

FACTORS INFLUENCING IN PURCHASE BEHAVIOR OF LIFE INSURANCE POLICIES

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Factors Influencing in Purchase Behavior of Life Insurance Policies**”. The work of 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 have received during this research work has been 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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Report of Research Committee

Mr. Gokul Raj Dahal has defended research proposal entitled “**Factors Influencing in Purchase Behavior of Life Insurance Policies**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Dhruva Prasad Subedi and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We, the undersigned, have examined the dissertation entitled “**Factors Influencing in Purchase Behavior of Life Insurance Policies**” presented by Gokul Raj Dahal a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Gokul Raj Dahal

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Abbreviations

df	Degree of freedom
et. al.	Et Alia
GRP	Graduate Research Project
Ltd.	Limited
NIA	Nepal Insurance Authority
SPSS	Statistical Package for Social Science

Abstract

Life insurance purchasing behavior is about the purchase behavior shown by policyholders while purchasing life insurance policies. With the increase in life expectancy of the people, they go through different life cycle event like marriage, childbirth, unexpected event like sudden demise of a family member, which lead them to purchase life insurance policy to minimize the uncertainty. All these events and human behavior has gained increased attention of the researchers as well as policymakers because it directly challenges the country's insurance industry and its contribution to national gross domestic product. So, life insurance policy at individual level has been a necessity for every individual to live a secured life. However, there are various demographic as well as other factors affecting individuals' life insurance purchase behavior. This study seeks to examine the impact of financial literacy and saving motives on the behavior of purchasing life insurance.

This study relies on primary data gathered through a structured questionnaire, with a total of 387 samples included. The data has been analyzed using Statistical Package for Social Science (SPSS) and MS Excel software. Descriptive statistics, correlation analysis, and regression analysis were performed to derive the findings.

The findings of the study suggest that financial literacy, precautionary motives, and bequest motives factors have significant influence on life insurance purchasing behavior; influence of precautionary and bequest being higher than that of financial literacy. Likewise, different life cycle events lead to purchase of multiple life insurance policies. The individuals' life cycle motive and wealth accumulation motive are found having insignificant influence on their life insurance purchase behavior. Additionally, a correlation was found between individuals' financial literacy, life cycle motive, precautionary motive, wealth accumulation motive, bequest motive, and life insurance purchasing behavior.

Keywords: *Financial Literacy, Saving Motive, Life Insurance, Precautionary Motives, and Bequest Motives*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Consumer behavior can be defined as: “The study of individuals, groups, or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.” (Hawkins et al., 2007). In other words, consumer behavior studies the factors, timing, approaches, and places where individuals decide to purchase or refrain from purchasing a product. Behavior of consumer can differ based on their individual characteristics, level of involvement while purchasing goods and/or services, and purchase of a physical product versus a service. Likewise, level of awareness, involvement and knowledge can also influence purchase intentions and behavior. Furthermore, consumer behavior has evolved due to rising incomes, the expansion of spending groups, and increased purchasing power. Service industry’s primary focus is on customer satisfaction, addressing the changing the needs and preferences of customers. The gap between the expectation and the service offered needs to be closed out so as to add value to the customers.

Insurance is the process of shifting risk from the policyholder to the insurer. Based on the individual characteristics, policyholders select/ invest in a particular policy. The insurance sector is gradually growing, increasing its share on the nation’s GDP. As of Fiscal Year 2022/23, the service sector contributes the most i.e., 62.43 percentage to the Nepalese GDP compared to, industry contribution 13.45 percentage and agriculture contribution 24.12 percentage (NRB, 2023). This highlights the prominence of the service sector in Nepal's GDP. In the Fiscal Year 2022/23, the sector showed a 3.60% increase in its contribution to the GDP, relative to the total premium earned by the insurance sector (NIA, 2023). Additionally, the sector is boosting investments that contribute to infrastructure development and the employment landscape in Nepal, offering both direct and indirect opportunities.

The Life Insurance industry has collected Rs. 142.57 billion as gross premium during Fiscal year 2022/23 which is growth of 2.83% in comparison to Fiscal Year 2021/22. Similarly Non-life insurance gross premium collection during Fiscal year 2022/23 is 40.34 billion which is growth of 2.99% in comparison to Fiscal Year 2021/22.

This growth or demand of insurance service reflects increase in the level of financial awareness and knowledge of insurance services. Life insurance is an agreement between insurer and insured where insured pays premium based on his/her age to insurer for the transfer of risk with an agreement where insured or the nominee, in case of insured death gets specific amount (Insurance Act, 2079).

Several types of research centered around customer behavior have been carried out by numerous authors in the South Asian region, yet such researches are missing in the context of Nepalese policyholders.

1.2 Problem Statement

In FY 2022/23 Life Insurance industry has collected Rs. 142.57 billion as gross premium which is growth of 2.83% in comparison to Fiscal Year 2021/22 (NIA, 2023). This data shows the slight progress and growth of life insurance industry in Nepal.

44 percentage of the total population have subscribed Insurance Policies including foreign employment policies. This shows the rest of the market i.e., 56 percentage of the total population remain uninsured.

This shows there is still untapped market in Nepalese insurance sector. Looking at this gap, 13 new life insurance companies have entered the market few years back like; Mahalaxmi Life Insurance Co. Ltd. (MLICL), Union Life Insurance (ULICL), Reliance Life Insurance Co. Ltd. (RLICL), Sanima Life Insurance (SLI) to name few of them. Some of them are merged into another Life Insurance companies, so currently there are 14 Life insurance companies operating in Nepal. Beside these there are three 3 Non-Life Insurance operating in Nepal focusing particularly to expand financial protection to underserved and low-income

populations who might not have access to traditional insurance products. Now the question that remains is why anyone would get insured, what factors drive people to purchase an insurance policy. Is it due to the individuals' demographic characteristics or companies' ability to reach out to potential policyholders, or it may due to level of financial literacy of the people?

When it comes to life insurance, individuals may purchase it for both short-term and long-term periods. Since it involves a long-term commitment, people tend to carefully consider their decision and expect a strong, ongoing relationship with the company throughout the duration of their association.

Therefore, the study is focused to contribute to following research Questions concerning above issues:

- i. Do financial literacy and saving motive of individual influence the life insurance policy purchasing behavior in Nepal?
- ii. Is there any relationship between financial literacy and saving motive in the life insurance policy purchasing behavior in Nepal?
- iii. What is the impact of financial literacy and saving motive on life insurance policy purchasing behavior in Nepal?

1.3 Objective of the Study

The general objective of this study is to examine the influential factors on individuals' life insurance purchasing behavior. The specific objectives are as follows:

- i. To examine the current status of financial literacy and saving motive of individual in the life insurance policy purchasing behavior in Nepal.
- ii. To analyze the relationship between financial literacy and saving motive in the life insurance policy purchasing behavior.
- iii. To analyze the impact of financial literacy and saving motive in the life insurance policy purchasing behavior in Nepal.

1.4 Rationale of the Study

Insurance products are very popular in Nepalese market. People now days purchase life insurance policies for different motives. There is growing popularity of Insurance products, however there is limited research on factors influencing in purchase behavior of life insurance policies. This study seeks to identify factors influencing the purchase of insurance policy in Nepal. The study aims to contribute to identify factors that drives customers to get insured from specific company instead of other. This information can help existing as well as new life insurance companies to meet the needs and add value to the customers. For customers this information will give an idea about the existing life insurance policy purchase behavior in Nepal and significance of life insurance policy purchase motive. Furthermore, this study seeks to add to existing research that can serve as a source of reference for future research in this area.

1.5 Limitations of the Study

Following are the limitations of this study:

- i. There are many other factors affecting the insurance purchasing behavior, which are not examined in this study.
- ii. The study considered certain policies only namely, term life insurance, endowment life insurance and whole life insurance.
- iii. The lack of particularly sufficient and relevant literature considering Nepalese perspective.
- iv. Solely primary data and information have been used for the study.
- v. Primary data collected during particular time frame have been used.
- vi. Statistical tools such as descriptive statistics, correlation analysis, and multiple regressions are employed for data analysis.

CHAPTER II

LITERATURE REVIEW

The conceptual review, theoretical review, empirical review, and research gap analysis are the main sections that make up this chapter. Exploring important concepts is aided by the conceptual review. The theoretical review explores theories pertaining to the variables that were investigated in the study. It seeks to provide a theoretical foundation for the research. A comprehensive examination of the body of current literature, including journals and papers by earlier scholars, is part of the empirical evaluation. The purpose of this section is to compile and assess empirical data that is pertinent to the study topic. Disparities between the existing body of knowledge, the results of earlier studies, and possible directions for further study are all covered in the section on research gap analysis. It draws attention to areas that require more research in order to enhance knowledge in the topic.

2.1 Conceptual Review

An insurance policy holder and an insurer enter into a contract for life insurance in which the insurer agrees to pay a specified beneficiary a certain amount of money in the event of the policyholder's death (Mark, 2002). Payment may also be triggered by other circumstances, such as a critical sickness or terminal disease, depending on the terms of the contract. Usually, the policyholder makes either a recurring or one-time premium payment. Occasionally, the benefits may cover other costs (like burial costs).

Life insurance is described as an insurance agreement that is based on the insured's age and provides a specified amount to the policyholder or their beneficiary upon the policyholder's death or the occurrence of any event linked to human life. This is in return for the insured paying a lump sum or regular premium installments, as outlined in section 2-Ja of the Insurance Act, 2079.

The premature death of a family head can have a severe financial impact on surviving family members, as it results in the permanent loss of income and leaves unmet financial responsibilities such as supporting dependents, educating children, and repaying a mortgage. According to Garman and Forgue (2006), life insurance helps individuals and families mitigate

the financial loss from the early death of the primary earner and allows them to share the risk of premature death with others. As a result, the main purpose of purchasing life insurance is to provide financial stability for the family. However, life insurance is also viewed as a medium- to long-term investment and savings tool, offering tax benefits.

Hamsell (1999) describes life insurance as a social mechanism that offers financial compensation in the event of misfortune. The payments are made from the pooled contributions of all participants in the scheme. White (1993) defines life insurance as the protection of an individual's productive capacity, ensuring the continuation of income in cases of unemployment, disability, or death, and safeguarding the family from financial hardship.

Feyen, Lester, and Rocha (2011) emphasize the significance of life insurance, noting that it provides financial security and serves as a valuable investment opportunity. Additionally, life insurance improves the quality of life for policyholders by alleviating anxiety, uncertainty, and fear. It helps manage unnecessary expenses and stabilizes income, even in challenging situations.

Skipper (1997) highlights the economic importance of life insurance, noting that it encourages policyholders to save regularly and for the long term. It helps mobilize resources, provides funds for development projects as an institutional investor, and contributes to maintaining financial stability.

Life Insurance Product

Life insurance is an intangible product and a form of financial instrument. The agreement between the insured and the insurer is long-term. The agreement is a long-term commitment and guarantee to one another. Life insurance products can be broadly classified into two groups based on risk coverage and cash value benefits: There are two types of risk protection products: i) term products, which have no cash value, and ii) endowment products, which have cash value and risk protection. Under each category, insurance companies provide a variety of life insurance plans.

Term life insurance and cash value insurance are the two ways to offer life insurance protection (Rejda, 2004). Term life insurance offers protection for a set amount of time, but if it is guaranteed to renew, the policyholder can do so without proving they are no longer insurable. However, the premiums rise with age as the likelihood of mortality rises, and the ability to renew is restricted to a certain age. Term life insurance benefits are only paid out if the policyholder passes away during the policy's term. In addition to paying the insured's beneficiaries the death benefit, cash value life insurance also includes a savings component. The premium for many cash value insurance stays the same for the duration of the policy. Early-year premiums are too high in comparison to current death claims, while later-year premiums are too low in comparison to the likelihood of death. The insurance firm invests the extra premiums paid in the early years at a compound rate of return to generate cash, which is subsequently utilized to make up for the insufficient premiums paid in the latter years of the policy.

Depending on the needs of their clients, life insurance firms provide a variety of products. Age, marital status, family structure, income level, the social security benefits received from the government, the policyholder's future, and other factors all influence the demands of policyholders. Policyholders' financial needs may vary depending on their life cycle stage.

2.1.1 Life Insurance Products in Nepal

Nepalese life insurance companies have been offering Term, Endowment, and Whole Life products for many years.

