MARKET ANALYSIS OF LIFE INSURANCE COMPANIES IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of requirement for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby certify that I have conducted research and submitted the final draft of the dissertation entitled **“Market Analysis of Life Insurance Company in Nepal”.** This dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I received during the course of this research work have been duly acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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August, 2025

REPORT OF RESEARCH COMMITTEE

Mrs. Kamala Acharya has successfully defended the research proposal entitled **"Market Analysis of Life Insurance Company in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per the suggestions and guidance of the supervisor Srijana Khadka and submit the thesis for evaluation and viva voice examination.

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ABBREVIATIONS

ALICO	=	American Life Insurance Company
ANOVA	=	Analysis of variance
E	=	Error
ES	=	Efficient Structure
FS	=	Financial Security
FY	=	Fiscal Year
GDP	=	Gross Domestic Product
GMM	=	Generalized Method of Moments
LIC	=	Life Insurance Corporation
LID	=	Life Insurance Investment Decision
LTE	=	Low Transaction expenses
NLI	=	Non-life insurance
OECD	=	Organization for Economic Co-Operation and Development
PM	=	Portfolio Management
R	=	Returns
ROA	=	Return on Assets
ROE	=	Return on Equity
RS	=	Risk Sharing
SCP	=	Structure Conduct Performance
SEM	=	Structural Equation Modeling
SI	=	Systematic Investment
SPSS	=	Statistical package for the Social Sciences
TPV	=	Theory of Planned Behaviour
UlIPS	=	Unit Linked Insurance Plan

ABSTRACT

This study investigates the market dynamics of life insurance companies in Nepal, focusing on how key factors influence consumer behavior and investment decisions. The research aims to provide insights into how financial security, risk sharing, low transaction expenses, systematic investment, returns, and portfolio management collectively shape customer choices and contribute to broader trends in Nepal's life insurance market.

Primary data were collected from 408 respondents through structured questionnaires administered online and in person. The data were processed using Microsoft Excel and SPSS, employing descriptive statistics, correlation analysis, and multivariate regression models to evaluate relationships between variables. Descriptive results revealed that respondents generally agreed with all the proposed factors, with Portfolio Management and Returns receiving the highest average scores.

Inferential analysis confirmed strong positive correlations between all independent variables and the dependent variable Life Insurance Investment Decision. Regression results showed that Portfolio Management (β = 0.381), Systematic Investment (β = 0.194), Returns (β = 0.177), and Risk Sharing (β = 0.131) significantly influenced investment decisions ($p < 0.05$), while Financial Security and Low Transaction Expenses did not have a statistically significant impact. The model demonstrated a high explanatory power with an adjusted R-squared value of 82.3%, and no issues of multicollinearity were observed.

These findings highlight Portfolio Management as the most influential factor driving life insurance investment decisions in Nepal. The results offer practical implications for insurance companies to tailor products, enhance consumer engagement, and promote structured, return-oriented investment plans. This study contributes to a deeper understanding of customer behavior in Nepal's evolving insurance sector.

Keywords: *Life insurance, financial security, risk sharing, low transaction expenses and portfolio management.*

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Insurance is a formal agreement between an insurance company and an individual (or organizations), in which the insurer agrees to provide compensation for specified losses, illnesses, damage or death in exchange for a regular payment called a premium. Insurance is an instrument of financial protection and coverage. It helps risk coverage forced saving, investment and tax benefits.

Life insurance is a formal agreement between the policyholder and an insurance company, where in the insurer commits to providing a financial benefit either upon the insured person's death or after a specified period as outlined. In the policy terms, the payment is made in accordance with the premium system agreed upon by both parties. Life insurance plays a crucial role in mitigating financial risks and offers a sense of security for the future. Additionally, it serves as a systematic savings tool, helping individuals manage risk while building financial stability over time there are difference types of insurance. which are Endowment life insurance, Whole life insurance and Term life insurance.

The life insurance market in Nepal is set for significant growth, with projections indicating that by 2024, the market size, measured by gross written premium, is expected to reach approximately NPR 184,558.11 million. This substantial figure highlights a promising outlook for the industry, driven by increasing awareness, economic development, and a growing middle class. The projected growth underscores the expanding role of life insurance in providing financial security and stability in Nepal, offering substantial opportunities for insurers to tap into a larger customer base and enhance the nation's overall financial well-being (Khanal, 2020)

An insurance company operates within the insurance market by offering a variety of policies designed to mitigate financial risks for individuals and businesses. These companies assess potential risks through detailed underwriting processes and price their products accordingly to ensure they can cover claims while remaining profitable. They offer coverage for various needs, including health, life, auto, property, and liability insurance. By pooling risks and managing claims, insurance companies provide a safety net against unexpected financial losses, helping policyholders manage uncertainty and plan for the future. Their role in the market involves not only underwriting and pricing but also educating clients about risk management and policy options, thereby contributing to overall economic stability and security. In this study some variables are used which are as follows:

Financial securities in the context of life insurance investment, financial security refers to the fundamental assurance provided to individuals and their families against unexpected financial hardships and risks. (Sharma & Parihar, 2016) By investing in life insurance products, individuals seek to safeguard their financial well-being and ensure stability in the face of unforeseen events such as illness, disability, or death.

Market analysis in a life insurance company involves a comprehensive evaluation of various factors that influence its performance and strategic positioning. It includes assessing the overall industry landscape, such as market size, growth trends, and regulatory environment. Understanding customer demographics, needs, and preferences helps tailor products and services effectively. A critical component is analyzing the competitive landscape to identify key competitors, benchmark performance, and uncover strengths and weaknesses. Evaluating product offerings, pricing strategies, and customer service quality provides insights into market positioning. Examining sales and distribution channels highlights their effectiveness and potential areas for improvement. Financial performance, including revenue, profitability, and investment returns, is scrutinized to ensure stability and growth. Additionally, the analysis identifies market trends, growth opportunities, and potential risks, leading to strategic recommendations for enhancing competitive advantage and driving business success.

Insurance stands as a crucial avenue for individuals seeking long-term financial security, offering not only risk coverage but also avenues for savings and investment with added tax benefits (Goet, 2022). For many, earning a rupee is not just about immediate needs but also about securing a better future for their families. Life insurance companies play a pivotal role here by providing avenues for savings, ensuring risk coverage, and offering investment opportunities. In today's economy, which largely comprises middle-class and salaried individuals, insurance emerges as a preferred choice for safeguarding against unforeseen risks over the long term (Suneja & Sharma, 2009). It provides assurance in scenarios such as injuries, damages, or the premature death of a primary earner, thereby offering essential financial security for families. The primary motivation behind purchasing life insurance is to shield loved ones from financial instability in the event of unexpected adversities, as highlighted by Razak et al. (2014)

This study aims to conduct a comprehensive market analysis of life insurance companies operating in Nepal. It seeks to explore various dimensions of the market landscape, including competitive dynamics, customer preferences, regulatory influences, and strategic initiatives undertaken by insurance providers. By examining these aspects in-depth, the study intends to provide insights into the current state of the life insurance sector in Nepal, highlighting key opportunities and challenges faced by companies operating within this environment. The research aims to contribute valuable information that can inform strategic decision-making within the industry, helping stakeholders navigate complexities and capitalize on growth prospects effectively.

This study is significance because it analyzes how key investment related factors such as financial security, risk sharing, low transaction cost, systematic investment returns and portfolio management affect consumers decision to invest in life insurance. By identifying the role of this variables this study will help insurance companies better understand consumer behavior and improve their product strategies and marketing approaches. It will also support policymakers and financial advisors in promoting informed financial decision making in the life insurance sector.

1.2 Problem Statement

The general public in Nepal lacks sufficient knowledge about life insurance investment, its intricacies, and potential benefits. Many individuals are unaware of how life insurance can serve as a beneficial investment tool compared to other financial options (Dahal et al., 2023). This lack of awareness hampers informed decision-making and prevents consumers from fully comprehending the long-term advantages of life insurance as a financial asset.

The Nepalese insurance sector, while robust in its operational continuity without significant losses since inception, faces several challenges that hinder its profitability and growth trajectory. Despite the presence of both national and international insurance companies operating in Nepal, the profitability margins are often not commensurate with the increasing transaction volumes year by year. This discrepancy can be attributed to several key factors (Khanal, 2020).

Due to inadequate awareness, there is prevalent uncertainty among Nepalese consumers regarding the benefits of life insurance investment compared to alternative investment options. Many individuals are unsure whether life insurance can provide superior results in terms of financial security, wealth accumulation, or risk mitigation (Risal et al., 2022). This uncertainty contributes to hesitation or reluctance among consumers to consider life insurance as a viable investment avenue, thereby impeding its widespread adoption.

Firstly, there is a noted deficiency in attractive premium collection schemes that incentivize policyholders to pay premiums promptly. The lack of innovative schemes offering discounts or other incentives fails to encourage timely payments, thereby affecting cash flow and liquidity management within insurance companies. This issue is exacerbated by the negligence of agents, brokers, and development officers who, despite receiving substantial commissions, do not actively support the company in premium collection efforts (Khanal, 2020). This mismatch between commission earnings and contribution to operational efficiency further strains the financial performance of insurance firms.

Secondly, there is a critical oversight in the evaluation of investment sectors before deploying insurance funds (Adhikari, 2000). The inefficient evaluation processes lead to suboptimal investment decisions, potentially resulting in lower returns on investments.
This inefficiency not only impacts the profitability of insurance companies but also exposes them to increased financial risks.

Thirdly, bureaucratic inefficiencies in policy issuance and servicing contribute to operational delays and customer dissatisfaction. The time-consuming procedures involved in accepting, issuing, and dispatching policies hinder responsiveness and agility in service delivery (Adhikari, 2000).This outdated approach contrasts with modern customer expectations for swift and efficient service, thereby affecting customer retention and satisfaction levels (Khanal, 2020). Lastly, a significant barrier to widespread insurance adoption in Nepal remains the prevailing skepticism among the population towards insurance products. Many Nepalese individuals and businesses do not fully trust insurance as a viable risk management tool. The industry's limited efforts to address this lack of faith through effective educational campaigns and community engagement initiatives further perpetuate this barrier (Khanal, 2020).

Addressing the problem in market analysis towards life insurance investment in Nepal requires a concerted effort to enhance education and awareness initiatives. There is a pressing need for comprehensive campaigns and educational programs aimed at equipping the public with the necessary knowledge and understanding to make informed decisions about life insurance purchase. By bridging this knowledge gap and clarifying the benefits of life insurance, consumers can make more confident and informed choices, leading to greater uptake and utilization of life insurance products for financial planning and security. The research questions of this study is as follows.

1. What is the present condition of the life insurance market in Nepal?
2. Is there any relationship between financial security, risk sharing, low transaction expenses, systematic investment, returns, portfolio management, and life insurance purchase decision in Nepal?
3. What is the impact of financial security, risk sharing, low transaction expenses, systematic investment, returns, portfolio management, and life insurance purchase decision in Nepal?

1.3 Objectives of the Study

The study aims to provide insights into how these factors collectively shape consumer behavior and decision-making processes in the life insurance sector, thereby contributing to a deeper understanding of trends in market behavior and customer choices within Nepal’s insurance sector. The specific objective of this study are as follows.

1. To evaluate the present condition of the life insurance market in Nepal.
2. To examine the relationship between financial security, risk sharing, low transaction expenses, systematic investment, returns, portfolio management, and life insurance purchase decisions in Nepal.
3. To analyze the impact of financial security, risk sharing, low transaction expenses, systematic investment, returns, portfolio management, and life insurance purchase decisions in Nepal.

1.4 Hypotheses

Hypothesis 1: There is a significant impact of financial security on Life Insurance Investment Decision.

Hypothesis 2: There is a significant impact of Risk Sharing on Life Insurance Investment Decision.

Hypothesis 3: There is a significant impact of Low Transaction Expenses on Life Insurance Investment Decision.

Hypothesis 4: There is a significant impact of Systematic Investment on Life Insurance Investment Decision.

Hypothesis 5: There is a significant impact of Returns on Life Insurance Investment Decision.

Hypothesis 6: There is a significant impact of Portfolio Management on Life Insurance Investment Decision.

1.5 Rationale of the Study

This study holds significant importance for a wide array of stakeholders, each with distinct reasons for engaging with and benefiting from such a study.

For government bodies and policymakers, a thorough market analysis provides essential insights into the health and competitiveness of the insurance sector. It helps in formulating and refining policies that promote market stability, consumer protection, and overall economic growth. By understanding market dynamics, policymakers can make informed decisions to regulate the industry effectively.

Insurance companies operating in Nepal stand to gain strategic advantages from this study. Market analysis offers them crucial information on market trends, consumer preferences, competitive positioning, and growth opportunities. Armed with these insights, insurers can optimize their product offerings, improve customer engagement strategies, and streamline operational efficiencies to better meet market demands and enhance profitability.

Insurers themselves, both current and prospective, benefit directly from market analysis by gaining insights into customer behavior, risk perceptions, and purchasing patterns. This understanding enables insurers to tailor their products and services to align with customer needs effectively, thereby improving customer satisfaction, retention rates, and overall market competitiveness.

For insured individuals, a comprehensive market analysis provides clarity on available insurance products, coverage options, pricing structures, and service quality across different insurers. This knowledge empowers consumers to make informed decisions when selecting life insurance policies that best fit their financial goals and risk management needs, ensuring they receive adequate protection and value.

Academicians and researchers find value in studying the market dynamics of life insurance companies as it contributes to advancing knowledge in insurance economics, market behavior, and consumer psychology. Research outcomes can validate theories, uncover new insights, and inform future studies aimed at deepening understanding of insurance markets and their broader economic implications.

Lastly, students benefit from studying market analysis as it enriches their educational experience by providing practical insights into real-world business operations, financial markets, regulatory frameworks, and consumer decision-making processes. Case studies and research findings from such studies offer valuable learning opportunities that foster critical thinking and prepare students for careers in finance, economics, business management, and public policy.

Overall, conducting a market analysis of life insurance companies in Nepal serves multiple purposes across diverse stakeholders. It informs policymaking, supports strategic decision-making for insurers, empowers consumers with choice, advances research in insurance economics, and enriches educational experiences for students. This study supports the growth and long term stability of Nepal's insurance sector, promoting its expansion with in the wider economic framework.

1.6 Limitations of the Study

The limitation of study are as follows:

- This study is its focus on only seven out of 14 life insurance companies in Nepal, namely National Life Insurance Company Limited, Life Insurance Corporation Limited, IME Life Insurance Company Limited, MetLife (ALICO), Reliance Life Insurance Limited, Citizen Life Insurance Limited, and Sun Nepal Life Insurance Company Limited. This selective sampling may limit the generalizability of the findings to the entire insurance market in Nepal.
- The study's reliance on a constant sample size 408 may restrict the generalizability of findings to the entire population of insurance customers in Nepal.
- Potential bias introduced by the convenience sampling method could affect the representativeness of the collected data, leading to skewed results.
- Limited scope of primary data collection due to constraints in accessing comprehensive data from all insurance companies operating in Nepal.
- The use of descriptive and causal comparative methodologies may limit the depth of analysis and overlook nuanced interactions among variables that could impact the market dynamics of life insurance companies in Nepal.
- The study's focus on specific variables for analyzing life insurance purchase decisions (financial security, risk sharing, low transaction expenses, systematic investment returns, portfolio management) may overlook other potentially influential factors.

CHAPTER II

LITERATURE REVIEW

The literature review for this study extensively explores related concepts, terms, previous articles, journals, theories, and identifies existing research gaps. It synthesizes a wide range of scholarly sources to establish a comprehensive understanding of the factors influencing the market dynamics of life insurance companies in Nepal. By critically examining past studies and theoretical frameworks, the review sets the stage for addressing current gaps in knowledge, highlighting areas where further research is needed to deepen our understanding of how factors such as financial security, risk sharing, transaction expenses, investment returns, and portfolio management affect consumer behavior and market outcomes in the Nepalese insurance sector.

2.1 Conceptual Review

In the conceptual review of research, the study delves into foundational aspects concerning insurance, specifically focusing on life insurance and market analysis within this sector. It explores theoretical frameworks and conceptual underpinnings that elucidate the dynamics of insurance markets, particularly how life insurance products are structured, marketed, and perceived by consumers. By synthesizing existing literature, the review aims to build a conceptual foundation that informs the study's approach to understanding the intricacies of the life insurance market in Nepal.

2.1.1 Concept of Insurance

Insurance is a vital mechanism designed to mitigate the uncertainties and potential losses that individuals and businesses face. Defined by Crane (1980), insurance operates as a system where the financial burden of losses is spread across all participants, ensuring that no single individual bears the entire cost of an unforeseen event. In essence, insurance provides a safety net against various risks, enabling individuals and organizations to recover from unexpected adversities without suffering significant financial setbacks. This fundamental function of insurance not only safeguards against immediate losses but also fosters economic stability and confidence by allowing individuals to manage risks more effectively.

This concept is similarly reflected in Nepal's Social Health Security Program, as discussed by Pandey (2019) where health insurance mechanisms aim to reduce the financial burden of medical expenses on citizens, promote broader access to healthcare, and enhance social and economic resilience.

Jnawali (2022) noted that socio-demographic characteristics such as income level, educational background, and the number of dependents significantly influence the demand for life insurance. Additionally, factors like financial literacy and the desire to leave a bequest are important determinants of policy uptake. Ghimire (2024) defined economic conditions are the primary drivers behind policy surrenders in Nepal's life insurance sector, followed by a lack of knowledge, societal influences, and factors related to insurance companies. They also found that demographic factors had little to no impact on surrender decisions. Mahat (2023) highlighted that activities like risk identification, assessment, and mitigation contribute positively to the performance of insurance firms, whereas overall risk management and its implementation might have adverse effects. Among these, only risk mitigation showed a statistically significant impact. As observed by Bista (2022) the financial performance of life insurance companies in Nepal shows a combination of significant and insignificant effects regarding the influence of solvency margins and operating profits on operational efficiency. Insurance khabar (2021) reported that although Nepal's insurance sector has expanded, life insurance penetration remains at around 12%, suggesting that a large portion of the population is still uninsured, thus presenting a substantial opportunity for market growth.

