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The Dynamics of Life Insurance Demand: Insights from Butwal Sub-Metropolitan City

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ABSTRACT

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This study aims to investigate the factors contributing to life insurance policy demand in this dynamic business scenario. The study identifies key variables, including demographic factors, economic factors, perceived service of insurance companies, company image, other insured and peer influence, and various motives of individuals as major explanatory factors of life insurance demand. The findings and conclusions are derived from a descriptive and causal-comparative study methodology that is survey-based. A comprehensive survey was performed among the residents of Butwal Sub-Metropolitan city. Considering the total number of insured residing in the Butwal Sub-metropolitan City population, 420 individuals purchased life insurance policies from the insurance company branch office located in Butwal, Sub-metropolitan city, was taken as a sample and approached through the help of the corresponding insurance company's insurance agents. The study employed inferential statistical techniques to examine the strength of the explanatory variables in explaining the demand for life insurance. The study's result revealed that economic factors, insurance service perception, insurance awareness, persuasion and influence, tax-saving motives, bequest motives and wealth accumulation motives are the most significant factors in explaining the life insurance demand. It is found from the Kruskal Wallis test that the number of dependent family members of respondents has a significant difference in the demand for life insurance. As a way to better meet customer needs and increase the total demand for life insurance policies in this dynamic business environment, insurance companies

can use the study's insightful findings to customize their offerings and marketing plans.
Keywords: Bequest motive, economic factors, insurance awareness, persuasion and influence, tax saving

INTRODUCTION

Risk and uncertainty are inevitable in life. Since the inception of time, human beings have faced various types of disasters. Human life is the most important resource in the cosmos. Only by protecting this life can human capital provide additional income and value for both the now and the future. However, life might readily collapse due to an unexpected death, illness, or disability caused by an accident. Insurance is an option for giving people who are harmed by a disaster financial reward. Insurance offers averse to risk financial stability. Stated differently, insurance is the best way to safeguard people's lives property from every kind of dangers.

It is a kind of investment from which one gets a return only when the certain loss occurs from predetermined incidents (Singh, 2009). Vaughan and Vaughan (2014) defined insurance as cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against the risk . It is referred as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk (Mishra, 2004). Insurance is the way of reducing uncertainty of occurrence of an event. Insurance essentially, is an arrangement where the losses experienced by few are extended over several who are exposed to similar risks. This type of investment only yields a return when a specific loss is incurred as a result of prearranged events (Singh, 2009). According to Vaughan and Vaughan (2014), insurance is a cooperative tool used to distribute the loss resulting from a specific risk among several individuals who are exposed to it and who consent to insure themselves against it. It is known as a social tool to build up money to cover the unpredictable losses that an insured individual may experience as a result of a particular risk (Mishra, 2004). In essence, insurance is a contract that spreads the losses incurred by a small number of people over a large number of people who are subject to comparable risks. Insurance is a risk-transfer deal in which one party pledges to compensate another for potential losses and calamities (Agarwal, 2017). As it gives protection against a range of dangers and uncertainties, insurance is essential for increasing people's confidence. To obtain a competitive edge in the market, insurance service providers are interested in the factors that influence the demand for life insurance. The financial system's stability, the

likelihood of laws promoting insurance, and the need for insurance in the economy all affect how insurance thrives.

The insurance sector is a prominent actor in the financial system in the context of Nepal. The services given by businesses are nearly same in kind and type. Their consumers have access to a wide range of options. This indicates that there are numerous options available, and the buyer chooses the one that offers him/her the most satisfaction and meets their expectations. Life insurance is widely recognized as a technique for reducing risk and uncertainty in the future. It helps to ensure that the family receives timely assistance in the terrible event that the breadwinner passes away.

Simply said, it is a partial treatment for a problem imposed on by death. Life insurance is distinct from general insurance in that it covers human life as its subject matter. When earning capacities decline in old age, this insurance provides a sufficient amount or protects the family in the event of an early death. Because a certain sum is refundable to the insured at the end of a predetermined time, it serves as both protection and a kind of investment. The primary insurance party is people, particularly policyholders or insured. Therefore, when providing their services, insurers ought to offer policyholders the consideration they deserve (Gurung, 2016). Companies that sell insurance products and provide protection against a range of hazards are commonly referred to as "non-bank" financial institutions. In particular, insurance companies offer compensation in the event of a future loss and collect money in the form of premiums. Nonetheless, financial institutions offer their customers perks as well as protection for the money they collect. According to section 2-1 of the Nepal Insurance Act 1992, life insurance is a contract that, in exchange for the insured paying a fixed installment premium, influences human life based on age and pays a fixed sum to the assured or his nominee in the event of death or the occurrence of any contingency dependent on human life (Government of Nepal, 1992).