Term Product

This plan has no monetary value benefit and is referred to be a pure protection plan. Term plans have lower premiums than whole life and endowment plans. In the event that policyholders pass away, it offers death benefits. Companies buy term plans for their workers, banks and other financial institutions buy them to safeguard their loans from borrowers' untimely deaths, and cooperatives and other member-based organizations buy term plans to offer members' families financial security. The Nepalese life insurance market offers the following options in addition to basic term insurance.

Group Term Plan

A group term plan offers multiple policyholders financial protection under a single contract. Employers, member-based organizations, lenders, and credit institutions generally favor group term plans. Group insurance is purchased by the employer to provide financial security for the employees' families. In a similar vein, banks buy credit term plans to safeguard their loans. Because group plans save administrative expenses, their premiums are less expensive than those of individual term plans.

Foreign Employment Term Plan

The purpose of this initiative is to give Nepalese migrants who are employed abroad greater financial safety. The benefits, and terms and conditions and premiums of term plans that are enforced by various companies are uniform. Before 2012, employees bought the plan voluntarily; however, starting in 2012, it became required for all international migrant workers. The payout covers Rs. 5,00,000 in death benefits, actual costs for transporting the deceased's body from overseas to the house, and ceremonial costs (NIA, 2012).

Personal Accident (PA) and Health and Critical Illness (CI) Plan

MetLife has launched products linked to critical sickness and health. This is a supplemental life insurance plan and additional rider. Policyholders are reimbursed for the costs of treating serious illnesses specified in the contract under this plan.

Endowment Product

Both maturity and death benefits are offered by endowment insurance. This method is ideal for people who care about their personal lives as well as their families. Endowment goods come in a variety of forms, including:

- i) Pure endowment,
- ii) Joint endowment,
- iii) Double endowment,
- iv) Anticipated endowment,
- v) Child endowment,
- vi) Pension endowment, and

vii) Group insurance.

Anticipated Endowment Plan

Another name for the strategy is the Money Back strategy. The insured receives a portion of the sum assured under this plan before the policy matures, and the remaining sum assured plus the entire vested bonus on the policy's maturity date. The beneficiary receives the entire amount guaranteed without subtracting the amount already received in the event that the policyholder passes away within the policy period. In comparison to other policies, this one give policyholders their money back sooner. The premium cost for this kind of policy is marginally higher than that of other endowment plans since it covers risk and offers superior investment opportunities.

Every life insurance provider offers a money-back plan under a different brand name. For instance, "Amrit Barsha" was offered by National Life, "Jeevan Samridi" by Nepal Life, "Dhan Firta Yojana" by LIC, "Three Payment Plan" by MetLife, and "Agrim Endowment" by Asian Life.

Limited Payment Endowment Plan

The entire premium must be paid for the plan at least five years before the maturity date. Such plans are typically offered for terms of five, ten, fifteen, twenty, and thirty years. For instance, Nepal Life offers the "NLIC Jeevan Jyoti" plan, which has a period of 10 to 30 years.

Single Premium Endowment Plan

The full premium must be paid by the policyholder at the time of plan acquisition under this plan. For instance, the "Jeevan Ashtha" brand is the name of the Single Premium Endowment plan that LIC offers.

Child Endowment Plan

This policy was created to assist social activities and education for children in the event that the breadwinner passes away too soon. Compared to other plans, the terms and conditions of the child endowment plan are very different. Newborns and children up to the ages of 10 and 11 can purchase the plan. Only after a specific age (between five and seven years old) is the risk covered. When the child turns 18, ownership of the policy automatically passes to them.

Child endowment plans have been offered by all life insurance companies (LICs) under their own brand names.

Couple Endowment Plan

Under the single policy, the plan covers both the husband's and wife's life. Benefits from this plan are paid out twice: once at the death of one pair and once upon maturity. The recipient receives double the amount of the sum promised plus the vested bonus rate in the event that a couple passes away simultaneously. Plans called "Jeevan Sathi," "Jeevan Sarathi," and "Dampati Suraksha" have been made available by Rastriya Beema Sansthan, Nepal Life, and Asian Life, respectively.

Pension Plan

Providing financial safety throughout the retirement time is the aim of the pension plan. The terms and conditions of the pension plan vary. While some plans offer lifetime financial security, others only offer coverage for a specific time frame. In the Nepalese life insurance market, pension plans are a relatively new product. Pension products have been offered by four companies. "Bhabishya Britti" was provided by National, while "Subhabishya Beema Aajeewan Aaya" was provided by MetLife. "Prime Life Pension Plan" was sold by Prime, whereas "Asian Pension Beema Yojana" was offered by Asian.

Whole Life Product

Some characteristics of term and endowment products are included in the Whole Life product. The plan's premium is lower than that of the endowment plan. Benefits under the plan are paid out after the insured passes away. It is appropriate for those from lower socioeconomic classes who are unable to pay a larger premium. Worldwide life insurance markets offer a variety of Whole Life policies, including:

- i) Single premium Whole Life,
- ii) Continuous premium Whole Life,
- iii) Modified Whole Life, iv)
- iv) Limited payment Whole Life,
- v) Convertible Whole Life, and so on.

The "RBS Whole Life" and "Jeevan Sahara" plans are provided by RBS and Nepal Life, respectively, in Nepal. Benefits from Nepal Life are paid to policyholders after they turn 70.

To sum up these are the major kinds of policies offered by the life insurance companies in the Nepalese market.

2.1.2 Consumer behavior in Life Insurance

There is more to consumer behavior than just how someone purchases goods or services. Customers rely on a limited amount of carefully selected bits of information while making purchases. Stated differently, consumer behavior is concerned with providing answers to the following queries:

- How do people purchase the item?
- From whence do they purchase them?
- Who purchases the goods?
- How frequently do they purchase them?
- When are they purchased?
- What makes them purchase them?
- How frequently do they employ them?

The decision-making process of consumers aids marketers in identifying target customers and meeting their demands. Every individual has consumed, is currently consuming, and will continue to consume some sort of product. As a result, both marketers and economists will find the study of customer behavior interesting.

Whether, what, why, how, when, where, how much/frequently/long, and how the decision-making units-whether they be information gatherers, influencers, deciders, buyers, or users-consume, acquire, use, and dispose of an offering, product, service, time, and ideas over time-that is, for hours, days, weeks, months, and years-are all reflected in consumer behavior (Arnould et al., 2002). Therefore, in an effort to answer the questions of what, why, how, when, where, whether or not, and frequency of purchase, consumer behavior investigates individual consumer characteristics such as demographics, psychology, and behavioral variables.

In classical economic theory, purchasing insurance is viewed as a rational decision for consumers seeking to maximize their lifetime utility in terms of wealth, even with limited

information. Factors that may influence the decision to buy insurance include risk reduction, investment opportunities, and retirement planning. The theory assumes that consumers are rational and able to comprehend and evaluate all the necessary information regarding their choices.

Several studies have observed deviations from rational behavior when individuals make decisions under risk and uncertainty. Wakker, Thaler, and Tversky (1997) and Zimmer, Schade, and Grundl (2009) found that people tend to avoid default risk in insurance policies and require a significant reduction in premiums to offset this risk. Kunreuther and Pauly (2004) discovered that individuals are reluctant to purchase insurance for low-probability, high-loss events, even when the premiums are actuarially fair. These findings challenge traditional insurance models. These inconsistencies in insurance purchasing behavior and their departure from standard models have been explained through various theories in behavioral economics.

2.1.3 Financial Literacy

A person's degree of comprehension of financial concepts that allows them to process financial data and make well-informed financial decisions on their own finances is known as their financial literacy (Bhushan, 2014). People with a high level of financial knowledge are less likely to choose lower-fee mutual funds and to trade in the stock market (Rooij et al., 2007). Highly financially educated people are better able to assess investment opportunities and make wise investments; they won't be duped by salespeople who try to offer them financial items that aren't right for them (Bhushan, 2014). People who are financially educated are more likely to be self-aware and capable of making their own investment decisions rather than being duped by others.

Delavande, Rohwedder, and Willis (2008) demonstrated how financial decision-making was impacted by financial literacy. It went on to say that those who lack financial literacy are less likely to make wise investment choices and are more prone to rely on others for financial assistance. In a similar vein, Thapa and Nepal (2015) noted that most college students had little financial understanding and preferred to talk to their parents about money.

Financial habits like saving, investing, managing credit, and managing cash flow are all positively and significantly correlated with financial literacy (Hilgert et al., 2003). However, in theory, people can seek financial counsel and direction from trustworthy information sources to make insurance selections, therefore inadequate financial literacy does not always indicate that people would make bad financial decisions (Calcagno & Monticone, 2015).

2.1.4 Saving Motives Influencing Life Insurance Purchase Behavior

In classical economics, life insurance is seen as a tool for precautionary savings, smoothing future consumption, and fulfilling a bequest motive (Yaari, 1965; Hakansson, 1969; Fischer, 1973; Karni & Zilcha, 1986; Bernheim, 1991). It is also used to enhance borrowing (Karni & Zilcha, 1986) and lending opportunities (Hakansson, 1969). Ejye and Owusu (2007) identified three key factors that influence the intention to purchase long-term life insurance: 1) saving, 2) investing, and 3) risk management.

Life insurance is often mistakenly viewed as an investment option. Consumers expect returns on their premiums, treating insurance as an investment (Slovic et al., 1977; Pope, 2003; Inkmann & Michaelides, 2012). Those with a narrow perspective see life insurance as a risky investment, believing it is only profitable if the returns on the policies exceed the total premiums paid. Individuals who are concerned about losing their premiums if the insured event does not occur may avoid purchasing insurance (Gottlieb, 2012). Pope (2003) argues that life insurance is not an ideal investment, as the returns on cash value policies are lower compared to other investment options. Some researchers suggest that buying a term policy and investing the difference in a bank savings account would offer better returns than an endowment policy (Vijay & Tamilselvan, 2011). Additionally, studies show that people often view cash value policies as investments due to their tax advantages (Hecht & Hanewald, 2010; Inkmann & Michaelides, 2012).

Precautionary Motive:

The precautionary motive means individuals' efforts to mitigate life uncertainties. Wärneryd (1999) suggested that insurance serves as protection against the sense of uncertainty by preparing individuals to cope with the consequences of negative events that uncertainty may bring. It can be concluded that the life insurance market is shaped by precautionary factors, as

life insurance provides protection against different personal risks such as those related to marriage, health, and disability.

Life Cycle Motive

The life cycle saving motive, as proposed by Modigliani and Brumberg (1954), suggests that individuals save money and smooth their consumption in preparation for significant life events and future expenses, such as weddings, education, purchasing a home, or raising children. Similarly, Liebenberg et al. (2010) found that life insurance purchases are often triggered by major life events such as marriage, childbirth, buying a home, or starting a new job. On the other hand, life insurance policies are often canceled following events like divorce, the death of a partner, unemployment, or retirement. Shefrin and Thaler (1988) introduced a behavioral life-cycle hypothesis, which argued that consumers save in different types of accounts based on varying saving motivations.

Bequest Motive

The bequest motive refers to the desire to leave an inheritance for heirs or dependents (Bernheim et al., 1985). Li et al. (2007) proposed that the desire to leave a legacy influences the demand for life insurance. Fitzgerald (1987) discovered that life insurance purchases are influenced by a couple's intention regarding the financial well-being of survivors, had both members lived.

Wealth accumulation motive

Individuals save to build wealth, or in other words, to generate a "profit" from their savings (Wärneryd, 1999). Diacon and Mahdzan (2008) examined how changes in wealth accumulation are linked to risk and argued that households tend to save more when they are faced with greater uncertainty, such as potential income fluctuations and unexpected medical expenses, which in turn increases the demand for life insurance.

The literature highlights four primary saving motives: precautionary motives, life-cycle motives, bequest motives, and wealth accumulation or profit motives. In summary, families have diverse saving motives and save for various financial objectives.

2.2 Theoretical Review

2.2.1 Theory of Planned Behavior

An excellent theoretical framework for comprehending the variables influencing life insurance policy purchase behavior is the Theory of Planned Behavior (TPB). The Theory of Planned Behavior, which was created by Icek Ajzen in 1991, is an extension of the Theory of Reasoned Action. It adds perceived behavioral control to the original conceptions of attitudes and subjective standards. Consumer decision-making is one of the many scenarios in which TPB is used to forecast and comprehend human behavior. Subjective norms, perceived behavioral control, and attitudes regarding the behavior are all parts of TPB.