This structured approach helps individuals and organizations navigate uncertainties more effectively, enhancing overall resilience and stability. Effective risk management is vital for both policyholders and insurance firms. For insurers, it involves carefully evaluating risks associated with offering coverage and ensuring that premiums collected are sufficient to cover potential claims while maintaining profitability. Insurance companies play a critical role in the economy by pooling risks from policyholders and using actuarial methods to calculate premiums based on risk assessments. This enables insurers to provide financial protection on a large scale, benefiting society by spreading risk and promoting economic stability (Pandey, 2019).

Historically, insurance has evolved from ancient practices of risk sharing among maritime traders to sophisticated modern-day institutions that offer a wide range of products tailored to diverse needs. Marine insurance, originating in ancient times with arrangements to protect ship-owners and traders against losses at sea, laid the foundation for contemporary insurance principles (Mathura & Tripathi, 2014). Over time, insurance has expanded to encompass various sectors, including life insurance, health insurance, property insurance, and liability insurance, each addressing specific risks faced by individuals and businesses in different contexts.

Insurance is a fundamental tool for managing risks and securing financial stability in today's uncertain world (Mathura & Tripathi, 2014). By providing a mechanism to distribute and manage risks efficiently, insurance fosters economic growth, supports individual and business resilience, and promotes societal well-being. Its ability to mitigate the impact of unforeseen events through risk pooling and compensation mechanisms underscores its importance as a cornerstone of modern economies and a critical aspect of financial planning for individuals and organizations alike (Pandey , 2019)

2.1.2 Concept of Life Insurance

Life insurance is a contractual agreement between an individual (the insured) and an insurance company the insurer (Lehtonen, 2014). The insured pays regular premiums to the insurer, and in return, the insurer promises to pay a specified amount, known as the death benefit, to the designated beneficiaries upon the insured's death. This financial protection serves to support the insured's dependents and loved ones after their passing. Life insurance policies are designed to provide peace of mind by ensuring that financial obligations can be met even in the event of an unexpected loss (Babuna, 2020). This makes life insurance a crucial component of financial planning for individuals who have loved ones relying on their income or who wish to leave a legacy for their heirs (Razak et al., 2014)

The primary purpose of life insurance is to provide financial security and stability to beneficiaries upon the insured's death. This lump-sum payment, known as the death benefit, can be used by beneficiaries in various ways (Razak et al., 2014). It can replace lost income, cover living expenses, settle debts such as mortgages or loans, fund children's education, or even cover final expenses like funeral costs. Life insurance ensures that loved ones are not left financially vulnerable during an already challenging time (Lehtonen, 2014). Moreover, life insurance can be a strategic tool for estate planning, allowing individuals to pass on assets or business interests smoothly while minimizing tax implications.

Life insurance policies can generally be categorized into two main types: temporary (term) and permanent (whole life, universal life). Temporary life insurance provides coverage for a specific period, such as 10 or 20 years, and pays out the death benefit if the insured passes away during that term (Babuna et al., 2020). Premiums for term policies are typically lower, making them attractive for covering temporary needs like mortgages or income replacement during peak earning years. Permanent life insurance, in contrast, offers a lifelong coverage as long as premiums are continuously paid (Lehtonen, 2014). It includes options like whole life, which offers fixed premiums and a cash value component that grows over time, and universal life, which offers flexibility in premium payments and investment choices within the policy (Babuna et al., 2020). These permanent policies can serve both insurance and investment purposes, allowing policyholders to build cash value that can be accessed during their lifetime for various financial needs.

2.1.3 Importance of Insurance

Insurance plays a crucial role in modern societies by providing a safety net against various risks and uncertainties that individuals and businesses face. It acts as a social device to reduce or eliminate the financial impact of unexpected events, thereby promoting stability and economic growth. Pandey (2019) explores the importance of insurance across several dimensions.

- **Provide Safety and Security:** One of the fundamental benefits of insurance is its ability to provide financial support and reduce uncertainties in both business and personal life. Insurance policies offer protection against specific events such as death, accidents, fire, or natural disasters. For instance, life insurance ensures that the family of the insured receives financial assistance in the event of their untimely death, alleviating the financial burden during a difficult time. Similarly, property insurance protects against losses due to damage or theft, providing security and peace of mind to property owners.

- **Generate Financial Resources:** Insurance companies generate funds through the collection of premiums from policyholders. These funds are then strategically invested in various avenues such as government securities, stocks, and bonds. By mobilizing these financial resources, insurance contributes to capital formation and economic development. The investments made by insurance companies stimulate industrial growth, create employment opportunities, and contribute to overall economic stability.
- **Encourage Savings:** Beyond risk mitigation, insurance serves as a vehicle for systematic savings. Life insurance policies require policyholders to pay regular premiums, which accumulate over time. This disciplined approach not only ensures financial protection but also encourages individuals to save for the future. Life insurance policies often offer a lump-sum payout upon maturity, providing a financial cushion during retirement or unforeseen circumstances.
- **Promote Economic Growth:** The impact of insurance on economic growth is profound. Insurance companies play a key role in capital formation by channeling domestic saving into productive investment. These investments fuel entrepreneurial activities, promote trade and commerce, and stimulate overall economic growth. Insurance also enhances financial stability by mitigating risks and uncertainties, which in turn fosters a conducive environment for sustainable economic development.
- **Medical Support:** Medical insurance is a critical component of insurance offerings, particularly in managing health-related risks. Rising medical costs and unexpected illnesses can pose significant financial challenges to individuals and families. Medical insurance policies provide coverage for hospitalization, medical treatments, and other healthcare expenses, ensuring that policyholders receive necessary medical support without facing financial distress.
- **Spreading of Risk:** The fundamental principle of insurance is risk spreading. By pooling premiums from a large number of policyholders, insurers effectively spread the financial risk associated with unforeseen events. This risk pooling mechanism ensures that individuals and businesses do not bear the full brunt of financial losses on their own. Instead, the collective contributions from

policyholders enable insurers to compensate those who suffer losses, thereby stabilizing the impact on individual finances and promoting overall economic resilience.

- **Source of Collecting Funds:** Insurance companies are significant sources of capital formation within an economy. The substantial funds collected through premium payments are channeled into productive investments, such as infrastructure projects, manufacturing industries, and technological advancements. These investments not only drive economic growth but also create job opportunities, stimulate consumer spending, and contribute to the overall prosperity of the society.

Overall, insurance serves as a cornerstone of financial security and stability in modern economies. By providing safety nets against unforeseen risks, encouraging savings, mobilizing funds for investments, and promoting economic growth, insurance plays a pivotal role in enhancing the resilience and prosperity of individuals, businesses, and entire nations. As societies continue to evolve in a complex global landscape, the importance of insurance in safeguarding against uncertainties and fostering sustainable economic development cannot be overstated.

2.1.4 Insurance Business in Nepal

Insurance in Nepal has evolved significantly since its inception in the mid-20th century, adapting to local needs and regulatory changes while striving to enhance financial security for individuals and businesses alike (Aryal, 2016). The history of insurance in Nepal can be traced through several key milestones that have shaped its current landscape.

The modern era of insurance in Nepal began in 1947 A.D., marked by the establishment of the first insurance company known as "Maal Chalani tatha Bima Company." Initially serving a nascent market with limited awareness of insurance benefits, these early companies struggled to convey the importance of mitigating risks through insurance coverage (Khanal, 2020). This lack of awareness often led to significant financial losses for individuals and businesses during unforeseen events like accidents and natural disasters.

Recognizing the need for organized regulation and development of the insurance sector, the government of Nepal took a pivotal step in 1968 by establishing "Rastriya Bima Sansthan" under the Company Act. This move aimed to institutionalize insurance services and ensure a more structured approach to risk management and financial protection across the country. Alongside this governmental initiative, the "Bima Samiti" (Insurance Board) was also established as an autonomous body in accordance with the Insurance Act of 1992. The board's mandate includes the systematic regulation, development, and supervision of the insurance business in Nepal (Aryal, 2016).

The transformation of the insurance landscape continued with the renaming and reorganization of the early insurance entities. In 1959, the "Maal Chalani tatha Bima Company" was rebranded as "Nepal Insurance and Transport Company," reflecting its expanding role beyond traditional insurance services. Subsequently, it evolved into "Nepal Insurance Company Ltd.," consolidating its position as a key player in Nepal's insurance market (Khanal, 2020).

The growth of the private sector in Nepal's insurance industry gained momentum in 1988 when the first private life insurance company was established. Over the next 25 years, the number of private sector life insurance companies grew to eight, diversifying the market and increasing competition (Khanal, 2020). This period witnessed a significant expansion in the range of insurance products and services offered, catering to diverse consumer needs from life and health insurance to property and casualty coverage.

By 2012, Nepal's insurance industry had matured considerably, boasting a total of 25 commercial insurance companies. Among these, eight specialized in life insurance, while 16 focused on non-life insurance, and one operated as a composite insurer offering both life and non-life products. The industry had also made substantial financial contributions, with total assets reaching Rs. 67.18 billion and premiums exceeding Rs. 19,700 million. Moreover, insurance fees contributed 1.31% to the GDP during the fiscal year 2010/11, underscoring its growing economic significance (Khanal, 2020).

Despite these advancements, challenges such as the absence of a dedicated reinsurance company and micro insurance institutions remained, highlighting areas for further development and innovation within the sector. The ongoing evolution of Nepal's insurance industry underscores its critical role in enhancing financial mobility, economic stability, and resilience against unforeseen risks in a rapidly changing global landscape (Khanal, 2020).

The history of insurance in Nepal reflects a journey of adaptation, regulation, and expansion to meet the evolving needs of its population. From humble beginnings marked by limited awareness and regulatory infancy to a dynamic sector contributing significantly to the national economy, Nepal's insurance industry continues to play a pivotal role in safeguarding individuals, businesses, and the broader economy against risks and uncertainties (Aryal, 2016 ; Khanal, 2020)

2.1.5 Growth and Expansion of life insurance industry in Nepal

Different forms of insurance policies are offered by life insurance companies in Nepal to provide financial protection against unexpected events such as death, disability, or critical illness. These policies ensure a lump sum payment or ongoing income to secure the financial future of policyholders and their families. Life insurance options available in Nepal include endowment plans, whole life insurance, unit-linked insurance plans (ULIPs), pension plans, and term life insurance, each tailored to meet the varying needs of individuals (Nepal Insurance Authority, 2023)

Life insurance companies in Nepal offer a diverse range of services, including risk assessment, claims management, administrative support, and investment handling, to ensure the efficient operation of insurance contracts and informed client decision-making (Nepal Insurance Authority, 2023). Under typical life insurance agreements, policyholders make periodic premium payments in exchange for a guaranteed payout to designated beneficiaries upon the insured’s death (Nepal Insurance Authority, 2023).

The life insurance sector in Nepal has witnessed steady growth in recent years, regulated by the Insurance Board of Nepal, which oversees licensing, establishes industry guidelines, and monitors insurers’ activities (Insurance Board of Nepal, 2023). Growing public awareness regarding financial security, along with supportive government policies promoting insurance as a tool for social welfare, has further contributed to the increasing demand for life insurance products.

Despite growth prospects, Nepal's life insurance penetration rate remains low compared to global standards, attributed to factors such as limited financial literacy and skepticism towards insurance providers (Rana, 2023). These challenges indicate substantial opportunities for market development and improvement.

As of recent reports, Nepal hosts 19 life insurance companies, highlighting the sector's increasing contribution to the economy (Rana, 2023). The industry has shown robust growth, with significant increases in premium collections and policy sales in recent fiscal years, indicating a positive trend towards market expansion.

The life insurance market in Nepal is poised for continued growth, driven by rising awareness of financial security and government efforts to promote insurance as a vital aspect of social and economic planning (Rana, 2023). Despite current challenges, including low penetration rates and consumer skepticism, the industry's expansion is evident from recent performance metrics and the presence of numerous insurance providers in the country.

2.1.6Market Analysis of Life Insurance Companies

The life insurance market globally, and particularly in developing countries like Nepal, has been witnessing structural growth due to increasing financial awareness, income security concerns, and regulatory reforms. A study by Njiru and Ombima (2018) concluded that life insurance plays a pivotal role in expanding financial inclusion and mobilizing long-term capital for economic development.

Globally, the life insurance industry contributes significantly to gross domestic savings and investment. For example, in OECD countries, life insurers hold more than 50% of insurance sector assets, channeling funds to both private and public sectors (Njiru & Ombima, 2018). Life insurance is especially crucial in emerging markets as it provides risk pooling and long-term funds for development.

Nepal's life insurance sector has grown steadily in recent years. According to the Insurance Board of Nepal (2024), the number of life insurance policyholders has exceeded 13.8 million, and the total premium collection in the FY 2023/24 reached NPR 154.05 billion, showing a 10.33% growth (Fiscal Nepal, 2025a). This growth is driven by rising financial literacy, better product awareness, and aggressive market expansion by insurers.

However, challenges remain. Despite increased policy numbers, life insurance penetration in Nepal is only around 17% based on traditional insurance criteria (MyRepublica, 2025). The inclusion of foreign employment-based insurance and micro insurance raises this figure to 47.39% (News of Insurance, 2025), but still leaves much room for growth.

Nepal Insurance Authority has introduced capital requirements, new solvency rules, and mandatory reinsurance arrangements as per the Insurance Act 2079. The requirement of NPR 5 billion paid-up capital for life insurance companies is expected to enhance the stability and trust in the sector (Beemapost, 2024).

Trends and Opportunities

- Micro insurance and Rural Outreach: Many companies have launched micro insurance programs to target low-income rural populations.
- Digital Transformation: Life insurers are increasingly using digital platforms for sales and servicing, especially post-COVID-19.
- Growing Competition: With 14 life insurers in the market, competitive pricing, and diversified products are evolving.
- Investment Diversification: Insurers are now investing in capital markets and government bonds, improving fund performance.

Challenges

- Low insurance literacy and financial exclusion in remote areas.
- High policy lapse rates due to irregular premium payments.
- Trust deficit due to claim settlement delays.

2.1.7 Factors Affecting Life Insurance Investment Decisions

Life insurance investment decisions are influenced by several financial and strategic factors. These factors not only help investor secure their future but also support long term financial planning. The key factors that drive individuals or institutions to invest in life insurance these are explained below.

Financial Securities: It plays a crucial role in influencing individuals decisions to invest in life insurance. Investors view life insurance, particularly investment-linked policies (like ULIPs or whole life insurance), as a form of financial security. These instruments not only provide insurance protection but also build savings or cash value over time, serving dual purposes. This makes life insurance appealing as a hybrid product offering both security and growth. Whole life and universal life policies, for example, accumulate cash value and can offer tax-advantaged, market-independent income (Bera,2023).

Risk Sharing: At its core, life insurance is a risk-sharing mechanism. Policyholders transfer the risk of premature death or major financial loss to the insurer, protecting dependents from uncertainty. This foundational principle provides peace of mind to consumers, thereby influencing their decision to invest in life insurance (Kagan,2022).

Low Transaction Expenses: Transaction costs such as administrative fees or processing charges can be a deterrent for potential investors. Research indicates that if life insurance transaction costs are too high, policyholders might avoid these products. Insurers need to balance cost and utility to make their offerings attractive. Additionally, high transaction costs have been shown to hinder micro-insurance expansion, particularly in developing countries (Sapkota, 2018; Dey & Mishra, 2016).

Systematic Investment: Life insurance often encourages structured and regular contributions through premium payments. This systematic saving feature helps individuals build disciplined investment habits. While a direct academic citation on this specific point wasn’t found in the search results, the concept aligns naturally with how insurance products are designed and marketed.

5.Returns: Investment-linked insurance plans provide competitive returns by allocating premiums into interest-bearing or dividend-yielding instruments. These returns—whether fixed, guaranteed, or linked to market performance—make life insurance attractive for individuals seeking both protection and growth (Bera,2023)

6 Portfolio Management: Life insurance can enhance overall investment portfolio performance by adding stability and diversification. These products act as relatively low-risk, regulated assets that can hedge against market volatility and provide consistent value (Bera, 2023)

2.1.8 Theories of Life Insurance Investment Decision

Theory of Planned Behaviour

The Theory of Planned Behavior (TPB) explains how individual's intentions to perform a behavior are influenced by their attitudes toward the behavior, subjective norms, and perceived behavioral control. In the context of life insurance investment decisions, this theory suggests that a person's positive attitude toward financial planning, social pressure to secure the family's future, and their perceived ability to afford insurance can significantly impact their investment behavior (Ajzen, 1991).

Components of TPB(Ajzen,1991)

- **Attitude:** Attitude means to an individual's overall evaluation of a behavior whether they perceive it as positive or negative. In the context of life insurance investment, if a person believes that purchasing life insurance provides long-term financial security, they are more likely to form a positive intention to invest.
- **Subjective Norms:** Subjective norm refers to perceived social pressure to engage or not engage in a behavior. For life insurance, if family members, peers, or society expect an individual to invest in insurance, it may positively effect their decision.
- **Perceived Behavioral Control (PBC):** PBC represent the individual's perception of how easy or difficult it will be to perform the behavior. If someone believes they have enough financial potentiality and understanding to purchase life insurance, they are more likely to intend to do so.

Structure Conduct Performance(SPC) Theory

The Structure Conduct Performance (SCP) Theory is key concept in industrial organization economics exploring links between market structure, firms, actions, and their performance outcomes. Originally developed by Bain (1951), the SCP model suggests that the structure of a market such as the level of competition, concentration, and entry barriers shapes the conduct or strategic behavior of firms, which ultimately determines their performance in terms of efficiency, profitability, and innovation.