There currently exist 14 life insurance companies in Nepal which have been registered. Thirteen of these are private commercial life insurers, and one is a government-owned composite insurer, Rastriya Beema Sansthan. A few insurance businesses from India were in operation prior to the founding of an insurance company in Nepal. The start of Nepal's industrialization about 1940 has a direct bearing on the growth of the insurance industry. There are now more insurance businesses nationwide thanks to the arrival of private sector insurance companies. The most significant element affecting the composition and operations of the insurance sector globally is intense competition. (Mathur & Tripathi, 2014). In nepal life insurance business is

highly concentrated business because majority of insurance business is covered by few number of insurance companies. Study of Ghimire (2016) reveled that 60 percent of life insurance market is covered by largest three life insurance companies. The report of Nepal Insurance Authority 2024 showed that 50 percent of market share measured in therm of premium collection is covered by three dominent life insurance companies. Remaining 11 life insurance companies share the left of the market. However, their market coverage is gragually increased (Nepal Insurance Authority, 2024). In this context, what strategy and attributes contribute to beat the market? Identification and implementation of that strategy would be curicial. In this connection. The purpose of this study is to look into the elements that influence the demand for life insurance policies in this dynamic business environment. Study use the variables, including demographic factors, economic factors, perceived service of insurance companies, company image, other insured and peer influence, and various motives of individuals as major explanatory factors of life insurance demand.

LITERATURE REVIEW

List of theoretical works are reviewed regarding the demand of life insurance products. Modigliani and Brumberg (1954) describe lifecycle hypothesis and argue that people tend to choose a level of consumption they can maintain over the course of their lifetimes. It claims that by taking on debt or transferring assets early and late in life and saving throughout their peak working years, when their income is high, people aim to maintain nearly the same level of consumption throughout their lives.

Nobel Prize laureate economist Milton Friedman presents permanent income hypothesis in his popular theory of consumption function (1957). Friedman (1957) argues that the consumer expenditure of individual depends on their expected future income which is based on current after tax income. Consumer behavior is based on individual preference and is unpredictable. Increased income does not necessarily increase consumer spending. Under prospect theory, Kahneman and Tversky (1979) argue that consumption decision making is based on choosing among options that may themselves rest on biased judgment. It is the idea of risk-averse decision-making. Judgments, which are assessments of the outside environment, provide the basis of decisions. They are particularly difficult when there is uncertainty and it is hard to predict the result. Internal conflict over value trade-offs occurs during decision-making. When consumer values and aims diverge, they become even more complicated.

In precautionary saving theory, Kimball (1990) presents the descriptions of saving.

According to him saving depends on the uncertainty for the rate of change in wealth. An increase in uncertainty will increase the saving but reduce the marginal propensity to save. Higher uncertainty also cause delay in consumption. In case of insurance, during uncertainty period, people will purchase insurance policy for saving purpose. Under behavioral life-cycle hypothesis, Thaler and Shefrin (1981) describe the importance of use of mental accounts to restrict the allocation of certain type of income to certain type of consumption only. Capital gain or retirement fund amount can be allocated only for future and not to current consumption. This hypothesis highlights the importance of personal devices such as framing, mental accounting, and self-control rules for purchase decision. Thaler and Shefrin (1981) divide wealth even more into three mental accounts: present assets, present income, and future income. Among these current income is highly related to consumption and future income is less related.

Risk aversion and insurance demand principle described by Arrow (1963) is another theory describing the demand of life insurance products. Risk aversion is the tendency to have a poor risk tolerance and avoid risk. Risk-averse investors prefer safety over high-return investments. They prefer liquid investments. So insurance is one of the strategies used by risk-averse individuals to change their risk. The degree of risk aversion is just one factor that effect insurance prices. A risk-averse person is willing to pay a positive amount of money, called a risk premium, in exchange for stability in their wealth. Buying insurance is viewed as a trading.