The person's favorable or negative assessment of engaging in the conduct is referred to as their attitude. In the context of life insurance, this involves how favorable or unfavorable a person feels about purchasing a policy. It helps to examine how consumers' attitudes towards life insurance—such as their perceptions of its benefits, costs, and overall value—affect their intention to purchase. For instance, if consumers view life insurance as a valuable tool for financial security and family protection, they are more likely to intend to buy it.

The perceived social pressure to engage in or refrain from engaging in a behavior is referred to as subjective norms. This encompasses the impact of friends, family, coworkers, and social circles. Examining how significant persons' beliefs and expectations affect the choice to get life insurance is beneficial. Peers or family members who support life insurance or who have had good experiences with it, for instance, may persuade someone to think about getting a policy.

A person's view of their capacity to carry out the behavior is known as perceived behavioral control, and it is impacted by both internal (such as knowledge and abilities) and external (such as opportunities and resources) elements. It is beneficial to look into how customers' beliefs of their influence over buying life insurance—such as their financial status, knowledge of insurance products, and ease of access to insurance providers—affect their propensity to buy. Customers are more inclined to purchase an insurance policy, for instance, if they think they have enough money and are well-informed about their options.

The main reasons for this theory's criticism include its low predictive power, oversimplification of behavioral influences, disregard for automatic and habitual behaviors, perceived behavioral control limitations, contextual and cultural constraints, and presumption of rational decision-making.

2.2.2 Theory of Consumer Decision-Making

This theory encompasses models that describe the steps consumers take in making decisions. This model is applied to understand problem recognition, searching information, alternatives evaluation, and purchase consumers identify a need for life insurance, gather information, compare options, and make a purchase decision. A useful framework for examining the variables influencing life insurance policy buying behavior is offered by this theory of consumer decision-making. This theory includes a number of models and ideas that explain how customers choose which goods and services to buy. Applying this theory can help one understand how consumer behavior in the life insurance market is influenced by external factors, emotional reactions, and cognitive processes. This theory has evolved over time, with contributions from various economists and scholars. John Hicks (1930) and Paul Samuelson (1940) have majorly contributed in this development.

It includes several models that can help explain different aspects of consumer behavior. Key components often discussed in this theory are Recognition of Problem, Search of Information, Evaluation of Alternatives, Purchase Decision and Post-Purchase Evaluation. We can have a thorough grasp of the several elements influencing consumers' decisions to purchase life insurance plans by using the Theory of Consumer Decision-Making as a theoretical framework. This method makes it possible to investigate the mental and emotional processes that go into making decisions, pinpoint important motivators and obstacles, and offer practical advice for enhancing marketing plans and product lines in the life insurance sector.

2.2.3 Prospect Theory

Applying the Theory of Consumer Decision-Making as a theoretical framework allows us to fully comprehend the different aspects that affect consumers' decisions to buy life insurance plans. The cognitive and emotional processes that go into decision-making may be examined

using this method, which also identifies important motivators and obstacles and offers practical advice for enhancing marketing tactics and product offerings in the life insurance sector.

A number of important ideas are introduced by this theory, including reference dependence, probability weighting, value function, and loss aversion. Losses are felt more strongly than gains, according to Prospect Theory's Value Function. Loss aversion may result from this, in which people are more driven to prevent losses than to realize comparable gains. When it comes to life insurance, buyers may be swayed by concerns about possible losses, such their family's financial security in the event of their untimely passing. Because of their increased sensitivity to loss, they might get life insurance to reduce perceived risks and prevent the possibility of losing their financial stability.

According to probability weighting, people frequently underestimate the likelihood of more common events and overestimate the likelihood of unusual ones. Their decision-making and risk assessment are impacted by this misperception. Customers may prioritize life insurance more than they would if they evaluated the risks objectively because they overestimate the possibility of a big life event (such as an unexpected death or serious sickness) even though it is unlikely. Individuals who are subject to reference dependency assess results in relation to a reference point rather than in absolute terms. Therefore, whether results are viewed as gains or losses depends on how they differ from this reference point. The existing level of financial security-or lack thereof-may serve as the reference point for life insurance. Additionally, buyers can view purchasing life insurance as a means to protect negative shift from current state, evaluating it as a safeguard against loss rather than a gain.

2.2.4 Maslow's Hierarchy of Needs Theory

Abraham Maslow developed the psychological theory known as Maslow's Hierarchy of Needs, which arranges human needs in a five-tier pyramid. According to the hypothesis, people are driven to satisfy their wants in a particular order, beginning with the most fundamental requirements and working their way up to more complex ones. Physiological needs, safety needs, love and belongingness needs, self-actualization needs, and self-esteem needs are the five levels. Basic necessities for survival, such as clothing, food, water, and shelter, are included in physiological needs. Safety needs encompass safety, health, and financial security

as well as protection from damage. Social demands for relationships, affection, and a feeling of belonging are all included in the category of "love and belongingness needs." Esteem needs include the need for respect from others, self-worth, and a feeling of achievement.

Each of the aforementioned five elements has a major influence when it comes to purchasing life insurance coverage. The most basic human requirements, such as those for food, water, and shelter, are known as physiological needs. Despite being at the bottom of Maslow's hierarchy, physiological demands serve as the basis for all other wants. Customers may put their limited funds toward necessities rather than life insurance if they are having difficulty meeting their basic physiological needs. On the other hand, those who have their physiological needs satisfied could be more likely to think about higher-level needs-addressing products. Financial stability, health protection, and general safety are all necessities for safety. The main way that life insurance meets safety needs is by offering monetary security in the event of unanticipated circumstances like death or disability. Because life insurance directly helps to meet these safety needs, consumers who are concerned about safeguarding their future and their family's financial security are probably driven to buy it. Belonging and Love Needs include a sense of belonging, affection, and social connections. Because life insurance protects loved ones' financial security, it can also be linked to demands for love and belonging. In order to protect their family's future and show their loved ones that they care, consumers may buy life insurance. Self-respect, acknowledgment, and a sense of achievement are all components of self-esteem needs.

Customers may also see life insurance as a way to fulfill their requirements for respect by acting responsibly and making plans. Possessing life insurance may be interpreted as an indication of one's financial acumen and dignity, which enhances one's sense of achievement and acceptance. Achieving personal progress and attaining one's potential are components of self-actualization. Customers who are self-actualization oriented may see life insurance as a component of their larger financial and personal development strategy, even though it largely serves lower-level needs. They may view it as a crucial component of an all-encompassing life plan that encompasses legacy planning, personal fulfillment, and financial stability.

2.3 Empirical Review

Botteron et al. (2024) reviewed the motivations of individuals for purchasing Long-Term Care (LTC) insurance: protecting bequest motive and unreliability of family care. The study utilized a Swiss survey to examine the traits of individuals inclined to purchase long-term care (LTC) insurance, either to safeguard their children's inheritance or because they cannot depend on family care. The findings revealed that whether or not individuals have children significantly influences these two motivations for purchasing LTC insurance. Additionally, individuals from the French-speaking region of Switzerland and those with poorer self-reported health were more likely to purchase LTC insurance due to concerns over the reliability of family care. In contrast, those with better self-perceived health and a right-leaning or centrist political stance were more inclined to buy LTC insurance for the purpose of protecting their children's bequest. The results offered valuable insights for developing targeted strategies to encourage the uptake of LTC insurance.

Rajasa et al. (2023) explored factors influencing purchase decision of life insurance policies. The study aimed to examine the factors that impact purchasing decisions, such as product quality and competitive pricing. The authors wrote the article using qualitative approaches, including a literature review and library research. They also reviewed relevant books aligned with the theory being explored, particularly within the field of strategic management. This involved analyzing both highly regarded and less well-known scientific articles from journals. Mendeley and Google Scholar were used as the primary sources for the articles. The findings indicated that product quality and price both have a significant positive impact on purchasing decisions.

Segodi and Sibindi (2022) investigated the factors influencing life insurance purchase demand, focusing on the BRICS countries (Brazil, Russia, India, China, and South Africa). The study also explored how financial regulation impacts life insurance demand. Using panel data from these countries spanning from 1999 to 2020, the researchers employed econometric methods for panel data analysis. The results showed that life insurance demand, measured by density or penetration, was negatively influenced by income, unemployment, interest rates, and inflation.

In contrast, a positive relationship was found between life insurance demand and both economic growth and financial freedom.

Muhammad et al. (2021) examined the drivers of household purchase behaviors of life insurance. The study aimed to examine the key factors influencing household purchasing behavior regarding life insurance. Data collected from surveys administered to 325 households were analyzed using structural equation modeling to achieve the research objectives. The analysis revealed that factors such as knowledge of life insurance, attitudes toward it, subjective norms (SN), trust, and risk perception influence a household's likelihood of purchasing life insurance. The study also emphasized that households' purchase propensity affects their actual purchasing behavior. Additionally, the intention to purchase was found to mediate the relationship between explanatory variables and purchasing behavior. The paper identified awareness, SN, perceived behavioral control, trust, and risk perception as critical factors fostering positive attitudes toward purchasing life insurance. The findings suggest that life insurance companies should revise their policy guidelines to align with the positive relationship between these factors and consumers' intent to buy life insurance.

Singh and Benium (2021) examined the factors influencing customers' purchasing behavior regarding financial products. They discovered that higher unpredictability corresponds to greater perceived risk. When an event is predictable, it gives individuals a sense of control and safety, allowing them to feel more secure about the situation. The concept of insurance emerged from the need to mitigate fear, growing rapidly by addressing the unpredictability and potential for failure. The study noted that due to market competition, insurance products have undergone numerous improvements, and insurance has become an essential part of modern society, particularly in developed countries, though developing nations still need to grasp the importance of insurance and its role in protecting against adverse situations. The researchers also aimed to analyze and assess the factors that drive the adoption of insurance products among consumers. They used a 26-question survey and applied statistical methods like the KMO test, factor analysis, ANOVA, correlation, and descriptive statistics. The study concluded that more efforts are needed to promote insurance adoption in the region, including greater involvement from local governments to educate communities about insurance

concepts. The research provides valuable insights that can help improve people's living standards by addressing their challenges and offering solutions. This, in turn, supports the development and customization of local insurance products.

Adinoto Nursiana et al. (2021) examined the product quality factors, product risk, company reputation, and service quality's influence on the purchase intention of insurance policies by customers in Indonesia. The study examined variables such as product quality, service quality, company reputation, perceived risk, and purchase intention. A quantitative research approach was employed, with primary data collected from 154 respondents. They used structural equation modeling (SEM) through Lisrel 8.80. At a significance level of 0.05, the research found that product quality positively and significantly impacted purchase intention, company reputation, and perceived risk perception. Company reputation positively and significantly influenced purchase intention but had an insignificant effect on service quality. Product quality also positively impacted service quality, though this effect was not statistically significant. Service quality was found to positively and significantly affect purchase intention, while perceived risk negatively and significantly impacted purchase intention. Additionally, perceived risk was found to positively and significantly influence both service quality and company reputation.

Ramanjaneyalu et al. (2021) investigated the factors an investor considers while making a life insurance purchase decision and also explored consumers' life insurance purchase behaviors. The researchers employed various methodologies to review existing literature, gather primary data, and conduct empirical and focused surveys to obtain the desired results. They found that the behavior of insurance companies and agents plays a crucial role in addressing the primary need for safety and security. Additionally, self-awareness and an individual's understanding of their insurance, along with the trusted sources of information they rely on, are key factors. The insurance products offered by agents align with the buyer's needs. Psychological factors contribute to the understanding of the need for insurance, followed by influences on motivation, perception, beliefs, and attitudes before making a decision. The study also identified demographics, such as age, number of dependents, and income level, as important factors that should not be overlooked. Furthermore, peer pressure and social influences, like

reference groups, were found to have a stronger impact on decision-making. The study also highlighted that biases and other behavioral factors significantly influence the decision to purchase life insurance.

