Allah	198	3.45	.95
Trust in God/Allah will reduce life risk so that no need to purchase life insurance	198	3.83	1.03
Religion is nothing to do with life insurance	198	3.25	1.14
<b>Overall Mean</b>		<b>3.58</b>	

**Source:** Survey Data (2020)

The above table shows that the mean and standard deviation of religious diversity on life insurance policy purchaser in the case of Ethiopian insurance corporation Jimma Branch. All the items related to religion diversity on life insurance policy purchaser.

The mean value of all questions is in the range of 3.25– 3.83 and the standard deviation is 0.95 – 1.14. The highest mean score from items was 3.83 for the statement “Trust in God/Allah will reduce life risk so that no need to purchase life insurance” and the item “Religion is nothing to do with life insurance” has the lowest mean score of 3.25. Regarding standard deviation 0.95 was the smallest standard deviation for item “Religion is nothing to do with life insurance” while 1.13 is the highest standard deviation for item “Religion is nothing to do with life insurance”. Based on the information provided in the study the overall feeling (M=3.56) is that, almost all the respondents were agreed that religion diversity has an effect on life insurance policy purchaser.

**Table 4.8 Mean and Standard deviation of educational background diversity on life insurance policy purchase**

<b>Item</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>
The level of your education helps you to have positive attitude to purchase life ins.	198	3.66	1.04
There are peoples who do not purchase life insurance due to level of their education	198	<b>3.36</b>	.97
Educated peoples have a positive intention to purchase life insurance	198	3.65	.93
Educated people will not access their life to risks and they don't need life Insurance	198	3.57	.99
Higher education level will lead to greater risk aversion.	198	<b>3.71</b>	.86
Higher education level makes me more aware on the importance of financial security.	198	3.67	.94
<b>Overall Mean</b>		<b>3.60</b>	

**Source:** Survey Data (2020)

As it was seen in the above table 4.8 six items were prepared to collect data from purchasers of selected life insurance company in the case of Ethiopian insurance corporation Jimma Branch. All the items related to educational background diversity on life insurance policy Purchaser.

The mean value of all questions is in the range of 3.36– 3.71 and the standard deviation is 0.93 – 1.04. The highest mean score from items was 3.71 for the statement “Higher education level will lead to greater risk aversion” and the item “peoples who do not purchase life insurance due to level of their education” has the lowest mean score of 3.36. Regarding standard deviation 0.93 was the smallest standard deviation for item “Educated peoples have a positive intention to purchase life insurance” while 1.04 is the highest standard deviation for item “The level of your education helps you to have positive attitude to purchase life ins”. Based on the information provided in the study the overall mean (M=3.60) is that, almost all the respondents were agreed that educational background diversity has an effect on life insurance policy purchaser.

This result is in line with the general notation that a higher level of education may lead to a greater degree of risk aversion and more awareness of the necessity of insurance in and in particular with Greene and Swadener, (2014) it is assumed that a higher level of education may

lead to a greater degree of risk aversion and more awareness of the necessity of life insurance purchase.

**Table 4.9 Mean and Standard deviation of awareness on life insurance policy purchase**

<b>Items</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>
Most people do not know about life insurance in general	198	3.89	.84
Most people are unfamiliar with the available life insurance products	198	3.95	.85
Peoples do not have enough information to decide buying life insurance	198	<b>4.12</b>	.97
There is weak awareness creation activities made by insurance companies about life insurance	198	<b>3.64</b>	.86
Most Household's do not know about life insurance in general	198	3.72	.95
Most households are unfamiliar with the available life insurance products	198	3.77	.88
<b>Overall Mean</b>		<b>3.81</b>	

**Source:** Survey Data (2020)

The mean value of all questions is the range of 3.64–4.12 and the standard deviation is 0.84 – 0.97. The highest mean score from items was 4.12 for the statement “Peoples do not have enough information to decide buying life insurance” and the smallest mean score from items was 3.64 for the statement “there is a weak awareness creation activity made by insurance companies about life insurance”. Regarding standard deviation 0.84 was the smallest standard deviation for the item “Most people do not know about life insurance in general” while 0.97 is the highest standard deviation for item “Peoples do not have enough information to decide buying life insurance”. Based on the information provided in the study the overall mean (M=3.84) is that, almost all the respondents were agreed that awareness on life insurance policy has an effect on life insurance policy purchaser.



**Table 4.10 Mean and Standard deviation of attitude on life insurance policy purchase**

<b>Items</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>
Having a positive perception on purchase of life insurance	198	<b>3.70</b>	.822
Continue to be a consumer of the life insurance product	198	3.89	.95
Recommending other peoples to have a life insurance policy	198	3.75	1.01
Having life insurance will protect life from unexpected trouble	198	<b>3.90</b>	1.00
<b>Overall Mean</b>		<b>3.84</b>	

**Source:** Survey Data (2020)

As it was seen in the above table 4.10 four items were prepared to collect data from purchasers of selected life insurance company in the case of Ethiopian insurance corporation Jimma Branch. All the items related to attitude of life insurance policy purchaser.

