

EFFECT OF FINANCIAL LITERACY ON PURCHASING DECISION OF LIFE INSURANCE POLICY IN NEPAL

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

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Effect of Financial Literacy on Purchasing Decision of Life Insurance Policy in Nepal**”. 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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ABBREVIATIONS

ACC	:	Access
ANOVA	:	Analysis of Variances
ATT	:	Attitude
BEN	:	Benefits
NRB	:	Nepal Rastra Bank
CBS	:	Central Beureau of Statistics
COVID-19	:	Coronavirus Disease 2019.
DTPB	:	Decomposed Theory of Planned Behavior
FIL	:	Financial Literacy
FY	:	Fiscal Year
INT	:	Intention
Max	:	Maximum
Min	:	Minimum
N	:	Number of Observation
PLI	:	Purchase of Life Insurance
S.D.	:	Standard Deviation
SPSS	:	Statistical Package for Social Sciences
TPB	:	Theory of Planned Behavior
TRA	:	Theory of Reasoned Action
US	:	United States
VIF	:	Variance Inflation Factor

ABSTRACT

This study has explored public perception towards life insurance purchasing decisions in Nepal, focusing on the influence of financial literacy. A mixed research design, combining descriptive and causal-comparative approaches, has been employed. The total population considered for Kathmandu valley, with a sample of 385 respondents selected through convenience sampling. Primary quantitative data was collected using a structured questionnaire measured on a five-point Likert scale.

Data analysis involved the use of statistical tools such as descriptive statistics, correlation analysis, and multivariate regression, facilitated by software like Microsoft Excel and SPSS. The research framework identified financial literacy, intention, attitude, access, and benefits as independent variables, with purchase of life insurance as the dependent variable.

The findings have revealed that all independent variables have a positive and significant relationship with the purchase of life insurance, with perceived benefits exerting the strongest influence. Financial literacy, access, attitude, and intention also significantly impact the decision to buy life insurance, confirming their roles as key determinants.

This study provides practical and theoretical insights by emphasizing the importance of enhancing financial literacy, improving access to insurance services, and promoting awareness of life insurance benefits. It recommends targeted education programs and improved service accessibility to encourage greater participation in life insurance markets. These steps can guide policymakers, insurers, and educators in strengthening insurance uptake.

Keywords: financial literacy, intention, attitude, access, benefits, purchase of life insurance

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Insurance serves as a mechanism to offer monetary support for recovering from losses based on projected risks and anticipated economic impacts, thereby encouraging individuals to adopt coverage plans. Despite the recognized importance of insurance as a protective measure, enrollment remains notably low, particularly in rural communities (Apiag et al., 2025). Since opting for insurance falls under the broader scope of financial decision-making, limited participation may stem from varying levels of financial competence. This encompasses dimensions such as financial awareness, personal understanding of finance, practical financial experience, decision-making capabilities, goal setting, and behavioral patterns related to money management. While both financial literacy and insurance coverage are essential for improving life quality and stability, their low prevalence weakens overall protection, especially in today's socio-economic climate. This research explored the association between individuals' financial literacy and their willingness to obtain insurance, focusing on distinct elements within financial literacy to pinpoint which aspects most significantly influence intent (Dalkilic & Kirkbesoglu, 2015). The results offer data-driven recommendations to strengthen economic resilience in rural areas by addressing critical components of financial knowledge and behavior.

Loss aversion provides a strong rationale for how insurance can enhance individual welfare, as paying a fair or relatively low premium to achieve full coverage against potential losses offers utility benefits to those who are loss-averse. The concept, introduced by Tversky and Kahneman (1979), reveals that individuals typically prioritize avoiding losses over acquiring equivalent gains. Weedige et al. (2019) further confirm its widespread presence across various populations

Within insurance research, uncertain events requiring coverage are often classified based on the likelihood of occurrence and potential severity. For instance, natural disasters fall under low-probability but high-impact (LPHC) events; bike thefts represent high-probability but low-impact (HPLC) risks; and health-related problems are categorized as both high-probability and high-impact (HPHC). According to expected utility theory, individuals should prioritize coverage for more severe outcomes over minor ones, even when the expected loss is similar. Nonetheless, literature findings, such as those by Browne

et al. (2015), reveal a higher demand for insurance related to frequent but less severe incidents, contradicting theoretical expectations and contributing to the so-called insurance demand puzzles. Despite the theoretical support for insurance through both loss aversion and utility models, a significant number of people remain uninsured, especially in areas exposed to severe consequences (Pitthan & De Witte, 2021).

Financial literacy denotes the capability of individuals to comprehend and use financial information to make sound decisions. It involves understanding, analyzing, managing, and effectively communicating about personal financial matters (Zait & Berteau, 2015). The concept encompasses multiple components, such as acquiring knowledge, learning, evaluating choices, forming judgments, making comparisons, and achieving practical outcomes. At the individual level, those with financial literacy are better at managing spending, saving judiciously, and handling financial risks more precisely. On a macroeconomic scale, enhanced financial literacy contributes to reduced economic volatility, fosters the growth of financial markets, and accelerates overall economic progress (Jariwala & Dziegielewski, 2017). Additionally, as literacy improves, increased competition leads to more efficient capital allocation.

However, low financial literacy is not merely a personal issue but a societal challenge. A general lack of awareness about the importance of saving can harm societal structures and disrupt financial interactions between institutions. Financial instability within families may further affect broader organizational economic relations (Reyes et al., 2010). Consequently, fostering financial literacy across all social groups, regardless of socio-economic status or gender, becomes crucial. Indicators of poor financial literacy include limited public awareness about financial needs, inadequate understanding of the range and performance of financial products, and confusion about how and where to access financial services (Mason & Wilson, 2000).

Insurance coverage in Nepal remains notably low when compared to international standards, with both life and non-life insurance sectors contributing only about 2.5% to the country's gross domestic product. The life insurance penetration rate stands at approximately 12%, leaving nearly 88% of the population without insurance protection. This significant gap highlights a major potential for growth in the insurance industry, which could lead to increased premium collections and a greater contribution to national income. To harness this potential, it is essential for policymakers and regulatory authorities to acknowledge the critical role of insurance in driving economic progress. Developing

supportive policies that improve public access to diverse insurance offerings can foster financial resilience among citizens and contribute to the broader economic advancement of the country (Sapkota, 2021).

This research examined the significant influence of financial literacy on individuals' decisions to purchase life insurance in Nepal. Since financial literacy involves the ability to acquire and apply financial knowledge for sound decision-making, the study aimed to assess how differing literacy levels affected people's comprehension of life insurance offerings and their readiness to invest in them. By analyzing the relationship between financial literacy and the uptake of life insurance, the study sought to uncover areas where public understanding was lacking and emphasized the need to strengthen financial education to boost insurance participation.

1.2 Problem Statement

In a developing country like Nepal, ensuring safety and protection remains a major priority. As such, analyzing the insurance industry becomes both relevant and necessary. Insurance companies operate by collecting premiums in alignment with their objectives and the nature of their services (Dahal et al., 2023). Within a competitive marketplace, strategic marketing plays a vital role in determining an organization's performance. Thorough market research not only helps define a unique position but also enhances the overall quality of service by recognizing and addressing customer needs effectively.

The global scenario of life insurance demonstrates notable shortcomings in awareness and comprehension, which impede individuals from making sound financial protection choices (Masud et al., 2020). Although life insurance is essential in providing financial stability during unforeseen events, many people from diverse demographic backgrounds lack the financial understanding needed to assess and utilize these products effectively. Research consistently shows low financial literacy levels, especially among high school students and various socioeconomic segments. This deficiency often leads to insufficient insurance coverage, leaving numerous households exposed to potential economic hardship during emergencies.

Even in advanced economies, underinsurance remains a prevalent issue despite increased attention to financial instruments. Findings suggest that while many people possess different types of insurance, they often misunderstand key aspects of their policies and the importance of truthful disclosure during claims processes (Driver et al., 2018). This suggests that high insurance coverage does not necessarily equate to adequate protection,

as poor understanding diminishes the effectiveness of these policies. As a result, insurers must simultaneously focus on product promotion and consumer education to improve financial awareness and policy utilization.

The situation is even more concerning in Nepal, where life insurance coverage is among the lowest globally. Only about 12% of the population has a life insurance policy, leaving 88% without access to crucial financial protection (Driver et al., 2018). This stark gap points to a widespread absence of awareness regarding the significance of life insurance and its role in securing financial well-being. The limited adoption of life insurance products reflects a more extensive issue of low financial knowledge in the country.

Innovation has emerged as a key strategy for attracting and retaining clients in the insurance industry (Gurung, 2010). Nepal's insurance sector is currently grappling with several issues, including the need for innovative product offerings, improving customer relations, and managing the expiration of long-standing contracts. However, the increasing influence of global information and communication technology has allowed even less-developed nations like Nepal to embrace advanced digital systems. Consequently, the integration of internet-based services into insurance operations marks a significant step toward modernization. With widespread internet access in urban parts of Nepal, online insurance services present a promising opportunity to elevate industry standards and reach a broader audience (Dahal et al., 2023). The research questions of this study are as follows:

1. What is the public perception towards life insurance purchasing decision in Nepal?
2. Is there any relationship between financial literacy and life insurance purchasing decision in Nepal?
3. What is the impact of financial literacy on life insurance purchasing decision in Nepal?

1.3 Objectives of the Study

The objective of this study are as follows:

1. To assess public perception towards life insurance purchasing decision in Nepal.
2. To analyze the relationship between financial literacy and life insurance purchasing decision in Nepal.
3. To evaluate the impact of financial literacy on life insurance purchasing decision in Nepal.

1.4 Rationale of the Study

This research on financial literacy and its influence on life insurance purchases in Nepal is highly relevant for multiple stakeholders, such as government authorities, policy formulators, insurance providers, agents, investors, citizens, researchers, students, and academic professionals. Gaining insight into the elements that affect life insurance buying behavior can lead to more effective strategies that benefit all involved.

For the government, advancing financial understanding is crucial to promoting both economic resilience and development. The insights from this research can assist in crafting initiatives that raise financial awareness among the population. Empowering citizens with financial knowledge enables them to make sound financial choices, including the decision to invest in life insurance, which can improve household financial security and potentially alleviate poverty.