In the context of the life insurance sector, the SCP model offers a useful lens for analyzing how the competitive landscape affects insurer's strategic decisions. For example, in a highly concentrated life insurance market, dominant companies can exercise greater pricing power and achieve efficiency gains through economies of scale, resulting in higher profitability and more consistent returns. Conversely, in markets with intense competition, insurers may adopt aggressive pricing, introduce innovative products, or implement robust marketing strategies to attract policyholders—actions that may reduce profit margins but enhance consumer choice.

Furthermore, regulatory environments, capital requirements, and customer behavior also interact with market structure to influence conduct. Life insurance firms operating under strict regulatory control may be less prone to excessive risk-taking, ensuring better long-term performance and policyholder protection. Studies have applied the SCP model empirically to insurance sectors, demonstrating that market structure significantly impacts the financial soundness and strategic orientation of insurance companies (Cummins, Weiss, & Zi, 2017; Bain, 1951).

Therefore, the SCP theory helps explain how market concentration, firm behavior, and policyholder outcomes are interconnected in the life insurance industry. It is particularly relevant for market analysis, as it guides understanding of competition, profitability, and structural efficiency within the sector.

2.2 Empirical Review

2.2.1 Review of Literature in International Articles & Journals

Sethi et al.(2024) assessed the changing dynamics of policyholders' behavior towards life insurance products in Odisha, India. The primary aim was to assess how corporate policies, the behavior of insurance agents and financial autonomy affect the purchasing intentions of life insurance policyholders. Additionally, the study sought to analyze the influence of demographic parameters such as income and education level on purchasing behavior. Using a sample size of 142 respondents from Odisha, the researchers employed an exploratory study design and collected data through a qualitative, structured questionnaire. The study revealed that while corporate policy had minimal impact on policyholders' purchasing intentions, factors such as agents' behavior, financial independence, and demographic variables like income significantly influenced purchasing decisions. The findings underscored the importance of agents' attitudes, policyholders' self-sufficiency, and financial behavior in shaping purchasing intentions for life insurance products in Odisha. Overall, the research contributed to understanding customers' attitudes towards investing in insurance products within the socio-economic context of Odisha, highlighting the pivotal role of various factors in influencing policyholders' behavior and purchasing decisions.

Sood et al.(2022) examined the portfolio performance of public sector general insurance companies in India, focusing on the comparative analysis of product portfolios during pre- and post-liberalization periods from 1985–1986 to 2000–2001 and 2001–2002 to 2018–2019, respectively. The study, based on secondary data, aimed to highlight the challenges of managing product portfolios in a disruptive environment, such as the COVID-19 pandemic, which posed significant challenges to traditional insurance models and coverage. The findings revealed that the top two general insurance companies in India lacked a balanced product portfolio to meet the diverse needs of customers. The study suggested that these companies needed to develop different portfolios and provide separate covers for natural catastrophes like floods, earthquakes, landslides, and tsunamis, as well as new pandemics like COVID-19. This research emphasized the need for insurance companies to adapt their product offerings to better address the emerging risks and changing customer expectations in a rapidly evolving market environment.

Chakraborty and Das (2022) aimed to identify the macro-economic factors influencing the growth of the life insurance sector in India. Utilizing a time series analysis over 39 years, they applied empirical methods including Engle-Granger co-integration, ordinary least squares, and Granger causality to assess the relationship between macro-economic variables and life insurance growth. Their findings revealed that foreign direct investment (FDI), inflation, interest rates, and broad money (M2) significantly impacted the life insurance industry's growth in India. Specifically, they found that inflation and interest rates had a causal relationship with the sector. This study highlighted the critical role of macro-economic factors in the development of the life insurance industry and suggested that these factors should be considered to enhance the sector's growth and visibility.

Yoga et al. (2022) investigated the significance of customer engagement and brand trust on insurance purchase intentions in Indonesia during the post-pandemic era. The study aimed to address the low insurance penetration rate in Indonesia by examining how brand trust influences consumers' intentions to purchase insurance products. Employing a quantitative research design, the researchers used a 5-point Likert scale to measure variables, focusing on individuals aged 30 to 55 years who had insurance coverage after the pandemic began and were actively employed. The study revealed that brand trust was a critical factor affecting insurance purchase intentions, emphasizing its importance in the insurance market. However, customer engagement demonstrated a positive yet statistically insignificant moderating effect on the relationship between brand trust and the intention of purchase. The findings highlighted the need for increased efforts to build brand trust in order to enhance insurance penetration, while also noting that customer engagement alone may not significantly influence purchase decisions. The research provided valuable insights and recommendations for improving insurance marketing strategies in Indonesia.

Fang and Kung (2021) investigated the factors contributing to life insurance policyholder laps using a dynamic discrete choice model. Their study employed data from the Health and Retirement Study to estimate the model and perform counterfactual simulations. The primary objective was to assess how income, health, and bequest motive shocks influence policyholder decisions to lapse their insurance. The findings revealed that a significant portion of laps among younger policyholders is attributed to idiosyncratic shocks that are not related to health, income, or bequest motives. However, as policyholders age, the impact of these random shocks diminishes, with income and health shocks becoming more significant in explaining laps, particularly when policyholders are younger. Bequest motive shocks, while less influential in younger individuals, become increasingly relevant as policyholders grow older. This study highlighted the varying roles of different shocks over the life cycle, providing insights into how policyholder behavior evolves with age and changing circumstances.

Chege (2021) investigated the influence of service reliability on customer satisfaction within the insurance industry in Kenya. Anchored on the Assimilation Contrast Theory, the study employed a descriptive research design and utilized primary data collected via structured self-administered questionnaires. Data analysis employed descriptive statistics to determine mean and standard deviation, conducted at both customer and entity levels. The study further utilized linear mixed effect models of structural equation modeling (SEM) to account for the multi-level structure of the collected data. Results were presented through tables and path diagrams depicting the SEM findings. The study concluded that the reliability of services had a significant impact on customer satisfaction. (? = 0.840, p-value = 0.027) at the customer level. However, difference in customer satisfaction among various insurance providers were not linked to variations in service reliability. The findings underscored the critical role of service reliability in enhancing customer satisfaction within the Kenyan insurance sector, providing valuable insights for industry practitioners aiming to improve service delivery and customer outcomes.

Sharma and Parihar (2016) explored the determinants of customer perception towards life insurance investment decisions. Utilizing a sample encompassing individuals from diverse demographic backgrounds, the researchers employed validity, reliability, and explanatory factor analysis tests to ensure the effectiveness and reliability of their study. Through the application of independent t-test and one-way ANOVA tests, they examined the significance of the results. The main objective of their research was to shed light on the factors influencing customers' perceptions regarding life insurance investment, a crucial aspect in a country like India with relatively lower life insurance policy sales compared to other nations. Their findings contribute to understanding the intricacies of customer decision-making in the realm of life insurance investment, thereby offering valuable insights for insurance providers, policymakers, and researchers in enhancing the effectiveness of insurance marketing strategies and policies.

Ozen and Simon (2020) Evaluated the Turkish life insurance market, focusing on its current state and future challenges. The study aimed to assess the impact of local socio-economic issues, influenced by international relations, on the stability of insurance markets in Turkey. Utilizing qualitative analysis, the researchers explored how these factors hindered the development of life insurance, despite Turkey's substantial economic standing as the world's 18th largest economy with a population of 82 million. The findings underscored that inadequate insurance claims and socio-economic challenges posed significant obstacles to the growth of the life insurance sector in Turkey. The study highlighted the urgent need for strategic interventions and policy reforms to address these issues and enhance market stability. This research provides insights into the complexities of the Turkish insurance landscape and suggests avenues for future research and policy actions aimed at fostering a more robust and resilient life insurance market in Turkey.

Annamuthu (2019) identified investor perceptions towards the Life Insurance Corporation of India (LIC) in Coimbatore District. Their objective was to understand the factors influencing investors' decision-making regarding life insurance investments. Through a sample of 100 LIC policyholders, the researchers collected data from both primary and secondary sources. They focused on demographic and insurance-related preference factors and analyzed them using the percentages method. The study sought to shed light on customers' perceptions of LIC as a provider of life insurance and its role in providing financial security against uncertain risks or damage. The findings of the study contribute to the understanding of investor behavior and preferences in the context of life insurance investment decisions, particularly within the specific geographic area of Coimbatore District. By exploring the factors that shape investor perceptions towards LIC, the research offers insights that can inform marketing strategies, product development, and customer engagement initiatives aimed at enhancing customer satisfaction and loyalty in the life insurance sector.

Hong and Seog(2018) Investigated the impact of life insurance settlement on insurance contract design, insurer profitability, and consumer welfare within the context of a monopolistic insurance market. Their study aimed to analyze how the presence of a settlement market, where policyholders can surrender or settle their policies due to liquidity risks, affects these key variables. Using theoretical modeling and economic analysis, the researchers assumed conditions where insurers cannot differentiate policyholders based on liquidity risks and where no costs are associated with surrender or settlement. They identified conditions under which a settlement market could emerge endogenously and found that its existence tends to increase insurance premiums. In the monopolistic insurance market setting, the study revealed that the settlement market reduces insurer profitability. However, it surprisingly enhances consumer welfare under conditions of increasing demand and possibly even under decreasing demand, which contradicts conventional findings suggesting that settlements typically decrease welfare. Conversely, in a competitive insurance market scenario, welfare consistently decreased with the introduction of settlement options. These findings provide valuable insights into the complex dynamics between settlement markets, insurance market structure, and their implications for insurer profitability and consumer welfare.

Cavalcante et al.(2018) investigated the determinants of the non-life insurance (NLI) market in Brazil, focusing specifically on the relationship between economic growth, financial development, and NLI premium consumption amidst a highly volatile economic environment. Through empirical analysis, the researchers examined how economic growth and credit availability interact with the development of the non-life insurance(NLI) market in Brazil. Their findings highlighted a positive relationship between economic growth and NLI premium consumption, suggesting that as the economy grows, there is an associated increase in demand for non-life insurance products. Moreover, the study identified Granger bi-causality between economic growth and NLI premiums, indicating that changes in economic growth can predict changes in NLI premiums and vice versa. This research provides valuable insights into the interplay of economic factors and insurance market dynamics in Brazil, underscoring the importance of economic stability and financial development in shaping the non-life insurance sector. Such insights are crucial for policymakers and industry stakeholders seeking to understand and navigate the complexities of insurance market growth within volatile economic contexts.

Anagol et al.(2017) assessed the quality of advice provided by life insurance agents in India. Their research objective was to evaluate whether agents, motivated by commissions, offer suitable and beneficial advice to consumers. Through field experiments, they found that agents predominantly recommend products that offer high commissions, even when these products are unsuitable or economically inferior ("strictly dominated"). The study highlighted that agents often cater to the misconceptions of uninformed consumers, perpetuating advice that may not align with their actual needs or financial interests. Moreover, the research revealed that agents focus more on maximizing premium payments, thereby increasing their own commissions, rather than assessing and recommending appropriate levels of insurance coverage based on customer needs. A natural experiment involving commission disclosure requirements showed that agents responded by recommending alternative products with high commissions but without the disclosure requirement, further underscoring the influence of commission incentives. Insights from a follow-up agent survey indicated that poor advice stemmed from both commission incentives and agents' limited knowledge about insurance products. This study contributes valuable evidence on the dynamics of commission-driven advice in the life insurance market, highlighting implications for consumer welfare and regulatory considerations.

Burić et al. (2017) analyzed the factors influencing the development of the life insurance market in Montenegro, which is characterized by a lower level of development compared to more advanced economies, with non-life insurance dominating the market. The main objective of their research was to identify and assess significant factors that impact the purchase of life insurance products in Montenegro. Using a survey methodology, the researchers employed chi-square tests of independence and regression analysis to test their hypotheses. Their findings indicated that demographic factors such as age structure and education, along with economic factors like employment level, exerted a substantial influence on the demand for life insurance in Montenegro. Conversely, the study found no evidence supporting the influence of factors such as gender, regional differences, or varying levels of trust in the insurance system on the purchase of life insurance products. This research contributes empirical insights into the specific socio-economic dynamics shaping the life insurance market in Montenegro, highlighting factors critical for market development and suggesting implications for policy and industry stakeholders.

Alhassan et al (2015) examined the impact of the regulatory-driven market structure on firm pricing behavior by testing the structure-conduct-performance (S-C-P) hypothesis for both life and non-life insurance markets in Ghana. The study analyzed panel data covering14 life insurance and 22 non-life insurance firms over the period 2007 to 2011. To test the Structure-Conduct-Performance (S-C-P) hypothesis, the researchers used the Herfindahl-Hirschmanindex and concentration ratio as proxies, while efficiency scores derived through data Envelopment Analysis(DEA)were used to represent the Efficient Structure(ES) hypothesis. Profitability, the dependent variable, was measured as return on assets, with controls for size, underwriting risk, leverage, GDP growth rate, and inflation. The models were estimated using the panel corrected standard errors of Beck and Katz (1995) and random effects estimations. The results validated the Efficient Structure(ES) hypothesis in the context of both life and non-life insurance sectors. The S-C-P hypothesis produced conflicting results in the non-life insurance market and was rejected in the life insurance market. Additionally, the study revealed increasing competition levels in both life and non-life insurance industries in Ghana, with the life insurance sector demonstrating higher efficiency levels compared to the non-life sector.

Chen et al.(2012) examined the impact of the development of the life insurance market on economic growth across various countries, focusing on different contextual factors such as financial development, private saving rates, interest rates, social security expenditures, and demographic variables. Employing a quantitative approach, the study analyzed international data to explore the insurance-growth nexus and its variations under diverse economic conditions. Their findings underscored a positive relationship between the growth of the life insurance sector and economic development. Notably, this relationship exhibited nuanced variations: while middle-income countries experienced a moderated impact on economic growth, low-income countries saw a more pronounced positive effect. Additionally, the study highlighted that the development of the stock market and the life insurance market tended to act as substitutes rather than complements in fostering economic growth. These insights provide valuable implications for policymakers and insurers alike, suggesting tailored strategies based on economic conditions to leverage the potential of the life insurance sector for sustainable economic development.

Table 1

Summary of International Articles

S.N	Researcher (Date)	Title	Objective	Methodology	Findings
1	Sethi et al. (2024)	Examining Evolving Trends: A Study on the Changing Dynamics of Policyholders' Behaviour Towards Life Insurance Products in Odisha, India	To evaluate the impact of corporate policy, agent conduct, financial independence, and demographic parameters on life insurance policyholders' purchasing intentions in Odisha	Exploratory study with a qualitative, structured questionnaire. Sample size of 142 respondents from Odisha in 2023	Company policy does not substantially impact buying intentions, but agents' behaviour, self-sufficiency, and financial behaviour do. Income significantly affects purchase intentions. Socioeconomic circumstances influence attitudes towards investing in insurance products.
2	Sood et al. (2022)	Portfolio performance of public sector general insurance companies in India: A comparative analysis	To underline issues in managing product portfolios in disruptive environments, such as during the COVID-19 pandemic	Analytical research with Secondary data analysis comparing product portfolios of top two general insurance	Lack of balanced product portfolio to meet varying customer needs. Recommendations for separate covers for natural catastrophes and new pandemics like COVID-19

				companies in India	
3	Chakraborty and Das (2022)	Do macro-economic factors drive life insurance growth? An empirical analysis	To identify the macro-economic factors influencing the growth of the life insurance sector in India	Time series analysis with data for 39 years; methods included Engle-Granger co-integration, ordinary least squares, and Granger causality	FDI, inflation, interest rates, and broad money (M2) significantly influence life insurance growth; inflation and interest rates have a causal relationship with the sector.
4	Yoga et al. (2022)	Does customer engagement matter? Investigating brand trust toward insurance purchase intention in the post-pandemic era in Indonesia	To investigate customer behavior and the role of brand trust and customer engagement in insurance purchase intentions during the post-pandemic era in Indonesia	Quantitative research using a 5-point Likert scale	Brand trust was found to significantly influence insurance purchase intention, while customer engagement had a positive but insignificant moderating effect on this relationship.