The mean value of all questions is in the range of 3.70– 3.90 and the standard deviation is 0.95 – 1.01. The highest mean score from items was 3.90 for the statement “having life insurance will protect life from unexpected trouble” and the smallest mean score from items was 3.70 for the statement “having a positive perception on purchase of life insurance”. Regarding standard deviation 0.95 was the smallest standard deviation for item “Continue to be a consumer of the life insurance product” while 1.01 is the highest standard deviation for item “recommending other peoples to have a life insurance policy”. Based on the information provided in the study the overall mean (M=3.81) is that, almost all the respondents were agreed that attitude on life insurance policy has an effect on life insurance policy purchaser. The high standard deviation 1.01 observed for this question reflects the higher difference of opinion among the respondents on the statement “recommending other peoples to have a life insurance policy”.

**Table 4.11 Mean and Standard deviation of Monthly income on life insurance policy purchase**

Items	N	Mean	Std.
The available life insurance products are not affordable to low income household	198	3.78	.94
Most people do not have enough disposable income to buy life insurance	198	<b>3.91</b>	.90
The consumption of life insurance increase if affordable products are made available	198	3.62	.95
My income is not enough for my monthly spending and to purchase life insurance	198	<b>3.50</b>	1.09
My income directly affects my purchasing power.	198	3.74	.93
<b>Overall Mean</b>		<b>3.71</b>	

**Source:** Survey Data (2020)

In the table 4.5 above, five items were prepared to collect data from purchasers of selected life insurance company in the case of Ethiopian insurance corporation Jimma Branch. All the items related to monthly income on life insurance policy purchaser were measured.

The mean value of all questions is in the range of 3.50– 3.91 and the standard deviation is 0.90 – 1.09. The highest mean score from items was 3.90 for the statement “Most people do not have enough disposable income to buy life insurance” and the item “income is not enough for monthly spending and to purchase life insurance” has the lowest mean score of 3.50. Regarding standard deviation 0.90 was the smallest standard deviation for item “most people do not have enough disposable income to buy life insurance” while 1.09 is the highest standard deviation for item “Income is not enough for monthly spending and to purchase life insurance”. Based on the information provided in the study the overall mean (M=3.71) is that, almost all the respondents were agreed that monthly income has an effect on life insurance policy purchaser. The high standard deviation 1.09 observed for this question reflects the higher difference of opinion among the respondents on the statement “income is not enough for monthly spending and to purchase life insurance”.

This result is consistent with other studies such as Mark J. Browne (2003) and Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu (2007) have shown that income has a positive impact on the life insurance purchase. More over the correlation is that as income

increases, life insurance purchase becomes more affordable. This can be explained partially by the fact that middle income groups are more vulnerable than wealthy household. In fact, wealthy household relatively feel secured usually in the financial environment. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach.

**Table 4.12 Mean and Standard deviation of Premium (price) on life insurance policy purchase**

<b>Item</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>
The available life insurance product varieties are limited	198	3.40	.98
Existing life insurance policies are not compatible to the needs of the society	198	<b>3.68</b>	.91
Lack of product variety has led to lower the consumption of life insurance	198	3.52	1.03
When I buy life insurance policy I assume that premium is consistent elsewhere	198	<b>3.37</b>	.95
As long as my life and medical insurance expense is covered by my company, I don't worry whether the premium is higher or	198	3.42	1.02
It is better to buy life insurance than to save in commercial bank because it holds the death risk	198	3.67	.92
<b>Overall Mean</b>		<b>3.51</b>	

**Source:** Survey Data (2020)

The mean value of all questions is in the range of 3.37– 3.68 and the standard deviation is 0.91 – 1.02. The highest mean score from items was 3.68 for the statement “Existing life insurance policies are not compatible to the needs of the society” and the item “premium is consistent elsewhere” has the lowest mean score of 3.37. Regarding standard deviation 0.91 was the smallest standard deviation for the item “existing life insurance policies are not compatible to the needs of the society” while 1.02 is the highest standard deviation for item “life and medical insurance expense is covered by the company”. Based on the information provided in the study the overall mean (M=3.51) is that, almost all the respondents were agreed that premium has an

effect on life insurance policy purchaser. This result is in agreement with some previous studies that suggest that the lower the price of insurance the higher the expectation of purchasing life insurance (Hwang and Greenford, 2005).

In general from the research findings the study established that majority of the respondents agreed that attitude should be considered as the first option with mean 3.84, followed by awareness with mean 3.81. Income of the respondents is also an important determinant factor to be considered in purchasing life insurance policy as shown by a mean of 3.71. The majority of the respondent also agreed that age, religion, gender, and premium are the determinant of life insurance policy purchase with mean of 3.56, 3.53, 3.64 and 3.51, respectively. On average most responses are close to positive response, with smallest standard deviation, this is indicating the purchaser perception is good, so most of the respondents' responses are similar.

#### **4.4 Association between Determinants and Life insurance policy Purchase**

According to Wajahat (2010), before the start of regression analysis it is important to check the correlation test between dependent variable and independent variables. The Pearson correlation scale ranges from -1 to 1, any value greater than zero indicate a positive direct relationship between the two variables, which implies that every increase in the independent variable will lead to increase the dependent variable, while any value less than zero indicate a negative indirect relationship between two variables, this means that every increase in the independent variable will lead to the decrease on the dependent variable (Hafiz, 2007). Different authors suggest different interpretations; However, (Saunders *et.al*, 2009) suggests about strength of relationship as:  $r = 0$  to  $0.39$  Or  $0$  to  $-0.39$  small(weak) relationship,  $r = 0.4$  to  $0.69$  or  $-0.40$  to  $-0.69$  medium (moderate) relationship and  $0.70$  to  $1$  or  $-0.70$  to  $-1$  large (strong) relationship. The following table shows the relationship between each variable.