Policy designers will find value in the study as it emphasizes the strong link between financial knowledge and the decision to purchase insurance. Identifying the hindrances in acquiring life insurance allows for targeted educational programs, such as curriculum development, local workshops, and awareness campaigns, that encourage responsible financial behavior across communities.

Insurance providers can benefit from the study's analysis of consumer attitudes and decision-making processes. Recognizing the lack of awareness surrounding insurance can help these companies adapt their offerings and outreach strategies to better connect with prospective clients. Increased public understanding can, in turn, drive demand and foster sectoral growth.

Agents, who serve as intermediaries between companies and customers, can leverage the findings to address widespread misconceptions and clarify the value of life insurance. Improved communication strategies based on the study's results can help agents enhance customer trust and improve sales effectiveness.

From an investor's perspective, comprehending the relationship between financial education and insurance purchasing trends offers the potential to make well-informed investment decisions. Emerging consumer patterns can guide investors in identifying lucrative opportunities within the expanding insurance market in Nepal.

For the wider population, increased emphasis on financial education can lead to better-informed decisions regarding risk protection. When individuals recognize the long-term

benefits of life insurance through improved knowledge, they become more proactive in securing their financial future and that of their families.

The academic and research community will find this work enriching, as it adds depth to the ongoing discussion around financial literacy's broader impact. The outcomes may encourage further studies on similar topics or stimulate exploration of how financial understanding affects engagement with various financial tools.

Lastly, this research can serve as a valuable resource for students and educators by deepening their knowledge of how financial education intersects with insurance-related decisions. It supports academic learning and may inspire emerging professionals to emphasize financial awareness in their future careers, contributing to a more financially literate society.

1.5 Limitations of the Study

The limitation of study are as follows:

1. The scope of this study is geographically confined to the Kathmandu Valley, which may limit the generalizability of the findings to other regions of Nepal.
2. The sample size employed in this research is relatively modest, potentially affecting the robustness and representativeness of the results.
3. As the study relies exclusively on primary data, it is subject to the typical limitations associated with such data, including respondent bias and limited recall accuracy.
4. The adoption of a convenience sampling technique introduces potential sampling bias, which may influence the objectivity and reliability of the conclusions drawn.

CHAPTER II

LITERATURE REVIEW

The literature review serves as a foundational element of a research study, offering a thorough synthesis of existing knowledge pertinent to the research topic. It encompasses the exploration of essential concepts, terminology, and definitions to clarify the subject matter. Furthermore, the review critically evaluates prior studies, academic publications, and theoretical models that provide the basis for the investigation. A key aspect of the literature review is the detection of research gaps, which pinpoint areas that remain underexplored or require deeper inquiry. Collectively, these components establish the context for the current research, support its relevance, and inform the formulation of research questions and methodology.

2.1 Theoretical Review

2.1.1 Consumers' Insurance Literacy

Grasping how consumers make financial decisions under conditions of risk and uncertainty is a complex and challenging endeavor. Insurance-related decisions are often influenced by behavioral biases rather than purely rational thought. Hence, enhancing financial literacy is essential for enabling informed choices, protecting consumers, fostering financial independence, and ensuring peace of mind (Lusardi & Mitchell, 2014). Existing literature indicates that financial literacy alone does not guarantee adequate insurance literacy, and more targeted education is necessary to improve understanding specifically related to insurance. Financial literacy has been described as the combination of knowledge, cognitive skills, desirable attitudes, behaviors, and external factors that facilitate sound financial decision-making. In this research, consumers' insurance literacy is defined as the acquisition of the knowledge and abilities needed to select and effectively use insurance products to improve individuals' financial well-being (Weedige et al., 2019). Insurance literacy has been identified as a key factor in addressing the problem of underinsurance. The process by which consumers gain this literacy is known as insurance education, whose ultimate aim is to induce behavioral changes that lead to greater acceptance and better utilization of insurance products, thus enhancing financial security.

A consumer survey conducted by Zurich Financial Services and the Financial Planning Association of Australia focused on life insurance literacy, defining it as knowledge and understanding of the coverage scope of a specific life insurance policy (Wells et al., 2015).

However, this definition emphasizes only knowledge and neglects how consumers apply that knowledge in decision-making. In a US-based study, consumers' insurance knowledge, confidence, and decision-making abilities were assessed. Respondents also self-reported their confidence regarding insurance decisions. Findings showed that insurance literacy strongly correlates with financial education and interest in personal finance, while confidence is linked to decision-making processes and preferred information sources. A more recent investigation examined whether higher financial literacy results in better insurance decision-making. This study proposed a broader definition of insurance literacy that includes an individual's awareness of perceived risk exposure. Insurance literacy entails "understanding insurance concepts, being informed about products considered, having a reasonable grasp of the risks covered, and the ability to apply this knowledge to evaluate options and make decisions aligned with perceived risks." Nonetheless, this definition does not cover consumers' understanding and confidence regarding their responsibilities as insured parties after purchasing a policy (Xu et al., 2019). Policyholders must be aware of their contractual obligation to disclose all material information related to the insured subject at policy inception and throughout its duration. Therefore, any comprehensive measure of insurance literacy should incorporate these crucial knowledge and skill components (Sanjeewa & Ouyang, 2019).

2.1.2 The Decomposed Theory of Planned Behavior

DTPB, formulated by Taylor and Todd in 1995, seeks to clarify the factors influencing behavioral intentions within the realm of information technology. Originally developed as an extension of the Theory of Planned Behavior (TPB), DTPB has been applied to a variety of fields, offering a more detailed analysis of the key determinants of behavioral intention, such as subjective norms, perceived behavioral control, and attitudes. Although TPB is widely recognized as a comprehensive model for explaining social behavior, it has limitations concerning the specific elements that shape attitudes, subjective norms, and behavioral control (Husin & Rahman, 2013). Additionally, the precise connections between belief systems and behavioral intentions in TPB are not fully explained (Suryaningrum, 2012). Therefore, DTPB was proposed to address these gaps and provide a more nuanced understanding within the TPB structure.

Given the complex nature of life insurance and Takaful as products that consumers do not actively seek out, it is important to pinpoint the factors that influence purchase intentions. Breaking down the predictors identified in TPB enhances insight into consumer behavior

toward such products. In this context, financial literacy is integrated into the DTPB model, as it plays a critical role in motivating potential buyers to consider unsought financial products. Studies have indicated that individuals with higher levels of financial literacy tend to participate more actively in financial decisions, such as investing in unit trusts or buying life insurance policies (Mahdzan & Victorian, 2013). Conversely, inadequate financial knowledge often leads to suboptimal asset management, as those lacking literacy may not fully appreciate life insurance's role in mitigating personal financial risks (Zakaria et al., 2016).

Financial literacy, as described by Worthington (2006), involves essential money management competencies including budgeting, saving, investing, and risk protection through insurance. Mastery of these skills is largely dependent on acquiring relevant knowledge, which is crucial for improving purchase behavior, especially for products that consumers typically avoid, like life insurance. This study focuses specifically on life insurance to explore consumer behavior related to unsought products and to better understand the influence of financial literacy on such decisions. Within the DTPB framework, financial literacy is posited as part of perceived behavioral control, since acquiring products like life insurance requires consumers to have a comprehensive grasp of the purchase implications before making a commitment.

2.1.3 Theory of Reasoned Action

The Theory of Reasoned Action (TRA), developed by Fishbein and Ajzen in the mid-1970s, explains that a person's intention to perform a particular behavior is largely shaped by their attitude toward that behavior and the social pressures or subjective norms influenced by important individuals like family, friends, and colleagues. This theory has been extensively used to understand behaviors that require deliberate and rational decision-making, especially in financial contexts. Previous studies have demonstrated the effectiveness of TRA's core constructs, attitude and subjective norms, in predicting the acceptance of financial services, such as Islamic insurance (Amin, 2012; Rahim & Amin, 2011). For instance, research by Omar and Owusu-Frimpong (2007) successfully applied TRA to assess Nigerian consumers' intentions toward purchasing life insurance, confirming the theory's relevance in this area.

The fundamental idea behind TRA is that an individual's actual behavior is largely determined by their intention to act. Therefore, using TRA as a framework to examine

consumer intentions in purchasing life insurance is highly appropriate. According to Chuah et al. (2016), TRA is considered one of the cornerstone models in behavioral psychology. Its strength in explaining planned behaviors, including those related to financial choices, has been validated in numerous studies (Ajzen & Fishbein, 1980; Omar & Owusu-Frimpong, 2007). Although TRA is widely applicable to behaviors under volitional control, its application specifically to life insurance purchase intentions requires further exploration. Consequently, adopting an extended version of TRA may provide a more comprehensive understanding of these consumer behaviors.

Despite its advantages, TRA has been critiqued for excluding perceived behavioral control, defined as an individual's perception of how easy or difficult it is to perform a behavior (Ajzen & Madden, 1986). However, some research suggests that perceived behavioral control may not be a critical factor in predicting intentions to buy insurance products, such as construction insurance (Liu et al., 2018) and life insurance. The process of buying life insurance usually involves evaluating risks and selecting suitable policies, often with guidance from insurance agents and legal professionals (Beloucif et al., 2004). Therefore, it can be argued that consumers do not need extensive skills or capabilities to signal their intention to purchase life insurance. Instead, having a favorable attitude toward insurance, adequate financial resources, and sufficient financial literacy are more essential.

2.1.4 Social Learning Theory

Social Learning Theory elucidates the process through which individuals acquire and demonstrate social behaviors by observing and emulating others. Formulated by Bandura and Walters in 1977, this theory posits that learning is a cognitively mediated phenomenon embedded within a social milieu, attained either through personal experiences or vicariously through the observation of others' actions. While its foundations lie in behaviorist principles, Bandura advanced the framework by introducing intermediary cognitive mechanisms that bridge stimuli and responses, emphasizing that behaviors are acquired from the surrounding environment via observational learning.