Lim et al. (2020) determined the influencing Factors for customer purchase intention towards insurance products study, which revealed that factors such as product, price, place, promotion, and attitude have an impact on the intention to purchase insurance. The researchers applied the Black Box theory and used a quantitative data collection method, employing a survey with a 5-point Likert scale. The survey sample consisted of 350 respondents, and the questionnaire was developed by adapting existing items. Using PLS-SEM for data analysis, they found that the product was the most significant factor influencing life insurance purchase decisions. Attitude was also identified as mediating the relationship between marketing stimuli and purchasing behavior. The study concluded that the marketing mix-product, price, place, and promotion-affects customer attitudes, which in turn influence purchase intention. Therefore, the study recommended that insurance companies carefully design their marketing mix to boost sales.

TS Lim et al. (2020) examined the factors that shape perceptions of life insurance and how these perceptions influence the intention to purchase life insurance as a means of managing personal financial risks. The study explored various factors that affect people's perceptions of life insurance, drawing on the Perception Formation Model and confirming previous findings. Using primary data from respondents aged 35 and younger, the results, analyzed through Variance-based Structural Equation Modeling (SEM), indicated that the intention to purchase life insurance is influenced by how individuals perceive the product. Those with a positive perception of life insurance are more likely to buy it. The study also found that social influences, such as family members, peers, and the Internet, play a significant role in shaping perceptions of life insurance. The research highlighted the importance of marketing mix design for industry stakeholders and provided insights into the complex decision-making process behind life insurance purchase intentions.

Nomi and Sabbir (2019) identified the factors influencing consumers' purchase intentions toward life insurance in Bangladesh. Using the Theory of Reasoned Action, the researchers

examined the elements affecting consumer intentions to purchase life insurance, incorporating variables such as religiosity, risk aversion motives, saving motives, and financial literacy, thereby extending the classical TRA. The study collected data from 315 respondents working in various public and private institutions in Bangladesh using a convenience sampling method. The data were analyzed through structural equation modeling (SEM). The results revealed that attitude, subjective norms, risk aversion motives, saving motives, and financial literacy all positively influenced consumers' intention to buy life insurance, while religiosity was found to negatively affect purchase intention.

Giri (2018) examined the factors influencing demand of household for life insurance in India by using a unique panel dataset that included 34,855 households surveyed during the Indian Human Development Survey (IHDS) in 2004-05 and 2011-12. The study found that socioeconomical status, level of education of the household head, asset ownership, family structure (such as female-headed households, family size, and childbirth), and having a relationship with a bank all significantly affected life insurance purchase decisions. The research revealed differences between rural and urban households in terms of financial inclusion—such as loans and banking relationships—which influenced rural households but not urban ones. The study aimed to understand how consumers make decisions about purchasing life insurance, using the Theory of Planned Behavior (TPB) as the conceptual framework. It also explored how individuals choose specific insurance policies. The results highlighted that in India's emerging economy, many consumers depend on advice from insurance agents when making purchasing decisions. Applying TPB, the study showed that subjective norms strongly influenced the decision to buy insurance. Social influence also played a role in policy selection, which could lead to suboptimal choices that do not meet customers' financial needs. The findings highlighted the importance of improving education and awareness initiatives for consumers in this rapidly expanding sector.

Rajendran and Balamurugan (2017) examined the factors that influence policyholders' decisions to purchase life insurance products from both public and private life insurance companies in Perambalur district. Their goal was to analyze and prioritize the factors that affect policyholders' choices regarding life insurance products from these companies. The study was

descriptive in nature, using simple random sampling to collect 100 samples each from policyholders of public and private life insurance companies. The questionnaire used for the research included nine factors that impact the decision to purchase life insurance, and respondents were asked to rank them from 1 to 9 based on influence. A weighted score was then applied to rank these factors. The results revealed that policyholders of public life insurance companies prioritized trust in the insurance company, trust in the agent, policy features, and excellent claim settlement. In contrast, policyholders of private life insurance companies ranked policy features, an extensive distribution network, trust in the insurance company, and trust in the agent as the top four factors.

R. Uppily et al. (2016) investigated consumer behavior regarding life insurance products, specifically focusing on private bank employees in Chennai. The study was based on the premise that the demand for insurance products was growing due to increased household savings, rising purchasing power, an expanding middle class, and a growing workforce in the country. With the liberalization of the insurance sector in 2000, consumers now have access to a broader range of options, rather than being limited to products from a single provider. Key factors influencing purchasing decisions included the stability of the insurance company, product features, service capabilities, and claim settlement times. The study focused on understanding the behaviors of private bank employees when selecting life insurance products. Primary data was collected from 54 employees using a structured questionnaire, and the data was analyzed through percentage analysis and cross-tabulation. The study aimed to explore the types of policies preferred, the insurance companies chosen, the policy features that influenced their decisions, the benefits sought, satisfaction with the chosen policies, and challenges faced during the decision-making process. Additionally, the study examined the relationship between age and policy preferences, as well as the correlation between demographic factors and other variables.

H. Wang (2010) examined the factors that influence consumers' decisions to purchase life insurance in China. Given the significant growth of the Chinese insurance industry, the study aimed to explore the dynamics of the market. Survey data was used to identify key determinants affecting life insurance ownership among Chinese consumers, employing a

probit model for analysis. The findings revealed that several factors impact life insurance purchases, including knowledge and trust, consumer profile and investment preferences, product attributes, and socio-demographic factors. Additionally, the study used factor analysis to identify the most important aspects of life insurance for Chinese consumers. The results of the factor analysis revealed four main factors: the importance of product features, consumers' financial strength, their attitude and trust toward the life insurance industry, and consumer characteristics. Through cluster analysis, the study segmented Chinese consumers into three distinct groups, each with unique purchasing criteria and socio-demographic profiles.

Table 1

Summary of Empirical Review

S.N.	Authors/ Year	Objective	Methodology	Findings
1	Botteron et al. (2024)	To determine the traits of people who are willing to get long-term care insurance, either because they are unable to rely on family for care or to safeguard their children's inheritance.	A Swiss survey was used to determine the traits of people who would be interested in buying long-term care insurance. The acquired primary data is subjected to descriptive statistics.	According to the study's findings, having children or not has a significant impact on the two reasons people get long-term care insurance. Additionally, because family care is unreliable, those from the Switzerland's French-speaking region and those with lower self-perceived health are more likely to purchase long-term care insurance. On the other hand, people who have a right-wing political inclination and a higher self-perceived health are more likely to purchase long-term care insurance for bequest protection.
2	M Zaw Naw (2023)	To analyze the influencing factors on consumer purchase decision of life insurance product in Yangon. To	Descriptive statistics is conducted on respondents who are life insurance policyholders. Both the primary and secondary sources of data used for the study purpose.	The finding from the study is that majority of respondents have positive attitude towards life insurance. They wish to purchase life insurance for their family member and are satisfied with current life insurance policy. Most of life assured are young and they have a particular job. There is a

S.N.	Authors/ Year	Objective	Methodology	Findings
		examine the moderating effect of personal income on the relationship between factors influencing and consumer purchase decision of life insurance product.		positive correlation between various variables, particularly these influencing factors with 47 consumer purchase decision. And moderating variable income has positively correlation between influencing factors and purchase decision as well. Regarding the consumer attitude, the study found that the life insurance policyholders have high perception with insurance benefits offered by life insurers and company's financial strength when buying life insurance. Regarding the financial literacy, the life insured has the perception that life insurance is not a waste of money.
3	Segodi and Sibindi (2022)	To establish the variables that influence the demand for life insurance in the BRICS countries.	They used panel data econometric methodologies using a panel of the BRICS bloc of nations as a unit of study for 1999–2020.	The study found that income, unemployment, interest rates, and inflation all had a negative impact on life insurance demand variable, which was measured by life insurance density or, alternatively, life insurance penetration. Additionally, the study found a favorable correlation between the variables of financial freedom and economic growth and the need for life insurance.
4	Muhamad et al. (2021)	To scrutinize the underlying determinants of a household purchase behaviors of life insurance.	The data generated from the administration of survey questionnaires to 325 households were analyzed, using structural equation modelling.	It showed that a household's propensity to buy life insurance is influenced by subjective norms (SN), trust, risk perception, and knowledge about and attitudes toward life insurance. The study's findings also demonstrate how households' purchase propensity affects their life insurance purchasing habits. At the same time, explanatory variables and

S.N.	Authors/ Year	Objective	Methodology	Findings
5	Ramij (2021)	To analyze the demographic and socio-economic influential factors that work as a motivational tool for purchasing life insurance policies by the eligible consumers of Bangladesh.	Using convenience sampling technique, responses of three hundred seventy-eight persons have been analyzed using this study's binary logistic regression model.	buying behaviors are mediated by the desire to buy. According to this study, demographic factors such as gender, age, and educational attainment had no discernible influence on decisions to purchase life insurance policies. On the contrary, a family's monthly income, type of employment, and number of dependents all have a beneficial influence on the decision to buy insurance. Additionally, this study shows that while insurance literacy is beneficial, customers' decisions to buy are adversely affected by the knowledge they obtain about insurance policies. Typically, consumers buy life insurance policies for tax advantages rather than as investments.
6	Nursian a et al. (2021)	To analyze the influence of product quality factors, product risk, company reputation, and service quality on the purchase intention of insurance policies by customers in Indonesia.	This research employs a quantitative methodology. A total of 154 respondents provided primary data. Lisrel 8.80's Structural Equation Modeling approach is used for data processing and model testing.	Product quality had a positive and significant effect on purchase intention; it had a positive and significant effect on company reputation; it had a positive and significant effect on perceived risk perception; It had a positive and significant impact on purchase intention and company reputation; a positive but insignificant effect on service quality; a negative and significant influence on purchase intention due to perceived risk; and a positive and significant effect on service quality and company reputation. These results were observed at a significance level of 0.05.

S.N.	Authors/ Year	Objective	Methodology	Findings
7	Singh & Benium (2021)	To investigate the financial products, purchase behaviors.	Statistical procedures such as the KMO test, factor analysis, ANOVA, correlation, and descriptive statistics were applied to a 26-statement questionnaire that was employed by the researcher.	The study suggested that a lot has to be done as far as the insurance adaptation is concerned in the study area; the involvement of the local government also has to be enhanced -vis-à-vis local community enlighten pertaining to the insurance concepts. The study evaluated the difficulties faced by increase in the living standard of people and put forwards suggestions to resolve the situation. The study in turn helped to enhance the process of indigenous product modulation and development.
8	Haider & zzama (2021)	To understand the overall impact of different factors that influences consumer's behavior towards the demand of life insurance policy.	Direct Questionnaires method was followed and analysed through Mean, Median, S.D, correlation and regression method.	The researcher employed a 26-statement survey that was subjected to descriptive statistics, factor analysis, ANOVA, correlation, and the KMO test.
9	Guan et al. (2020)	To evaluate whether product, price, place, promotion and attitude do influence the purchase intention of insurance.	Black box theory is applied in this study. This is a quantitative study where data is collected using survey method. The 26-statement questionnaire that the researcher utilized was subjected to statistical procedures such as factor analysis, ANOVA, correlation, KMO test, and descriptive statistics.	Using PLS-SEM data analysis method, this study found that product is the most important influence on life insurance purchase decision. This study finds that marketing mix which is product, price, place and promotion will influence customer attitude and subsequently customer purchase intention.

S.N.	Authors/ Year	Objective	Methodology	Findings
10	Ramanjaneyalu et al. (2021)	To analyze factors an investor considers while making a life insurance purchase decision and consumers' life insurance purchase behaviors	Direct Questionnaires method was followed for data collection than quantitative research method was followed.	Demographics including age, the number of dependents, and income level were noted as additional factors that should not be disregarded. They discovered that when making decisions, peer pressure and other social factors—like reference groups—have a greater impact. Additionally, the choice to buy life insurance is significantly influenced by biases and other behavioral factors.
11	Lim et al. (2020)	To investigate the explanatory factors influencing perception toward life insurance.	The Perception Formation Model served as the foundation for the study and reinforced earlier findings. Variance-based Structural Equation Modelling (SEM) results based on primary data collected from respondents up to the age of 35 indicated that people's perceptions of the product itself were related to their intention to get life insurance.	Naturally, people who have a positive opinion of life insurance are more likely to buy. The findings indicated that people's perceptions of life insurance are strongly explained by social influence agents, such as peers, family, and the Internet. The study provided light on the intricacy of the decision-making process with relation to the desire to acquire life insurance and involved industry actors in the construction of the marketing mix.
12	Nomi and Sabbir (2019)	to investigate the elements that affect consumers' intentions to purchase life insurance.	The study extended the paradigm by incorporating financial literacy, risk aversion motives, saving motives, and religion with the traditional Theory of Reasoned Action (TRA). Data was gathered from 315 respondents who worked in various public and private institutions in Bangladesh using a convenience sample technique. The structural	The findings showed that customer purchase intention for life insurance is significantly positively impacted by attitude, subjective norms, risk aversion motives, saving motives, and financial literacy. Furthermore, it was discovered that buying intention was negatively impacted by religion.