**Table 4.13: Association between determinants and Life insurance policy purchase**

		Age	Gender	Religion	Educational status	Awareness	Attitude	Income	Premium	Policy Purchase
Age	Pearson r Sig. (2-tailed) N	1 198								
Gender	Pearson r Sig. (2-tailed) N	-.05 .476 198	1 198							
Religion	Pearson r Sig. (2-tailed) N	-.07 .283 198	.345** .000 198	1 198						
Educational status	Pearson r Sig. (2-tailed) N	-.04 .490 198	.512** .000 198	.216** .002 198	1 198					
Awareness	Pearson r Sig. (2-tailed) N	.044 .537 198	.101 .158 198	-.019 .794 198	.171* .016 198	1 198				
Attitude	Pearson r Sig. (2-tailed) N	-.01 .950 198	.181* .011 198	.050 .485 198	-.019 .792 198	.498** .000 198	1 198			
Income	Pearson r Sig. (2-tailed) N	.004 .953 198	.033 .643 198	-.022 .762 198	.295** .000 198	.396** .000 198	.367** .000 198	1 198		
Premium	Pearson r Sig. (2-tailed) N	-.03 .629 198	-.066 .357 198	-.026 .711 198	-.071 .320 198	.039 .582 198	.160* .024 198	.077 .281 198	1 198	
Purchaser	Pearson r Sig. (2-tailed) N	<b>.062</b> <b>.385</b> <b>198</b>	<b>.061</b> <b>.036</b> <b>198</b>	<b>.027</b> <b>.707</b> <b>198</b>	<b>.323**</b> <b>.000</b> <b>198</b>	<b>.490**</b> <b>.000</b> <b>198</b>	<b>.457**</b> <b>.000</b> <b>198</b>	<b>.653**</b> <b>.000</b> <b>198</b>	<b>-.201**</b> <b>.004</b> <b>198</b>	<b>1</b> <b>198</b>

The table 4.13 above explains the relationship between the independent variable and life insurance policy purchase. Based on the output of the correlation matrix; gender (  $r=0.061$ ,  $p<0.05$ ), educational status ( $r=.323$ ,  $p<0.05$ ), and Premium ( $r=-0.201$ ,  $p<0.05$ ) have a weak

association with life insurance policy purchase. Awareness( $r=0.490$ ,  $p<0.05$ ) attitude ( $r=0.457$ ,  $p<0.05$ ) and income ( $r=0.653$ ,  $p<0.05$ ) have moderate positive association with life insurance policy purchase. But religion ( $r=0.062$ ,  $p>0.05$ ) and age ( $r=0.027$ ,  $p>0.05$ ) have no relationship with life insurance policy purchase. In general this result show, gender, and educational status have a weak positive effect on life insurance policy purchase and awareness, attitude and income have a moderate effect on life insurance policy purchase in Ethiopian insurance corporation Jimma branch. But premium (price) has a negative weak effect on life insurance policy purchase in Ethiopian insurance corporation Jimma branch.

## **4.5 Determinants of life insurance in using multiple linear regressions**

### **4.5.1 Assumption tests**

Testing assumption of multiple linear regression analysis models is very important before running regression analysis. So each assumption results were discussed in the following sub topics. In the previous section of this paper the descriptive and correlation analysis was carried out separately with the existence of association between the dependent and independent variables with the intension of investigate the determinants of life insurance policy purchase, in the case of Ethiopian insurance corporation Jimma Branch. However, identification of these factors is not enough for meaningful conclusion. Therefore, the determinant of each independent variable must be assessed and identified sequentially. The researcher used multiple linear regression models assumptions as follow.

#### **4.5.1.1 Multi-collinearity Test between independent variables**

According to Gujrati (2003) Multicollinearity tests helps identify the high correlation between explanatory variables and to avoid double effect of independent variable from the model. When independent variables are multicollinear there is overlap or sharing of predictive power. Predictor variable should be strongly related to dependent variable but not strongly related to each other. This may lead to the paradoxical effect, whereby the regression model fits the data well but, none of the explanatory variables (individually has a significant impact in predicting the dependent variable. For this purpose, variance inflation factor (VIF) and tolerance test were used to check Multicollinearity for variables if the value of VIF is less than 10 there is no

Multicollinearity and on the other hand if VIF greater than or equal to 10 there is a serious Multicollinearity problem.

According to Gujarati, (2003) to avoid serious problem of Multicollinearity omitting the variable with 10 and more from the analysis, in addition tolerance is an indicator how much of the variability of independent variable is not explained by the other independent variable in the model and is calculated using the formula  $1 - R^2$  for each variable. If the value is very small (less 0.1), it shows the multiple correlation with other variable is high.