Bandura and Walters (1977) asserted that behavior emerges from an interplay between conditioning and cognitive faculties, incorporating psychological components such as selective attention and memory retention. Contrary to classical behavioral theories that attribute learning solely to direct associations shaped by reinforcement and punishment, Social Learning Theory underscores that individuals can internalize behaviors simply by

witnessing the conduct of others. This social dimension reveals that behavioral adaptation is frequently influenced by the modeled actions observed within one's social context.

Bandura famously stated, "Learning would be exceedingly laborious, not to mention hazardous, if people had to rely solely on the effects of their own actions to inform them what to do" (Bandura & Walters, 1977). This highlights the pragmatic relevance of social learning, particularly in cultivating financial attitudes and competencies, especially among younger populations (Goyal & Kumar, 2020). Financial literacy transcends mere individual proficiency; it is deeply embedded in social exchanges and environmental influences. Consequently, enhancing financial literacy carries profound implications not only for personal economic security but also for the stability and advancement of the broader financial ecosystem. Therefore, comprehending the mechanisms of social learning is vital to fostering financial education and promoting prudent financial conduct within communities.

2.1.5 Financial Literacy and Financial Literacy in Nepal

The financial literacy landscape of Nepal presents a multifaceted picture, reflecting both progress and persistent gaps in financial knowledge, behavior, and attitude across different provinces and gender groups. According to the recent nationwide survey conducted by Nepal Rastra Bank (NRB, 2023), the data demonstrates moderate levels of financial literacy among the population, with distinct disparities based on gender and region. The findings emphasize the need for policy interventions and targeted financial education programs, particularly for underrepresented groups.

Nepal's population, as outlined in the NRB report, stands at 29,074,990, with a gender distribution of 14,188,639 males and 15,886,531 females. The financial literacy assessment was conducted using three core components: financial knowledge, financial behavior, and financial attitude, each measured on a specific scale, knowledge (0–7), behavior (0–9), and attitude (0–4). These dimensions were aggregated into a composite financial literacy score, calculated out of 20. Nationally, the average scores across the population were 3.31 in financial knowledge, 5.71 in financial behavior, and 2.56 in financial attitude, resulting in an overall average financial literacy score of 11.59 out of 20, or 57.90% (NRB, 2023).

A prominent finding of the NRB (2023) report is the significant gender gap in financial knowledge. On average, males scored 3.95 out of 7 in financial knowledge, whereas females scored only 2.70. This difference underscores a noticeable disparity in the

understanding of essential financial concepts such as interest rates, inflation, compound interest, and risk diversification. While males also outperformed females in financial behavior, with average scores of 5.87 and 5.57, respectively, the gap here is narrower. This suggests that while both genders engage in practices like budgeting, saving, and debt management, males may be slightly more consistent or disciplined in these behaviors.

Table 2.1
Financial Literacy in Nepal

Province	Population	Gender	Financial Knowledge (0-7)	Financial Behaviour (0-9)	Financial Attitude (0-4)	Financial Literacy Score (0-20)	Financial Knowledge (0-%)	Financial Behaviour (0-%)	Financial Attitude (0-%)	Financial Literacy Score (0-%)	Passed Minimum Financial Literacy (0-%)
Koshi	2,417,041	Male	3.73	5.56	2.75	12.04	53.20	61.80	68.70	60.20	31.60
	2,546,433	Female	2.83	5.20	2.78	10.81	40.40	57.80	69.50	54.00	18.80
	4,963,474	All	3.26	5.38	2.77	11.41	46.60	59.70	69.10	57.00	25.00
Madhesh	3,069,210	Male	3.34	5.54	2.36	11.24	47.70	61.60	59.00	56.20	26.60
	3,046,352	Female	1.94	5.24	2.40	9.58	27.70	58.20	59.90	47.90	11.50
	6,115,562	All	2.64	5.39	2.38	10.41	37.80	59.90	59.50	52.00	19.10
Bagmati	2,988,094	Male	4.82	6.39	2.52	13.74	68.90	71.00	63.10	68.70	52.90
	3,042,059	Female	3.50	6.03	2.55	12.08	59.00	67.00	63.70	60.40	32.80
	6,030,444	All	4.15	6.21	2.54	12.90	59.40	69.00	63.40	64.50	42.70
Gandaki	1,168,913	Male	4.50	6.28	2.52	13.30	64.20	69.80	62.90	66.50	40.60
	1,297,958	Female	3.07	6.03	2.63	11.73	43.90	67.00	65.80	58.70	23.80
	2,466,871	All	3.75	6.15	2.58	12.48	53.50	68.30	64.50	62.40	31.70
Lumbini	2,441,638	Male	3.69	5.61	2.51	11.80	52.70	62.30	62.60	59.00	27.50
	2,664,562	Female	2.41	5.33	2.57	10.50	34.40	61.50	64.10	52.50	16.10
	5,106,200	All	3.02	5.57	2.61	11.21	43.10	61.90	63.40	58.60	21.60
Karnali	822,407	Male	3.80	6.20	2.64	12.64	54.30	68.90	66.00	63.20	33.30
	865,939	Female	2.70	5.80	2.75	11.26	38.60	64.40	68.80	56.30	17.70
	1,688,346	All	3.24	6.00	2.70	11.93	46.20	66.60	67.40	59.70	25.30
Sudurpashchim	1,281,376	Male	3.94	5.89	2.61	12.44	56.30	65.40	65.20	62.20	34.70
	1,422,717	Female	2.59	5.45	2.62	10.66	37.00	60.50	65.40	53.30	17.70
	2,704,093	All	3.23	5.86	2.61	11.50	46.20	62.90	66.30	57.50	25.80
Total	14,188,639	Male	3.95	5.87	2.54	12.36	56.50	65.20	63.40	61.80	35.40
	15,886,531	Female	2.70	5.57	2.59	10.85	38.60	61.90	64.70	54.30	19.90
	29,074,990	All	3.31	5.71	2.56	11.59	47.30	63.50	64.10	57.90	27.50

Source: NRB, 2023 (<https://shorturl.at/qsZP0>)

Interestingly, financial attitude, which reflects one's orientation toward long-term financial planning and responsibility, was slightly higher among females (2.59 out of 4) compared to males (2.54). This nuanced result suggests that even though women lag in knowledge and behavior, they may possess more forward-looking financial mindsets. This is an

important finding, as it indicates that improving financial education among women could have substantial payoff, given their relatively strong attitudes toward financial planning.

Despite these behavioral and attitudinal strengths, only 19.90% of females across Nepal passed the minimum benchmark for financial literacy, compared to 35.40% of males, highlighting a serious issue of underperformance in financial competence among women (NRB, 2023). This gendered disparity calls for the development of tailored educational content and delivery methods that address cultural, social, and economic barriers to women's financial empowerment.

The NRB (2023) report also presents disaggregated data across Nepal's seven provinces, revealing substantial regional disparities in financial literacy. Among all provinces, Bagmati Province reported the highest financial literacy score with an average of 12.90 out of 20 (64.50%), followed by Gandaki (62.40%), and Karnali (59.70%). In contrast, Madhesh Province recorded the lowest literacy score, averaging 10.41 (52.00%). These differences are influenced by varying levels of access to financial institutions, educational attainment, urbanization, and economic activity across provinces.

In Bagmati, males scored particularly high in financial knowledge (4.82), behavior (6.39), and overall literacy (13.74), which can be attributed to the region's urban character, better infrastructure, and higher average income levels. Females in this province also performed relatively well compared to other regions, though they still lag behind males. In contrast, Madhesh shows the most alarming figures, with females scoring only 1.94 in financial knowledge, the lowest among all gender-province combinations. This highlights the critical need for inclusive financial education programs in Madhesh, especially targeting women who face layered disadvantages due to social and economic exclusion.

In provinces like Karnali and Sudurpashchim, overall scores are moderate (around 59–62%), yet these areas also demonstrate a consistent pattern of males outperforming females in knowledge and behavior, while females slightly edge out males in attitude. Karnali males, for instance, scored 3.80 in knowledge and 6.20 in behavior, compared to females who scored 2.70 and 5.80 respectively. Interestingly, both genders in Karnali exhibit strong financial attitudes (above 2.60), reflecting a shared cultural mindset toward saving and future planning, despite low knowledge levels.

Nationally, the average financial literacy score of 11.59 out of 20 translates to a 57.90% literacy rate, which NRB (2023) classifies as moderate. The component-wise analysis

reveals that financial knowledge remains the weakest area, with a national average of 56.50%, compared to 65.20% in financial behavior and 63.40% in financial attitude. These figures point to a critical shortfall in the understanding of key financial principles, despite relatively better performance in behavior and mindset.

The report notes that only 27.50% of the total population passed the minimum benchmark for financial literacy, further underscoring the gap between basic financial practices and a sound understanding of the financial system. The low pass rates are particularly concerning in provinces like Madhesh and Lumbini, where they fall below 22%, and even lower among female respondents. The province-wise pass rates range from a high of 42.70% in Bagmati to a low of 19.10% in Madhesh, clearly indicating the unequal distribution of financial competence across the nation.

The data presented by NRB (2023) has several policy implications. First, there is a compelling need to improve financial knowledge among the general population, especially women and people residing in provinces like Madhesh, Lumbini, and Koshi. These areas should be prioritized for customized financial literacy campaigns that use local languages, culturally appropriate examples, and inclusive teaching methodologies. Schools, community groups, and digital platforms can be effective channels to implement such initiatives.

Second, the gender gap in financial literacy should prompt stakeholders, including government agencies, NGOs, and financial institutions, to develop gender-sensitive financial education programs. Programs should address specific challenges faced by women, such as limited access to financial services, lower employment rates, and restrictive social norms. Empowering women financially not only enhances household welfare but also contributes to broader economic development.

Third, the relatively higher scores in financial behavior and attitude suggest a strong foundation for further growth. People are already engaged in financial activities like budgeting and saving and hold positive views about financial planning. Thus, efforts should focus on bridging the knowledge gap so that behavior and attitudes are grounded in a solid understanding of financial principles. This will also improve decision-making related to credit, investment, and insurance.

Moreover, financial institutions, especially in rural and underserved areas, can play a pivotal role by integrating financial education into service delivery. For example, banks

can offer short training sessions when opening new accounts or issuing loans. Governmental policies should also include mandatory financial education curricula in schools and colleges, ensuring that future generations enter adulthood with stronger financial competencies.