S.N.	Authors/ Year	Objective	Methodology	Findings
			equation model was used to analyze the collected data (SEM).	
13	Huong Mai et al. (2018)	To examine the process from the intention to purchase life insurance among people in two major cities of Hanoi and Ho Chi Minh City in Vietnam, based on the theoretical framework of theory of planned behavior.	358 participants in the study completed an online survey in Hanoi and Ho Chi Minh City, Vietnam. The study employed regression analysis using SPSS software, Cronbach's alpha, exploratory factor analysis, KMO, and Bartlett's test based on the data gathered.	The findings demonstrate that attitudes, financial knowledge, purchase intention, and product accessibility all had an impact on life insurance purchasing behavior. Furthermore, it has been acknowledged that purchasing life insurance is more heavily influenced by financial literacy and product accessibility. The study found that financial literacy could encourage both intention and actual life insurance purchasing behavior.
14	Giri (2018)	To comprehend the process by which customers decide whether to get life insurance.	For this, a special short panel dataset of 34,855 households that were polled in the Indian Human Development Survey (IHDS) in 2004–05 and 2011–12 was employed. The theoretical model that was employed was the theory of planned behavior (TPB).	According to the study, the primary distinction between rural and urban households was that the former was more impacted by financial inclusion (as measured by loans taken out and bank relationships) than the latter. Additionally, the decision to buy insurance is significantly influenced by subjective norms.
15	Saha and Dutta (2017)	to determine the key elements that significantly influence how consumers in the Indian life insurance market perceive the quality of	Factor Analysis Methodology was adopted.	Following the entire data mining process, six components were found using factor analysis and were deemed to be the "Factors Influencing of Service Quality Perception in Indian Life Insurance Sector."

S.N.	Authors/ Year	Objective	Methodology	Findings
		the services they receive.		
16	Rajendran and Balamurugan (2017)	To analyze the elements influencing policyholders' choices to buy life insurance from Perambalur District's public life insurance companies. to investigate what factors influence policyholders' choices to buy life insurance products from private companies in the Perambalur district.	The descriptive research approach is applied. Data is gathered using a well-structured questionnaire. To choose 100 respondents from both public and commercial life insurance companies, the researcher used basic random sampling.	In order of their degree of influence on policyholders' decisions to buy life insurance products, nine elements from both public and private life insurance businesses are categorized as most, moderately, and least impacting factors following data analysis.
17	Ramanjaneyalu and Deshpande (2017)	To identify the elements that an investor should take into account when choosing to buy life insurance and to comprehend the purchasing habits of consumers.	To obtain the intended conclusions, the researchers employed a variety of approaches, including reviewing the body of existing literature, gathering some primary data for the study, and conducting empirical and limited surveys.	The study's main conclusions were that insurance companies and agents should act in a way that meets the basic needs of safety and security, self-awareness, and knowledge of one's insurance and reliable information sources.
18	Uppily R.(2016)	To examine how employees of private banks behave as	The basic data used in this study was gathered from 54 private bank workers using a standardized	The study also examines the association between demographic characteristics and other variables, as well as the relationship between age and the preferred policy type.

S.N.	Authors/ Year	Objective	Methodology	Findings
		consumers while making purchases of life insurance products.	questionnaire. Cross tabulation and percentage analysis have been used to examine the data.	Purchase behaviors for life insurance are directly impacted by demographic characteristics.
19	Jadhao, and Panchari ya (2015)	To investigate any connections between the variables influencing policyholders' decisions to buy life insurance products.	Direct questionnaires are used, and the results are further assessed using statistical and other procedures.	According to the paper's conclusion, respondents purchase insurance plans for "Wide risk coverage" and "Savings."
20	H Wang (2015)	to comprehend the sociodemographic traits, customer segmentation, and life insurance behavior of Chinese consumers.	Using a probit model, this study examined survey data to uncover important factors associated with Chinese consumers' ownership of life insurance.	The findings showed that a number of factors, such as sociodemographic, consumer profile and investment preferences, knowledge and trust, and the significance of product qualities, affect Chinese consumers' decisions to purchase life insurance.

2.3.1 Review of Literature in Nepalese Context

The quantitative research method of analysis has been used in many studies to examine the factors influencing policyholders' decisions to purchase life insurance policies. However, there aren't many studies on this topic in the context of Nepal.

Pandey et al. (2024) explored the factors influencing customer satisfaction in a government-owned life insurance company, specifically Rastriya Beema Sansthan in Nepal. The study aimed to identify the key determinants of customer satisfaction in this organization. A descriptive and analytical research design was employed, with purposive sampling used to gather primary data from respondents. The analysis involved descriptive statistics, correlation analysis, and regression analysis to examine the relationship between customer satisfaction and

factors such as settlement of claim, premium amount, communication level, service recovery model, and service quality. The findings revealed that while service quality had no significant impact on customer satisfaction, the other variables tested were found to have a significant effect.

Bista and Upadhyay (2023) examined the variables influencing customers' decisions to purchase life insurance policies in Chitwan, Nepal. Their study's goals were to determine people's intents about life insurance purchases, analyze Chitwan's degree of life insurance awareness, and investigate the connections between perception, attitudes, awareness, and buy decisions. In Bharatpur, Chitwan, Nepal, 150 policyholder respondents participated in an analytical cross-sectional study. Data was gathered using a non-probability purposive sampling technique. Descriptive and inferential statistical analysis methods were used to analyze the data. The dependent variable in this study was the purchase of a life insurance policy, while the independent variables were the purpose of purchasing, perception and appraisal of alternatives, and trust. SPSS 20 was used for the data analysis. P-value <0.05 was taken into account.

Rathi (2022) investigated consumer awareness and its influence on life insurance purchasing behavior in Nepal. The study aimed to assess the level of consumer awareness regarding life insurance products and how it impacts their buying decisions. A cross-sectional survey was conducted with a sample of 300 respondents. Awareness levels were gauged using a questionnaire, and the impact on purchasing behavior was analyzed through correlation and regression techniques. The findings showed that higher consumer awareness was positively associated with the likelihood of purchasing life insurance policies. The study also recommended that increasing awareness through educational campaigns and clear communication could boost consumer engagement and improve purchase rates.

Sharma (2021) examined the marketing strategies and consumer behavior towards life insurance in Nepal. The study aimed to assess the effectiveness of different marketing strategies employed by insurance companies in shaping consumer behavior in Nepal. A mixed-methods approach was used, combining qualitative interviews with marketing professionals and quantitative surveys with consumers. Marketing strategies were analyzed through content

analysis, while consumer responses were evaluated using statistical methods. The findings revealed that personalized marketing, word-of-mouth recommendations, and digital marketing strategies were the most effective in influencing consumer behavior. Insurance companies that focused on a customer-centric approach and utilized digital platforms experienced higher engagement and sales.

Kumar (2020) assessed the factors influencing the demand for life insurance in Nepal. The study aimed to identify and analyze the key determinants affecting life insurance demand in the country. A cross-sectional survey was conducted with 300 respondents from various regions of Nepal. Factor analysis was used to identify the main determinants, while regression analysis was employed to evaluate their impact on insurance demand. The study found that income level, education, and awareness of life insurance benefits were significant factors affecting demand. Additionally, economic stability and personal financial planning were also found to influence purchasing decisions. The findings suggested that increasing financial education and promoting the benefits of insurance could help boost demand.

Koirala (2019) evaluated consumer perceptions and behaviors regarding life insurance products in Nepal. The research used a survey approach, distributing structured questionnaires to life insurance buyers in Kathmandu. Data were analyzed with different statistical techniques, including descriptive statistics and regression analysis, to identify key factors influencing purchase decisions. The study revealed that factors like consumer trust, product knowledge, and financial literacy are strong predictors of life insurance purchasing behavior. It found that greater trust and a better understanding of the product are associated with a higher likelihood of purchasing life insurance. The study also emphasized the importance of clear communication and educational efforts by insurance companies.

Bhatta et al. (2017) investigated how socio-demographic factors influence life insurance purchasing decisions in Nepal. They used a quantitative method, surveying 400 respondents, and analyzed the data through multiple regression to assess the effects of various socio-demographic factors on purchasing behavior. The study found that higher income, more education, and older age were positively linked to a higher likelihood of purchasing life

insurance. Additionally, it highlighted that younger individual with lower incomes were less likely to buy life insurance, underscoring the need for tailored marketing strategies.

Table 2

Summary of Review of Literature in Nepalese Context

S.N.	Authors/Year	Objective	Methodology	Findings
1	Pandey et al. (2024)	To analyze the determinants of customer satisfaction in Rastriya Beema Sansthan of Nepal.	The research design used in this study is both descriptive and analytical. The primary response from the respondents is gathered using the purposive sampling technique. The relationship between customer satisfaction and factors such as premium, communication, claim settlement, service recovery, and service quality at Rastriya Beema Sansthan was analyzed using descriptive, correlational, and regression analysis.	While other variables studied were found to be important, the study concluded that customer happiness is unaffected by service quality.
2	Bista & Upadhyay (2023)	Evaluating people's intentions to buy life insurance, assessing Chitwan's level of life insurance knowledge, and investigating the connection between perception, attitudes, awareness, and	Data was gathered using a non-probability purposive sampling technique. Both descriptive and inferential statistical methods were used to analyze the data.	According to the study's findings, the following elements influence customers' decisions to purchase life insurance policies: education, financial standing, medical crises, higher returns, comparison with other insurance providers, individual perception, available options, and trust.

S.N.	Authors/Year	Objective	Methodology	Findings
		purchase decision		
3	Rathi (2022)	To investigate the degree of consumer knowledge regarding life insurance policies and how it affects purchasing decisions in Nepal.	A cross-sectional survey with a sample of 300 respondents was used in the study. Questionnaire items were used to gauge awareness levels, and correlation and regression analysis were used to examine how these levels affected consumer behavior.	The study discovered a favorable correlation between the chance of buying life insurance plans and greater consumer knowledge. According to the study, raising awareness through informative initiatives and straightforward communication could improve customer satisfaction and conversion rates.
4	Sharma (2021)	To look into how well different insurance company marketing techniques work to change Nepalese consumers' purchasing habits.	The study employed a mixed-methods approach, combining quantitative consumer surveys with qualitative interviews with marketing experts. The study used statistical analysis to examine consumer responses and content analysis to examine marketing methods.	According to the study, the best ways to affect customer behavior are through digital marketing techniques, word-of-mouth referrals, and tailored marketing. Businesses who embraced digital platforms and a customer-centric strategy saw increases in revenue and engagement.
5	Kumar (2020)	To identify and analyze the key determinants affecting the demand for life insurance in Nepal.	The researchers carried out a cross-sectional survey with 300 respondents from different regions of Nepal. They employed factor analysis to pinpoint the main determinants and used regression analysis to	The study identified key factors such as income level, education, and awareness of the benefits of life insurance as major determinants of demand. It also found that economic stability and personal financial planning play a role in

S.N.	Authors/Year	Objective	Methodology	Findings
			evaluate their influence on the demand for insurance.	influencing purchasing decisions. The findings indicated that improving financial education and raising awareness about insurance benefits could help increase demand.
6	Koirala (2019)	To examine how consumer perception and behavior impact the purchase of life insurance policies in Nepal.	A sample of life insurance purchasers in Kathmandu were given structured questionnaires as part of the survey method used in this study. To determine the main elements impacting consumer behavior, data were examined using statistical techniques like regression analysis and descriptive statistics.	The study discovered that financial literacy, product expertise, and consumer trust are important indicators of life insurance purchasing behavior. The chance of buying life insurance policies is positively correlated with high levels of trust and improved product knowledge. The report also emphasized the significance of insurance companies' educational programs and efficient communication.
7	Bhatta et al. (2017)	To investigate the influence of sociodemographic variables on life insurance purchase decisions in Nepal, including age, income, and educational attainment.	With 400 respondents, the study used a quantitative methodology. Multiple regression analysis was used to analyze the data and determine how various sociodemographic factors affected consumers' purchasing decisions.	The results showed that the chance of buying life insurance is positively connected with older age, higher income levels, and higher levels of education. Additionally, the study showed that younger people with lower incomes were less likely to get life insurance, highlighting the necessity of focused marketing campaigns.