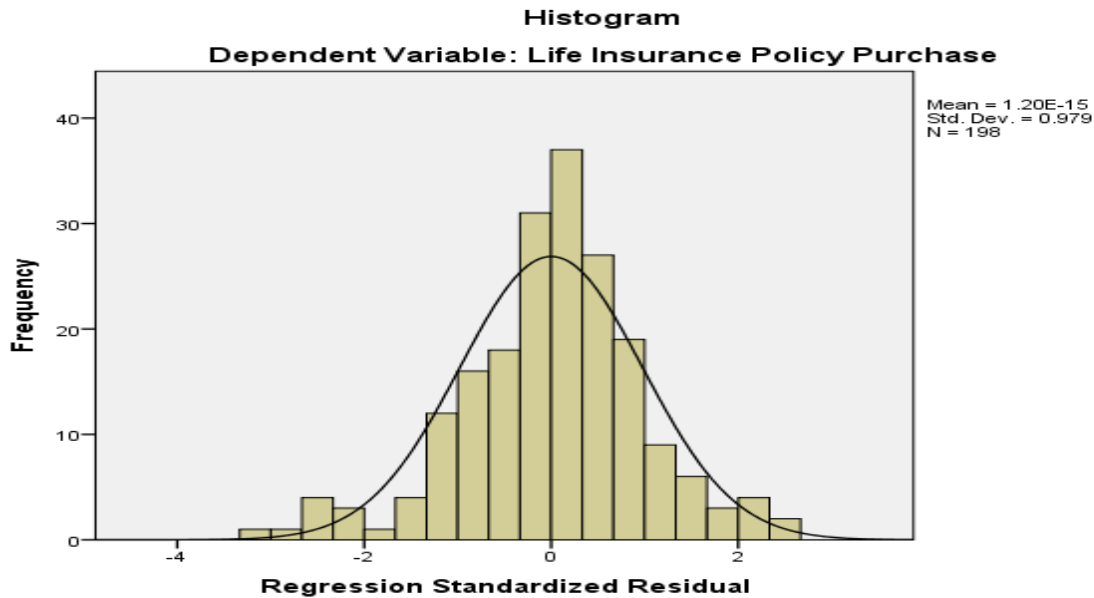
**Table 4.14: Multicollinearity Test between independent variables**

Variables	Tolerance	VIF
Age	.988	1.012
Gender	.609	1.641
Religion	.869	1.150
Educational status	.590	1.696
Awareness	.678	1.475
Attitude	.614	1.628
Income	.695	1.439
Premium	.960	1.041

Table 4.6 shows the division result that the value of VIF all variables were by far less than 10 and the value of tolerance statistics being above 0.1 they were accepted entered in to regression model for the estimation of variables.

#### **4.5.1.2 Normality test**

Normality assumption is around the mean of the residuals is zero and used to determine whether a data set is well modeled by a normal distribution or not and also to indicate un underlying random variable is to be normally distributed (Gujarati.2009). There the researcher was used histogram methods of testing the normality of the data. If the residuals are normally distributed about its mean of zero, the shape of histogram should be a bell-shaped and regression standardized residual plotted between -3.3 and 3.3. From the figure below data normality can be indicated.

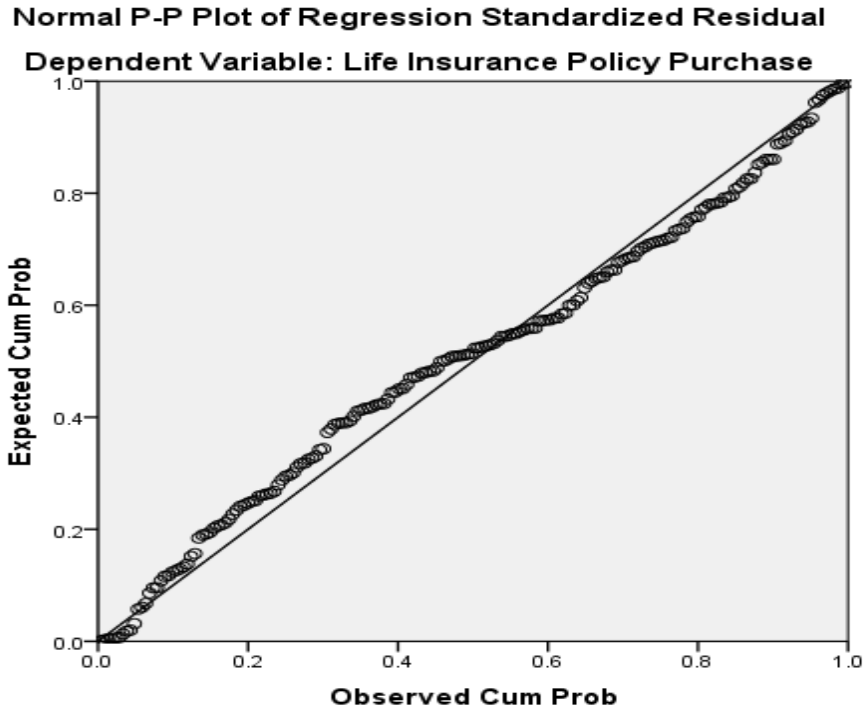


**Figure 4.4: Histogram regression standardized residual**

#### 4.5.1.3 Linearity Test

Linearity is used to check whether all the estimates of regression including regression coefficients, standard errors and tests of statistical significance are biased or not (Keith, 2006). To check the linearity assumption in multiple linear regressions the normal P-P plot was used, the plot shows all observed values somewhat spread along the straight diagonal line. Figure 4.5 in below shows us most of the observed values are spread very close to the straight line; there is high likelihood that the data are normally distributed and linear.