Lastly, ongoing monitoring and evaluation mechanisms are essential. The government and NRB should conduct periodic assessments of financial literacy to track progress and update strategies accordingly. Collaboration with academic institutions and development partners will also help in scaling successful models and ensuring that programs are both impactful and sustainable.

2.1.6 Insurance Literacy in Nepal

Insurance plays a crucial role in protecting businesses and institutions from financial risks. It helps maintain economic stability, fosters a conducive environment for investment, and strengthens resilience. Comprehensive and inclusive insurance policies significantly contribute to enhancing insurance literacy and promoting widespread insurance participation (Dhungana, 2024).

Despite the growth of the insurance industry and increased oversight by regulatory authorities, Nepal has yet to achieve substantial progress in insurance accessibility and public awareness. In developing countries such as Nepal, it is essential to prioritize extending insurance coverage to rural communities, marginalized populations, and informal sector workers. A strong and effective insurance system can stimulate market growth and encourage the public to engage actively in insurance literacy and inclusion initiatives.

Insurance inclusion has emerged as a key area of research, gaining attention from policymakers, development agencies, and academics alike. Insurance literacy refers to an individual's capability to comprehend insurance services, make informed choices, and utilize these services effectively. Many people consider insurance an unnecessary expense unless they receive a claim, reflecting the low levels of insurance understanding among the general populace. Expanding insurance programs to underprivileged and marginalized groups can enhance their sense of security. Access to inclusive and effective insurance services can also support small business development, improve income, and uplift the socio-economic conditions of disadvantaged groups. Thus, advancing insurance literacy and inclusion efforts plays a vital role in the sustainable growth of the insurance sector.

While insurance awareness is increasing among urban residents, challenges remain in rural and remote areas due to geographic, economic, and informational barriers. Several studies have identified key obstacles contributing to the low levels of insurance inclusion in Nepal. These include limited service availability in rural regions, inadequate awareness, lack of accessible insurance options for marginalized groups, distrust towards providers caused by delayed claims, and insufficient expansion of the insurance market.

Traditional insurance products often fail to meet the needs of low-income earners, informal workers, marginalized communities, and small-scale farmers. These limitations highlight the necessity of designing inclusive and user-friendly insurance plans tailored to these populations. The role of the insurance regulatory authority, Nepal Insurance Authority, is vital in sustainably promoting the insurance industry in Nepal. Given increasing risks related to climate change, public health emergencies, and economic instability, it is urgent to develop strategies that improve both access and literacy levels. This requires not only broadening the reach of insurance services but also equipping citizens with knowledge and tools to actively engage with these services.

Therefore, enhancing insurance literacy and inclusion in Nepal requires coordinated efforts involving local governments, regulators, insurance firms, educational institutions, and civil society. Such collaborative approaches will lay the groundwork for creating a secure investment environment that benefits every Nepali citizen, regardless of location or income, by focusing on awareness campaigns, access expansion, product innovation, digitization, and trust-building.

Reviewing the history of Nepal's insurance industry, it began with the founding of Nepal Goods Challan and Insurance Company Limited on Ashwin 8, 2004 BS. Responding to the growing demand, the Government of Nepal established the National Insurance Corporation Pvt. Ltd. in 2024 BS, which was later transformed under the National Insurance Corporation Act of 2025 BS. Initially focused on non-life insurance, it expanded into life insurance from 2059 BS onwards.

In 2044 BS, Nepal witnessed the establishment of its first joint investment insurance company with foreign participation, the Nepal Life and General Insurance Company Limited, offering both life and non-life insurance. Following the liberal economic policies after the political change of 2046 BS, numerous private insurance companies emerged. Currently, Nepal hosts 37 insurance companies: 14 life, 14 non-life, 2 reinsurance, and 7

microinsurance firms, including government, private, foreign branch offices, and joint ventures (Dhungana, 2024).

The insurance sector has been regulated since 2025 BS, with the Insurance Committee initially formed to bring systematization and competitiveness. The Committee evolved into the Nepal Insurance Authority after amendments to the Insurance Act in 2049 BS and 2079 BS, aiming to strengthen regulatory autonomy.

Insurance access in Nepal is depicted in Figure 1 (source: Nepal Insurance Authority Monthly Statistics, mid-February 2081). The insurance literacy program aims to educate people on the significance and necessity of insurance, especially targeting low-income and marginalized groups. It equips individuals with the knowledge to evaluate insurance benefits and risks across diverse social and geographic contexts.

Insurance literacy encompasses knowledge, skills, attitudes, and behaviors related to insurance. Research shows that improving literacy and inclusion helps reduce poverty by extending services to underserved populations. The Insurance Authority of Nepal has released the Insurance Literacy Framework, 2081, to enhance program effectiveness, emphasizing the need to reach rural and disadvantaged communities.

To effectively extend insurance literacy programs in remote areas, several strategies are recommended: engaging local leaders and community groups to encourage participation; offering affordable plans tailored to economic conditions; utilizing digital platforms and mobile banking to expand reach; providing education and awareness materials in local languages through various media; and garnering government support through policies and incentives to stimulate sector growth.

Further, establishing insurance academies, conducting training workshops, and enhancing access to insurance services via flexible, cost-effective plans adapted to community needs are essential. Digitization and mobile technology can play a significant role in overcoming geographic barriers.

Nationally, the development of the insurance sector seeks to ensure financial security against risks to life, property, agriculture, and liabilities. Despite decades of practice, Nepal lacked a comprehensive national insurance policy until the introduction of the National Insurance Policy-2080. This policy aims to build human resource capacity, modernize services through technology, diversify products, and align with international standards.

The policy envisions a simple, accessible, reliable, and inclusive insurance system with good governance, competitive practices, and financial stability. It emphasizes insurance as an economic pillar, the use of modern technology to facilitate services and claims, gender and social inclusion, and regulatory enhancements to uphold accountability and transparency.

Efforts include adopting international accounting standards, developing risk-based supervision, combating money laundering, strengthening the domestic reinsurance market, and utilizing innovative financial instruments like disaster bonds and microinsurance funds.

Linking insurance to sustainable development goals, poverty reduction, and climate change risk management is a key priority. Special attention is given to vulnerable populations, including subsidies for low-income groups, support for small farmers and cooperatives, and insurance provisions for Nepalis living abroad.

The Insurance Authority of Nepal plays a central role in policy implementation, requiring ongoing reforms based on monitoring and evaluation. The government must ensure insurance access across all social strata through budgetary and planning measures.

Overall, sustainable growth of Nepal's insurance sector depends on expanding literacy and inclusion, especially among rural and disadvantaged groups. Over half the population remains uninsured due to lack of information, distrust, and limited financial literacy. Effective implementation of the Insurance Literacy Framework requires national campaigns using digital technology and tailored programs (Dhungana, 2024).

Joint efforts by the government, regulators, insurers, and the private sector are crucial. Subsidies, simplified claim processes, and increased public awareness are vital to extending insurance coverage. Since government efforts alone cannot achieve these goals, multi-sector collaboration is necessary to establish insurance as a fundamental pillar of Nepal's economy and advance campaigns promoting insurance literacy and inclusion.

2.1.7 Product of Life Insurance

Following are the products of life insurance as outlined by Preethi et al. (2024).

Term Life Insurance

Term life coverage, offered via bancassurance, is designed to provide financial protection for a fixed duration, generally ranging from several years up to a few decades. If the insured individual passes away during the active term, a lump-sum benefit is given to the designated

beneficiary. This plan is highly preferred due to its affordable premium and uncomplicated nature. Banks help distribute this insurance by utilizing their extensive network, reaching a wide demographic. The convenience of acquiring this protection during routine banking services has significantly boosted its popularity, especially among middle-income individuals.

This type of policy suits customers who want basic life protection without any savings or investment element. As noted by Preethi et al. (2024), term policies meet immediate financial security needs and are ideal for first-time buyers. Banks act as trusted facilitators, ensuring smoother application procedures and minimal paperwork. Moreover, they can introduce these policies during savings account openings or personal loan disbursements. The collaborative model helps enhance awareness and extend insurance access across various income groups. Given its simplicity and cost-efficiency, term insurance remains a foundational offering within the bancassurance portfolio.

Whole Life Insurance

Whole life insurance ensures continuous protection throughout the insured's lifetime while incorporating a savings feature. Alongside the death benefit, the policy accumulates cash value over time, which can be borrowed or used to pay future premiums. Offered through bancassurance partnerships, this policy serves as both a protective tool and a long-term asset. Financial advisors in banks often recommend it as part of holistic wealth planning, targeting clients seeking lifelong security.

As explained by Preethi et al. (2024), clients value whole life policies for their consistent returns and the assurance of legacy planning. When sold via banks, these plans become more accessible, and the advisory support enhances customer understanding. The accrued cash value component acts as a financial cushion during emergencies. Additionally, linking premium payments with bank accounts ensures timely contributions. Since banks have established credibility and long-standing relationships with customers, they can effectively promote this dual-benefit product, particularly to individuals interested in intergenerational wealth transfer or tax-sheltered investment options.

Universal Life Insurance

Universal life insurance offers policyholders adaptable coverage with adjustable premiums and benefits. It includes a savings component that grows based on investments, making it suitable for individuals who want both insurance protection and wealth-building options.

Through bancassurance, banks deliver these complex policies in a simplified manner, catering to financially literate clients with fluctuating incomes or evolving financial goals. Preethi et al. (2024) observed that universal life policies attract individuals who desire autonomy in managing their coverage and investment growth. Bancassurance aids this by offering tools for tracking investment performance and adjusting contributions. Banks integrate this product into personal finance services, promoting it during consultations on retirement or education planning. The ability to tailor payments and modify coverage without policy termination makes this insurance highly flexible. Banks, through their digital platforms and advisory teams, make these policies approachable and manageable, enhancing client engagement and satisfaction.

Endowment Policies

Endowment plans blend savings with life coverage, providing financial support to the nominee in case of the policyholder's death or a maturity benefit if the insured survives the policy term. This dual function makes endowment products ideal for long-term objectives such as funding education, weddings, or homeownership. With banks as distribution channels, these plans reach clients already accustomed to systematic saving practices.