Disposable income and wealth are among major factors determining purchase of life insurance policies. Increased income level enables consumers to allocate a portion of their income on life insurance premium. Beck and Webb (2003) describe the positive association among income level and life insurance purchase across countries. They also suggest the well-developed insurance market, with wide range of products tailored to different needs, enhances the demand of life insurance products. Further, they highlight that economic development fosters financial sector growth by increasing the availability and accessibility of life insurance products. Browne and Kim (1993) support this argument by showing wealthier households purchasing life insurance as they have more disposable income. Nguyen and Nguyen (2020) found that higher the income level, higher the ability and willingness of customer to purchase life insurance policy. Similarly, Li et al. (2017) describes the role of economic growth on enhancing consumer confidence and disposable income and thereby demand of life insurance product.

Regarding the demographic factors, Gandolfi and Miners (1996) suggests that consumers

with higher education have more chance to appreciate the role of life insurance in financial planning. Lin and Grace (2007) found that demand of life insurance products peaks during middle age when individuals typically have dependents and significant financial obligations. A research work by Hwang and Gao (2003) indicates that married individuals with children have a higher propensity to buy life insurance products. Kakar and Shukla (2018) revealed that younger individuals are less likely to purchase life insurance then older individuals, primarily due to perceived lower risk of mortality. Some studies have highlighted the role of gender of purchase of life insurance policy. As highlighted by Outreville (2016) that women generally show a higher propensity to buy life insurance, possibly due to their role in family care giving and financial planning. A study by Lin and Grace (2018) indicated that collectivist culture, which emphasizes family and social welfare exhibit higher life insurance purchase behavior then individualist culture.

Among the risk related factors, several studies reveal the importance of different factors. Szpiro and Outreville (1988) mentions the positive correlations between risk aversion and life insurance demand, as risk-averse individuals prioritize financial security. They further highlights the robust regulatory framework is essential for the development of life insurance market. Lack of awareness and misconceptions regarding life insurance reduces the demand of policy. Gutter et al. (2016) also have similar findings regarding the relationship between risk-aversion and demand of life insurance products. Risk-averse individuals tend to demand more life insurance as a precautionary measure against future uncertainties. Gutter and Hatcher (2008) suggest the improving public awareness through financial education increases the demand of life insurance. Chatterjee (2016) reveals that individuals with good financial understanding have maximum possibility to understand the benefits of life insurance products.

Four main parts of saving causes have been found by the literature: precautionary motive Hubbard et al. (1995), Modigliani and Brumberg (1954) discussed the life cycle incentive, Bernheim et al. (1986) discussed the bequest motive, and Bernheim et al. (1986) discussed the motive of wealth accumulation or profit. The term "precautionary motive" describes actions people do to lessen life's uncertainties. The precautionary demand for saving, according to Hubbard et al. (1995), arises because people do not know when they will die and avoid low levels of consumption in the event that they live longer than anticipated. Instead, they choose to buy life insurance as a precaution for future consumption. It is thought that the precautionary motive will benefit the individual. If he survives, he avoids excessive intake because he will die. Because people who have a cautious purpose are more likely to prevent losing their income

in the event of a life catastrophe, it is believed that this incentive will increase demand for life insurance and encourage individual saving.

On the contrary of above studies, Mathur and Tripathi (2014) revealed that gender and education have no discernible effects on the variables affecting a customer's decision on which insurance provider to use. The authors identified multiple traits, such as the location, branch, and network of the insurance companies, which are thought to be the most important elements influencing the customer's selection of insurance provider. Thus, In order to properly understand the wants and choices of consumers, the company does not need to prioritize market segmentation based on demographics; instead, it should concentrate on aspects like geography, branch, and network of the companies.

Gustina and Abdullah (2012) discovered that those variables governing demand for family takaful and life insurance are not the same. According to the statistics, there is a significant correlation between the predictor of demand for families and four variables: GDP per capita, education, saving, and religion. However, the demand for life insurance is largely influenced by only three factors: religion, saving, and GDP per capita. Accordingly, the study comes to the conclusion that the country's rules and regulations have a varied impact on the demand for life insurance.