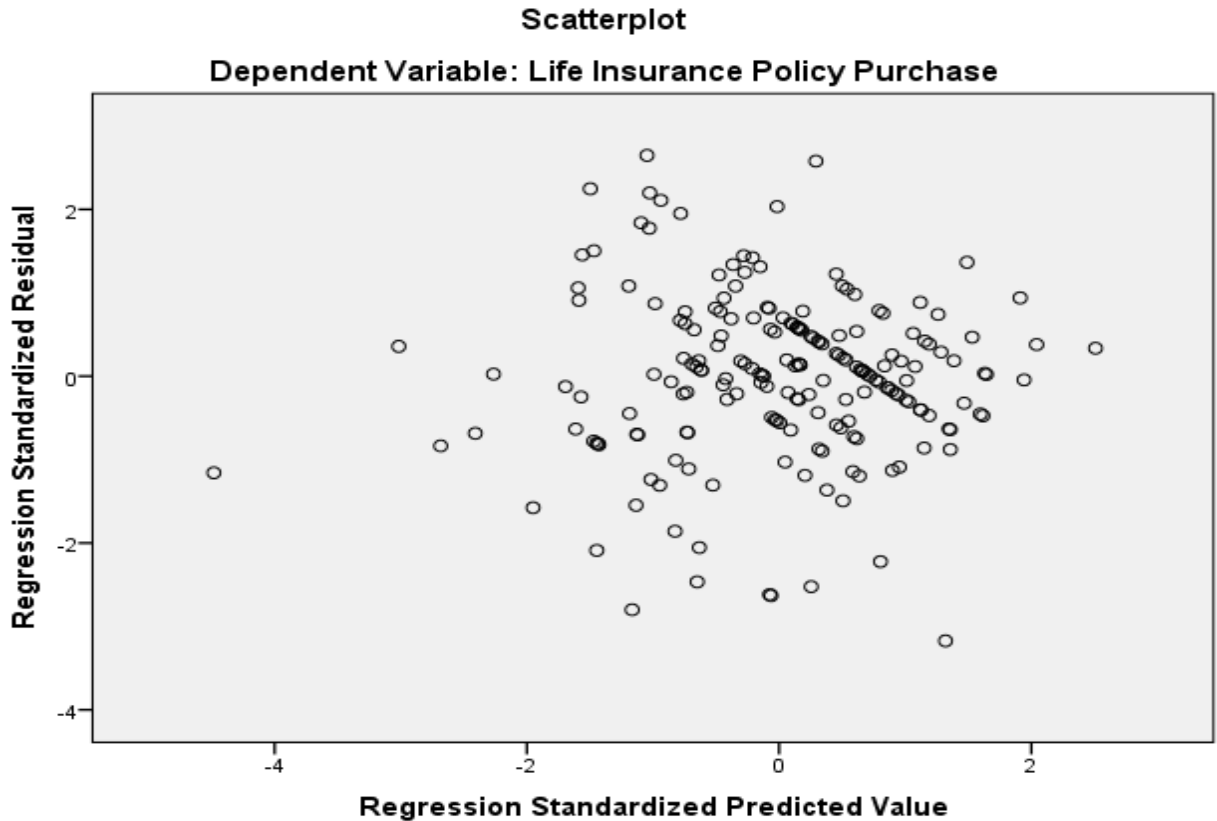




**Figure 4.5: p-p plot; Linearity test results**

#### **4.5.1.4 Heteroscedasticity test**

Heteroscedasticity is the equality or violation of the residuals for every set of values for independent variable. So the researchers assume that errors are spread out constantly between the variables. Heteroscedasticity problem exist when scatter plot is greater than 3.3 and less than -3.3. Therefore, as it was indicated in figure 4.6 below the data did not violate Heteroscedasticity assumption and instead it was homoscedastic.



**Figure 4.6: Scatter plot Heteroscedasticity test result**

After the model assumption was checked presentation and interpretation of the analysis output is mandatory. The prediction or estimation of the value one variable (the dependent or the predicted variable; called as Y from one or more independent or predictor variables (called as X) (Keith, 2006).

**Table 4.15 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 <sup>a</sup>	.567	.549	.44160

From table 4.15 it can be seen that R value is 0.753. Consequently, R value designates that there is a strong positive relationship between independent and dependent variable. The adjusted R squared of 0.549 indicates that 54.9% of the variances in life insurance policy purchase can be explained by the independent variables. The remaining variances on the dependent variable could be explained by other explanatory variables not included in this study.

**Table 4.16 ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	48.348	8	6.043	30.990	.000 <sup>b</sup>
	Residual	36.857	189	.195		
	Total	85.205	197			

From table 4.16, it is apparent that the regression model was significant using ‘between the independent variable and life insurance policy purchase. An F statistic of 30.99 and a probability value of 0.000 clearly indicate that the model was significant or good fit.