2.4 Research Gap

Many studies have focused on the influence of product features generic to life insurance policies namely, risk coverage, term of policy, post maturity facility and non-product features namely, company brand, agent influence, good will of company, accessibility of company, claim settlement procedure in the life insurance purchasing behavior.

Researchers have been identifying the elements that influence the purchasing of life insurance plans in recent years, following in the footsteps of Hammond, Houston, and Melander. Anderson and Nevin (1975) measured life insurance purchasing behavior by looking at the type and amount of life insurance acquired.

Some studies have examined the socioeconomic and demographic aspects which influence the demand for life insurance in India. Giri (2018) examined socioeconomic status, education level of the household head, asset ownership, family structure 's relationship in life insurance purchase decisions. Studies that attempt to comprehend the purchasing habits and underlying motivations of life insurance policyholders are nonexistent. It is uncommon to find research on how financial knowledge and saving intentions affect people's decisions to get life insurance in Nepal.

Future researchers may consider diverse approaches, such as concentrating on a single Insurance company or using the entire policyholder of the Insurance company as the sample. They could explore variations in the number of dependent and independent variables. Researchers may also choose to use secondary data collection techniques or investigate alternative study strategies to the descriptive approach. This would offer a more thorough understanding of the variables affecting Nepalese consumers' decisions to obtain life insurance plans.

CHAPTER III

RESEARCH METHODOLOGY

The approach used in this study is explained in this chapter. There are five sections in this chapter. The study's research design is described in the first section. The nature and source of data are covered in the second part. The demographic and sampling strategy employed in the study are described in the third section. Comparably, the fourth portion outlines the analysis methodology, and the fifth section provides the variables and the standards by which they are measured.

3.1 Research Design

This study uses primary data and is quantitative in nature. The features of the variables employed in this study are described, and the data is condensed into a comprehensible format, using a descriptive and explanatory research design. The basic data gathered from the policyholders allowed for the quantitative nature of this study. The goal of the research study is to investigate the elements that impact people's decisions to buy insurance. The study used regression, correlation, descriptive, and other statistical approaches to accomplish the goal.

3.2 Population and Sample and Sampling design

The population taken for the study is the policyholders, who are engaged in any economic sector of the economy. Mostly, the respondents are the policyholders from Kathmandu involved in academic field, private, public, government service and business. During the study, out of total sample of 384, the response rate was found to be 93.60 percent i.e., 359 responses were recorded. Convenience sampling has been employed for the study.

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

The study is based on the primary source of data collection. So, to collect the data, an online survey has been adopted using a questionnaire. Raw data were collected using online survey through Google form applying a self-administered questionnaire. The collected data were analyzed after it has been sorted and matched.

According to the literature, a self-administered questionnaire should be used to gather data. The questionnaires are split into two sections in order to measure the independent and dependent variables. The dependent variable is the person's life insurance purchasing behavior, while the independent variables include financial literacy and saving intentions. The first part includes five questions about the demographic profile of respondents that include: gender, age, marital status, number of dependents, education, occupation, monthly household income and whether they have purchased life insurance policy or not. And the second part includes name of the company from which the policyholders have purchased policy, type of life insurance policy purchased, policy period, premium payment plan, 23 Likert scale questions.

According to Kopusko and Hershey (2014), a 5-item scale measuring the degree of agreement is used to gauge financial literacy and saving motivations. Respondents score the degree to which each of five statements accurately characterizes them.

Financial literacy is measured using six (6) items of financial knowledge and two (2) items of financial behavior in which the respondents is asked to self-rate their financial literacy. All items use a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Saving Motives: To ascertain whether life insurance was bought for a newborn child, future life events, or children's schooling, life-cycle motives are examined using three (3) questions. Two (2) questions that ask respondents if they bought life insurance for emergencies, rainy days, or the regrettable case of disability are used to gauge precautionary intentions. Two (2) questions that examine whether life insurance was bought for the dependents in the event that the primary wage earner was not there or as a means of providing for them in the event of their death are used to gauge bequest motives. Two (2) items are used to gauge respondents' motivations for accumulating wealth. One asks them if they bought life insurance to save money, to get guaranteed returns, or for its bonuses.

3.4 Reliability Test

According to Wells and Wollack (2003), Cronbach's alpha is a widely used statistical metric for evaluating the internal consistency of survey questions. It has a range of 0 to 1, with readings close to 1 being regarded as highly consistent. Additionally, they recommend that

Cronbach's alpha be higher than 0.7 in order to reflect the survey instrument's stronger internal consistency.

To ensure whether the instruments are reliable or not, test of reliability is conducted, and results are presented in table.

Table 3

Reliability Statistics of Variables

Variables	Number of Statements	Cronbach's Alpha
Financial Literacy	6	0.768
Precautionary Motive	3	0.673
Life cycle Motive	2	0.723
Wealth accumulation motive	2	0.663
Bequest motive	2	0.665
Life Insurance Purchase Behavior	6	0.813

Table 3 shows the Cronbach's alpha value for the test variables. There is total 21 statement from both dependent and independent variables. Cronbach's alpha for each of the variable is found to be more than 0.60, implying the reliability of the study. It shows the internal consistency of the data and validates the items' homogeneity.

3.5 Method of Analysis

The study used Statistical Package for Social Science (SPSS) and MS Excel software for the analysis of data. As a result, statistical models used for secondary data analysis are covered in this section. Descriptive statistics, such as mean, median, and standard deviation, have been used in the study to describe the characteristics and description of the data that was gathered in various measurement aspects. Multiple regression analysis has also been applied in the study.

In order to represent pertinent data, such as demographic and other category responses in numbers and averages, descriptive statistics were created and examined using the numeric technique. The impact of factors like financial literacy and saving motivations on people's life insurance purchasing behavior has been described using descriptive analytical tools such as the mean and standard deviation of various variables.

Cronbach's Alpha was used to analyze the constructions' reliability. A pilot test with 50 samples was conducted before the actual survey began in order to verify and authenticate the questionnaire and make the necessary modifications.

Regression analysis and correlation were used for inferential statistics. The degree of relationship between the independent and dependent variables was tested using Pearson correlation. Purchase behavior and independent factors were found to have a substantial association, according to the investigation.

The regression analysis was done taking life insurance purchasing behavior as dependent variable while financial literacy, and Saving motives (bequest motive, life cycle motive, precautionary motive and wealth accumulation motive) were taken as independent variables after having satisfactory results from the reliability test.

The regression equation between independent variables and dependent variable for hypothesis are mentioned below:

$$\text{Life insurance purchase behavior} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where,

Y= Life Insurance Purchasing Behavior

X₁= Financial Literacy

X₂=Life Cycle Motive

X₃=Precautionary Motive

X₄= Wealth Accumulation Motive

X₅= Bequest Motive

β_1 = Coefficient of Financial Literacy

β_2 = Coefficient of Life Cycle Motive

β_3 = Coefficient of Precautionary Motive

β_4 = Coefficient of Wealth Accumulation Motive

β_5 = Coefficient of Bequest Motive

e = error term

α = constant term

3.6 Research Framework and Definition of Variables

The theoretical framework of the study is based on the concept that demand for life insurance product is subject to factors; Financial Literacy and Saving Motives. The factors influencing policyholders, as identified in previous literature reviews, have a substantial impact on individuals' choice of insurance products. In this context, the dependent variable is the selection of a life insurance product, while the independent variables are Financial Literacy and Saving Motives, as outlined below:

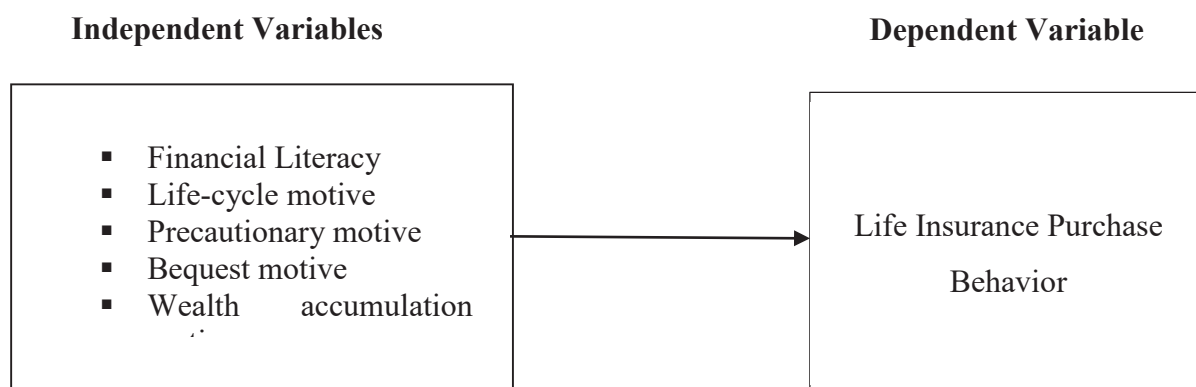


Figure 2 Theoretical Framework

Source: Nomi and Sabbir (2019)

Definition of Variables

Independent variables

The independent variables are categorized into two main components: saving motives and financial literacy.

Financial literacy

Financial literacy refers to an individual's understanding of financial concepts and their financial behaviors, which enable them to evaluate their own financial knowledge. Huston (2010) defined financial literacy as the ability to apply financial knowledge and manage resources effectively to maintain financial well-being throughout life.

Precautionary motive

The term "precautionary motive" describes actions people do to lessen life's uncertainties. In the sense that it is ready to handle the consequences of the unfavorable outcomes that uncertainty may portend, insurance serves as a safeguard against a sense of uncertainty. (Wärneryd, 1999).

Life cycle motive

In order to prepare for major life events and expenses that may come up later in life, such as getting married, buying a home, going to school, or having a child, people cut back on their spending and save money, according to Modigliani and Brumberg (1954). Diverse saving motives are implied by consumers' varying propensities to save in various account categories.

Wealth accumulation motive

According to Wärneryd (1999), people save in order to build up capital, or, to put it another way, to turn a "profit" from their savings. The demand for life insurance will rise as households confront increased uncertainty, such as the possibility of future income fluctuations and unexpected out-of-pocket medical costs, which will make them want to save more money.

Bequest motive

Intentions to leave an inheritance to dependents or next of kin are referred to as the bequest motive (Bernheim et al., 1985). The amount of money a couple decides to leave the survivors if both of them survive is the basis for purchasing life insurance.

Dependent Variable

The demand for life insurance is the study's dependent variable. "Demand" in economics refers to people's ability and willingness to pay for a certain good or service. Therefore, the process of buying life insurance and policyholders' attitudes toward the policy are included in the study's definition of life insurance purchasing behavior.

CHAPTER IV

RESULTS AND DISCUSSION

The analysis of the survey data is presented in this chapter. The chapter seeks to achieve the study's goals since the analysis tests the hypotheses that were developed for the investigation.

4.1 Results

This section presents a comprehensive analysis of the collected data, including descriptive statistics such as frequency analysis of demographic variables, and descriptive statistics for the key variables of interest. The inferential analysis further investigates the relationships among the variables. This structured approach provides a thorough understanding of the factors influencing in purchase behavior of life insurance policyholders in Kathmandu Valley, Nepal.

4.1.1 Demographic Profile of Respondents

To understand the demographic profile of the respondents, factors such as gender, age group, level of education, profession, and years of experience, household monthly income and retirement saving plans of the individuals.