RESEARCH METHODOLOGY

The study has adopted positivist research approach to ensure objectivity. Combination of descriptive, analytical and causal comparative research design was followed. The respondents' demographic profile and the descriptive features of the explanatory and dependent variables are explained using a descriptive research design. The difference in demand for life insurance based on demographic variables is examined using an analytical study design. Further, causal comparative design has been applied to assess the effect of economic factors, insurance awareness, insurance service perceptions, corporate brand, persuasion and influence and various motives on the demand for life insurance. The population for this study comprises individuals residing in Butwal Sub-Metropolitan City who have purchased life insurance policies. From this population, a sample of 420 insured individuals was selected using convenience sampling. Respondents are approached with assistance from corresponding insurance company agent. Quantitative nature of primary data was obtained from respondents by distributing structured questionnaire. The questionnaire consisting two sections were distributed to the respondents. The instrument found in the available literature served as the

basis for the adoption of the questionnaire. Reliability of the questionnaire was assured by performing Cronbach's alpha test. Section A of questionnaire comprised the questions related to demographic and socio economic characteristics of respondents. Demographic information of respondents related to gender, marital status, age, number of dependents, ethnicity, religion, education achievement and monthly income were obtained from section A. Section B of the questionnaire were Adapted from Lusardi (2015); Mahdzan & Peter Victorian (2013). Section B of the questionnaire included the five point Likert scale questionnaire related to economic factors, insurance awareness, insurance service perception, corporate brand, influence, and various motives for purchasing life insurance policy. The collected data from respondents were analyzed by applying descriptive tools to identify the descriptive characteristics of variables, Mann- Whitney U Test were applied to compare the difference between male and female and between married and unmarried respondents with regard to life insurance demand. Likewise, Kruskal-Wallis Test was used to determine how the demand for life insurance varied depending on the number of dependents. The link and impact of explanatory variables on the demand for life insurance were examined using regression analysis and correlation.

The Regression Model

$$LID_i = \alpha + \beta_1 EF_i + \beta_2 IA_i + \beta_3 ISP_i + \beta_4 CB_i + \beta_5 PI_i + \beta_6 TSM_i + \beta_7 PC_i + \beta_8 LCM_i + \beta_8 WAM_i + \beta_9 BQM_i + \varepsilon_i \ldots\ldots\ldots\ldots \text{ (i)}$$

Where,

Life insurance Demand (LID) is dependent variable of the model and Economic Factor (EF), Insurance Awareness (IA), Insurance Service Perception (ISP), Corporate Brand (CB), Persuasion and Influence (PI), Tax Saving Motive (TSM), Precautionary Motive (PC), Life Cycle Motive LCM, Wealth Accumulation Motive (WAM) are the explanatory variable of the model.

α = constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9$ = Regression coefficients

ε_i = Error term

RESULTS

This section presents the outcome of the analysis of raw data collected from respondents. The raw data obtained from the respondents has been entered in SPSS software and the result of the analysis is reported in this section. First part of this section state the demographic profile of the respondents and the section is followed by descriptive results and reliability analysis in

second section and inferential results of the study are presented in third section.

Demographic Profile

Table 1 depicts the result of outcome of the data analysis. It is observed in the table 1 Panel A that large sections of respondents are from age group of less than 50 years. However, sample shows that there is good representation of each age group of respondents. Majority of the respondents participated in the research are between the age group of 36 to 50 years. Similarly, gender participated in the research as a form of respondent is presented in table 1 Panel B. It can be observed from the table 1 Panel B that there is 59 percent participation from male and 41 percent participation from female respondents. It indicates that there is sufficient representation of both genders in the research. Likewise, table 1 Panel C shows the marital status of respondents participated in the research. It can be observed that majority of the respondents are from married category. Table 1 Panel D shows the educational qualification of respondents. The result presented in the table 1 shows that there is sufficient representation of each educational qualification category. However, large numbers of respondents are from educational qualification group up to SLC or SEE. There are 50.4 percentage of respondent's represented from graduate level educational qualification. Table 1 Panel E depicts the monthly income of respondents participated in the research. It can be observed from the table 1 that majority (77.8%) of the respondents represents the monthly income level less than Rs.70, 000. There is sufficient but low representation from the respondents having income greater than Rs. 70, 000 which counts only 22.2 percent. Panel F of table 1 is concerned with number of dependents of the respondents it is observed from the table that 32.1 percentage respondents have greater than 3 dependent members in their family. The representation of respondents based on the number of dependents is sufficient for their group representation. Table 1 Panel G shows the respondents priority given for the purchase of life insurance policy. It can be observed from the table that 51. 2 percentages of the respondents stated that they purchase life insurance for the primary purpose of tax saving. Likewise, 11.7 percent of respondent pointed out that they consider life insurance as a good investment option.