**Table 4.17 Standardize and unstandardized coefficient**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% CI for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
	(Constant)	-.437	.349				-1.251
Age	.051	.037	.066	1.370	.172	-.022	.124
Gender	.112	.040	.138	2.836	.005	.034	.190
Religion	.023	.039	.030	.594	.553	-.054	.100
Educational status	.229	.057	.248	3.977	.000	.115	.342
Awareness	.218	.072	.177	3.041	.003	.077	.359
Attitude	.217	.060	.219	3.595	.000	.098	.336
Income	.391	.053	.423	7.376	.000	.287	.496
Premium	-.117	.053	-.136	-2.217	.028	-.221	-.013

\* Significant  $p < .05\%$ ,

In this study, four explanatory variables were influence identifying to determine a significant difference on life insurance policy purchase at 5% level of significance.

The estimated regression model was

$$\text{Life insurance policy purchase} = -0.437 + 0.112\text{Gender} + 0.229\text{Education} + 0.218\text{Awareness} \\ + 0.217\text{Attitude} + 0.391\text{Income} - 0.117\text{Premium} + \varepsilon_i$$

Hence, the coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. Accordingly, the unstandardized beta coefficients ( $\beta$ ) tell us the unique contribution of each factor to the model. A small p value ( $<0.05$ ) indicate the predictor variable has made a statistically significance contribution to the model. On the other hand, a high p value ( $p >0.05$ ) indicate the predictor variable has no significant contribution to the model (George and Mallery, 2003). Table 4.10 shows all the p-value for independent variables except age and religion are less than 0.05 and all the  $\beta$  values are positive, that shows age, gender, educational status, awareness, attitude, income and premium have a positive effect on life insurance policy purchase in the case of Ethiopian insurance corporation Jimma Branch.

The largest beta coefficient was 0.391, which was for income. This means that this variable makes the strongest unique contribution of 39.1% to explain the dependent variable, when the variance explained by all other variables in the model was controlled. The Beta value for education and awareness was resulted in beta coefficient of 0.229 and 0.218, respectively, indicating that independently they made the second and third higher contribution to dependent variable to explain it with 22.9% and 21.8% respectively, keeping other variables constant for each. Gender and premium have a beta value of 0.112 and -0.117 respectively; this means that the two independent variables have 11.2% and 11.7% contribution to explain life insurance policy purchaser. In general being educated, gender, having attitude and awareness, and having higher income have a positive effect on life insurance policy purchase, but premium has negative effect on life insurance policy purchase in the case of Ethiopian insurance corporation Jimma Branch.

#### **4.6 Discussion**

The aim of this study was to investigate the determinants of life insurance policy purchase, in the case of Ethiopian insurance corporation Jimma Branch. In this study, researcher focuses on factors such as income level, level of education, age, gender, religion, product variety awareness and attitude of life insurance purchaser.

This research found that there is a significant association between the income and the life insurance policy purchase which the p-value shows the in the Multiple Linear Regression is 0.000 with is less than 0.05. The result bringing the meaning of the level of income affects the

individual life insurance policy purchase although the individual income increase or decrease. The result does consistent with the result that done by previous researcher (Wireko, 2010; Wang, 2010). The previous researcher believes that the increase of income will increase the life insurance policy purchase but the result of this study also shows this result. The result bring the message regardless the income level, life insurance purchase still plays an important role in individual risk planning.

Further study conducted by Eric and Hadrat (2015), income was significant in affecting purchasing power of life insurance for Ayeduase-Kumasi Community, Ghana. Thus, a 1% change in income level of life insurance policy holders would result a 46.2 percent increase on life insurance purchase. This result agreed with various previous research findings like Elisa *et al.*, (2015) and Tigist, (2018). They confirmed that the significant positive relationship of income level and life insurance demand

The result of this study shows that there is a significant association between the level of education and the life insurance policy purchase. The p-value of the Multiple Linear Regression is .000 which is lower than .05 and the correlation coefficient of 0.229 bringing the positive relationship with the life insurance purchaser. The result indicates that the higher level of education will increase the individual life insurance purchase. The result shows the consistency with the previous researcher result (Huihui, 2010; Kjosevski, 2012; Eric and Hadrat 2015; Abenezer; 2017). Ganesh (2018) indicated that higher the individual level of education they are more aware about risk aversion. Hence it will create higher awareness in the importance of life insurance to protect their love ones when unforeseen circumstances happen to them. This also brings the message when the individual are more highly educated, they have more desired to let their family to maintain the current standard of living and they will more aggressive to plan for their future.

This research found that there is no significant association between age and life insurance policy purchase which the p-value shows the in the Multiple Linear Regression is .172 with is greater than .05. The result bringing the meaning of the younger or older age does not affect the individual life insurance purchase. The result does not consistent with the result that done by previous researcher research (Tigest, 2018 and Ganesh, 2018). The previous researchers believe that when the individual are getting older, their commitment will become higher since the

dependent rely on they financially will be increase and this has increase their responsibility as well. One of the reason the result is differ from other researcher was due to the respondents are mainly from life insurance purchasers not from other company.