5	Fang and Kung (2021)	Why do life insurance policyholders lapse? The roles of income, health, and bequest motive shocks	To assess the impact of income, health, and bequest motive shocks on life insurance lapsation	Dynamic discrete choice model using Health and Retirement Study data; counterfactual simulations	A significant portion of lapsations among younger policyholders is due to idiosyncratic shocks. As policyholders age, income and health shocks become more significant in explaining lapsation, with bequest motive shocks increasing in importance over time.
6	Chege (2021)	Examining the influence of service reliability on customer satisfaction in the insurance industry in Kenya	To examine the influence of service reliability on customer satisfaction in the Kenyan insurance industry	Descriptive research design. Primary data collected using a structured self-administered questionnaire. Data analyzed using descriptive statistics and linear mixed	Service reliability has a statistically significant influence on customer satisfaction (? = 0.840, p-value = 0.027). There are variations in customer satisfaction across entities, not attributed to service reliability. Service reliability

				effect models of SEM	significantly influences customer satisfaction at the customer level but not between insurance companies.
7	Sharma and Parihar (2016)	Customers Perception towards Life Insurance Investment Decision	To find out the determinants of customers' perception towards life insurance investment decisions	Validity, reliability, and explanatory factor analysis tests. Independent t-test and one-way ANOVA test applied.	Individuals have varied perceptions towards life insurance based on demographic levels. Determinants such as risk-sharing principle and demographic factors influence investment decisions.
8	Ozen and Grima (2020)	The Turkish Life Insurance Market: An evaluation of the current situation and future challenges	To evaluate the current situation and future challenges of the Turkish life insurance market	Analysis of socio-economic factors affecting insurance claims and market stability	Turkey faces challenges in the life insurance market due to insufficient insurance claims and socio-economic issues influenced by international relations. These

					factors negatively impact market stability.
9	Annamuthu et al. (2019)	A Study On Customer Perception Towards Investing In Life Insurance (With Special Reference To LIC, Coimbatore District)	To understand the factors influencing investors' decision-making regarding life insurance investments in Coimbatore District.	Descriptive study with a sample of 100 LIC policyholders. Data collected from primary and secondary sources. Analyzed using the percentages method.	Customers' perceptions of LIC as a life insurance provider and its role in providing financial security against uncertain risks. The study offers insights into investor behavior and preferences, informing marketing strategies, product development, and customer engagement initiatives.
10	Hong and Seog (2018)	Life insurance settlement and the monopolistic insurance market	Analyze the effects of life insurance settlement on insurance contract design, insurer's profit, and	Analytical research design	In a monopolistic insurance market, the presence of a settlement market raises insurance premiums. Settlements can decrease insurer's profit but increase

			welfare		consumer welfare under certain demand conditions, contrary to findings in competitive markets
11	Cavalcante et al. (2018)	Determinants of the non-life insurance market in Brazil	To analyze the relationship between economic growth, financial development, and non-life insurance premium consumption in Brazil	Descriptive Research with Analytical research design	Positive relationship found between economic growth, credit, and the non-life insurance market in Brazil. Granger bi-causality observed between economic growth and non-life insurance premiums.
12	Anagol et al. (2017)	Understanding the advice of commissions-motivated agents: Evidence from the Indian life insurance market	To evaluate the quality of advice provided by life insurance agents in India, focusing on commission incentives	Quantitative Research Field experiments, natural experiment, agent survey	Agents overwhelmingly recommend unsuitable, high-commission products to uninformed consumers. They prioritize maximizing premiums and commissions over

					matching customer needs. Commission disclosure requirements do not improve advice quality.
13	Buric et al. (2017)	Factors influencing life insurance market development in Montenegro	To analyze factors influencing the development of the life insurance market in Montenegro	Survey, chi-square test, regression analysis	Age structure, education, and employment level significantly influence demand for life insurance in Montenegro. No evidence found for trust in insurance, gender, or regional influence on life insurance purchase.
14	Alhassan et al. (2015)	Market structure, efficiency and profitability of insurance companies in Ghana	To examine the impact of the regulatory-driven market structure on firm pricing behaviour by testing the S-C-P hypothesis	Analytical Research with Panel data on 14 life and 22 non-life insurers from 2007 to 2011. Models estimated using panel corrected standard	Results support the ES hypothesis for both life and non-life insurance markets. Conflicting results for SCP hypothesis in non-life insurance market, rejected in life insurance market. Increasing

				errors and random effects estimations.	competition in both sectors; life insurance has higher efficiency compared to non-life sector.
15	Chen et al. (2012)	How does the development of the life insurance market affect economic growth? Some international evidence	To investigate the effect of life insurance market development on economic growth and explore influencing conditions	Quantitative analysis	The study confirms a positive impact of life insurance market development on economic growth, with variations across countries based on factors such as financial development, saving rates, interest rates, social security expenditures, and demographic factors.

Review of Literature in National Context

Pandey (2024) performed a study aimed at analyzing the factors influencing customer satisfaction in Rastriya Beema Sansthan, a government-owned life insurance firm in Nepal. The primary objective was to identify key determinants such as premium, communication, claim settlement, service recovery, and service quality that contribute to customer satisfaction within the context of a developing country's insurance sector. Employing a descriptive and analytical research design, the study utilized purposive sampling to collect primary data from respondents. Data analysis included descriptive statistics, correlation analysis, and regression analysis to examine the relationships between the identified factors and customer satisfaction levels. The findings indicated that premium, communication, claim settlement, and service recovery significantly influenced customer satisfaction, whereas service quality did not exhibit a significant impact. These results provide valuable insights for enhancing the policy and operational strategies of Rastriya Beema Sansthan, potentially broadening the scope of services offered to meet customer expectations and improve overall satisfaction levels. The study contributes to the existing literature by highlighting specific factors crucial for customer satisfaction in a government-owned insurance firm operating in a competitive market environment.

Bhattarai (2022) carried out a study to assess customer satisfaction with the products and services offered by Sun Nepal Life Insurance Company Ltd. The primary objective was to explore how satisfied customers are with the company's offerings, which is crucial for its success and competitive edge in the insurance market. The research defined customer satisfaction as a metric to gauge the level of happiness and contentment customers experience with the products, services, and overall capabilities of the company. Utilizing descriptive and percentage techniques, the study analyzed data collected through a survey distributed in Jhapa district, Nepal. A total of 87 out of 100 distributed questionnaires were completed and included in the analysis. The findings emphasized the significance of life insurance in contemporary society, addressing the risks associated with busy lifestyles and environmental factors. The research highlighted that customer satisfaction insights, derived from surveys and ratings, are instrumental in guiding improvements in product and service quality, thereby enhancing customer retention and expanding the company's membership base. This study contributes valuable insights into understanding customer attitudes and satisfaction levels towards life insurance services provided by Sun Nepal Life Insurance Company, informing strategic decisions aimed at sustaining and enhancing customer loyalty in a competitive market environment.

Risal et al. (2022) executed a study to investigate the perception and attitudes of life insurance policyholders towards insurance services in Kathmandu Valley, Nepal. The main objective was to assess how independent variables such as service delivery, quality service, sincerity, promptness, and customer convenience influence customer perception, which served as the dependent variable. Employing a descriptive and analytical research design, the researchers collected qualitative data through structured, self-administered questionnaires distributed among 385 life insurance policyholders. Statistical tools including mean, percentages, descriptive analysis, factor analysis, correlation coefficient analysis, and multiple regression analysis were utilized for data analysis. The findings indicated a generally satisfactory level of customer perception towards life insurance services. Factor analysis identified three main factors—Proficiency, Reliability, and Customer Convenience—that significantly influenced customer perception. Correlation analysis further supported a strong and positive relationship between all independent variables and customer perception. Multiple regression analysis revealed that service delivery, quality service, promptness, and customer convenience had positive and statistically significant impacts on customer perception. However, sincerity was found to be statistically insignificant in influencing customer perception.

Goet (2022) conducted research to investigate the factors influencing customers' choice of life insurance companies in Nepal. Using a primary data collection method via a well-structured questionnaire administered to 400 respondents selected through convenience sampling, the study aimed to analyze the relationship between several factors product and premium, service quality, closeness, technology, security, responsiveness, and brand image and customers' preferences for insurance providers. Reliability of the questionnaire was assessed using Cronbach's Alpha, ensuring robustness of the data. Employing correlational and causal research designs, the study found that all examined factors except Product and Premium had a significant positive impact on customers' choice of life insurance companies in Nepal. These findings are crucial for insurance managers and policymakers seeking to expand their market reach and enhance customer satisfaction. The research recommended a model emphasizing the enhancement of these identified factors to attract more customers to insurance services in Nepal, thereby contributing to the strategic growth and competitive positioning of insurance companies in the region.

Khanal (2020) initiated a comprehensive review on the insurance sector in Nepal, aiming to provide an overview of the types of insurance, products offered, and the market's status within the Nepalese economy. The study relied on secondary data sources and literature reviews to analyze how insurance functions as a risk-sharing tool, provides financial protection, and contributes to economic growth by encouraging savings and mobilizing funds through premiums. The study noted the existence of 40 insurance companies operating in Nepal, comprising 19 life insurers,20 non-life insurance and one reinsurance company all providing a wide range of services. Recent expansions into agricultural and health insurance were noted, supported by both governmental and private sectors. The study's findings emphasized that while the insurance industry in Nepal contributed 2.03% to the gross domestic product with a total premium of 46.97 billion rupees in 2017, it faces challenges such as limited innovation in new products, consumer service issues, and delays in policy implementation. The conclusion suggested that strategic improvements based on market research and enhanced consumer awareness could propel the insurance sector to new heights in Nepal. This review provides insights into the current dynamics and challenges of the Nepalese insurance market, offering recommendations for stakeholders to address existing issues and capitalize on growth opportunities.

Ghimire (2020) carried out a situational analysis of insurance services in Nepal with the objective of evaluating the current landscape of insurance offerings by various institutions and exploring both the opportunities and challenges within the sector. The study relied on a desk review methodology to gather and analyze relevant information. The research highlighted several key findings regarding the Nepalese insurance industry. Historically, the sector experienced slow growth, limited coverage, and low penetration up until the early 2000s, after which there was gradual improvement. Commercial insurers dominate the market, with growing participation in social insurance and security programs, although deposit insurance and services from non-insurance organizations remain limited in scale. The study underscored significant regulatory and developmental challenges within the sector, including issues related to poor corporate governance, service quality concerns, fraudulent activities, low insurance penetration, under-insurance, mis-selling, and coercion in sales practices. The research emphasized the crucial role of insurance in the financial system, serving as a permanent source of funds for the banking sector and capital markets. To ensure financial stability and sustainable economic growth, the study advocated for enhanced coordination among regulatory authorities and market participants. Ultimately, the goal of these efforts should be to safeguard customer rights and promote a robust insurance environment in Nepal.

Koju at al. (2020) executed a study aimed at assessing the impact of lapsed policies on the life insurance industry in Nepal. The primary objective was to investigate how lapse rates influence key financial metrics such as net worth, profitability, life fund, and total premium income over the period from 2010 to 2019. The researchers addressed the challenge faced by insurance companies in Nepal to sustain profitability and trust among consumers amidst increasing competition. Using the Generalized Method of Moments (GMM) for empirical estimation, the study analyzed data to uncover significant correlations between lapse rates, profitability, revival rates, and surrender rates in the Nepalese life insurance sector. The findings revealed a lapse rate of 23.91%, indicating a substantial impact on financial outcomes. Specifically, higher lapse rates were negatively correlated with life fund and total premium income, while showing a positive correlation with profitability due to reduced provisions for unexpired risks. Moreover, a higher revival rate positively influenced profitability by increasing renewal income and facilitating greater investment funds. However, revival rates were found to have no significant impact on net worth life found or total premium income. These empirical insights underscore the critical importance for insurance companies in Nepal to manage lapse rates effectively to ensure sustainable growth and financial stability in the competitive market environment (Koju, 2020).

Hamal (2020) investigated the impact of firm-specific factors on the financial performance of life insurance companies in Nepal, addressing gaps in understanding the determinants of financial success in this sector. The study focused on variables such as firm size, liquidity ratio, short-term debt, long-term investment, and firm age, examining their effects on return on assets (ROA) and return on equity (ROE). Over a period of ten years (2009/10 to 2018/19), secondary data from seven life insurance companies, sourced from annual financial statements, the Insurance Board of Nepal, and the Nepal Stock Exchange, were analyzed using descriptive statistics, correlation analysis, and regression models. The findings indicated that firm size and long-term investment had a negative and statistically significant relationship with financial performance, suggesting that larger firms and extensive long-term investments may adversely affect profitability. Moreover, the study highlighted that as companies age, profitability accumulation becomes more challenging. Liquidity, however, showed a weaker explanatory power in influencing financial performance. The study emphasized the need for life insurance companies in Nepal to cautiously manage their investment strategies, particularly concerning long-term investments, to avoid potential negative impacts on future profitability. Additionally, it advised careful consideration of firm size expansion due to potential diseconomies of scale that could diminish profitability.

Pandey (2019) provided an overview of the insurance business in Nepal, focusing on its fundamental role as a cooperative mechanism to spread risks among insured individuals. The study aimed to elucidate the core principles and functions of insurance, emphasizing its contractual nature between insurers and insured parties. Through a descriptive approach, the research outlined insurance as a means to mitigate uncertainties and secure individuals and their assets against potential losses. The primary tool used was qualitative analysis based on theoretical frameworks and industry practices prevalent in Nepal's insurance sector. The findings underscored insurance as a vital financial instrument that offers security and stability by transferring risks to insurance companies in exchange for premiums. This study contributes to understanding the foundational aspects of insurance within Nepal's socio-economic context, highlighting its significance in managing risks inherent in daily life and promoting financial security. The insights gleaned are essential for policymakers, industry stakeholders, and individuals seeking comprehensive knowledge of the insurance landscape in Nepal, aligning with global standards of insurance practice and regulation.

Aryal (2015) conducted a study aiming to analyze and evaluate the performance and growth of the insurance business in Nepal. The research focused on providing an overview of insurance services, including life insurance and non-life insurance, emphasizing their role in mitigating financial risks and promoting economic development. The study employed a descriptive research design to compile and analyze data on the insurance sector's performance and growth trends in Nepal. Various forms of insurance services such as life insurance (whole life, endowment, and term), fire insurance, marine insurance, and property insurance were explored within the context of their contributions to the economy. The findings underscored that while insurance business popularity is increasing, challenges persist in raising awareness and understanding among the public regarding its benefits. The Insurance Committee, established under the Insurance Act of 1992, was highlighted as the regulatory body overseeing 27 insurance companies operating in Nepal 9 in life insurance, 17 in non-life insurance, and 1 in reinsurance. This research serves as a critical assessment of the insurance industry's status and growth trajectory, emphasizing its integral role in economic development and risk management within the Nepalese context.

2.3 Research Gap

Previous studies such as those by (Ghimire , 2020; Pandey et al., 2024), have primarily focused on aspects like customer satisfaction and operational efficiencies in insurance firms in Nepal. These studies have provided valuable insights into internal operations and customer perceptions. However, there remains a significant context gap regarding comprehensive market analysis specifically dedicated to life insurance companies in Nepal. While existing research touches upon service quality and customer satisfaction, a detailed examination of market size, growth trends, competitive landscape, and consumer behavior towards life insurance products is lacking (Ghimire , 2020; Pandey et al., 2024). This research aims to fill this gap by conducting a thorough market analysis that encompasses these critical aspects, providing a holistic view that stakeholders and policymakers can utilize to enhance market understanding and strategic planning.

Existing studies in Nepal often rely on data from earlier years, with limited incorporation of recent developments and changes in the insurance sector. Pandey et al.(2024) focused on customer satisfaction in a specific government-owned insurance firm using data up to 2022, highlighting a gap in utilizing the latest available data. The current study addresses this time gap by utilizing data up to 2024, thus providing updated insights into market conditions, regulatory dynamics, and economic influences impacting life insurance in Nepal. By incorporating recent data, this research aims to bridge the temporal disparity in the literature and offer current perspectives that reflect the evolving nature of the insurance industry Pandey et al.(2024).

Previous studies have examined various factors influencing insurance purchase decisions in Nepal, such as customer satisfaction and service quality (Ghimire, 2020; Pandey et al., 2024). However, there remains a notable variable gap in the detailed exploration of specific factors critical to life insurance uptake, such as Financial Security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, and Portfolio Management. These variables are crucial determinants shaping consumer behavior towards life insurance products but have not been comprehensively studied in the Nepalese context. This research seeks to fill this gap by conducting a detailed analysis of these variables, thereby enhancing understanding of their impact on insurance purchase decisions and contributing new insights to the literature (Ghimire , 2020; Pandey et al., 2024).

Methodologically, previous research in Nepal predominantly employs descriptive statistics and basic analytical techniques to study insurance-related phenomena (Ghimire, 2020) and Pandey et al.(2024). There exists a gap in utilizing advanced research designs such as causal-comparative research, which can provide deeper insights into causal relationships and comparative analyses across different segments of the insurance market. The current study aims to address this gap by adopting a causal-comparative research design alongside descriptive statistics. This approach will enable a more robust analysis of the factors influencing life insurance dynamics in Nepal, thereby contributing to methodological advancement in the field of insurance research (Ghimire, 2024; Pandey et al., 2024).

Overall, the identified gaps in context, time, variables, and methodology underscore the need for a comprehensive study like the current research on the market analysis of life insurance companies in Nepal. Building upon the foundational insights provided by previous research (Ghimire, 2020; Pandey et al., 2024) this study aims to fill these gaps by offering a detailed examination of market dynamics, using the latest data, exploring critical variables influencing insurance decisions, and employing a rigorous methodology. By doing so, this research intends to contribute significantly to the existing literature, offering insights that can inform policy decisions, industry strategies, and academic discourse in the field of insurance in Nepal.

CHAPTER III

RESEARCH METHODOLOGY

This chapter outlines the research methodology, detailing the research design, population and sample, and sampling design. It covers the nature and sources of data, as well as the instruments used for data collection. Additionally, the chapter explains the method of analysis, the research framework, and the definitions of key variables.

3.1 Research Design

This study has utilized both descriptive and causal-comparative research designs. Descriptive research design is used to systematically describe a situation, problem, phenomenon, service, or the characteristics of a population. Descriptive statistics have been employed to assess the current market status of the life insurance Nepal. Causal-comparative research design is a type of research used to identify cause-and-effect relationship between two or more groups but without manipulating the independent variable instead, the researcher observes existing differences and tries to determine possible causes. In this study causal-comparative research has been used to analyze the relationship between financial security, risk sharing, low transaction expenses, systematic investment, returns, portfolio management, and life insurance purchase decisions in Nepal and to analyze the impact of financial security, risk sharing, low transaction expenses, systematic investment, return, portfolio management and life insurance purchase decisions in Nepal.

3.2 Population and Sample, and Sampling Design

Since this study focuses on the market analysis of life insurance companies in Nepal, the total population comprises customers of all 14 life insurance companies operating in the country. From this population, a sample of 408 consumers has been selected from seven of these companies National Life Insurance Company Limited, Life Insurance Corporation (Nepal) Limited, IME Life Insurance Company Limited, MetLife (ALICO), Sanima Reliance Life Insurance Limited, Citizen Life Insurance Limited, and Sun Nepal Life Insurance Company Limited located in the Kathmandu Valley. Convenience sampling has been employed to facilitate data collection efficiently, aligning with the study's requirements.