According to Preethi et al. (2024), the integration of endowment products within banking services enhances their accessibility and appeal. Banks suggest these policies when customers opt for recurring deposits or fixed investments, presenting them as disciplined savings tools with added life coverage. Automatic premium deductions from bank accounts help maintain consistency. This structured financial product aligns with traditional saving behavior, especially in developing regions. The assurance of a lump-sum payout upon maturity gives customers confidence in using it as a financial planning solution for future needs.

Critical Illness Insurance

Critical illness insurance provides a lump-sum benefit upon the diagnosis of severe health conditions such as heart disease, cancer, or stroke. This benefit helps cover high medical expenses and income loss during treatment. Bancassurance facilitates easy access to such policies, targeting clients concerned with rising healthcare costs. Bank staff often promote these during health-related financial advisory sessions or as part of wellness campaigns.

Preethi et al. (2024) highlighted the growing demand for critical illness coverage in light of modern lifestyle risks and post-pandemic health concerns. Banks leverage their customer

data to suggest this plan to those in higher risk categories, ensuring relevance and need-based selling. Integration with salary or savings accounts simplifies the enrollment process, while digital tools help track policy status. This form of insurance ensures financial resilience during health crises and contributes to customers' peace of mind, strengthening the bond between banks and their clients.

Accidental Death and Dismemberment (AD&D) Insurance

AD&D coverage pays compensation in cases of accidental death or specific bodily injuries such as limb loss or paralysis. It is often offered as an add-on or independent product for individuals in high-risk professions or frequent travelers. Its affordability and simple terms make it ideal for bundling with banking services like debit cards or loan accounts.

Preethi et al. (2024) noted that AD&D insurance gains high acceptance due to its low premium and quick issuance. Banks often embed these policies into value-added packages, making enrollment seamless and documentation minimal. In unfortunate incidents of accidents, beneficiaries receive prompt financial relief, which may help with medical expenses or loss of income. By offering this insurance, banks extend an extra layer of protection, adding to their credibility while serving clients' evolving protection needs efficiently.

Income Protection Insurance

Income protection, also called disability insurance, assures a steady stream of income when the insured becomes unable to work due to illness or injury. This safeguard supports monthly expenses during recovery and preserves the policyholder's financial stability. Banks promote this insurance especially to salaried professionals and self-employed clients who rely heavily on regular income.

Preethi et al. (2024) emphasized the relevance of income protection amid uncertain job markets. Through bancassurance, banks identify eligible customers using salary data and recommend suitable policies. Auto-debit features ensure uninterrupted premium payments. Some banks also package this product with loans or savings plans, enhancing its utility. By reducing financial stress during health-related work absences, this policy not only supports clients but also minimizes loan default risks for banks, reinforcing mutual benefit within the partnership.

Annuities

Annuities are long-term financial agreements that deliver periodic payments, often after retirement, in exchange for a lump sum or phased contribution. These payments can be fixed or variable, depending on the contract. Within the bancassurance setup, banks offer annuities to clients planning for post-retirement stability or looking for predictable income sources in later life.

As explained by Preethi et al. (2024), annuity products with embedded life insurance features offer both security and investment opportunities. Banks promote these through retirement planning services and financial literacy campaigns. Personalized consultations help clients understand the terms and benefits, while digital banking platforms make contributions and tracking easier. For retirees and long-term savers, annuities provide peace of mind by ensuring steady financial support. The association with reputable banks enhances trust in these products, making them a key offering in retirement portfolios.

2.2 Empirical Review

Shawdari et al. (2025) explored how financial behaviour influenced life insurance engagement among Saudi customers. The study aimed to fill the gap in literature regarding the relationship between financial habits and life insurance adoption in Saudi Arabia, especially given unique social, cultural, and religious dynamics. A structured survey was conducted with 150 banking customers in Riyadh, and the Radial Basis Function modelling approach was used for data analysis. The study identified key financial behaviours such as consistent bill payments, budget-conscious spending, savings habits, and retirement planning as common among respondents. Although many participants held various forms of insurance, including life insurance, the RBF modelling did not yield significant predictors of insurance purchase behaviour. This suggested the existence of other influencing variables beyond those explored in the study. The research stood out from earlier literature, which mostly addressed Takaful customers, by focusing on a broader spectrum of insurance behaviour. Despite the inability to develop strong predictive models, the overall trends revealed a relatively positive attitude towards insurance ownership, reinforcing the significance of financial awareness in shaping consumer decisions in the Saudi context.

Kiwanuka and Sibindi (2025) examined how insurance literacy and perceived trust affected insurance inclusion in Uganda. Their main objective was to determine whether perceived

trust served as a mediating factor between financial literacy and inclusion. The researchers adopted a correlational, cross-sectional design with a quantitative approach. Data were collected from 400 voluntarily insured individuals using structured questionnaires, and the Partial Least Squares Structural Equation Modelling (PLS-SEM) technique with bootstrapping was employed for analysis. The findings revealed that insurance literacy had a significant and positive association with both insurance inclusion and perceived trust. Furthermore, perceived trust was found to play a pivotal mediating role, indicating that individuals with higher financial understanding were more likely to trust insurers and hence be more inclined towards insurance inclusion. The study provided empirical support for the interconnectedness of trust and financial knowledge in enhancing access to insurance services. It contributed to the understanding of behavioural and perceptual determinants of insurance uptake in developing countries, particularly Uganda, where such empirical evidence has been scarce.

Tanjung and Cahyanti (2025) analyzed the influence of financial literacy, risk aversion, and trust on the demand for life insurance among Singaporean consumers. The study aimed to assess how varying degrees of financial awareness and risk preferences influenced the ownership of complex financial products, including life insurance. A representative household survey was conducted, and empirical methods were applied to evaluate consumer behaviour in relation to savings, debt, and insurance. The analysis showed that financially literate individuals were more inclined to invest in diverse financial assets such as life insurance and retirement annuities and demonstrated prudent debt repayment behaviour. Moreover, the study highlighted that those with higher financial literacy were more likely to manage liabilities effectively and make informed financial decisions. Causal relationships were established, supporting the notion that enhancing financial education could significantly improve household financial stability. These findings reinforced the argument that promoting financial literacy is essential for increasing the uptake of life insurance and managing complex financial instruments more effectively.

Sanjay and Tewari (2024) evaluated the factors influencing the intention to purchase life insurance among married working professionals, focusing specifically on the roles of saving motives and financial literacy. The study utilized Structural Equation Modelling (SEM) to assess the causal relationships between variables. The findings revealed that both financial literacy and saving motives had a statistically significant and positive impact on consumers' intentions to purchase life insurance. Additionally, the inclusion of continuous

variables in the SEM framework improved the model's explanatory power and provided more precise estimations of variable interrelations. The research offered key insights for life insurance providers, indicating that consumers with strong saving intentions and higher financial knowledge were more likely to consider life insurance as a viable financial safeguard. This empirical investigation underscored the necessity for insurance companies to prioritize educational initiatives and tailor products that align with consumers' financial goals and behavioural traits.

Bhatia et al. (2024) explored how financial literacy influenced consumer decision-making in purchasing life insurance, particularly in the presence of framing effects. The study sought to determine whether enhancing financial knowledge could mitigate the influence of marketing tactics like framing, which are commonly used by insurance providers. A rating-based conjoint analysis was employed to test how respondents reacted to different presentations of premiums and benefits, and the data were analyzed using three-way ANCOVA and the Hayes Process model. The findings indicated that individuals with higher financial literacy showed greater purchase intention for life insurance products, especially those offering monthly premiums and cumulative benefits. The research concluded that financial education improved informed decision-making and lessened consumer vulnerability to marketing biases. These results emphasized the significance of financial literacy as a protective factor in financial decision-making, encouraging policymakers and insurance firms to focus on educational strategies to cultivate more knowledgeable and confident consumers.

Rey-Ares et al. (2024) explored the effect of personal financial attributes such as financial literacy, planning horizon, and self-control on the consumption of life insurance across generational groups in Spain. The primary objective was to assess how these behavioral variables influenced the likelihood of holding life insurance, particularly during a period of economic instability affected by inflation, the war in Ukraine, and the COVID-19 pandemic. The study utilized data from 7,245 individuals collected via the Survey of Financial Competences. A multivariate analysis was employed to evaluate the associations between personal attributes and insurance uptake. The findings highlighted that traditional demographic factors significantly influenced life insurance ownership. However, contrary to expectations, behavioral aspects like financial planning and self-control did not have a statistically significant impact. These results emphasized the need to reconsider the weight given to psychological dimensions in predicting insurance behavior. Furthermore,

generational differences were taken into account to examine whether these associations varied across cohorts, including baby boomers, millennials, Gen Xers, and the silent generation. Overall, the study presented comprehensive evidence indicating that while financial literacy remains crucial, self-control and long-term financial planning alone may not determine life insurance demand across diverse age groups.

Ajemunigbohun and Azeez (2024) assessed how financial literacy and retirement planning influence the demand for life insurance among academic professionals in Lagos State-owned tertiary institutions. The objective was to investigate whether variables like financial knowledge, behavior, attitude, and confidence contribute to life insurance decisions. The study employed a cross-sectional survey research design with multiphase sampling, collecting data from 273 university lecturers using structured questionnaires. The responses were analyzed using descriptive statistics and multiple regression techniques. The results demonstrated that financial knowledge, behavior, and attitude positively influenced insurance demand, whereas financial confidence exhibited a negative relationship. Importantly, retirement planning emerged as a significant predictor of life insurance demand, suggesting that individuals preparing for retirement were more inclined to secure financial safety nets through insurance. These findings underlined the nuanced relationship between components of financial literacy and life insurance decisions, emphasizing the need for targeted awareness campaigns. The study advocated for continuous public education initiatives to enhance understanding of insurance products and facilitate more informed decision-making by both consumers and insurance providers.