This research shows that there is significant association between the individual gender and their life insurance policy purchase. The p-value shows the in the Multiple Linear Regression is .028 and the correlation coefficient of 0.177. The result bringing the meaning of the gender will influence the individual life insurance purchase. The result is consistent with Huihui (2010), AND Kjosevski (2012), but not consistence with the previous research done by Wang (2010). Gender will influence individual buying behaviour in life insurance purchase. The result might due to number of females join the workforce had increase in recent year and their commitment are almost equal to male and the importance of life insurance for both female and male are the same since they are having the same responsibility to their families as well. Besides, the highest diagnose critical illness in Ethiopia are breast cancer and government are promoting and educating people on the impact of breast cancer and this has increase the alert on female of the importance of prevention as well as the insurance protection needed when unpredictable circumstances happen.

This research shows that there is significant association between the life insurance policy purchase and their awareness. The p-value shows the in the Multiple Linear Regression is .003 which is lower than .05 and the correlation coefficient of 0.218. The result bringing the message that awareness will influence the life insurance policy purchase life. The result is consistence with previous study done by Banyan (2012) and Ganesh (2018). When the purchaser aware of life insurance policy the more they purchase life insurance policy.

This research found that there is no significant association between religion and life insurance policy purchase which the p-value shows the in the Multiple Linear Regression is 0.553 with is greater than .05. The result bringing the meaning of the religion difference does not affect the individual life insurance purchase. The result is inconsistence with previous study done by Greene and Swadener, (2004) and Zekarias (2010) noted that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care. Fortunately in this case study religion has no significant statistical association with purchase of life insurance. One of the

reason the result is differ from other researcher was due to the respondents are mainly from one company and specific area. These people understand well on the importance of the life insurance hence, they believe that insurance is a must for individual life no matter on religion difference.

This research shows that there is significant association between attitude and life insurance policy purchase. The p-value shows the in the Multiple Linear Regression is .000 and the correlation coefficient of 0.217. The result bringing the meaning of the attitude has positive effect on individual life insurance purchase. The result is consistence with the previous research done by Schlag (2003) and Tigest (2018). When the purchaser having an attitude on life insurance policy the more they purchase life insurance policy.

The result of this study shows that there is a significant association between the premium of life insurance and the life insurance purchase. The p-value of the Multiple Linear Regression is .005 which is lower than .05 and the correlation coefficient of 0.112 bringing the positive relationship with the life insurance purchaser. The result indicates that the different premium of life insurance will increase the individual life insurance purchase. This is consistent with study done by Roman (2011). However; this is inconsistence with the finding of Tigest (2018) the results of her finding show that premium of life insurance has inversely and insignificant influence on life insurance purchase in Ethiopia.

## **Chapter five**

### **5. Conclusion and recommendation**

#### **5.1 Conclusion**

This study evaluate the determinants that influencing life insurance policy purchase in in the case of Ethiopian insurance corporation Jimma Branch and found that the variables that affecting the determinants are level of education, gender, awareness, attitude, income and premium. Among the positively significant independent variables, income represents the most significant association with life insurance policy purchase in Ethiopian insurance corporation Jimma Branch.

One of the research questions was whether the demographic factors (age, sex, educational status and religion) contribute to purchase the life insurance policy. The survey shows that male purchaser contribute much of the policy purchase than female and in both male and female, educational status also found to influence purchase of life insurance policy. But age and religion does not have any effect on life insurance policy purchase.

The income level and premium also found to influence life insurance purchase. The survey shows that higher income contributes much of the policy purchase than lower income. Premium has negative effect on life insurance policy, this indicates the higher the premium or price of life insurance policy the lower to purchase life insurance policy.

In the questionnaire, it has been tried to reflect the awareness and attitude of respondents on purchase life insurance policy. The result shows that awareness and attitude of the respondents has a positive effect on life insurance policy purchaser.

In conclusion, this study has identified the determinants that influencing life insurance policy purchase are being male, low income, lack of education, high premium charges, lack of awareness, and lack of attitude.



## **5.2 Recommendation**

From the above conclusions, we can infer some recommendations that can positively affect the life insurance policy purchase.

- As demographical factors play considerable role of varying degrees on purchase of life insurance policy, then it is necessary to suggest developing specific marketing strategy targeting each group of life insurance policy purchasers.
- Low level of female purchaser is an indication of the untapped potential that Ethiopian insurance corporation Jimma Branch can work on through developing policy options that benefit men so that they can be attracted towards getting life insurance policy.
- It has also been observed education as a barrier to purchase life insurance policy. There is great expectation from insurance company to provide their policy detail in great clarity to be understood by all levels of society in terms of education.
- To be competitive in the industry and to encourage the public explore the benefits of life insurance, Ethiopian Insurance Corporation needs to lower its premium charge. Once the vast majority of population attracted to the terms, then the company can adjust the premium charges to get its fair profit.
- Awareness and attitude of the respondent is also a barrier to purchase life insurance policy. Then the researcher recommended that, Ethiopian Insurance Corporation should give awareness for the society about the advantage life insurance policy.
- Income level is important factor in affecting life insurance purchase for those purchasers who are less income, since life insurance has nature of saving from monthly income, on the other hand, those groups of purchasers. Therefore, this suggests that purchasers who have enough income to purchase are less capability to purchase life insurance purchase.