Table 4

Demographic Profile of the Respondents

Particulars	Categories	Frequency	Percent
Gender	Male	159	41.1
	Female	228	58.9
Age	Below 19	6	1.6
	20 to 39 years	349	90.2
	40 to 59 years	32	8.3
Education	Below +2	12	3.1
	+2(intermediate)	12	3.1
	Bachelor's Degree	106	27.4
	Master's Degree	257	66.4

Occupation Status	Student	6	1.6
	Private Job	203	52.5
	Public Job	151	39.0
	Government Job	15	3.9
	Business Job	12	3.1
Household Income (Monthly)	Below NRs. 50,000	122	31.5
	NRs. 50,000 to 1,00,000	209	54.0
	NRs. 1,00,001 to 1,50,000	39	10.1
	NRs. 2,00,001 and above	17	4.4
Marital Status (Family)	Single (Unmarried)	239	61.8
	Married without having children	12	3.1
	Married and have dependent children	112	28.9
	Married and have independent children	24	6.2
Number of Dependents	None	251	64.9
	1	91	23.5
	2 to 3	45	11.6

Table 4 shows that the respondents profile grouped by different demographic variables namely, gender, age, education, occupation status, household income (monthly), marital status and number of dependents. Out of 387 respondents, 41.1 percent of them are male and remaining 58.9 percent are female. The figure shows that the male is low in number as compared to female. Of the total respondents, 1.6 percent of the total respondents surveyed are of age group below 19, 90.2 percent of the total respondents are of age group 20 to 39 and only 8.3 percent of them are of age group 40 to 59. These figures suggest that large proportion of policyholders are of young population group.

Of the 387 respondents, 66.4 percent have education qualification of master degree, 27.4 percent have completed bachelor degree, 3.1 percent have completed intermediate level and 3.1 percent have completed school level. Among all the respondent 1.6 percent are students, 52.5 percent are private job holders, 39 percent are public job holders, 3.9 percent are government job holders and 3.1 percent have their own business.

Likewise, 31.5 percent have monthly household income less below NRs. 50,000, 54 percent have monthly income of NRs. 50,000 to 1,00,000, 10.1 percent have monthly household income of NRs. 1,00,001 to 1,50,000, and 4.4 percent have monthly household income above NRs. 2,00,001

Similarly, 61.8 percent of the total respondents are single, 3.1 percent are married without children, 28.9 percent are married and have dependent children and 6.2 percent are married and have independent children. 64.9 percent have no dependent (children), 23.5 percent have only one dependent (children) and 11.6 have 2 to 3 number of dependent.

4.1.2 Descriptive Analysis

Descriptive analysis describes the basic features of the data under study. The following tables depict the descriptive analysis of all Likert scale questions used for measuring the variables:

Table 5

Descriptive Statistics of Financial Literacy

Statement	N	Mean	Std. Deviation
An investment with a high return is likely to be high risk	387	4.05	.927
I have adequate knowledge to manage my personal finance	387	3.71	.918
I understand inflation and how it may impact my future investment income	387	3.88	.731
Insurance provides security against future uncertainty	387	4.18	.8561
High inflation means that the cost of living is increasing rapidly	387	4.00	.750
It is less likely that I will lose all of my money if I save it in more than one place	387	3.41	1.065

Table 5 provides the mean score of respondents in each of the 5-point Likert scale questions and the variation in the responses is presented by standard deviation, regarding financial literacy.

The mean score for the statement “An investment with a high return is likely to be high risk” is 4.05, that means on an average respondent agrees with the statement that higher the risk higher the profit. The mean score for statement “I have adequate knowledge to manage my personal finance” is 3.71 which means on an average the respondents rate themselves with enough knowledge to manage their finance. The mean score for statement “I understand inflation and how it may impact my future investment income” is 3.88 which means on average the respondents agree that they know about inflation and its impact on their income.

The mean score for the statement “Insurance provides security against future uncertainty” is 4.18, that means on an average the respondents agree that insurance minimizes the future uncertainty. The mean score for the statement “It is less likely that I will lose all of my money if I save it in more than one place” is 3.41, which means considering the average respondents agree that saving money in different ways help minimizing the risk of losing every savings. This can be inferred as most of the respondents have saving habits.

Table 6*Descriptive Statistics of Saving Motives*

Statement	N	Mean	Std. Deviation
To finance my children's future	387	2.46	1.331
To get loan against policy	387	3.55	.899
To cover future financial events.	387	3.86	.939
To secure future in unfortunate event case like disability	387	4.09	.485
To minimize future uncertainty	387	4.14	.522
To save income tax	385	3.51	1.078
For guaranteed returns	387	3.62	1.039
To leave as an inheritance	387	3.38	1.175
To secure the future of my family in case of my death	387	3.74	.896

Table 6 provides the mean score given by the respondents to each of the 5-point Likert scale questions and the variation in the responses is presented by standard deviation, regarding their saving motives.

The mean score for the statement “To finance my children's future” is 2.46 and standard deviation of 1.331, which means on an average the respondents do not agree with the statement that the reason that they purchased life insurance policy is for their children’s future event like marriage, education and other events. The mean score for statement “To get loan against policy” is 3.55 and standard deviation of 0.899, which means on an average the respondents agrees that loan facility against policy is one of the reasons to purchase the life insurance policy. The mean score for statement “To cover future financial events” is 3.86 and standard deviation of 0.939, which means respondents agree that they purchased life insurance to

finance their future financial events like marriage. These statement measures the life cycle motive of an individual.

The mean score for the statement “To secure future in case of unfortunate event like disability” is 4.09 and standard deviation of 0.485, which means on an average the respondents agree with the statement that the reason that they purchased life insurance policy is to financially secure their future from any mis happenings that can lead to stop of regular income. The mean score for statement “To minimize future uncertainty” is 4.14 and standard deviation of 0.522, which means on an average the respondents agrees that loan facility against policy is one of the reasons to purchase the life insurance policy. These statement measures the precautionary motive of an individual.

The mean score for the statement “To save income tax” is 3.51 and standard deviation of 1.078, which means on an average the respondents agree that to save income tax they purchased policy. The mean score for the statement “For guaranteed returns” is 3.62 and standard deviation of 1.039, which means on an average the respondents agree that future return from policy made them purchase the policy. This can be inferred as most of the respondents have saving habits. These statement measures the wealth accumulation motive of an individual.

The mean score for the statement “To leave as an inheritance” is 3.38 and standard deviation of 1.175, which means on an average the respondents agree that to leave it as an inheritance they purchased policy. The mean score for the statement “To secure the future of my family in case of my death” is 3.74 and standard deviation of 0.896, which means on an average the respondents agree that they do not want to leave any financial burden to their family in case of their demise. These statement measures the bequest motive of an individual.

Table 7*Descriptive Statistics of Life Insurance Purchase Behavior*

Statements	N	Mean	Std. Deviation
It took me time and much consideration when I decided to purchase insurance service	387	2.17	.732
I actively communicated with insurers to clarify the questions I care about	387	3.74	.803
Before purchasing the policy, I compared similar products offered by other insurers	387	3.79	.791
I was aware about all the benefits of insurance policy	387	3.90	.689
It is worth purchasing an insurance service which is not compulsory according to the law	387	3.95	.493
I bought Life insurance policy without any hesitation	387	4.71	.600

Table 7 shows the descriptive statistics of life insurance purchasing behavior of policyholders. The means of the time taken while purchasing life insurance is 2.17 with standard deviation of 0.732. Active communication with insurer has a mean of 3.74 with standard deviation of 0.803. The product comparison prior to purchase has a mean of 3.79 with standard deviation of 0.791. The statement of awareness about all benefits of a policy has a mean of 3.90 with standard deviation of 0.689. Life insurance is worth buying have a mean of 3.95 with standard deviation of 0.493. The respondents responded with a mean score of 4.71 and standard deviation of 0.6 for purchasing life insurance without any hesitation.

Table 8*Summary of Descriptive Analysis of Variables*

Statement	N	Mean	Std. Deviation
Financial Literacy	387	3.9147	.64420
Life Cycle Motive	387	3.2791	.77168
Precautionary Motive	387	4.1835	.52889
Wealth Accumulation Motive	387	3.6873	.93461
Bequest Motive	387	3.7054	.89097
Life Insurance Purchasing Behavior	387	3.86	.596

Table 8 shows the descriptive statistics of key variable used. The mean of financial literacy is 3.9147 with standard deviation of 0.6442. Life cycle motive have a mean of 3.2791 and standard deviation of 0.77168. The mean of precautionary motive was 4.1835 with standard deviation of 0.52889. The mean of wealth accumulation motive was 3.6873 with standard deviation of 0.93461. The mean of bequest motive was 3.7054 with standard deviation of 0.89097. The mean of life insurance purchasing behavior is 3.86 with standard deviation of 0.596.

4.1.3 Correlation Analysis

Correlation is a measure used to assess the relationship between two variables. The primary goal of correlation is to determine whether there is a positive, negative, or no relationship between two or more variables.

Table 9*Correlation between Dependent and Independent Variables*

	(1)	(2)	(3)	(4)	(5)	(6)
Financial Literacy (1)	1					
Life Cycle Motive (2)	-.025	1				
Precautionary Motive (3)	.244**	-	1			
Wealth Accumulation Motive (4)	-.062	.151**	.384**	-.057	1	
Bequest Motive (5)	-.044	.256**	-.055	.490**	1	
Life Insurance Purchase Behavior (6)	.171**	.086	.190**	.171**	.287**	1

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

Table 9 highlights Pearson's correlation has been used to show the mutual relationship between the variables of data sets. The correlation of dependent variable life insurance purchasing behavior and independent variables financial literacy and saving motive has been shown by the table.

The correlation matrix suggests that the relationship between financial Literacy and Life cycle motive, wealth accumulation motive, bequest motive have negative association with -0.25, -0.62 and -0.44 respectively. Whereas with another independent variable precautionary method it has positive association of 0.244 and with dependent variable Life insurance purchase behavior it has positive association of 1.71 also.

Also, life cycle motive has association of -1.51, .384, .256 and .086 with precautionary motive, wealth accumulation motive, bequest motive and life Insurance purchase behavior.

Precautionary motive is negatively correlated with independent variable wealth accumulation motive and bequest motive by -.057 and -.055 whereas it is positively correlated with dependent variable life insurance purchase behavior by 1.90.

Likewise, life insurance purchase behavior is positively correlated with financial literacy, life cycle motive, precautionary motive, wealth accumulation motive and bequest motive.

4.1.4 Regression Analysis

A statistical method for examining the linear relationship between variables is regression analysis. Using the known value of one variable to estimate the value of an unknown variable is helpful.

Effect of independent variables on dependent variable through regression analysis

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.383 ^a	.147	.135	.554

a. Predictors: (Constant), Bequest Motive, Financial Literacy, Precautionary Motive, Life Cycle Motive, Wealth Accumulation Motive

The findings of the linear regression analysis between the independent variables and the dependent variable life insurance purchasing behavior are compiled in Table 10. The independent variables in this case account for 14.7% of the variation in the dependent variable, life insurance purchasing behavior, according to the R square of 0.147.

Table 11

ANOVA of Regression Analysis Independent and Dependent Variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.117	5	4.023	13.095	.000 ^b
	Residual	117.066	381	.307		
	Total	137.183	386			

a. Dependent Variable: Life Insurance Purchase Behavior

b. Predictors: (Constant), Financial Literacy, Precautionary Motive, Life Cycle Motive, Wealth Accumulation Motive, Bequest Motive

As per the Table 11, F value demonstrates that most of the variation in dependent variable is explained by the regression equation and the model is useful for our study and vice versa. Here

p-value < 0.05 which indicates that regression model fitted is useful in predicting the values of the dependent variable for the given values of independent variables within the data set.

Table 12

Coefficients of Independent and Dependent Variables

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.646	.316		5.207	.000
Financial Literacy	.132	.045	.143	2.927	.004
Life Cycle Motive	.023	.040	.030	.573	.567
Precautionary Motive	.200	.056	.177	3.586	.000
Wealth Accumulation Motive	.029	.036	.045	.783	.434
Bequest Motive	.183	.036	.273	5.018	.000

a. Dependent Variable: Life Insurance Purchase Behavior

In Table 12, the coefficient value and the P value of financial behavior ($b = 0.132$, S.E. = 0.045, $P = 0.004$), life cycle motive ($b = 0.023$, S.E. = 0.040, $P = 0.567$), precautionary motive ($b = 0.200$, S.E. = 0.056, $P = 0.000$), wealth accumulation motive ($b = 0.029$, S.E. = 0.036, $P = 0.434$), bequest motive ($b = 0.183$, S.E. = 0.036, $P = 0.000$), the slope is positive and P value is less than the level of significance of 0.05, which indicates that there is statistically significant and positive influence of financial literacy, precautionary motive and bequest motive on life insurance purchasing behavior, but insignificant influence of wealth accumulation motive on life insurance purchasing behavior.