Ingale and Paluri (2022) explored the development and progression of research in the field of financial literacy and financial behaviour with the primary objective of mapping the scientific evolution and identifying key themes, influential contributions, and research gaps. They employed bibliometric analysis using 1,138 documents extracted from the Web of Science database spanning the years 1985 to 2020. The analysis was conducted through Biblioshiny, a web-based interface integrated with the Bibliometrix package in R, which enabled automated workflows for identifying prominent journals, authors, articles, countries, and themes. Additionally, the study performed citation, co-citation, and social network analyses to uncover the intellectual and social structure of the domain. The findings revealed that research on financial literacy and behaviour had transitioned from initial focuses on demographic and socio-economic variables to include behavioural and psychological determinants over time. Their study emphasized the interdisciplinary nature

of the field and offered insight into emerging research areas and potential collaborations. Although limited to the Web of Science database, the study provided valuable directions for future scholars to develop conceptual frameworks through systematic literature reviews. It also highlighted unexplored areas and offered practical guidance for researchers aiming to deepen their understanding of the domain's structural dynamics.

Segodi and Sibindi (2022) examined the factors influencing life insurance demand within the BRICS nations by employing panel data econometric methods across the 1999–2020 period. Their primary objective was to investigate both traditional and underexplored determinants of life insurance demand, including economic and supply-side variables such as financial regulation. Using life insurance density and life insurance penetration as proxies, the researchers analyzed macroeconomic indicators such as income level, inflation, interest rates, and unemployment, alongside structural variables like financial freedom and regulatory conditions. Their findings indicated that income, inflation, unemployment, and interest rates had an adverse influence on life insurance uptake, while economic growth and financial liberalization positively contributed to increased demand. Notably, the inclusion of financial regulation as an explanatory variable added a novel dimension to the literature. The study suggested that easing regulatory constraints could enhance financial freedom, thereby boosting insurance participation. These findings held significant policy implications, emphasizing the need for regulatory reforms to promote sectoral development. The comprehensive use of longitudinal panel data enabled robust conclusions applicable across diverse economies within the BRICS block.

Shaik et al. (2022) explored the investment behavior of IT professionals in India with a focus on understanding the interplay between financial literacy and investment decisions. The central aim of their research was to identify the behavioural elements that influence saving and investment preferences among professionals in the technology sector. Utilizing a structured survey method, the study gathered responses that reflected how factors such as risk tolerance, liquidity preference, and security concerns shape investment strategies. The research design was primarily descriptive, allowing the authors to interpret patterns within the investment decisions of young professionals. Findings highlighted that IT professionals placed significant value on secure and liquid investment instruments, though individual risk appetite varied widely. The motives behind their investment choices ranged from ensuring long-term financial security to seeking additional income. The study underscored that financial awareness and risk perception played crucial roles in determining the investment

channels preferred by the participants. Moreover, the behavioral orientation of IT workers significantly influenced their decision-making frameworks, offering insights into how demographic and psychological dimensions contribute to investment trends.

Wang et al. (2021) investigated how financial literacy shapes life insurance demand in China, where despite being one of the largest insurance markets globally, the penetration rate remained relatively low. The research aimed to explore the possible linkage between financial knowledge and the limited insurance uptake among Chinese citizens. Utilizing two nationally representative micro-level datasets, the study applied multiple estimation techniques to ensure robustness in analyzing the association between financial literacy and life insurance ownership as well as the amount of premiums paid. The results consistently showed a positive relationship between financial knowledge and the likelihood of owning insurance, as well as higher premium expenditures. These findings remained stable across different analytical approaches, reinforcing the conclusion that enhanced financial literacy significantly contributes to life insurance participation. The authors noted that addressing the country's low literacy rates could help it overcome what they termed as the "growing pain" of underutilization in the insurance sector. In summary, the study provided robust empirical support for the role of financial literacy in strengthening insurance adoption and emphasized its policy implications in terms of national financial education programs.

Nomi and Sabbir (2020) analyzed the psychological and motivational factors affecting consumers' intention to purchase life insurance in Bangladesh using the Theory of Reasoned Action as a conceptual base. The study extended the model by incorporating variables such as religiosity, financial literacy, saving motives, and risk aversion. Data were gathered through a convenience sampling technique from 315 employees in various public and private organizations, and structural equation modeling (SEM) was used for data analysis. Their results revealed that attitudes, subjective norms, risk aversion, saving motives, and financial knowledge had a significant positive impact on purchase intentions, while religiosity showed a negative effect. Additionally, saving motives served as a mediating factor between both financial literacy and risk aversion with life insurance purchase intentions. The findings implied that emotional and cognitive perceptions significantly influenced life insurance decisions, with emphasis needed on the reputation of the insurance providers and trust in agents. The study contributed to an enriched understanding of behavioral drivers behind financial decisions and recommended strategies

for insurers to improve outreach by considering socio-psychological dimensions in marketing efforts.

Tam (2020) investigated the determinants shaping the decision to purchase life insurance products in Vietnam amidst rapid economic advancement. The study aimed to identify key factors influencing consumers' purchasing behavior and applied quantitative analysis to determine their statistical significance. Utilizing primary data collected through surveys, the researcher evaluated five critical variables: benefit awareness, perceived social norms, attitudes toward insurance, financial literacy, and ease of product access. The analysis demonstrated that all five determinants significantly affected the intention and decision to buy life insurance at a 1% level of significance. Among these, financial knowledge and perceived benefits emerged as the strongest predictors of purchase behavior. The findings emphasized that improving financial education and simplifying access to insurance products could enhance participation in the life insurance market. The study offered practical recommendations for industry stakeholders, including targeted financial literacy campaigns and improving communication strategies to build trust and understanding among potential customers. These insights provided a foundation for policymakers and insurers to address gaps in awareness and perception that may hinder life insurance adoption in emerging markets like Vietnam.

Lin et al. (2017) examined the impact of financial literacy, financial advice, and information sources on life insurance ownership decisions among individuals in Taiwan. The study aimed to assess how both personal knowledge and social communication influenced the likelihood of purchasing life insurance. A logistic regression model was applied to a dataset that captured various socioeconomic variables such as age, gender, income, and marital status alongside financial behavior factors. The analysis revealed that individuals with higher levels of financial literacy were significantly more likely to own life insurance policies. Additionally, consultations with financial advisors and informal discussions with family and friends also positively correlated with insurance demand. These findings highlighted the importance of not just individual awareness but also the role of trusted advice and social networks in shaping financial decisions. Moreover, the study emphasized the effectiveness of the Taiwan Financial Supervisory Commission's financial education program in increasing insurance participation. The results offered valuable insights into the multidimensional influences on life insurance demand and supported the

idea that both structured financial education and interpersonal communication are critical in encouraging informed financial behaviors.

Mahdzan and Victorian (2013) analyzed the influence of demographic characteristics, saving motives, and financial literacy on life insurance demand among policyholders in Malaysia. The research focused on a sample of 259 individuals from five prominent insurance firms in Kuala Lumpur and aimed to determine which factors most strongly influenced their purchase decisions. Employing a combination of one-way ANOVA and multiple regression analysis, the researchers assessed the relationships between variables such as precautionary saving, bequest intentions, lifecycle savings, and wealth accumulation motives with life insurance ownership. The results indicated that demographic factors and various saving motives were significantly linked to insurance demand. Interestingly, financial literacy, which is often assumed to be a key driver, did not demonstrate a statistically significant impact on the decision to purchase insurance. This finding challenged prevailing assumptions in financial behavior research and highlighted the greater role played by individuals' underlying motives for saving. The study thus provided critical insights into the psychological and demographic determinants of insurance uptake, emphasizing that merely increasing financial knowledge may not be sufficient to boost participation in insurance markets without addressing deeper personal motivations.

Table 2.2
Summary of Empirical Review

S.N.	Researcher (Date)	Title	Objective	Methodology	Findings
1	Shawdari et al. (2025)	Impact of Financial Behaviour on Life Insurance Using Radial Basis Function Modelling	To examine how financial behaviour influences the purchase and maintenance of life insurance products among Saudi consumers	Survey of 150 bank customers in Riyadh; Radial Basis Function (RBF) modelling	Positive financial habits were identified, yet no predictive variable emerged for life insurance purchases, suggesting other influential factors exist
2	Kiwanuka and Sibindi (2025)	Insurance literacy, perceived trust and insurance inclusion in Uganda	To explore how insurance literacy and perceived trust influence insurance	Quantitative, correlational and cross-sectional design using structured surveys; 400	Insurance literacy positively correlates with inclusion and trust; perceived trust also significantly mediates the

S.N.	Researcher (Date)	Title	Objective	Methodology	Findings
			inclusion and whether trust mediates the relationship	insured individuals; PLS-SEM with bootstrapping	relationship between literacy and inclusion
3	Tanjung and Cahyanti (2025)	Demand for life insurance and the influence of consumer's financial literacy, risk aversion and trust	To examine how financial literacy, risk aversion and trust influence life insurance demand in Singapore	Representative household survey	Financial literacy strongly influences insurance and investment behavior; literate individuals manage debt better and own more complex financial products
4	Sanjay and Tewari (2024)	Determinants of Life Insurance Purchase Intention using Structured Equation Modelling with Focus on Saving Motive and Financial Literacy	To analyze how saving motives and financial literacy affect life insurance purchase intention among married professionals	Structural Equation Modelling (SEM)	Saving motives and financial literacy have a significant and positive impact on life insurance purchasing intentions
5	Bhatia et al. (2024)	Empowering Informed Life Insurance Decisions: The Impact of Financial Literacy on Framing Effects	To assess how financial literacy affects consumers' response to insurance marketing using framing techniques	Conjoint analysis, three-way ANCOVA, and Hayes Process	Financial literacy improves life insurance purchase intention, particularly under monthly premium and aggregate benefit frames
6	Rey-Ares et al. (2024)	Life insurance consumption across generations: The roles of financial knowledge, planning horizon, and self-control	To evaluate the effect of financial attributes on life insurance consumption across generational groups in Spain	Survey of 7,245 individuals; multivariate analysis	Standard demographic variables influence insurance decisions; financial planning and self-control were not significantly related
7	Ajemuni gbohun and Azeez (2024)	Financial Literacy, Retirement Planning, and Demand for Life Insurance	To evaluate how financial literacy and retirement planning influence life insurance demand	Cross-sectional survey using structured questionnaires; multiple regression analysis	Positive correlation between financial knowledge, attitude, and behaviour with insurance demand; retirement planning significantly affects demand