3.3 Nature and Sources of Data and the Instrument of Data Collection

This study has relied on a quantitative approach, utilizing primary data collected through a structured questionnaire survey method. The study used structured questionnaire with careful consideration of the framework provided by (Sharma & Parihar, 2016). The questioner is divided with two groups firstly the demographic profile and secondly the study variables. The data collection instrument employed a five-point Likert scale, ranging from strongly disagree to strongly agree, with scores assigned as follows: strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5).

3.4 Method of Analysis

After data collection, the data has been entered into statistical software, including Microsoft Excel and SPSS. The analysis has utilized various statistical tools, such as descriptive statistics, correlation analysis, and multivariate regression models, to interpret and evaluate the findings effectively.

3.4.1 Descriptive Statistics

Descriptive statistics refers to statistical methods used to summarize and describe the basic features of a dataset. It provides a simple overview of the data through measures such as mean, median, mode, standard deviation, and variance, helping to convey essential information about the distribution, central tendency, and variability of the data. In this study, descriptive statistics have been employed, with the mean and standard deviation used as the primary tools to assess the status of the current market of life insurance business in Nepal. The mean has provided the average values, while the standard deviation has measured the variability or dispersion of the data, offering insights into the overall market conditions and trends.

Mean

Mean is the average or the most common value in a collection of data. It means evaluate the average. It is calculated by adding all the values and then dividing by the total numbers of values.

Formula

Mean($\bar{x}$) $= \frac{\sum X}{n}$

∑x= Sum of all observation

n= Number of observations

Standard Deviation(σ)

Standard deviation is a measure of the dispersion or spread of a set of data values from the data value from their mean. It refers how much the values deviate from the average(mean).

Formula

S.D (σ)=$\sqrt{\frac{\sum(X-\bar{x})^2}{n-1}}$

(σ) =Sample standard deviation

X= each value in the data set

$\bar{x}$ =Sample mean

n= no of sample values

3.4.2 Correlation Analysis

Correlation analysis is a statistical technique used to examine the strength and direction of the relationship between two or more variables. It measures how closely the changes in one variable are related to changes in another variable, quantifying this relationship with a correlation coefficient, which ranges from -1 to 1. A coefficient close to 1 indicates a strong positive relationship, while a coefficient closes to -1 indicates a strong negative relationship. A coefficient around 0 suggests little to no linear relationship between the variables. In this study, correlation analysis has been used to analyze the relationship between financial security, risk sharing, low transaction expenses, systematic investment, returns, portfolio management, and life insurance purchase decisions in Nepal. By examining these relationships, the study has aimed to identify how each factor correlates with life insurance purchasing behavior and to determine which factors have significant associations. The correlation coefficient between two variables is also calculated by using the following formula:

$$\text{Correlation Coefficient}(r) = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2}\ \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Where,

n = Number of responses

X = Value of independent variable

Y= Value of dependent variable

3.4.3 Regression Analysis

Regression analysis is a statistical method used to understand the relationship between one dependent variable and one or more independent variables. It estimates how changes in the independent variables are associated with changes in the dependent variable, helping to determine the strength and nature of these relationships. In this study, multivariate regression analysis has been used to analyze the impact of financial security, risk sharing, low transaction expenses, systematic investment, returns, and portfolio management on life insurance purchase decisions in Nepal. This approach has enabled the examination of how these multiple factors simultaneously influence purchasing behavior, providing insights into their relative importance and overall impact. The regression equation of this study is as follows.

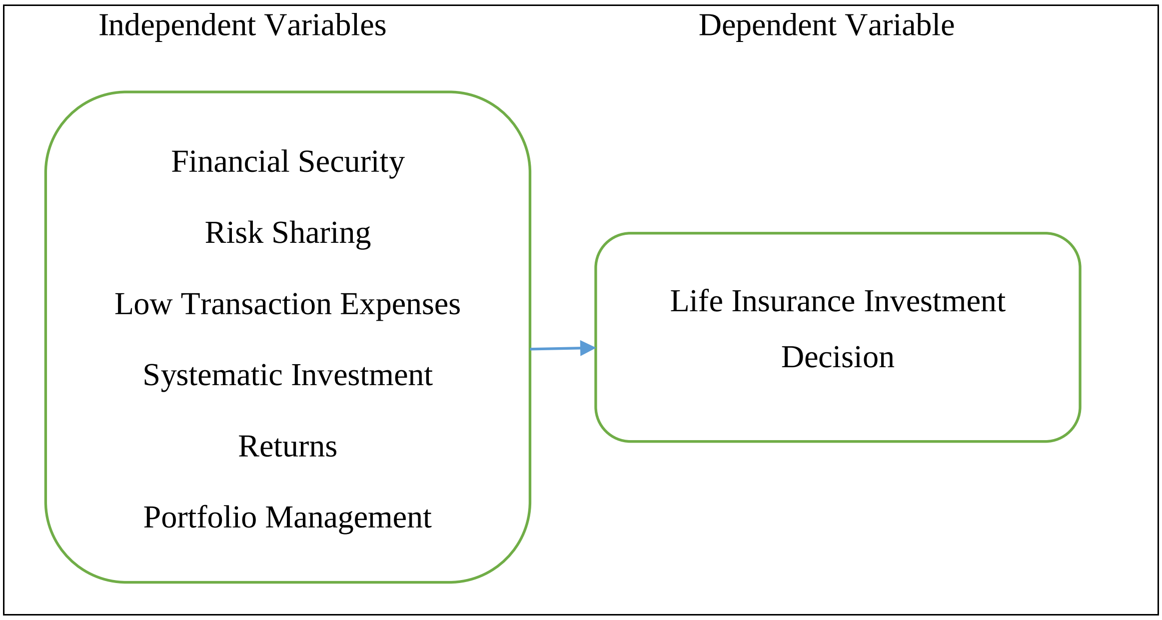
Y_{LID} = α + β_1FIS + β_2RIS + β_3LTE + β_4SYI +β_5RET+ β_6POM…………………. Eq (1)

LID	=	Life Insurance Investment Decision
FS	=	Financial Security
RS	=	Risk Sharing
LTE	=	Low Transaction Expenses
SI	=	Systematic Investment
R	=	Returns
PM	=	Portfolio Management
E	=	Error Term
α	=	Intercept term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Coefficients

3.5 Research Framework and Definition of Variables

Research framework refers to the structure that guides the study by specifying the relationships between variables and the theoretical underpinnings that support the research design. This study has developed a research framework adopted from (Sharma & Parihar, 2016), incorporating financial security, risk sharing, low transaction expenses, systematic investment, returns, and portfolio management as independent variables, with life insurance investment decision as the dependent variable.



Source: (Sharma & Parihar, 2016)

Figure 1. Research Framework of this Study

The operational definition of variable used in this study are as follows:

Financial Security

In the context of life insurance investment, financial security refers to the fundamental assurance provided to individuals and their families against unexpected financial hardships and risks (Sharma & Parihar, 2016). By investing in life insurance products, individuals seek to safeguard their financial well-being and ensure stability in the face of unforeseen events such as illness, disability, or death. The presence of a life insurance policy offers a sense of reassurance, knowing that loved ones will be financially protected and provided for in the event of the policyholder's untimely demise. Financial security, therefore, serves as a primary motivator for individuals considering life insurance investment, as it offers peace of mind and a safety net for the future.

Risk Sharing

Life insurance investment operates on the principle of risk sharing, where policyholders collectively pool their resources to spread the financial risks associated with adverse events across a larger group (Sharma & Parihar, 2016). By participating in this risk-sharing mechanism, individuals can mitigate the potential financial impact of unexpected occurrences such as accidents, illnesses, or natural disasters. Through life insurance, policyholders transfer a portion of their individual risk to the broader insurance pool, reducing their exposure to catastrophic financial losses. This shared responsibility ensures that the burden of risk is distributed equitably among policyholders, promoting financial resilience and stability for all participants.

Low Transaction Expenses

A key consideration for individuals contemplating life insurance investment is the level of transaction expenses associated with acquiring and maintaining insurance coverage (Sharma & Parihar, 2016). Low transaction expenses refer to the minimal costs incurred by policyholders in purchasing, managing, and maintaining their life insurance policies. By minimizing transaction expenses such as administrative fees, commissions, and policy charges, individuals can maximize the value of their investments and enhance the overall affordability of life insurance coverage. Lower transaction expenses not only make life insurance more accessible to a broader segment of the population but also contribute to the long-term sustainability and attractiveness of life insurance as a financial instrument.

Systematic Investment

In the realm of life insurance investment, systematic investment entails the disciplined and structured approach adopted by individuals to allocate funds towards insurance products on a regular basis (Sharma & Parihar, 2016). This methodical investment strategy involves making consistent contributions to life insurance premiums over a predetermined period, often through scheduled payments or automatic deductions from income. By adopting a systematic investment approach, individuals can harness the power of compounding and dollar-cost averaging to build wealth gradually and achieve their long-term financial goals. This disciplined approach to investing fosters financial discipline, encourages regular savings habits, and facilitates the accumulation of wealth over time, thereby enhancing individuals' financial security and well-being.

Returns

Returns in the context of life insurance investment refer to the financial gains or benefits that policyholders expect to receive from their investment in insurance products. (Sharma & Parihar, 2016)These returns may take various forms, including dividends, interest, or policy payouts, depending on the type of life insurance policy and its associated features. The potential returns from life insurance investment play a crucial role in influencing individuals' investment decisions, as they seek to optimize their financial outcomes and achieve their desired financial objectives. By evaluating the potential returns offered by different life insurance products, individuals can make informed decisions about the allocation of their financial resources and assess the suitability of insurance investments in meeting their specific needs and preferences.

Portfolio Management

Portfolio management in the context of life insurance investment refers to the strategic allocation and diversification of insurance assets within an individual's overall investment portfolio (Sharma & Parihar, 2016). Policyholders often hold a variety of life insurance products, each offering unique benefits and risk profiles. Effective portfolio management involves assessing the risk-return characteristics of different insurance policies and allocating resources in a manner that optimizes the overall risk-adjusted returns. By diversifying their insurance portfolio across various products and asset classes, individuals can reduce the concentration risk and enhance the resilience of their investments to market fluctuations and economic uncertainties. Portfolio management strategies may include asset allocation, rebalancing, and tactical adjustments to align insurance investments with changing financial objectives and market conditions. Through prudent portfolio management, individuals aim to achieve their long-term financial goals while minimizing risk and maximizing returns from their life insurance investments.

Life Insurance Investment Decision

The life insurance investment decision refers to the process through which individuals evaluate, select, and commit financial resources to life insurance products offered by insurance companies (Sharma & Parihar, 2016). This decision involves weighing various factors such as financial goals, risk tolerance, coverage needs, and policy features to determine the most suitable life insurance options. It encompasses both the initial decision to invest in life insurance and subsequent decisions related to policy selection, premium payments, and adjustments to coverage over time. The life insurance investment decision is influenced by factors such as perceived benefits, affordability, tax implications, and the reputation and financial stability of insurance providers. Ultimately, individuals make life insurance investment decisions to protect their financial security, provide for their loved ones, and achieve their long-term financial objectives**.**

CHAPTER IV

RESULTS AND DISSCUSSION

4.1 Results

The results of the study indicate that financial security, returns, and portfolio management have a significant impact on life insurance investment decision. The data analysis shows a positive relationship between these factor and investment decisions, and the reliability test confirmed that the measurement scales used were consistent. Overall, investment decisions are influenced by multiple financial factors.

4.1.1 Demographic Profile of the Respondents

This section describes the demographic profile of the respondents. As such, the demographic profile of the respondents includes various factors such as Gender, Age, Caste, education, location, etc. The demographic profile of the respondents has been very essential in understanding the personal characteristics of the respondents.

4.1.1.1 Distribution of Respondents based on Age

Age of respondent is an important personal characteristic of the respondents to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table2.

Table 2

Distribution of Respondents based on Age

Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-24 years	87	21.3	22.3	22.3
25-34 years	153	37.5	39.1	61.4
35-44 years	102	25.0	26.1	87.5
45-54 years	31	7.6	7.9	95.4
55 years and above	18	4.4	4.6	100.0
Total	391	95.8	100.0	
Missing System	17	4.2		
Total	**408**	**100.0**		

Source: Sample survey, 2024

Table 2 presents the age distribution of respondents and it reveals that the majority fall within the 25–34 years' age group, accounting for 39.1% of valid responses. This is followed by 35–44 years (26.1%), and 18–24 years (22.3%). Smaller proportions belong to the 45–54 years (7.9%) and 55 years and above (4.6%) categories. Out of 408 total participants, 391 provided valid age data, while 17 responses (4.2%) were missing. The data suggests that the survey primarily engaged younger to middle-aged adults.

4.1.1.2 Distribution of Respondents based on Gender

Gender of respondent is an important personal characteristic of the respondents to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table 3

Table 3

Distribution of Respondents based on Gender

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	210	51.5	53.4	53.4
Female	179	43.9	45.5	99.0
Other	4	1.0	1.0	100.0
Total	393	96.3	100.0	
Missing System	15	3.7		
Total	**408**	**100.0**		

Source: Sample survey, 2024

Table 3 shows that of the 393 valid responses, 53.4% were male and 45.5% were female, with a tiny number (1%) being categorized as other. This is fairly balanced gender distribution, with a small male majority. There were fifteen responses (3.7%), that were missing from the total 408 participants.

4.1.1.3 Distribution of Respondents based on Education

Education of respondents is an important personal characteristic to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table 4

Table 4

Distribution of Respondents based on Education

Educational Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
High School or equivalent	53	13.0	13.1	13.1
Undergraduate Degree	131	32.1	32.3	45.4
Postgraduate Degree	149	36.5	36.8	82.2
Professional Qualification	40	9.8	9.9	92.1
Other	32	7.8	7.9	100.0
Total	405	99.3	100.0	
Missing System	3	0.7		
Total	**408**	**100.0**		

Source: Sample survey, 2024

As evident from Table 4, the educational qualification data shows that most individuals have a postgraduate educational qualification (36.8%), followed by an undergraduate qualification (32.3%). Additionally, fewer individuals reported having a high educational qualification (13.1%), professional qualifications (9.9%), or other educational qualifications (7.9%). 405 valid answers were obtained, out of 408 participants, which meant there were only 3 cases (0.7%) of missing responses.

4.1.1.4 Distribution of Respondents based on occupation

Occupation of the respondents is another important factor to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table 5

Table 5

Distribution of Respondents based on occupation

Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Student	90	22.1	22.5	22.5
Employed (Private Sector)	78	19.1	19.5	42.0
Employed (Public Sector)	107	26.2	26.8	68.8
Self-Employed	77	18.9	19.3	88.0
Unemployed	30	7.4	7.5	95.5
Retired	18	4.4	4.5	100.0
Total	400	98.0	100.0	
Missing System	8	2.0		
Total	**408**	**100.0**		

Source: Sample survey, 2024

The occupation data from Table 5 shows that the majority of respondents work in the public sector (26.8%). Other common occupations were students (22.5%), private sector employees (19.5%), and people that are self-employed (19.3%). Fewer of the respondents were unemployed (7.5%) or retired (4.5%). Of the 408 potential subjects, 400 provided usable response data, and 8 responses were considered missing (2.0%).

4.1.1.5 Distribution of Respondents based on Income level

Income level of the respondents is another important factor to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table 6.

Table 6

Distribution of Respondents based on Income level

Income Level	Frequency	Percent	Valid Percent	Cumulative Percent
Below NPR 20,000 per month	58	14.2	14.4	14.4
NPR 20,000 - 39,999 per month	98	24.0	24.3	38.6
NPR 40,000 - 59,999 per month	174	42.6	43.1	81.7
NPR 60,000 - 79,999 per month	48	11.8	11.9	93.6
Above NPR 80,000 per month	26	6.4	6.4	100.0
Total	404	99.0	100.0	
Missing System	4	1.0		
Total	**408**	**100.0**		

Sources: Sample survey, 2024

By reviewing the table 6 of the income level data, the most common income level is in the range of NPR 40000 to NPR 59999 with 43.1%. The next most common income range is NPR 20000 to 39999, which is also the second lowest percentage, at 24.3%, followed by below NPR 2000 (14.4%), NPR 60000 to 79999 (11.9%), and lastly above NPR 80000 (6.4%). Of the 408 participants, only 404 had valid response data for income, with 4 missing labelled as missing (1.0%).

4.1.1.6 Distribution of Respondents based on Marital Status

Marital Status of the respondents is another important factor to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table 7

Table 7

Distribution of Respondents based on Marital Status

Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
Single	116	28.4	28.8	28.8
Married	272	66.7	67.5	96.3
Divorced	14	3.4	3.5	99.8
Widowed	1	0.2	0.2	100.0
Total	403	98.8	100.0	
Missing System	5	1.2		
Total	**408**	**100.0**		

Source: Sample survey, 2024

Table 7 shows the marital status information which reveals that most participants are married (67.5%) or single (28.8%). A very small percentage are divorced (3.5%) or widowed (0.2%). Of the total 408 and valid responses (n=403), 5 (1.2%) did not provide an answer.

4.1.1.7 Distribution of Respondents based on Permanent Residence

Permanent Residence of the respondents is another important factor to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table:8

Table 8

Distribution of Respondents based on Permanent Residence

Permanent Residence	Frequency	Percent	Valid Percent	Cumulative Percent
Kathmandu Valley	108	26.5	26.8	26.8
Other Urban Areas	208	51.0	51.6	78.4
Rural Areas	87	21.3	21.6	100.0
Total	403	98.8	100.0	
Missing System	5	1.2		
Total	**408**	**100.0**		

Source: Sample survey, 2024

As revealed in Table 8 a close inspection of permanent residence shows that most participants (51.6%) cited other urban areas, followed by the Kathmandu Valley (26.8%), and rural regions (21.6%). The permanent residence question had a total of 408 participants, of which 403 responses were valid (1.2% missing - 5 responses).