Table 1

Demographic Profile of Respondents

Demographic Variables	Frequency	Percent
Panel A: Age Group		
Below 35 years	154	36.7
36 to 50 Years	178	42.4
Years above 51	88	21.0
Panel B: Gender		
Male	248	59.0
Female	172	41.0
Panel C: Marital Status		
Married	352	83.8
Unmarried	68	16.2
Panel D: Educational Qualification		
SLC/ SEE or Below	124	29.5
+2 Pass	84	20.0
Bachelors	111	26.4
Masters or Above	101	24.0
Panel E: Monthly Income		
Less than Rs. 20000	72	17.1
Rs. 20001 to Rs. 50000	184	43.8
Rs. 50001 to 70000	71	16.9
Rs. 70001 to Rs. 100000	41	9.8
Above Rs. 100001	52	12.4
Panel F: No of Dependents		
None	114	27.1
Less than 3	171	40.7
3 to 5	101	24.0
Above 5	34	8.1
Panel G: Purpose of Purchase		
Tax Saving	215	51.2
Risk Coverage	156	37.1
Good Investment Option	49	11.7

Therefore, it is inferred from the Panel G of table 1 that people purchase life insurance policies for various primary purposes like tax saving, risk coverage and as a form of good investment.

Table 2

Descriptive Results and Reliability of Variables

Variables	N	Mean	Std. Deviation	Minimum	Maximum	Cronbach's Alpha
Total Economic Factor (EF)	420	4.1794	.52424	2.00	5.00	0.717
Insurance Awareness (IA)	420	3.8173	.54954	1.75	5.00	0.700
Insurance Service Perception (ISP)	420	3.5673	.66522	1.00	5.00	0.701
Corporations Brand Image (CB)	420	3.4500	.72535	1.00	5.00	0.742
Persuasion and Influence (PI)	420	3.5135	.80048	1.00	5.00	0.779
Tax Saving Motive (TSM)	420	3.4135	.79456	1.00	5.00	0.731
Precautionary Motive (PC)	420	4.1500	.67141	2.00	5.00	0.935
Life Cycle Motive (LCM)	420	4.3206	.42881	3.00	5.00	0.743
Wealth Accumulation Motive (WAM)	420	4.3230	.40041	3.00	5.00	0.703
Bequest Motive (BQM)	420	4.2619	.56192	3.00	5.00	0.740
Life Insurance Demand (LID)	420	3.8455	.41049	2.00	5.00	0.701

Table 2 presents the descriptive statistics of explanatory variables and dependent variable demand of life insurance. It can be observed from table that mean value of explanatory variable is greater than neutral value of 3. It implies that the response of the respondent inclined to agree with regard to the effect of each of the explanatory variables the demand of life insurance. As depicted in the table standard deviation of the entire explanatory variable is less

than 1. This implies that the average deviation in response of the respondent is limited within the 1 scale value. Likewise, the value of Cronbach's Alpha is greater than 0.7 which shows the reliability of the construct. As stated by George and Mallery (2003) the value of Cronbach's Alpha greater than 0.7 indicates good internal consistency and higher value of Cronbach's alpa indicates the greater internal consistency. Therefore, an item of the scale applied in the research reliably measures the same underlying concept.

Demographic Factors Effect on Life Insurance Demand

Mann-Whitney U test has been performed to compare the difference in life insurance demands with regard to gender and marital status. The result of analysis is reported in the table 3 and 4.

Table 3 displays the data comparing males and females on the variable life insurance demand. The top part of the table shows the mean rank of each group and the lower part of the table displays the Mann-Whitney U value and the significance level. The Mann-Whitney U-test showed that there is no significant difference in the demand of life insurance between male and female respondents (U= 20807, P = 0.669). It can be inferred that there is no difference in the demand of life insurance based on gender.

Table 3

Output for Mann- Whitney U Test

	Gender of Respondents	N	Mean Rank	Sum of Ranks
Life Insurance Demand	Male	248	212.60	52725.00
	Female	172	207.47	35685.00
	Total	420		
Test Statistics[a]				
			Life Insurance Demand	
Mann-Whitney U				20807.000
Wilcoxon W				35685.000
Z				-.428
Asymp. Sig. (2-tailed)				.669

Note. Grouping Variable: Gender of Respondents

Table 4 displays the data comparing married and unmarried on the variable life insurance demand. The Mann-Whitney U-test showed that there is no significant difference in the demand of life insurance between married and unmarried respondents (U=11542, P = 0.669). It can be inferred that there is no difference in the demand of life insurance based on marital status.