S.N.	Researcher (Date)	Title	Objective	Methodology	Findings
8	Ingale and Paluri (2022)	Financial literacy and financial behaviour: A bibliometric analysis	To identify trends, themes, and gaps in financial literacy and behaviour research	Bibliometric analysis using 1,138 documents from Web of Science and Biblioshiny tool in R	Financial literacy and behaviour evolved as interdisciplinary fields; highlighted areas requiring further research
9	Segodi and Sibindi (2022)	Determinants of life insurance demand: Empirical Evidence from BRICS Countries	To identify variables influencing life insurance demand in BRICS countries	Panel data econometric analysis (1999–2020)	Life insurance demand positively influenced by economic growth and financial freedom, but negatively by income, unemployment, inflation, and interest rates
10	Shaik et al. (2022)	Financial literacy and investment behaviour of IT professional in India	To study saving and investment behaviour among IT professionals in India	Structured survey method	Investment preferences vary with risk attitude; financial stability and liquidity are key drivers of investment choices
11	Wang et al. (2021)	‘Growing out of the growing pain’: Financial literacy and life insurance demand in China	To investigate how financial literacy relates to the demand for life insurance in China	Used two nationally representative micro datasets and applied robust estimation techniques	Found a positive association between financial literacy and both the probability of holding life insurance and the amount of premium paid
12	Nomi and Sabbir (2020)	Investigating the factors of consumers’ purchase intention towards life insurance in Bangladesh	To examine factors influencing life insurance purchase intention using the Theory of Reasoned Action	Structural equation modelling with 315 respondents from public and private institutions	Financial literacy, attitude, saving motives, and subjective norms positively influence purchase intention; religiosity has a negative effect
13	Tam (2020)	Factors affecting the decision to purchase life insurance products in Vietnam	To determine the factors influencing the decision to purchase life insurance in Vietnam	Quantitative approach	Benefit awareness, subjective norms, attitude, financial literacy, and product access significantly influence insurance purchase decisions

S.N.	Researcher (Date)	Title	Objective	Methodology	Findings
14	Lin et al. (2017)	Financial literacy, financial advisors, and information sources on demand for life insurance	To assess the effects of financial literacy, financial advisors, and information sources on life insurance participation	Logistic regression model	High financial literacy, advice from financial advisors, and discussions with family and friends positively influence life insurance demand
15	Mahdzan and Victorian (2013)	The determinants of life insurance demand: A focus on saving motives and financial literacy	To investigate how saving motives and financial literacy impact life insurance demand in Malaysia	Survey of 259 policyholders; One-way ANOVA and multiple regression analysis	Demographic and saving motives significantly affect insurance demand; financial literacy was not a significant predictor

2.3 Review of Literature in National Context

Subedi and Bhandari (2024) explored the impact of psychological factors on investment decisions in the Nepalese share market, with a focus on the mediating effect of financial literacy. Recognizing the volatility and emerging market characteristics of Nepal's stock market, the study sought to understand how investor psychology influences investment behavior and how financial literacy could mitigate these effects. Primary data were collected from 410 individual investors in Kathmandu Valley through random sampling using a structured questionnaire. Structural equation modeling using SmartPLS 4.0 was applied to test the hypothesized relationships. The results confirmed that psychological biases significantly affect investment decisions. However, investors with higher financial literacy were better able to overcome these biases, making more informed and rational choices. The study underscored the importance of improving financial literacy to enhance investor decision-making and promote market stability. It also suggested that policymakers and financial institutions develop targeted education programs to empower investors and reduce the adverse consequences of psychological biases in the Nepalese share market.

Joshi et al. (2024) analyzed the factors affecting consumer decision-making regarding health insurance purchases in Nepal. The study aimed to identify key determinants influencing individuals' choices to obtain health insurance coverage. Employing a descriptive and causal research design, primary data were collected from 385 potential insurance buyers through structured questionnaires. The analysis involved correlation and

multiple regression techniques to examine the relationships between variables. Results revealed significant positive effects of mental accounting, pricing, premium, brand trust, and risk perception on health insurance purchase decisions. Among these factors, brand trust emerged as the strongest predictor, followed by mental accounting. The study concluded that while financial considerations matter, consumers' trust in insurance providers and their mental framing of health-related expenses play a more critical role in their purchasing behavior. The findings emphasized the need for insurers to build brand credibility and address consumers' psychological aspects to enhance health insurance uptake in Nepal.

Adhikari (2024) examined the factors influencing individuals' decisions to purchase life insurance products in Nepal. The study employed a quantitative research design based on primary data collected from 151 respondents using structured questionnaires. The researcher used correlation and regression analyses to determine the significance of various factors such as company loyalty, premium charges, agents, claim settlement, and company image on the purchase decision. The findings revealed that all these factors had a positive and significant impact on individuals' choices to buy life insurance. Specifically, loyalty towards insurance companies, fair premium pricing, knowledgeable agents, efficient claim settlement, and a strong company image were found to motivate consumers' purchasing decisions. The study concluded that these dimensions are critical in enhancing life insurance uptake in Nepal.

Pant (2024) analyzed factors affecting investment decisions in life insurance policies in Birendranagar, Surkhet, Nepal. Using a structured questionnaire based on judgmental sampling, data were collected from 195 respondents. The study applied multivariate regression analysis to explore the influence of corporate image, risk and return, tax benefits, claim settlement, and insurance plans on investment decisions. The results indicated that business image, risk and return, insurance plans, and claim settlement were the primary determinants of investment decisions, while tax benefits had minimal impact. The study highlighted the importance of increasing insurance awareness in the region and identified key demographic factors influencing investment behavior. These findings suggested targeted strategies for enhancing life insurance penetration in the area.

Subedi (2023) examined the influence of financial literacy on investment decisions among investors in the Nepalese share market. The study aimed to assess how dimensions of financial literacy, such as personal saving habits, risk tolerance, investment knowledge, and

available options, affect investors' decision-making processes. Data were gathered from 384 respondents in Kathmandu Valley using a structured questionnaire and convenience sampling. Pearson correlation and multiple regression analyses were employed to test the relationships among variables. The findings demonstrated a significant and positive association between the aspects of financial literacy and investment decisions. The study highlighted that insufficient financial knowledge and poor access to financial information hinder individuals' ability to save and make effective investment choices. It also revealed that a lack of understanding of fundamental financial concepts contributes to negative saving and investment behaviors. The author recommended implementing financial education initiatives to enhance investors' knowledge and improve their financial decisions in Nepal's share market.

Bista and Upadhyay (2023) examined factors influencing customers' decisions to purchase life insurance policies in Chitwan, Nepal. The study aimed to assess the level of awareness about life insurance, analyze the relationship between perception, attitudes, and trust, and their effect on purchase decisions. A cross-sectional analytical design was employed, collecting data from 150 policyholders using purposive sampling. Data analysis was conducted with SPSS 20, applying descriptive and inferential statistics, where a p-value less than 0.05 was considered significant. The majority of respondents belonged to the 30-40 years age group. The findings highlighted a meaningful correlation between variables such as purpose of buying, perception of alternatives, and trust with the purchase decision of life insurance. The study concluded that increased awareness and positive attitudes significantly contributed to customers' intention to buy life insurance, suggesting that insurance companies should prioritize enhancing customer knowledge and trust to stimulate policy uptake in the region.

Dhodary (2023) explored consumer attitudes and intentions toward life insurance purchase in Kathmandu Valley, Nepal. The study used a survey method with primary data to assess the effects of tax savings, insurance agents, word-of-mouth, satisfaction, and trust on purchase intentions. Regression analysis was applied to identify relationships among variables. The findings showed that consumers with higher education levels were more aware and concerned about life insurance. Service industry employees were more inclined to buy policies compared to other occupations. Endowment policies were the preferred type, motivated primarily by risk coverage but also for savings and security. Moreover,

insurance agents and customer satisfaction significantly influenced purchase decisions, highlighting the importance of interpersonal factors in the insurance market.

Keyal and Bhattacharya (2023) analyzed factors shaping life insurance purchasing decisions in Kathmandu Valley with a focus on financial literacy, tax benefits, risk perception, and pandemic impact. Employing a quantitative research design, they collected primary data from diverse locations, which was then analyzed using Pearson's correlation and regression methods. Visual data presentations supported their findings. Results indicated women exhibited greater reluctance than men to purchase life insurance, possibly due to socio-cultural factors, while higher-income individuals showed lower insurance uptake, potentially relying on available savings for risk mitigation. Conversely, lower-income groups prioritized immediate financial needs over insurance. The study concluded that the examined factors positively correlated with life insurance purchase intentions but highlighted areas for enhancing awareness and adoption strategies in Nepal.

Lawaju et al. (2023) explored policyholders' perceptions of insurance in Kathmandu Valley, aiming to identify challenges and influencing factors in the insurance sector. A cross-sectional survey was conducted using purposive sampling with 403 insurance policyholders. Structured questionnaires were employed, and data were analyzed through descriptive statistics and structural equation modeling. Results showed that policyholders regarded insurance as crucial protection against financial risks, but faced issues such as policy misunderstandings, claim denials, and complexity. The analysis revealed significant positive relationships between customer loyalty, transparency, and policyholders' perceptions, providing insights for improving insurance industry practices in Nepal.

Adhikari (2020) investigated consumers' perceptions toward Nepalese insurance products, aiming to identify factors that shape these perceptions. The study applied descriptive and causal-comparative research designs, collecting primary data from 400 respondents in Kathmandu Valley and Parsa district via a structured questionnaire. Data analysis involved descriptive statistics and multiple regression models. The findings indicated that consumer perception was positively influenced by company loyalty, service quality, satisfaction level, company image, and ease of procedures. Among these, company image, loyalty, and satisfaction were the most significant determinants impacting consumers' views on insurance products. This research extended the existing literature by combining perspectives from both Kathmandu Valley and Birgunj metropolitan, providing novel evidence on consumer attitudes toward insurance in Nepal. The study suggested that

insurance companies should focus on enhancing these key factors to improve consumer perception and foster growth in the insurance sector.