4.1.1.8 Distribution of Respondents based on Experience with life insurance

Experience with life insurance of the respondents is another important factor to understand Market Analysis of Life Insurance Companies in Nepal. The responses for this factor are in Table 9.

Table 9

Distribution of Respondents based on Experience with life insurance

Experience with Life insurance	Frequency	Percent	Valid Percent	Cumulative Percent
None	18	4.4	4.5	4.5
Less than 1 year	76	18.6	18.8	23.3
1-3 years	146	35.8	36.1	59.4
4-6 years	87	21.3	21.5	80.9
More than 6 years	77	18.9	19.1	100.0
Total	404	99.0	100.0	
Missing System	4	1.0		
Total	**408**	**100.0**		

Sources: Sample Survey 2024

As it can be seen from the Table 9 the life insurance experience data displays that most respondents (36.1%) have between 1-3 years of experience. Following that, 21.5 have between 4-6 years and 19.1% have more than 6 years. Further, 18.8% have less than 1-year experience and 4.5% have no experience. Out of 408, 404 valid responses were collected and 4 responses (1.0%) were missing.

4.1.2 Descriptive Analysis

This section of the questionnaire data related to the research topic utilizes a descriptive approach. In this section, the focus is mainly on estimating statistical measures such as, central tendency (mean), and measures of variability (standard deviation). Overall, the study was aimed to understand Market Analysis of life insurance companies in Nepal. With this view, Likert scale questions were asked to respondents to understand Market Analysis of Life Insurance Companies in Nepal using the interaction between the dependent and independent variables. In this study, the independent variables were financial security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, Portfolio Management, and Life insurance investment decision, was the dependent variable. Both the independent and dependent variables were measured using a five-point Likert scale (where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 is strongly agree). It would be worth noting that if the mean value is below, 3 means they tend to disagree, on the contrary, if the mean value is greater than or equal to 3 they tended to agree with the claims.

4.1.2.1 Descriptive Statistics of Financial security

Financial security, was the first independent variable used in the study to understand Market Analysis of Life Insurance Companies in Nepal. The questions used in the understanding are as follows.

Table 10

Descriptive statistics of financial security

Code	Statements	N	Mean	SD
FS1	Life insurance gives me financial security	408	3.5466	1.10072
FS2	It enhances my financial stability.	408	3.7966	1.14771
FS3	Financial security is a key reason I bought life insurance	408	3.9044	0.99294
FS4	It helps manage unexpected financial risks.	408	3.9020	1.05159
FS5	I feel protected due to my policy.	408	3.9706	1.05808
FS6	The financial security meets my expectations.	408	3.8627	1.07268
FS7	My policy boosts my overall financial security.	408	3.8162	1.13381
	Total	**408**		

Source: SPSS Output,

Table 10 provides descriptive statistics regarding the respondents' overall perception of financial security related to life insurance. The responses provided by 408 respondents showed general agreement with the statements that evaluated what respondents think about life insurance as a contributor to financial security.

The mean values for all measures of financial security on the Likert-scale ranged from 3.55 to 3.97, reporting positive perceptions across the board for all measures of financial security. The item response with the highest mean score (M = 3.97, SD = 1.06) was FS5: "I feel protected because of my policy," suggesting that the sense of protection is likely the most significant joy respondents would receive as policyholders. Additionally, "Financial security is one of the reasons I bought life insurance," (FS3), and "It helps me deal with unexpected financial risk" (FS4), also received fairly high mean scores of 3.90 which supports the view that life insurance is considered useful and valuable primarily for its ability to mitigate financial uncertainty or risk. The lowest mean was FS1 "Life insurance provides me with financial security," (M = 3.55 SD = 1.10) but it still falls within a reasonable "agree" category. This finding indicates the overall perceptions which contribute to financial security remain strong regarding financial risk mitigation, and level and variability of agreement still suggest a generally positive outlook towards, and perception surrounding, the life insurance policy and its connection to overall financial security.

All items have standard deviation values clustering around or just above 1. This suggests moderate on an individual level, but not substantial deviation from the mean. It is concluded that as a total to this point, that all respondents feel life insurance is a useful component of the financial planning process and that it provides protection, stability and meets their expectations of financial security.

4.1.2.2 Descriptive Statistics of Risk Sharing

Risk Sharing, is the independent variable in the study to understand Market Analysis of Life Insurance Companies in Nepal. The questions used in the understanding are as follows.

Table 11

Descriptive statistics of Risk Sharing

Code	Statements	N	Mean	SD
RS1	Life insurance shares financial risk with the insurer.	408	3.8137	1.07443
RS2	Risk-sharing is a major benefit of life insurance.	408	3.9240	1.08671
RS3	My policy lessens the burden of unforeseen events.	408	3.8333	1.11133
RS4	It effectively manages financial risks.	408	3.9755	1.07890
RS5	Risk-sharing is vital for my financial planning.	408	4.0588	1.08439
RS6	It offers protection against major financial risks.	408	3.9902	1.04442
RS7	Risk sharing motivates me to invest in life insurance	408	3.9412	1.08891
	Total	**408**		

Source: SPSS Output,

Table 11 in the summary provides descriptive analysis for participants' perceptions around the risk-sharing function of life insurance. The responses from 408 participants indicate mean scores ranging from 3.81 to 4.06 across the seven statements indicating general agreement to strong agreement with the role life insurance can play in sharing and managing financial risk.

The highest mean score was for statement, "Risk-sharing is crucial to my financial planning" (RS5), with a mean of 4.06 (SD = 1.08), indicating that participants strongly recognized risk-sharing as a vital component of their financial planning. The next two highest statements RS6. "It protects me from major financial risks" and RS4. "It effectively manages financial risk" (RS6 M = 3.99; RS4 M = 3.98) again confirm the understanding that life insurance is an effective means of managing potential financial risks. The RS1 statement, "Life insurance spreads or shares financial risk with the insurer" (M = 3.81, SD = 1.07) had the lowest mean but was still in the "agree" category, which could signify a lower understanding or recognition of concept of risk-transference, despite a generally favorable view.

All items exhibit standard deviations around 1.08, reflecting a moderate level of variability in perceptions among respondents. Nonetheless, the consistent agreement across all items underscores a clear recognition of the risk-sharing benefits provided by life insurance. These findings suggest that policyholders not only value the financial protection offered by their policies but also view life insurance as an integral part of effective risk management and financial planning.

4.1.2.3 Descriptive Statistics of Low Transaction Expenses

Low Transaction Expenses, independent variable used in the study to understand Market Analysis of Life Insurance Companies in Nepal. The questions used in the understanding are as follows.

Table 12

Descriptive statistics of Low Transaction Expenses

Code	Statements	N	Mean	SD
LTE1	Transaction cost of my policy are minimal.	408	3.8603	1.05271
LTE2	life insurance has low transaction expenses.	408	3.7843	1.24120
LTE3	Low costs make life insurance appealing.	408	3.8676	1.08015
LTE4	My provider offers cost effective services.	408	3.8897	1.06777
LTE5	Buying and maintaining insurance is affordable.	408	3.8309	1.10319
LTE6	Transaction costs don't deter my purchase decision.	408	3.8505	1.13886
LTE7	I am satisfied with my policy's transaction costs.	408	3.8873	1.13771
	Total	**408**		

Sources: SPSS Output

Presented in Table 12 are descriptive statistics related to the independent variable Low Transaction Expenses, which were explored to gain some insight into the market dynamics of life insurance companies operating in Nepal. The responses from 408 respondents were provided to assess how they perceived life insurance policies within the context of transaction expenses and costs. Mean scores for the seven statements were presented between 3.78 and 3.89, indicating a consistent level of agreement across the items. It suggests that overall, respondents thought life insurance policies have manageable and reasonable related transaction expenses. The highest mean is for the item "My provider has cost effective services" (LTE4) at 3.89 (SD = 1.07), followed by "I am satisfied with the transaction costs of my policy" (LTE7) and "Low costs make life insurance appealing," with means of 3.89 and 3.87, each. These review finds some evidence of cost-efficiency among life insurance consumers in Nepal. The statement "Life insurance has low transaction expenses" (LTE2) had the lowest mean score of 3.78 and the highest standard deviation (SD = 1.24). Relatively high standard deviation may identify significantly higher variability in insurance provider's or insurance types experiences and what constitutes "transaction expenses.

On the whole, standard deviations for the statements were slightly more than 1, indicating moderate variability in responses, but not to the extent that disagreement was evidenced. The consistently positive responses indicate that low transaction costs are positively related to consumer satisfaction and value perception of life insurance products. These findings are especially useful for market analysis as they develop the perception of low transaction costs as prominently featured in consumers' decision-makings as policyholders.

4.1.2.4 Descriptive Statistics of Systematic Investment

Systematic Investment is moderating variable in the study to understand Market Analysis of Life Insurance Companies in Nepal. The questions used in the understanding are as follows

Table 13

Descriptive statistics of Systematic Investment

Code	Statements	N	Mean	SD
SI1	Life insurance encourages systematic investment.	408	3.8848	1.02258
SI2	I value the policy's structured investment option.	408	3.9191	1.10653
SI3	It supports long term financial planning.	408	3.9461	1.09815
SI4	My policy offers a clear investment structure.	408	3.9485	1.05839
SI5	It helps me save effectively.	408	3.8407	1.09572
SI6	It meets my investment needs.	408	3.9314	1.01352
SI7	It aligns with my financial goals.	408	3.9142	1.09724
	Total	**408**		

Sources: SPSS Output

Table 13 shows the descriptive statistics for the variable Systematic Investment as a moderating variable in the study on the market assessment of life insurance companies in Nepal. This variable reflects the respondents' perceptions of life insurance as the opportunity for disciplined and goal-oriented investment strategy. Analysis of data gathered from 408 respondents show that respondents hold rather favorable opinions on the investment-related aspects of life insurance.

Mean scores for all seven statements fell between 3.84 and 3.95, indicating a high level of agreement across the respondents. The statement that generated the highest mean score was "My policy provides a clearly defined investment structure" (SI4) with a mean of 3.95 (SD = 1.06). The clear investment structure offered by life insurance products has been, presumably, highly recognized by respondents. The statement that received the second highest mean score was "It provides support for long-term financial planning" (SI3) (M=3.95, SD = 1.10). This further illustrates the perception that life insurance products support financial discipline for the future. The lowest mean score - still representing agreement on the survey scale - was for the statement "It helps me save well" (SI5) (M = 3.84, SD = 1.10). This may signal that while most respondents see insurance as contributing to systematic investment, some do not believe it is the best option for saving compared to other financial savings vehicles. Standard deviations across each of the items were all slightly greater than one signifying moderate levels of variation, but overall, they did not diverge significantly from the central tendency. The reports of high agreement across all items suggest a strong connection between life insurance and structured or future thinking investment behavior in the minds of the consumers.

These findings underscore the life insurance potential not merely as a tool for protection but also as a systematic investment scheme which can moderate consumer behavior in the life insurance marketplace in Nepal in terms of financial planning and goal alignment.

4.1.2.5 Descriptive Analysis of Returns

Return is the independent variable used in the study to understand Market Analysis of Life Insurance Companies in Nepal . the questions used in the understanding are as follows

Table14

Descriptive statistics of Return

Code	Statements	N	Mean	SD
R1	I am satisfied with my policy's returns.	408	3.8995	1.09374
R2	Returns influenced my decision to invest.	408	3.9730	1.02152
R3	I expect good returns from my policy.	408	3.8603	1.12710
R4	Returns meet my expectation.	408	3.8824	1.09987
R5	Life insurance gives better return than other options.	408	3.9167	1.04349
R6	Returns affect my future investment.	408	4.0515	1.07452
R7	ROI is a major benefits of life insurance	408	3.9853	1.03491
	Total	**408**		

Source: SPSS Output

Descriptive statistics for the independent variable Return are presented in Table 14 and was analyzed to see the impact that Return has on the market analysis of life insurance companies in Nepal. Based on data from 408 respondents, the data specifies the static on policyholders' satisfaction, expectations, and decision-making behavior particularly related to the financial returns from life insurance policyholders.

The average scores for the seven statements range from 3.86 to 4.05, demonstrating general agreement with the positive perceptions about returns, with at least one item indicating “strongly agree.” The highest average score is noted for the statement “Returns affects my future investment” (R6), with a mean of 4.05, and a standard deviation of 1.07. This suggests that respondents view returns as a current benefit and an important factor for the process of making future investment decisions.

Another high-scoring item is that "ROI is an important benefit of life insurance" (R7), with a mean of 3.99, and very close to, "Returns have affected my decision to invest" (R2, M = 3.97). This indicates that ROI attracts individuals to buy life insurance policies and contributes substantively to their overall financial planning. The item with the lowest mean, but still in the agree range, was, "I expect good returns from my life insurance policy" (R3), with a mean of 3.86, and there was a slightly higher standard deviation (SD = 1.13), which indicates some differences in expectations among respondents. Taken together, the standard deviations across all items were slightly greater than 1, which indicates some variability in replies but good general agreement. The results suggest that returns appear to be an important motivator; influencing policyholder's initial decision to invest in the policy, as well as the long-term maintenance of a life insurance policy.

The findings highlight the strong imperative of having competitive and transparent return mechanisms in the offerings of life insurance companies, especially in a market like Nepal that is attracting greater attention to investment.

4.1.2.6 Descriptive Analysis of Portfolio Management

Portfolio Management is the independent variable used in the study to understand Market Analysis of Life Insurance Companies in Nepal . the questions used in the understanding are as follows

Table 15

Descriptive statistics of Portfolio Management

Code	Statements	N	Mean	SD
PM1	Life insurance helps manage my portfolio.	408	3.8652	1.08552
PM2	I use it for better portfolio management.	408	3.9142	0.99630
PM3	It supports a balanced, diversified portfolio.	408	3.9289	1.13352
PM4	Portfolio managements is a key feature for me.	408	3.9240	1.09796
PM5	It helps me reach portfolio goals.	408	3.9755	1.04887
PM6	It fits well with my investment strategy.	408	3.9216	1.07174
PM7	I choose it for effective portfolio management.	400	4.0025	1.03691
	Total	**408**		

Source: SPSS Output

The descriptive statistics relating to the independent variable Portfolio Management can be found in Table 15 Portfolio management was a dimension of this study to be examined for market analysis of life insurance companies in Nepal and 408 individuals responded to the survey (except in the case of PM7, which had 400 responses). The data obtained will provide insight into how policy holders look at life insurance in the context of managing and optimizing their reported returns for total investment portfolio.

The mean scores of the seven items are between 3.86 and 4.00 demonstrating agreement and one item that shows strong agreement. The highest mean is for "I choose it for effective portfolio management" (PM7) with a mean of 4.00 (SD = 1.04), which indicates effective portfolio integration is their main reason for selecting life insurance for some of the respondents. The item "It helps me reach portfolio goals" (PM5) achieved a high score (M = 3.98, SD = 1.05) demonstrates the belief that life insurance assists a person in achieving the investment goals they set out to achieve. Other examples include, "It supports a balanced, diversified portfolio" (PM3, M = 3.93), and "Portfolio management is a key feature for me" (PM4, M = 3.92). They reinforce the notion that life insurance is not viewed merely as a risk management tool, but also as a risk management investment asset. PM1, "Life insurance helps manage my portfolio" had the lowest mean score, yet it still sits in the "agree" category (M=3.87, SD=1.09). The range of views expressed by the item suggests a little more variation in perceptions surrounding insurance's portfolio management capabilities, perhaps depending upon how complex the respondents' financial activity and/or how transparent policy structures exhibit financial management. Standard deviations across all items range from about 1.00 to 1.13, indicating moderate differences in perceptions but, in general, movement to agreement. These findings illustrate that life insurance is increasingly being viewed as part of the mix of portfolio strategy, diversification, long-term planning, or attainment of financial goals.

Therefore, in considering market analysis, it follows that where insurers can intentionally arrange their products in an investment framework, emphasizing things like integration, balance and alignment with goals, such insurers might be able to gain an advantage in attracting investment-oriented consumers.

4.1.2.7 Descriptive Analysis of Life insurance investment decision

Life insurance investment decision is the dependent variable used in the study to understand Market Analysis of Life Insurance Companies in Nepal. the questions used in the understanding are as follows

Table16

Descriptive statistics of Life insurance investment decision

Code	Statements	N	Mean	SD
LID1	I made an informed decision to invest.	408	3.9216	1.05789
LID2	It's benefits influenced my decision.	408	3.9755	1.01070
LID3	I am confident in my choice.	408	3.8088	1.11621
LID4	It aligns with my financial goals.	408	3.9534	1.06094
LID5	Its features shaped my decision.	408	3.9240	1.08671
LID6	Potential returns influenced my investment.	408	3.8676	1.09819
LID7	I believe it's a wise financial choice.	408	4.0074	1.07115
	Total	**408**		

Sources: SPSS Output

Descriptive statistics on Life Insurance Investment Decision, which is the dependent variable in the study on market analysis of life insurance companies in Nepal, are shown in Table 16 The data based on 408 participants reflect many factors affecting individuals' decisions to invest in a life insurance, from perceived benefits and alignment with desired financial goals, to confidence in the decision and expected returns.