Table 4

Output for Mann- Whitney U Test

	Marital Status of Respondents	N	Mean Rank	Sum of Ranks
Life Insurance Demand	Married	352	209.29	73670.00
	Unmarried	68	216.76	14740.00
	Total	420		

Test Statistics[a]

	Life Insurance Demand
Mann-Whitney U	11542.000
Wilcoxon W	73670.000
Z	-.467
Asymp. Sig. (2-tailed)	.640

Note. *Grouping Variable is Marital Status of Respondents*

Table 5

Output for Kruskal-Wallis Test

	No of dependent family	N	Mean Rank
Life Insurance Demand	None	114	223.87
	Less than 3	171	216.44
	3 to 5	101	206.00
	Above 5	34	149.21
	Total	420	

Test Statistics[a,b]

	Life Insurance Demand
Chi-Square	10.702
Df	3
Asymp. Sig.	.013

Note. *a. Kruskal Wallis Test, b. Grouping Variable: No of dependent family*

A Kruskal-Wallis test was conducted to assess difference among the four dependent family categories on life insurance demand. The result was significant (chi square = 10.702, sig = 0.013) at 5 percent level of significance. Therefore, it can be inferred that respondents

having less number of dependents have more demand for life insurance.

Correlation Analysis

Bivariate correlation analysis between various explanatory variables and dependent variable demand of life insurance is performed and the result of the analysis is reported in the correlation matrix.

Table 6

Correlation Matrix

Variables	EF	IA	ISP	CB	PI	TSM	PCM	LCM	WAM	BQM	LID
EF	1										
IA	-.010	1									
ISP	-.051	.211**	1								
CB	-.027	.061	.001	1							
PI	.007	-.036	.043	-.055	1						
TSM	-.052	-.046	.027	.027	.006	1					
PCM	.152**	.051	-.020	.001	-.045	-.036	1				
LCM	-.070	.011	-.015	.070	.000	.031	-.106*	1			
WAM	.092	.031	.009	.067	.046	-.020	.110*	.053	1		
BQM	-.012	-.031	-.023	-.026	.074	-.055	-.091	.027	.092	1	
LID	.081	.222**	.390**	.315**	.121*	.188**	.057	.061	.152**	.090	1

Note: *Number of observation N is 420. ** indicates the correlation is significant at the 0.01 level (2-tailed) and * indicates the correlation is significant at the 0.05 level (2-tailed).*

It can be observed from the correlation matrix that the value of correlation between all the explanatory variables and dependent variable life insurance demand is found to be positive. It depicts that there exists positive relationship between economic factors, insurance awareness, insurance company's service perceptions, corporate brand, persuasion and influence, tax saving motive, precautionary motive, lifecycle motive, wealth accumulation motive bequest motive and the demand of life insurance policy. However, only the relationship between insurance awareness, insurance service perception, corporate brand, tax saving motive, wealth accumulation motive and the life insurance policy demand is found significant at 5 percent level of significance. Further, it can be observed from the result of correlation matrix that the value of correlation among explainatory variables is less than 0.5. The value implies that there is no problem of Multicollinearity among explanatory variables for performing multiple regression analysis. As stated by Gujarati et al. (2015) high pair-wise correlation among

regressors in excess of correlation 0.8 implies that the Multicollinearity is a serious problem. However, the value of correlation among regressors less than 0.5 implies that multicollinearity is not a serious problem.

Regression Analysis

Multivariate regression analysis has been performed to examine the explanatory power of independent variables and the result of the analysis is presented in this section. Nine different econometric models have been performed to examine the effect of explanatory variables on the demand of life insurance. As the presented in the table 4 it can be seen that the value of R-Square is range between 15.2 percentages to 35.5 percent. It implies that at least 15.2 percent of variation in dependent variable life insurance policy demand is explained by the explanatory variable insurance service perception at least at 5percent level of significance.