## **5.3 Recommendation for Further research**

Different studies suggested that several factors such as income, inflation, real interest rate, banking sector development, political and legal stability, interest, savings deposits rate, premium of insurance, level of education, life expectancy and age are considered to be important factors that determine life insurance purchase. However, on this study the researcher selected only eight to identify the determinants of life insurance purchase in Jimma branch. Therefore, the

researcher would like to recommend for those researchers who want to conduct study on the subject, they try to include other variables as possible as they can by extending the study area in other branches.

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**Annex: Questionnaire**  
**Jimma University**  
**College of Business and Economics**  
**Department of Management**

**Dear respondent,**

I would appreciate your assistance with this thesis project on the determinants of life insurance policy purchase in the case of Ethiopian Insurance Company, Jimma branch; and the result will be act as information for public to understand their needs on insurance and it will be a good indicator for insurer and policymakers to further develop and promote the insurance industry.

All you need to do is complete this short questionnaire, which should take approximately 15 – 25 minutes. If you do not wish to participate, simply discard the questionnaire. Responses will be completely anonymous; your name will not appear anywhere on the survey. Completing and returning the questionnaire constitutes your consent to participate.

**Part i. Respondent's background information**

1. Sex

A. Male  B. Female

2. Educational Background

A. Diploma  B. 1st Degree  C. 3 Masters & Above

3. Current employment status

A. Permanent  B. Probation  C. Contract  D. Part Time

4. Please indicate the range that best describes your monthly household income.

A. From Birr 1,000 – 5,000  B. From Birr 5,001 – 8, 000   
C. From Birr 8,001 – 12,000  E. >Birr 12,000

5. Age:

A. 18-25  B. 26-36  C. 37-49  D. 50-60  E. >60

7. Religion

A. Muslim  B. Orthodox  C. Protestant  D. Wakefeta   
E. Catholic  F. Others (Specify) \_\_\_\_\_

8. For how many years have you stayed with the insurance

A. One year to five years

B. six years to ten years

C. More than ten years

**Part II**, In your opinion, please indicate your extent of agreement to the following statements in relation to factors affecting consumers attitude towards purchase of life insurance in Ethiopia (1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

<b>Age</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Your age is your reason to purchase the life insurance policy					
2	The level of age has its own influence on attitude to purchase life insurance					
3	Young people are less interested in purchasing of life insurance					
4	People at medium age are interested to purchase a life insurance					
5	Old people are more interested in purchasing life insurance					
6	Life insurance is important to all ages.					
<b>Gender</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Your gender has its own influence to purchase life insurance					
2	For a reason of their gender, peoples are not willing to purchase life insurance					
3	Females have a positive intention to purchase life insurance than males					
4	Males have a positive intention to purchase life insurance than females					
<b>Religion</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Your religion prohibits you from buying life					

	insurance					
2	Life insurance is against the trust in protection of God/Allah					
3	Trust in God/Allah will reduce life risk so that no need to purchase life insurance					
4	Religion is nothing to do with life insurance					
<b>Educational status</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The level of your education helps you to have positive attitude to purchase life ins.					
2	There are peoples who do not purchase life insurance due to level of their education					
3	Educated peoples have a positive intention to purchase life insurance					
4	Educated people will not access their life to risks and they don't need life Insurance					
5	Higher education level will lead to greater risk aversion.					
6	Higher education level makes me more aware on the importance of financial security.					
<b>Awareness</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Most people do not know about life insurance in general					
2	Most people are unfamiliar with the available life insurance products					
3	Peoples do not have enough information to decide buying life insurance					
4	There is weak awareness creation activities made by insurance companies about life insurance					
5	Most Household's do not know about life insurance in general					

6	Most households are unfamiliar with the available life insurance products					
<b>Attitude</b>						
1	You have a positive perception on purchase of life insurance					
2	You will continue to be a consumer of the life insurance product					
3	You will recommend other peoples to have a life insurance policy					
4	Having life insurance will protect life from unexpected trouble					
<b>Income</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The available life insurance products are not affordable to low income household					
2	Most people do not have enough disposable income to buy life insurance					
3	The consumption of life insurance increase if affordable products are made available					
4	My income is not enough for my monthly spending and to purchase life insurance					
5	My income directly affects my purchasing power.					
<b>Premium(price)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	When evaluating an insurance premium I consider lower premium.					
2	Due to inflation the cost of living is increasing so I can't afford buying life insurance policy.					
3	I prefer company's offering discount advantage than a reputable company with no discount of the insurer					

	in evaluating life insurance buying.					
4	When I buy life insurance policy I assume that premium is consistent elsewhere					
5	As long as my life and medical insurance expense is covered by my company, I don't worry whether the premium is higher or					
6	It is better to buy life insurance than to save in commercial bank because it holds the death risk					
<b>Life Insurance Policy Purchase</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Purchasing life insurance is a "must" in my life cycle to prevent emergency.					
2	I believed that the purchase of life insurance would benefit my future.					
3	To me life insurance is just "nice to have".					
4	I think life insurance is a scam.					
5	If I have a better financial condition, I will purchase higher life insurance coverage.					