4.2 Discussion

There have been various studies on the life insurance purchase and factors influence the purchase. The results of previous research revealed that both financial literacy and saving motives (Life Cycle Motive, Precautionary Motive, Wealth Accumulation Motive, Bequest Motive) found positive statistical relevance in determining life insurance purchasing behavior of individuals.

According to this study the level of financial literacy was found to have positive and significant influence on life insurance purchase behavior. This involves analysis of similar products by other insurance companies. This result is similar to results of previous studies by Rooij, Lusardi, and Alessie (2007), Bhushan (2014) and Hilgert, Hogarth, and Beverly (2003). In contrary, Mahdzan and Victorian (2013) study concluded that financial literacy have insignificant influence on life insurance purchase.

The financial literacy, precautionary motive and bequest motive were found to have a significant positive impact on life insurance purchase behavior. Whereas, Life cycle motive and wealth accumulation motive were found to have insignificant impact on life insurance purchase behavior.

Precautionary motive has strongest impact on life insurance purchase, followed by bequest and financial literacy. Since, the intention of eliminating life uncertainties was found to have stronger impact on life insurance purchase behavior.

This result has been found in the studies by Mahdzan and Victorian (2013) revealed that saving motives and financial literacy were significantly related to life insurance demand. Saving motive has the significant influence in the purchase of life insurance policy among the staff of public higher learning institutions (Zakaria, Azmi, Hassan, Salleh, Tajuddin, Sallem & Noor, 2016). However, life cycle motive and wealth accumulation motive were found to have insignificant influence on life insurance purchase behavior.

In conclusion, this discussion synthesizes the study's findings with existing literature, illustrating consistencies and divergences. The insights derived underscore the necessity for Insurance companies to focus on key saving motives to design life insurance products. These factors are essential for attracting and retaining investors in the evolving Insurance Business in Nepal.

CHAPTER V

SUMMARY AND CONCLUSION

The results and findings, which has been obtained from data analysis, conclusion and implications that could be drawn from the study are presented in this chapter. There are three sections to the chapter. Comparing the results of this study with those of earlier research is part of the debate in the first section. Similarly, the second section draws a conclusion based on the data analysis results derived from the study, while the third segment offers an implication of the study that could be helpful for future research on life insurance purchasing behavior in the Nepalese context.

5.1 Summary

This study's main goal is to investigate the factors that influence people's decisions to buy life insurance. Examining the current state of financial literacy and saving motivation among individuals in Nepal's life insurance policy purchasing behavior, analyzing the relationship between financial literacy and saving motivation in this behavior, and determining the influence of these factors on life insurance policy purchasing behavior in Nepal were the specific goals. Descriptive and explanatory research design was used to describe the characteristics of the variables used under this study and to reduce the data to manageable form. The research was quantitative research, which was achieved through primary data collected from the policyholders.

Key findings were that the individuals' financial literacy, life cycle motive, precautionary motive, accumulation of wealth motive, bequest motive and life insurance purchase behavior all are correlated with each other. The individuals' level of financial literacy is found to have positive and significant influence on their life insurance purchase behavior. The individuals' life cycle motive is found to have positive but insignificant influence on their life insurance purchase behavior. Likewise, the individuals' precautionary motive also has positive and significant influence on their life purchase activity. Also, wealth accumulation motive was found to have negative and insignificant influence on life insurance purchase behavior. On the other hand, a negative but negligible correlation between bequest purpose and life insurance

purchasing behavior was discovered. Nonetheless, it had a favorable and noteworthy impact on life insurance buying behavior. These associations are further supported by the regression analysis, which shows an R-squared value of 0.147, meaning that the independent factors account for around 14.7% of the variance in life insurance purchase decisions.

5.2 Conclusion

This study is interested in understanding the consumer behavior associated with purchasing life insurance in the Nepalese context. The study focused on how different saving motives such as life cycle motive, precautionary motive, wealth accumulation motive, bequest motive and level of financial literacy of an individual lead to life insurance policy purchase.

Life insurance policyholders have accepted the policies offered by different life insurance policies as best method of risk mitigation. Yet, the policyholders have not considered the policies as an investment opportunity as wealth accumulation motives was found to have insignificant impact on their life insurance purchase behavior. The level of financial literacy was found to have positive and significant influence on life insurance purchase behavior supported by their academic background. This shows that more and more people are aware about the importance of life insurance and consider this worth it even if it has not been mandatory except in few instances. This can be attributed to the findings that financial literacy level of individual has positive influence among the policyholders.

The study finds out, people's financial literacy and saving intentions have a significant role in influencing their decision to get life insurance. Higher financial literacy levels make people more analytical and make an effort to comprehend the risk coverage and other advantages of life insurance plans.

However, wealth accumulation motive and life cycle motive have insignificant influence in life insurance policy purchase behavior. People's intention to purchase life insurance policies for significant life events and expenditures that could arise later in life was found to be insignificant. Also, Individuals want to save money to accumulate capital, or in other words, to make a 'profit' from their savings was also found insignificant. So, financial literacy,

precautionary motive, and bequest motive have significant influence on life insurance purchase behavior.

All things considered; this study offers fresh factual data on policyholders' life insurance purchase patterns. Only certain life insurance clients in the Kathmandu Valley are included in this study. The sample size should therefore be raised for further research in order to prevent response bias and to improve the generalizability of the findings. By examining life insurance purchasing patterns and the factors that influence policy selection and purchase decisions, this study adds to the body of knowledge.

5.3 Implications

This study aimed to examine the influence of individuals' financial literacy and different saving motive on life insurance purchase behavior. This study has further implications both real world application and literal implication on future research on field of purchase behavior. The agents of life insurance companies are the one to represent their companies. Despite higher level of financial literacy level among people they still rely on the agent as they have better knowledge about the company products. Their final decision is guided by the information available and provided to them. This study has drawn conclusion that financial literacy, precautionary motive, and bequest motive have significant influence on life insurance purchase behavior whereas wealth accumulation motive and life cycle motive have insignificant influence in life insurance policy purchase behavior. So, companies can quantify the motive of potential policyholders prior to suggesting policies which will help to classify the customers and introduce policies down the line.

Also, the research highlights the need for increasing financial literacy level as many peoples have not considered insurance as an investment avenue. Government and Policymakers should implement financial literacy programs to empower policyholders with the knowledge required for informed decision-making regarding Life Insurance policies.

The research is itself exploratory based on the life insurance policyholders and majority are of those residing inside Kathmandu valley. Further research can be carried out considering

product related factors and macroeconomic factors and more representative sample. Also, this study employs a quantitative approach to analyze policyholder's behavior and inclination. Future research could incorporate qualitative methods, such as interviews or focus group discussions, to gain deeper insights into the motivations and concerns of investors regarding Life Insurance purchase decision. Different events in life like marriage, childbirth can drive them to purchase multiple life insurance policies. All supported by their level of financial literacy and awareness about insurance have increased the percentage of insured population in Nepal.

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Acts, Regulations:

Insurance Act, 2079

Appendix

A Study on Factors Influencing Life Insurance Purchase Behavior of Individuals

Greetings!!!

The questionnaire seeks to identify factors influencing purchasing behavior of life insurance policies. The study is part of the researcher's Master of Business Studies (MBS) at the Shanker Dev Campus, Tribhuvan University (TU). Reflect back to the time when you were looking for a life insurance policy and try to approach this survey through those eyes. There are no right or wrong answer, all data and information generated from this study will be treated as strictly private and confidential.

Thanking you,

Gokul Raj Dahal

1. Gender

- Male
- Female

2. Age

- Below19
- 20-39
- 40-59
- 60 year and above

3. Marital and Family status

- Single
- Married without children

- Family with dependent children
- Family with independent children
- Divorced

4. Number of dependents (include children and older parents):

- 1
- 2 to 3
- 3 to 4
- 4 and above

5. Education

- Illiterate
- SLC/SEE
- Intermediate or +2
- Bachelors
- Masters
- PHD

6. Occupation

- Student
- Private Job
- Public Job
- Businessmen
- Unemployed

7. Monthly Household income

- Below NRs 50,000
- NRs. 50,000 – 1,00,000
- NRs. 1,00,001-1,50,000
- NRs.1,50,001 to 2,00,000
- NRs. 2,00,000 and above

8. Have you purchase life insurance policy

- Yes

- No

Question regarding life insurance policies.

1. What is the name of the company from which you have bought your life insurance policy?
 - American Life Insurance Company Limited (MetLife)
 - Asian Life Insurance Company Limited
 - Citizen Life Insurance Company Limited
 - Himalayan Life Insurance Company Limited
 - I.M.E. Life Insurance Company Limited
 - Surya Jyoti Life Insurance Company Limited
 - Life Insurance Corporation (Nepal) Limited
 - Prabhu Mahalaxmi Life Insurance Company Limited
 - National Life Insurance Company Limited
 - Nepal Life Insurance Company Limited
 - Rastriya Jeevan Beema Company
 - Reliable Nepal Life Insurance Limited
 - Sanima Reliance Life Insurance Limited
 - Sun Nepal Life Insurance Company Limited
2. Type of Life Insurance Policy Subscribed
 - Term plan
 - Endowment plan
 - Whole life insurance
3. Policy Period in years

4. Premium payment plan
 - Monthly

- Quarterly
- Semi-annually
- Yearly
- Single Payment

Please indicate how much you agree or disagree with each of the following statements

Statements regarding financial literacy	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
An investment with a high return is likely to be high risk					
I have adequate knowledge to manage my personal finance					
I understand inflation and how it may impact my future investment income					
Insurance provides security against future uncertainty					
The life insurance agent convinced me that I should take a policy					
High inflation means that the cost of living is increasing rapidly					
Before making any investment decision I consult with my family and friends for financial advice					
It is less likely that I will lose all of my money if I save it in more than one place					

Please indicate how much you agree or disagree with each of the following statements

Reason for buying life insurance plan	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
To finance my children's future					
To get loan against policy					
To cover future financial events.					
To secure future in case of unfortunate event like disability					
To minimize future uncertainty					
To save income tax					
For guaranteed returns					
To leave as an inheritance					
To secure the future of my family in case of my death					

Please indicate how much you agree or disagree with each of the following statements

Purchase Behavior	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
It took me time and much consideration when I decided to purchase insurance service					
I actively communicated with insurers to clarify the questions I care about					
Before purchasing the policy, I compared similar products offered by other insurers					
I was aware about all the benefits of insurance policy					
It is worth purchasing an insurance service which is not compulsory according to the law					
I bought Life insurance policy without any hesitation					

FACTORS INFLUENCING IN PURCHASE BEHAVIOR OF LIF...

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ii Abstract Life insurance purchasing behavior is about the purchase behavior shown by policyholders while purchasing life insurance policies. With the increase in life expectancy of the people, they go through different life cycle event like marriage, childbirth, unexpected event like sudden demise of a family member, which lead them to purchase life insurance policy to minimize the uncertainty. All these events and human behavior has gained increased attention of the researchers as well as policymakers because it directly challenges the country's insurance industry and its contribution to national gross domestic product. So, life insurance policy at individual level has been a necessity for every individual to live a secured life. However, there are various demographic as well as other factors affecting individuals' life insurance purchase behavior. This study seeks to examine the impact of financial literacy and saving motives on the behavior of purchasing life insurance. This study relies on primary data gathered through a structured questionnaire, with a total of 387 samples included. The data has been analyzed using Statistical Package for Social Science (SPSS) and MS Excel software. Descriptive statistics, correlation analysis, and regression analysis were performed to derive the findings. The findings of the study suggest that financial literacy, precautionary motives, and bequest motives factors have significant influence on life insurance purchasing behavior; influence of precautionary and bequest being higher than that of financial literacy. Likewise, different life cycle events lead to purchase of multiple life insurance policies. The individuals' life cycle motive and wealth accumulation motive are found having insignificant influence on their life insurance purchase behavior. Additionally, a correlation was found between individuals' financial literacy, life cycle motive, precautionary motive, wealth accumulation motive, bequest motive, and life insurance purchasing behavior. Keywords: Financial Literacy, Saving Motive, Live Insurance, Precautionary Motives, and Bequest Motives CHAPTER I INTRODUCTION 1.1 Background of the Study Consumer behavior can be defined as: "The study