Table 7

Regression Analysis Summary

Model	Constant	EF	IA	ISP	CB	PI	TSM	PCM	LCM	WAM	BQM	R^2	F
1	2.986			0.241								0.152	75.158
	(0.000)			(0.000)									(0.000)
2	2.374			0.241	0.178							0.251	69.893
	(0.000)			(0.000)	(0.000)								(0.000)
3	2.094			0.238	0.175		0.088					0.280	53.873
	(0.000)			(0.000)	(0.000)		(0.000)						(0.000)
	1.772		0.102	0.220	0.170		0.091					0.297	43.935
4	(0.000)		(0.001)	(0.000)	(0.000)		(0.000)						(0.000)
	1.224		0.100	0.220	0.166		0.093			0.132		0.314	37.887
5	(0.000)		(0.002)	(0.000)	(0.000)		(0.000)			(0.002)			(0.000)
	1.021		0.104	0.216	0.169	0.062	0.092			0.126		0.328	33.636
6	(0.000)		(0.001)	(0.000)	(0.000)	(0.003)	(0.000)			(0.003)			(0.000)
	0.689	0.084	0.104	0.219	0.171	0.061	0.095			0.115		0.339	30.250
7	(0.014)	(0.008)	(0.001)	(0.000)	(0.000)	(0.003)	(0.000)			(0.006)			(0.000)
	0.381	0.086	0.106	0.220	0.173	0.058	0.098			0.105	0.076	0.350	27.690
8	(0.000)	(0.007)	(0.001)	(0.000)	(0.000)	(0.005)	(0.000)			(0.011)	(0.009)		(0.000)
	0.10	0.082	0.103	0.222	0.172	0.059	0.098	0.035	0.041	0.097	0.080	0.355	22.478
9	(0.775)	(0.010)	(0.001)	(0.000)	(0.000)	(0.004)	(0.000)	(0.165)	(0.283)	(0.020)	(0.007)		(0.000)

Note. Numbers in the parentheses indicates p value.

Likewise, it can be observed that 35.5 percent of variation on life insurance policy demand is explained by all the explanatory variables collectively. The beta coefficient of insurance service perception, corporate brand, tax saving motive, insurance awareness and wealth accumulation motive are found to be consistently significant in most of the formulated models. Hence, it can be generalized that insurance service perception, corporate brand, tax saving motive, insurance awareness and wealth accumulation motive are the major explanatory variables of life insurance policy demand.

It can be seen from the correlation matrix that the correlation values are all below 0.5, indicating that the model does not have issues with multicollinearity (Field, 2013; Hair et al., 2019). Additionally, for panel data, autocorrelation is not a concern in this case, as the data does not exhibit significant temporal dependencies between residuals (Baltagi, 2013; Wooldridge, 2019).

DISCUSSION

Study result expresses that economic elements have significant positive association on the demand of life insurance. The result is consistent with the consumption theory of Friedman (1957) as theory suggested that, individuals base their consumption on their expected "permanent" income rather than temporary fluctuations in income. Result is also consistent with Beck and Webb (2003) and Nguyen and Nguyen (2020), as economic factors have significant effect on demand of life insurance. Wealthy people seem to purchase life insurance policies then less wealthy. It is because when income rise, additional income is used in minimizing risk and makes future more secure. The research findings are consistent with Outreville (1988) and Copur (2016) as bequest motive has significant effect on life insurance purchase. But another finding of Outreville (1988) is not consistent regarding gender. Life insurance has been used as risk minimizing tool. Result is also consistent with Yaari (1965) as number of dependence and life insurance demand are positively related. Such result can be justified as when numbers of dependents are high; people feel more risky and want to minimize such risk in family level. Results are also similar with Sarkodie & Amp; Yusif (2015) as one of the determining variable is perception toward insurance. Study is also consistent with Mathur & Tripathi (2014) as education and gender has not seen any statistical significance. On the contrary, study is not consistent with the finding of Modigliani and Richard Brumberg (1954) regarding lifecycle hypothesis. People of all stages of life have demand of life insurance.

CONCLUSION AND IMPLICATIONS

Findings revealed that economic factors, insurance service perception, insurance awareness, persuasion and influence, tax-saving motives, bequest motives, wealth accumulation motives and number of dependent family members are the most significant factors affecting the demand of life insurance policy. Therefore, it can be concluded that economic factors, insurance service perception, insurance awareness, tax saving motive, wealth accumulation motives and number of dependents members in the family are the major determinants of life insurance demand. Therefore, increasing public awareness, building good service impression on clients, highlighting the tax saving, wealth accumulation outlook and addressing the specific need of family with dependents could potentially increase the demand of life insurance policy. The study provides valuable insights for insurance service providers to design their products and business strategies to better meet the needs of buyers in enhancing the overall demand for life insurance policies in this dynamic business circumstances.

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