The mean scores for the seven items range from 3.81 to 4.01, with one item falling in the a "strongly agree" category. The highest mean score was for the statement "I think it is a good financial decision" (LIDs7) 4.01 with a standard deviation of 1.07. This indicates that, in general, respondents feel their decision to purchase life insurance is a good financial decision clearly demonstrating strong confidence in their investment choices. Items such as "It helps me achieve my financial goals" (LID4, M = 3.95, SD = 1.06) and "The benefits impacted my decision" (LID2, M = 3.98, SD = 1.01) also went to the statement it successful as an effective means in achieving financial goals. The item "I made an informed decision to invest" (LID1) also formed an appreciatively positive response (M = 3.92, SD = 1.06), indicating respondents overall believe their decision was thought through and not made in ignorance of information. The lowest mean score which is still in the agree response category however was for "I confident in my decision" (LID3), M = 3.81, SD = 1.12. This lower confidence level suggests that, while individuals seem to be happy with their decisions, there may be some elements of uncertainty or differing experiences regarding the overall confidence in their life insurance investments. The standard deviations for all items were fairly level from 1.01 to 1.12, which shows some variability in responses, but also remaining overall agreement throughout the sample. These results suggest that respondents overall had positive feelings about their life insurance investment decisions, and the primary factors that seems to shape their attitudes was enacting their financial goals, having taken into account the benefits, and having confidence in the decision.

Overall, the findings demonstrate that life insurance is considered to be an informed and prudent investment, having potential alignment with participants' long-term financial planning goals and investment decisions.

4.1.2.8 Descriptive summary

Descriptive statistics provide concise descriptions of a given data collection, allowing for a better understanding of its characteristics and measurements. The primary forms of descriptive statistics include measurements of central tendency, such as the mean, median, and mode, as well as measures of variability, which encompass the standard deviation, variance, and the lowest and maximum values. Here, we can observe the summary of all the variable for descriptive study.

Table 17

Descriptive table

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Security	408	1.00	5.00	3.8242	.80819
Risk Sharing	408	1.00	5.00	3.9331	.81546
Low Transaction Expenses	408	1.00	5.00	3.8529	.85109
Systematic Investment	408	1.00	5.00	3.9135	.82024
Returns	408	1.00	5.00	3.9366	.83704
Portfolio Management	408	1.00	5.00	3.9353	.82791
Life Insurance Investment Decision	408	1.00	5.00	3.9191	.82859

Source: SPSS output

Table 17 presents descriptive statistics for the main variables analyzed in the study, based on responses from 408 valid participants. Each variable was measured on a 5-point Likert scale, where 1 indicates strong disagreement and 5 indicates strong agreement. The results reflect participants' perceptions related to key factors influencing life insurance investment decisions in Nepal.

The mean scores for all variables fall within a relatively narrow range from 3.8242 to 3.9366 indicating a general level of agreement among respondents with the statements related to each factor. This suggests that most participants have a favorable perception of the role these variables play in their life insurance investment decisions.

The variable Financial Security recorded a mean score of 3.8242 with a standard deviation of 0.80819, based on responses from 408 participants. This suggests that respondents moderately agreed with the idea that financial security plays a role in their life insurance investment decisions. Although the score reflects a generally favorable perception, it is the lowest mean among all the variables examined in this study. This indicates that, relative to other factors, financial security may be perceived as a less influential determinant. The standard deviation implies a moderate spread in responses, suggesting that while many participants agreed with the importance of financial security, others had varying views.

The Risk Sharing variable achieved a higher mean score of 3.9331 and a standard deviation of 0.81546, indicating a stronger agreement among respondents that life insurance serves as a valuable mechanism for managing financial risks. The near-4.0 mean reflects a solid consensus that risk-sharing benefits are among the motivating factors for purchasing life insurance. The standard deviation shows a similar level of response consistency as with other variables, reinforcing the relevance of risk-sharing perceptions in life insurance decisions.

Low Transaction Expenses showed a mean score of 3.8529 with a standard deviation of 0.85109. This indicates a general agreement that life insurance products are associated with reasonable transaction costs. While the mean is above average, it is slightly lower than some of the more dominant variables like returns or portfolio management, suggesting that while affordability is important, it may not be the primary driver in decision-making. The relatively higher standard deviation suggests that there was slightly more variation in opinions regarding the cost-effectiveness of life insurance.

The variable Systematic Investment scored a mean of 3.9135 and a standard deviation of 0.82024. This reflects a strong overall agreement that structured and regular investment in life insurance is valued by respondents. The mean score being close to 4.0 demonstrates that participants appreciate the role of life insurance as a disciplined and goal-oriented financial tool. The consistent spread in responses, as shown by the standard deviation, further supports its perceived importance among most participants.

Returns received the highest mean score of 3.9366, with a standard deviation of 0.83704, indicating that expected or perceived returns from life insurance products are of significant importance to respondents. This aligns with the broader understanding that people often evaluate insurance not only as a protective tool but also as a form of financial investment. The relatively high mean suggests strong positive sentiment toward returns as a motivating factor for purchasing life insurance. The standard deviation suggests moderate variability, but overall strong agreement.

The variable Portfolio Management recorded a mean of 3.9353 and a standard deviation of 0.82791, ranking it as one of the most highly rated factors in the study. This underscores the increasing tendency among individuals to incorporate life insurance within their broader financial or investment portfolios. Respondents likely view life insurance as a tool not just for security but for enhancing and managing their long-term financial assets. The low variability in responses suggests consistent recognition of its relevance.

The dependent variable, Life Insurance Investment Decision, had a mean score of 3.9191 and a standard deviation of 0.82859. This reflects an overall favorable attitude among respondents toward investing in life insurance. The mean score indicates that, on average, participants acknowledged life insurance as a sound investment option. The standard deviation implies moderate consistency in opinions, reinforcing the reliability of the data gathered for analyzing influences on life insurance decisions.

In summary, all the mean values being above 3.8 suggest a general positive perception across all independent and dependent variables. The standard deviations (ranging from 0.80819 to 0.85109) indicate moderate variability in responses but overall consistency. These findings support the conclusion that respondents consider the studied variables relevant to their decision-making processes regarding life insurance investment

4.1.3 Inferential Analysis

This section demonstrates the analysis of results and the testability of hypotheses set in the previous chapter. Inferential analysis involves the use of inferential statistics, which refers to the various statistical procedures that are used to conclude about the relationship between variables. Inferential statistics enables one to make descriptions of data and draw inferences and conclusions from the respective data. Through inferential statistics, an individual can conclude what a population may think or how it is affected by a sample

data. Inferential statistics is primarily used to derive estimates about a large group (or population) and draw conclusions on the data based on hypotheses testing methods.
To evaluate the hypotheses, a simple correlation analysis was performed between the dependent and independent variables. Similarly, in order to estimate the relationship between variables, regression analysis was used. As such, a sample size of 408 respondents was taken to examine the hypotheses used in this research.

4.1.3.1 Correlation Analysis

A Correlation measures the relationship, or association, between two variables by looking at how the variables change with respect to each other. On that note, the direction of a correlation can be either positive or negative. Correlations can range from positive (+1) to negative (-1). A zero correlation indicates that the variables in the study have no relationship. A (-1) correlation denotes a perfect negative correlation, in which one measure rises while the other falls. A correlation of (+1) indicates a perfect positive correlation, which means that both variables shift in the same direction.

Correlation analysis between variables was studied to find relationship among them. The relationship of dependent variable tax planning with the independent variables namely was financial security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, Portfolio Management and Life insurance investment decision was the dependent variable which studied through the analysis. The findings from the correlation analysis have been very instrumental in understanding the relationship between variables. However, the correlation analysis cannot sufficiently predict the impact of variables on one another.

The table above shows the correlation between dependent variable and independent variables. On the table, X1=FS = financial security, X2= RS= Risk Sharing, X3= TE= Low Transaction Expenses, X4=SI= Systematic Investment, X5=Return=R, X6=PM=Portfolio management. Here, Y= Life insurance investment decision.

Table 18

Correlation Analysis of total respondents

		FS	RS	TE	SI	R	PM	LID
FS	Pearson Correlation	1						
	Sig. (2-tailed)							
RS	Pearson Correlation	.867**	1					
	Sig. (2-tailed)	0.000						
TE	Pearson Correlation	.850**	.891**	1				
	Sig. (2-tailed)	0.000	0.000					
SI	Pearson Correlation	.790**	.846**	.864**	1			
	Sig. (2-tailed)	0.000	0.000	0.000				
R	Pearson Correlation	.767**	.781**	.802**	.847**	1		
	Sig. (2-tailed)	0.000	0.000	0.000	0.000			
PM	Pearson Correlation	.769**	.795**	.819**	.848**	.869**	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000		
LID	Pearson Correlation	.773**	.812**	.821**	.850**	.844**	.873**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	

****. Correlation is significant at the 0.01 level (2-tailed).**

Source: SPSS Output

Table 18 The correlation coefficient between Financial Security and Life insurance investment decision was 0.773. Similarly, the corresponding p-value was 0.000, which is less than the level of significance (α) = 0.05. This means that Financial Security has a positive and significant relationship with Life insurance investment decision. This can be further interpreted as an increase in Financial Security would improve the and Life insurance investment decision as a whole

Similarly, the correlation coefficient between Risk sharing and Life insurance investment decision was 0.812, for which the corresponding p-value was 0.000. This value is less than the level of significance (α) i.e. 0.05. Therefore, Risk sharing has a positive and significant relationship with Life insurance investment decision

The third variable is Low Transaction Expenses, where the correlation coefficient between Low Transaction Expenses and Life insurance investment decision was 0.821 On that note, the corresponding p-value was 0.000, which is less than the level of significance (α) i.e. 0.05. This shows that Low Transaction Expenses, has a positive and significant relationship with Life insurance investment decision. This can be further interpreted as an increase in Low Transaction Expenses would improve the Life insurance investment decision

Likewise, the fourth variable is Systematic Investment, where the correlation coefficient between Systematic Investment and Life insurance investment decision was 0.850 On that note, the corresponding p-value was 0.000, which is less than the level of significance (α) i.e. 0.05. This shows that Systematic Investment, has a positive and significant relationship with Life insurance investment decision. This can be further interpreted as an increase in Systematic Investment would improve the Life insurance investment decision.

Similarly, the correlation coefficient between Return and Life insurance investment decision was 0.844, for which the corresponding p-value was 0.000. This value is less than the level of significance (α) i.e. 0.05. Therefore, Return has a positive and significant relationship with Life insurance investment decision.

The correlation coefficient between Portfolio management and Life insurance investment decision was 0.873. The corresponding p-value was 0.000, which is less than the level of significance (α) i.e. 0.05. This means that Portfolio management has a positive and significant relationship with Life insurance investment decision.

4.3.2 Regression Analysis

Regression analysis refers to the set of statistical procedures for estimating relationships between a dependent variable and one or more independent variables. A regression analysis is used to determine whether the variables have a strong relationship. In addition, a regression analysis helps to predict how the variables interact in the future. Likewise, in a multiple regression study, there is one dependent variable and at least two independent variables. The analysis enables one to determine the relative strengths of the independent variables.

In this study, regression analysis was used to test the hypothesis. This section indicates the extent to which independent variables explain the variability of independent variables and dependent variable. Moreover, the regression analysis identifies the variables that are important in explaining the dependent variable variability. On that note, a linear regression analysis was conducted in order to determine the relationship between the dependent variable i. X1=FS = financial security, X2= RS= Risk Sharing, X3= TE= Low Transaction Expenses, X4=SI= Systematic Investment, X5=Return=R, X6=PM=Portfolio management. Here, Y= Life insurance investment decision.

The linear regression analysis was used, as it is a suitable statistical tool known for its consistency, interpretability, scientific acceptance, and widespread availability.

Model Summary of Regression Analysis

The Model Summary of Regression Analysis demonstrates the changes in dependent variables due to the independent variables. SPSS software was used to compute the model summary of regression analysis. The results of the findings are as follows.

Table 19

Model Summary

Model	R	R^2 Square	Adjusted R Square	Std. Error of the Estimate
1	.907[a]	0.823	0.820	0.35114

a. Predictors: (Constant), Portfolio Management, Financial security, Systematic Investment, Returns, Risk Sharing, Low Transaction Expenses

Source: SPSS Output

Table 19 gives the overall model summary to understand Market Analysis of Life Insurance Companies in Nepal. R-squared (R^2) value indicates how much of the total variation in the dependent variable is explained by the independent variables. The R^2 is the percentage of response variable variance described by a linear regression model. The value of R^2 ranges between 0% and 100%. In general, higher the R^2, better the model fits data.

Table 19 Shows, R^2 is 0.823, which indicates that 82.3% variation on Life insurance investment decision is explained by financial security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, Portfolio Management. The remaining percent is accounted for by other factors not present in the model. Similarly, the value of the adjusted R^2 is 0.820, which indicates that after adjusting degree of freedom, 82% of the variance in Life insurance investment decision is explained by financial security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, Portfolio Management. Higher R value indicates that there is a strong positive relationship between independent variables financial security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, Portfolio Management and dependent variable Life insurance investment decision. Further, the standard error of estimate shows that the estimated regression equation deviates by 0.35114

Analysis of Variance (ANOVA)

The analysis of variance (ANOVA) performance was tested to check whether there was a linear relationship between the variables in the regression. The analysis of variance examines the importance of the F Statistic and its corresponding meaning to determine how well the regression equation matches the results.

Table 20

ANOVA Table

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	229.989	6	38.332	310.878	.000[b]
	Residual	49.444	401	0.123		
	Total	279.433	407			

a. Dependent Variable: Life Insurance Investment Decision

b. Predictors: (Constant), Portfolio Management, Financial security, Systematic Investment, Returns, Risk Sharing, Low Transaction Expenses

Sources: SPSS Output

Table 20 shows the results for Analysis of Variance (ANOVA). ANOVA table is used to analyze whether the overall model is significant and the model can be applied to the research. The result of the table shows that p-value is less than α i.e. $0.000<0.05$. Therefore, the model is significant at 5% level of significance.

Likewise, from the Table 20, it can be inferred that the independent variables namely financial security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, Portfolio Management are good predictors of the dependent variable namely Life Insurance Investment Decision at 5% level of significance.

Regression Coefficient

As mentioned earlier, in a multiple regression study, there is one dependent variable and at least six independent variables. The analysis enables one to find out some judgments about the fact and also the relative strengths of the independent variables. The Regression coefficient is the constant 'b' in the regression equation that tells about the change in the value of dependent variable corresponding to the unit change in the independent variables.

X1=FS = financial security, X2= RS= Risk Sharing, X3= TE= Low Transaction Expenses, X4=SI= Systematic Investment, X5=Return=R, X6=PM=Portfolio management. Here, Y= Life insurance investment decision.

Table 21

Regression Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Remarks
	B	Std. Error	Beta			
	0.109	0.092		1.193	0.233	
FS	0.028	0.047	0.027	0.599	0.549	Insignificant
RS	0.131	0.055	0.129	2.378	0.018	Significant
TE	0.060	0.054	0.062	1.119	0.264	Insignificant.
SI	0.194	0.052	0.192	3.737	0.000	Significant
R	0.177	0.047	0.179	3.775	0.000	Significant
PM	0.381	0.048	0.380	7.866	0.000	Significant

a. Dependent Variable: Life Insurance Investment Decision

Source: SPSS Output

Table 21 shows the result of factors affecting Life Insurance Investment Decision. The results demonstrate the significant impact of standardized variable on dependent variable Life Insurance Investment Decision.

Risk sharing, Systematic investment, Returns and portfolio, management has significant impact on life insurance investment decision. Financial security and low transaction expenses has insignificant impact on life insurance investment decision. A unit increase in Risk Sharing, Systematic Investment, Returns and Portfolio Management leads to 0.129, 0.194 0.177 and 0.381 increase in Life Insurance Investment Decision. Higher Standardized beta values indicate higher dominant influence of independent variables on the dependent variable. It can be inferred that Portfolio Management has the highest dominant influence with a beta of 0.380 followed by Systematic Investment at 0.192, returns 0.179, risk sharing 0.129, low transaction expenses 0.062 and lowest is financial security0.027.

Significance value lower than 0.05 indicates that there is significant relationship between the independent variables and dependent variable. It can be inferred that Risk Sharing, Systematic Investment, Returns and Portfolio Management have a significant impact with

Life Insurance Investment Decision as the significance values are less than 0.05 which are 0.000, 0.000, 0.000 and 0.018 respectively.

Contrary to this Significance value more than 0.05 indicates that there is no significant impact between the independent variables and dependent variable. It can be inferred that financial security; Low Transaction Expenses have in significant impact with Life Insurance Investment Decision as the significance values are more than 0.05 which are 0.549 and 0.264 respectively.

Test of Hypothesis

This section is focused on testing hypotheses developed for the study. Hypothesis testing is a systematic procedure for deciding whether the results of a research study support a particular theory, which applies to a population. Hypothesis testing uses sample data to evaluate a hypothesis about a population.

On that note, researchers use correlation and regression analysis to calculate P-values in hypotheses testing. Each hypothesis is tested and analyzed individually and the analysis is done with a system designed for statistical analyses (SPSS). For the purpose of identifying a relationship between dependent and independent variables in this study, six alternative hypotheses are considered. The Coefficients Table, obtained from regression analysis, is used to examine each hypothesis.

The acceptance or rejection of a hypothesis depends on the statistical test results, which falls into the acceptance or rejection region. If the level of significance is kept 5%, and the p value is greater than 0.05, the null hypothesis will be accepted. It signifies that there is no relationship or no effect, or no difference accordingly to the hypothesis formulated and the alternative hypothesis is valid. Based on correlation and multiple regression analysis, the significance values of each independent variable are presented in the table below.

Result of Hypothesis

Hypothesis 1: There is a significant impact of financial security on Life Insurance Investment Decision.

Table 21 shows the significant value i.e. P (0.549) >0.05, and hence the alternative hypothesis is rejected. Therefore, there is a no significant impact of financial security on Life Insurance Investment Decision**.**

Hypothesis 2: There is a significant impact of Risk Sharing on Life Insurance Investment Decision.

As seen in the table the significant value i.e. P (.018) < 0.05, and hence the alternative hypothesis is accepted. There is a significant impact of Risk Sharing on Life Insurance Investment Decision.

Hypothesis 3: There is a significant impact of Low Transaction Expenses on Life Insurance Investment Decision.

Table 21 the significant value i.e. P (.264) > 0.05, and hence the alternative hypothesis is rejected. Thus, there is no significant impact of Low Transaction Expenses on Life Insurance Investment Decision **.**

Hypothesis 4: There is a significant impact of Systematic Investment on Life Insurance Investment Decision.

Table 21, the significant value i.e. P (0.000) < 0.05, and hence the alternative hypothesis is accepted. Therefore, there is a significant impact of Systematic Investment on Life Insurance Investment Decision.

Hypothesis 5: There is a significant impact of Returns on Life Insurance Investment Decision.

As seen in Table 21 the significant value i.e. P (.000) < 0.05, and hence the alternative hypothesis is accepted. There is a significant impact of Returns on Life Insurance Investment Decision.

Hypothesis 6: There is a significant impact of Portfolio Management on Life Insurance Investment Decision.

Table 21 the significant value i.e. P (.000) < 0.05, and hence the alternative hypothesis is accepted. Thus, there is a significant impact of Portfolio Management on Life Insurance Investment Decision.

4.5 Discussion

This study provides a comprehensive evaluation of the key factors influencing life insurance investment decisions (LID) in Nepal. By applying correlation and regression analyses, it is investigated the impact of six core independent variables Financial Security (FS), Risk Sharing (RS), Transaction Expenses (TE), Systematic Investment (SI), Returns (R), and Portfolio Management (PM) on life insurance investment behavior. The findings reflect a nuanced interaction between individual financial realities and theoretical assumptions, revealing both alignments and contrasts with existing international literature.

Contrary to dominant global narratives, financial security was not found to be a predominant motivator for life insurance investment in Nepal. While much of the global literature, such as that by Kurt (2024), emphasizes the role of future-oriented factors like age, lifestyle, and health in premium determination and policy uptake, the context of Nepal reveals a different picture. A substantial number of policyholders in Nepal terminate their life insurance policies midway due to immediate financial constraints. This suggests a fundamental mismatch between the theoretical ideals of financial planning and the everyday financial struggles faced by the Nepalese population. Many consumers view life insurance not as a financial safeguard but as a luxury that can be forfeited when liquidity is tight.

The findings indicate a strong positive relationship between risk sharing and life insurance investment decisions. This is consistent with international findings such as those by Berg et al. (2022) who assert that initiatives fostering risk-sharing mechanisms can enhance demand for index and traditional insurance. Similarly, Tati and Baltazar (2018) found that risk protection, rather than income level, drives insurance investment decisions. In Nepal, where formal safety nets are weak and social welfare systems are underdeveloped, individuals are compelled to seek private risk-mitigation solutions. Life insurance thus becomes a form of informal risk pooling, particularly for health-related or mortality-related risks. The psychological assurance of financial compensation in the face of personal tragedy is a compelling motivator, demonstrating the deeply emotional as well as financial nature of insurance behavior in such contexts.

Low transaction expenses were found to have a detrimental effect on life insurance investment decisions in Nepal. This is corroborated by Schmeiser and Wagner (2016), who stress the importance of minimizing product costs to appeal to price-sensitive segments. Similarly, the European Commission (2020) outlines how transaction and ongoing fees erode investment value over time. Nepalese consumers, particularly those from low- and middle-income backgrounds, are acutely aware of upfront and hidden costs, which directly influence their willingness to commit to long-term financial instruments. Furthermore, the lack of transparency in fee structures and poor customer service exacerbates distrust in financial institutions. As a result, high transaction expenses not only reduce the perceived value of insurance products but also create significant psychological barriers to entry.

Systematic investment emerged as a major factor influencing LID. Participants viewed life insurance not merely as a risk cover but as a disciplined financial planning tool. This supports the findings of Tati and Baltazar (2018) and Klopfenstein and Ashley (2020), who argue for recognizing life insurance as a multifaceted instrument that combines tax-saving, income supplementation, and future financial security. In a market dominated by informal saving mechanisms such as gold, land, or cash savings at home, life insurance presents an institutionalized and goal-oriented alternative. The monthly or annual premium payment structure encourages a habit of saving, aligning with the behavioral economics concept of "forced saving." Over time, this structured discipline helps consumers build a financial buffer while simultaneously obtaining protection against life’s uncertainties.

Returns were another significant determinant of life insurance investment. Our study showed that participants are motivated by the potential for both guaranteed and performance-linked returns, especially in the context of endowment and unit-linked insurance plans. This aligns with Rub and Schelling (2021), who emphasize the importance of return smoothing to attract long-term investors. Pant (2024) also underscores the importance of returns, alongside corporate image, claim settlement, and risk management, in shaping investment preferences. In an environment of limited investment literacy and restricted access to sophisticated financial products, insurance products that offer competitive returns serve as a dual-purpose tool—providing both protection and wealth creation. The assurance of predictable returns offers psychological comfort and financial justification for long-term commitment. Furthermore, well-performing products can enhance word-of-mouth referrals, contributing to broader market penetration.

Portfolio management was also found to positively influence LID. Households that actively manage their financial portfolios—allocating resources among insurance, cash, bonds, and retirement instruments—are more likely to invest in life insurance. Wang, Deng, and Wu (2024) offer similar conclusions, showing how financial crises and macroeconomic changes reshape household portfolio strategies. Moreover, Njiru and Ombima (2018) advocate for diversified investment approaches by insurance providers to enhance financial sustainability and consumer outreach. The increasing financial awareness among Nepalese urban populations has led to a shift in how insurance is perceived—from a mere risk hedge to an essential component of wealth diversification. Households that engage in active portfolio management are more likely to appreciate the long-term benefits and compound returns of life insurance policies. For these consumers, insurance is not just a necessity but a strategic investment aligned with their broader financial goals.

While much of our study's findings align with international research, key contextual differences highlight the importance of localized policy design. For instance, while developed markets focus on reducing premiums through lifestyle changes (as emphasized by Kurt, 2024), Nepalese consumers prioritize affordability and immediate utility over long-term cost-benefit considerations. Similarly, while financial security is a driving factor in many high-income countries, in Nepal, immediate financial conditions play a more influential role. These findings underscore the need for insurers in Nepal to adopt flexible policy structures, such as micro-premium products or grace periods, which can accommodate the liquidity fluctuations faced by consumers. Furthermore, educational campaigns should focus less on abstract future benefits and more on relatable, short-term advantages. Designing insurance products that reflect the realities of consumers' daily lives will be key to expanding coverage and fostering long-term investment behavior in the sector.

This high explanatory power aligns with (Sharma & Parihar, 2016) factor analysis, which identified these variables as key components shaping customer perception. However, while their study emphasized the equal importance of all seven factors, the current research highlights a more nuanced picture, where Portfolio Management and Systematic Investment emerge as the most influential predictors. The ANOVA and hypothesis testing results with (Sharma & prihar,2016) also indicated no significant demographic differences in perception by age, income, qualification, or occupation. The present research supports this notion indirectly by focusing on factor-level significance rather than demographic variance, suggesting that psychological and service-related attributes of insurance products outweigh demographic predictors in shaping investment decisions.

CHAPTER V
SUMMERY AND CONCLUSION

This chapter is divided in to three main parts the first main part provides a summary of the study, second outlines the conclusions, and third discuss the implications of the research.

5.1 Summary

The topic of the study is the market analysis of life insurance company in Nepal. The major Objective of this study is to conduct a comprehensive market analysis of life insurance companies in Nepal, focusing specifically on understanding and analyzing customer responses regarding the impact of various factors on their purchase of in life insurance. This includes assessing the perceived benefits such as financial security, risk-sharing mechanisms, low transaction expenses, systematic investment opportunities, expected returns, effective portfolio management strategies, and overall considerations influencing life insurance investment decisions among Nepalese consumers.

This study has certain limitations. It focuses on only seven out of fourteen life insurance companies in Nepal, which may limit the generalizability of the findings. The use of a fixed sample size (408 respondents) and convenience sampling method may introduce bias and affect data representativeness. Due to limited access to data from all companies, the study could not include a wider range of primary information. Additionally, the reliance on descriptive and causal-comparative methods may restrict the depth of analysis. The study also focused on selected variables, potentially overlooking other significant factors influencing life insurance purchase decisions.

This study has utilized both descriptive and causal-comparative research designs. Descriptive research design is used to systematically describe a situation, problem, phenomenon, service, or the characteristics of a population. Causal-comparative research design is a type of research used to identify cause-and-effect relationship between two or more groups but without manipulating the independent variable instead, the researcher observes existing differences and tries to determine possible causes. the total population comprises customers of all 14 life insurance companies operating in the country. From this population, a sample of 408 consumers has been selected from seven of these companies National Life Insurance Company Limited, Life Insurance Corporation (Nepal) Limited, IME Life Insurance Company Limited, MetLife (ALICO), Sanima Reliance Life Insurance Limited, Citizen Life Insurance Limited, and Sun Nepal Life Insurance Company Limited located in the Kathmandu Valley. Convenience sampling has been employed to facilitate data collection efficiently, aligning with the study's requirements.

The major Findings of this study was correlation analysis showed that all independent variables were positively and significantly correlated with the life insurance investment decision, with coefficients ranging from 0.773 to 0.873 and all p-values less than 0.05. This indicates that higher values in these independent variables are associated with more favorable investment decisions in life insurance. The regression analysis confirmed these relationships. The model summary showed an adjusted R-squared value of 82%, meaning the selected independent variables explained 82.3% of the variance in life insurance investment decisions, highlighting a robust model fit. The standard error of 0.35114 suggested a relatively tight fit of the data around the regression line.

In conclusion, this study provides compelling evidence that specific factors namely Portfolio Management, Systematic Investment, Returns, and Risk Sharing substantially influence life insurance investment decisions among consumers in Nepal. While Financial Security and Low Transaction Expenses are positively perceived, they do not significantly drive investment behavior when examined in a multivariate context. The findings carry practical implications for life insurance companies seeking to enhance customer engagement and tailor their products to meet consumer priorities. Companies may benefit from placing greater emphasis on portfolio diversification, structured investment options, and return assurance to attract and retain policyholders. These results offer strategic insights into customer behavior, thus enabling more informed decision-making for policy design and marketing in Nepal's evolving life insurance sector.

5.2 Conclusion

The objectives of this study was market analysis of life insurance company in Nepal. Utilizing a structured quantitative research approach, this study examined how key independent variables Financial Security, Risk Sharing, Low Transaction Expenses, Systematic Investment, Returns, and Portfolio Management affect the dependent variable, namely Life Insurance Investment Decision. Drawing upon data collected from 408 respondents through a structured questionnaire and analyzed using descriptive and inferential statistical methods, including correlation and regression analyses, the study provides a clear understanding of how these factors interact to shape investment behavior in the context of life insurance.

The findings from the correlation analysis revealed that all six independent variables demonstrated a positive relationship with the life insurance investment decision. Portfolio Management, Systematic Investment, and Returns exhibited the strongest correlations with LID, suggesting that these are the most critical factors in driving individuals' investment decisions. Regression analysis supported these observations by demonstrating that the combination of all six independent variables explained a substantial 82.3% of the variance in life insurance investment decisions

Hypothesis testing further nuanced these findings. Specifically, Financial Security and Low Transaction Expenses were found to have no statistically significant impact on life insurance investment decisions. The strongest predictors Systematic Investment, Returns, and Portfolio Management were all found to be statistically significant.

These results suggest a paradigm shift in how life insurance is perceived and approached by Nepalese consumers. Life insurance is no longer seen merely as a tool for risk aversion or financial safety in times of crisis. Instead, it is increasingly viewed as an essential component of a broader financial plan, offering systematic investment benefits, long-term returns, and efficient portfolio management opportunities. These insights reflect evolving consumer preferences and underline the need for life insurance companies to adapt their strategies accordingly.

In conclusion, this study contributes significantly to the understanding of consumer behavior in the life insurance market in Nepal. It reveals that strategic investment features especially Portfolio Management, Systematic Investment, and Returns are at the forefront of influencing life insurance investment decisions. As consumer priorities continue to evolve, life insurance companies must align their product designs, communication strategies, and advisory services to meet these changing expectations and maximize their market potential. Future research could further explore demographic or psychological factors that mediate or moderate these relationships, thus providing even deeper insights into life insurance investment behavior in developing economies like Nepal.

5.3 Implication

Following are the implications of the study of market analysis of life insurance company Nepal.

1.For Life Insurance Companies:

- Life insurance must be repositioned not just as a risk management tool, but as a viable investment product.
- With Portfolio Management emerging as the most significant predictor of investment decisions, insurers should align their offerings with financial diversification and long-term planning.

2. For Product Innovation:

- The significance of Systematic Investment suggests insurers can innovate by offering structured insurance plans, similar to Systematic Investment Plans (SIPs) in mutual funds.
- These plans, with manageable and periodic contributions, would attract consumers with limited financial knowledge or liquidity.

3.For Marketing and Transparency:

- Clearly showcasing returns from life insurance policies, using illustrative examples, can address customer concerns about value-for-money.
- Transparent communication will help improve the public perception of life insurance as a long-term financial asset.

4. For Policymakers and Regulators:

- Regulatory frameworks should ensure transparency, consumer protection, and investment incentives, such as tax benefits.
- Policymakers should integrate life insurance into national financial literacy campaigns to address awareness gaps—particularly the low recognition of financial security as a key benefit.

5. For Financial Advisors:

- Advisors should promote life insurance as more than just a safety net and emphasize its role in risk diversification, financial planning, and goal alignment.
- Advisors must guide clients in making informed and strategic life insurance investment decisions.

6. For Consumers:

- Consumers should view life insurance not just for protection, but as a strategic component of their overall financial plan.
- They must evaluate policies based on long-term financial goals, risk appetite, and expected returns to make better investment choices.

7. For Future Research:

- Future studies should explore how socio-demographic factors, psychological biases, and cultural norms shape life insurance investment behavior.
- Research into the influence of digital tools and technology on investment decisions will be valuable, especially for reaching younger, tech-savvy populations.

8. Overall Contribution:

- This study supports a multi-stakeholder approach to reforming the life insurance sector integrating customer-centric product design, regulatory. transparency, targeted education, and strategic financial advice.
- Adopting such an approach can strengthen the role of life insurance in financial inclusion and Nepal’s economic development.

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APPENDIX -1

Questionnaire

Dear Sir/Mam,

I am currently conducting research for my master's degree dissertation titled "**Market Analysis of Life Insurance Companies in Nepal**," and I would greatly appreciate your assistance. Your insights and responses would be invaluable to my study and contribute significantly to understanding the market dynamics. If you could spare a few moments to participate in this research, it would be immensely helpful.

Thank you very much for considering this request.

Best regards,

Kamala Acharya

Part I: Demographic Profile

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

Age Group:

- 18-24 years
- 25-34 years
- 35-44 years
- 45-54 years
- 55 years and above

Gender:

- Male
- Female
- Other

Educational Qualification:

- High School or equivalent
- Undergraduate Degree
- Postgraduate Degree
- Professional Qualification
- Other

Occupation:

- Student
- Employed (Private Sector)

- Employed (Public Sector)
- Self-Employed
- Unemployed
- Retired

Income Level:

- Below NPR 20,000 per month
- NPR 20,000 - 39,999 per month
- NPR 40,000 - 59,999 per month
- NPR 60,000 - 79,999 per month
- Above NPR 80,000 per month

Marital Status:

- Single
- Married
- Divorced
- Widowed

Permanent Residence:

- **Kathmandu Valley**
- **Other Urban Areas**
- **Rural Areas**

Experience with Life Insurance:

- None
- Less than 1 year
- 1-3 years
- 4-6 years
- More than 6 years

Part II: Core Questions

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

S.N.	Financial Security	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Life insurance gives me financial security.					

2	It enhances my financial stability.					
3	Financial security is a key reason I bought life insurance.					
4	It helps managed unexpected financial risks.					
5	I feel protected due to my policy.					
6	The financial securities meets my exceptions.					
7	My policy boost my overall financial securities.					
S.N.	Risk Sharing	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Life insurance shares financial risk with the insurer.					
2	Risk-sharing is a major benefit of life insurance.					
3	My policy lessens the burden of unforeseen events.					
4	It effectively manages financial risks.					
5	Risk-sharing is vital for my financial planning.					
6	It offers protection against major financial risks.					
7	Risk sharing motivates me to invest in life insurance					
S.N.	Low Transaction Expenses	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)

1	Transaction cost of my policy are minimal.					
2	life insurance has low transaction expenses.					
3	Low costs make life insurance appealing.					
4	My provider offers cost effective services.					
5	Buying and maintaining insurance is affordable.					
6	Transaction costs don't deter my purchase decision.					
7	I am satisfied with my policy's transaction costs.					
S.N.	Systematic Investment	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Life insurance encourages systematic investment.					
2	I value the policy's structured investment option.					
3	It supports long term financial planning.					
4	My policy offers a clear investment structure.					
5	It helps me save effectively.					
6	It meets my investment needs.					
7	It aligns with my financial goals.					

S.N.	Returns	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	I am satisfied with my policy's returns.					
2	Returns influenced my decision to invest.					
3	I expect good returns from my policy.					
4	Returns meet my expectation.					
5	Life insurance gives better return then other options.					
6	Returns affect my future investment.					
7	ROI is a major benefits of life insurance					
S.N.	Portfolio Management	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Life insurance helps manage my portfolio.					
2	I use it for better portfolio management.					
3	It supports a balanced, diversified portfolio.					
4	Portfolio managements is a key feature for me.					
5	It helps me reach portfolio goals.					
6	It fits well with my investment strategy.					

7	I choose it for effective portfolio management.					
S.N.	Life Insurance Investment Decision	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	I made an informed decision to invest.					
2	It's benefits influenced my decision.					
3	I am confident in my choice.					
4	It aligns with my financial goals.					
5	Its features shaped my decision.					
6	Potential returns influenced my investment.					
7	I believe it's a wise financial choice.					

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