Goet (2022) evaluated the factors affecting customers' choices of life insurance companies in Nepal, with the objective of identifying how various attributes influence customer preferences. The research employed correlational and causal research designs, collecting primary data from 400 respondents through a well-structured questionnaire using convenience sampling. Reliability of the instrument was confirmed via Cronbach's Alpha. The analysis revealed that most customer choice factors, including service, closeness, technology, security, responsiveness, and brand image, had a significant positive relationship with the selection of life insurance companies. However, product features and premium pricing did not show a significant impact. The study provided practical insights for insurance managers and policymakers aiming to expand their market share by emphasizing these influential factors. The research recommended focusing on improving service quality, brand image, and responsiveness to better meet customer expectations and increase their preference for specific insurance providers.

Sharma (2021) examined customer perceptions toward health insurance in Kathmandu Valley, Nepal, aiming to understand the factors influencing health insurance enrollment. The study used a survey method with a structured questionnaire distributed to 250 respondents, of which 200 valid responses were analyzed. Descriptive and inferential statistics, including correlation and regression analyses, were applied to evaluate the impact of independent variables such as income constraints, liquidity constraints, opportunity cost, lack of information, availability of subsidized government healthcare, government linkage, risk exposure, and client trust on health insurance enrollment. Moderating variables included gender, age, education, income, and marital status. The findings revealed that income constraints, liquidity constraints, lack of information, subsidized healthcare availability, government linkage, risk exposure, and trust significantly and positively influenced health insurance enrollment, while opportunity cost showed no significant effect. The study emphasized the strong roles of economic and informational factors in shaping health insurance participation in Nepal.

Basaula (2017) evaluated customer satisfaction regarding life insurance claim settlements in Nepal, focusing on awareness and the impact of claim settlement processes. Employing a descriptive research design, data were gathered from 391 insurance agents using stratified sampling and a five-point Likert scale questionnaire. Analysis was conducted through

SPSS and MS Excel. Findings revealed that most respondents maintained a neutral stance on satisfaction with claim settlements, although they agreed that faster claim processing would enhance the insurance business. The study recommended governmental efforts to raise life insurance awareness and suggested making insurance mandatory for all citizens to boost sector growth.

Paudel and Silwal (2016) investigated public awareness of life insurance in Nepal, focusing on factors influencing awareness levels. The study employed a descriptive design with a structured questionnaire and convenience sampling, gathering responses from 120 participants. Data were analyzed using SPSS, comparing mean scores with Likert scales. Findings showed that despite the benefits of life insurance, public awareness remained low. Educational attainment was identified as a significant factor positively affecting insurance awareness, whereas gender, income, and profession showed no statistical relevance. The study highlighted the need for enhanced educational efforts to improve life insurance knowledge among the Nepalese population.

Yadav and Tiwari (2012) investigated the determinants affecting customers' investment behavior in life insurance policies in Jabalpur district, Madhya Pradesh, India. Using an exploratory and descriptive design, the study collected data from 150 policyholders through stratified and purposive sampling methods. Various statistical techniques including chi-square, correlation, and weighted averages were employed to test hypotheses related to demographic and insurance preference factors. The results indicated that Life Insurance Corporation (LIC) remains the most trusted and popular insurer, while private companies are gaining market share due to improved services. The researchers emphasized the influence of demographic factors on insurance purchase decisions and recommended increasing awareness, reducing premiums, and developing innovative, need-based products to enhance life insurance adoption.

Table 2.3

Summary of Review of Literature in National Context

S.N.	Source	Title	Objective	Methodology	Findings
1	Subedi and Bhandari (2024)	Impact of psychological factors on investment decisions in Nepalese share market: A mediating	To assess the influence of psychological factors on investment decisions and the mediating role of	Structured questionnaire with random sampling of 410 investors; analysis with SmartPLS 4.0	Psychological factors significantly affect investment decisions; financial literacy mediates the effect and enhances rational decisions

S.N.	Source	Title	Objective	Methodology	Findings
		role of financial literacy	financial literacy		
2	Joshi et al. (2024)	Consumer Behavior and Decision-Making in Health Insurance Policy Purchases in Nepal	To analyze elements influencing decisions to obtain health insurance in Nepal	Descriptive and causal design; sample of 385; correlation and regression analysis	Mental accounting, pricing, brand trust, and risk perception significantly affect purchase decisions; brand trust is the strongest predictor
3	Adhikari (2024)	Individual's Choice on Buying Life Insurance Products in Nepal	To examine factors influencing individual choice on buying life insurance products in Nepal	Primary data, structured questionnaire, 151 respondents, correlation coefficients and regression	Company loyalty, premium charge, agent behavior, claim settlement, and company image all positively impact individuals' choice on buying life insurance products in Nepal.
4	Pant (2024)	Factors Affecting Investment Decision of Life Insurance Policy	To analyze factors affecting life insurance investment decisions in Birendranagar, Surkhet	Structured questionnaire; judgmental sample; 195 respondents; multivariate regression analysis	Business image, risk & return, insurance plan, and claim settlement significantly influence investment decision; tax benefit has little impact; highlights need for insurance awareness.
5	Subedi (2023)	Financial literacy and investment decisions in Nepalese share market	To examine the role of financial literacy on investment decisions in the Nepalese share market	Convenience sampling of 384 respondents; Pearson correlation and multiple regression analysis	Positive and significant relationship between financial literacy dimensions and investment decisions; lack of literacy hinders saving and rational decisions
6	Bista and Upadhyay (2023)	Factors Affecting Purchase Decision of Life Insurance Policy of Customer in Chitwan	To assess purchase intentions, awareness, and influencing factors for life insurance in Chitwan	Analytical cross-sectional study; purposive sampling of 150 respondents; SPSS 20 used	Significant effect of purpose of buying, perception, and trust on life insurance purchase decision; education, economic status, and emergencies also matter

S.N.	Source	Title	Objective	Methodology	Findings
7	Dhodary (2023)	Consumers' Attitudes and Purchase Intention of Life Insurance	To explore consumer attitudes and purchase intentions towards life insurance in Kathmandu Valley	Primary data; regression analysis	Higher education correlates with concern for life insurance; insurance agents and satisfaction strongly influence purchase intentions; risk coverage is the main motivation.
8	Keyal and Bhattacharya (2023)	Life Insurance Purchasing Decision in Kathmandu Valley	To study factors shaping life insurance decisions focusing on financial knowledge, tax benefits	Primary data; Pearson's correlation and regression analysis	Positive correlation of financial knowledge, tax benefits, risk perception, and pandemic effects with life insurance purchase; women more hesitant; higher income people less inclined to buy insurance.
9	Lawaju et al. (2023)	Investigating Policyholders' Perception Towards Insurance	To investigate policyholders' perceptions and challenges in Kathmandu Valley insurance market	Cross-sectional survey; purposive sampling; 403 respondents; descriptive and inferential stats; SEM	Insurance seen as essential; challenges include policy misunderstanding, claim denials, complexity; customer loyalty and transparency significantly affect perceptions.
10	Adhikari (2020)	Perception of consumers towards Nepalese insurance products	To examine changing consumer perceptions toward insurance products	Descriptive and causal-comparative design; 400 respondents from Kathmandu Valley and Parsa	Positive correlation of perception with loyalty, satisfaction, image, and ease; loyalty, satisfaction, and image are dominant factors
11	Goet (2022)	Factors Affecting Customers Choice of Life Insurance Companies in Nepal	To explore relationships between various service and product factors and choice of life insurance companies	Convenience sampling of 400; correlational and causal design	All factors except product and premium significantly affect customer choice; emphasizes importance of responsiveness and brand image

S.N.	Source	Title	Objective	Methodology	Findings
12	Sharma (2021)	Customers Perception Towards Health Insurance in Nepal	To analyze customers' perceptions and their impact on health insurance enrollment in Kathmandu	Survey; structured questionnaire; 200 responses; descriptive and inferential statistics	Income constraints, liquidity constraints, lack of information, government healthcare availability, risk exposure, and client trust positively affect health insurance enrollment; opportunity cost had no effect.
13	Basaula (2017)	Customers Satisfaction Towards Life Insurance Claim Settlement	To examine awareness and satisfaction regarding life insurance claim settlement in Nepal	Descriptive research; 391 agent respondents; stratified sampling; SPSS and MS Excel analysis	Majority neutral on satisfaction; claim settlement speed important to increase insurance business; government should focus on awareness and mandatory insurance policy for all citizens.
14	Paudel and Silwal (2016)	General Public Awareness in Life Insurance	To ascertain factors determining awareness of life insurance in Nepal	Descriptive design; structured questionnaire; convenience sampling; 120 respondents; SPSS analysis	Education positively affects insurance awareness; awareness low despite benefits; awareness independent of gender, income, and profession; highlights need to increase insurance education.
15	Yadav and Tiwari (2012)	Factors Affecting Customers Investment Towards Life Insurance	To identify factors influencing customers' life insurance policy buying decision	Exploratory and descriptive study; primary & secondary data; sample 150 policyholders; chi-square, correlation	LIC is the most accepted brand; demographic factors significantly affect purchase decisions; awareness and premium reduction suggested to increase life insurance uptake.

2.4 Research Gap

Most existing studies on financial literacy and life insurance have been concentrated in developed or urban contexts, often neglecting rural or semi-urban settings like those found in Nepal. For example, studies such as those by Ajemunigbohun and Azeez (2024) and Sanjay and Tewari (2024) have focused on India and Nigeria, which limits the contextual

relevance to the Nepalese population. This indicates a context gap, as the socio-economic and cultural factors influencing insurance behavior in Nepal remain underexplored.

Additionally, many researchers have limited their focus to a few dimensions of financial literacy, particularly knowledge and attitude, overlooking other critical variables like financial confidence and behavior. For instance, Bhatia et al. (2024) and Shahnaz and Rajeswari (2022) have not fully integrated the behavioural dimension in predicting insurance purchase decisions, revealing a variable gap in the comprehensive modeling of financial literacy.

From a methodological perspective, prior research has largely employed quantitative, cross-sectional designs with structured questionnaires, potentially missing out on in-depth qualitative insights. For example, Singh et al. (2021) and Shahnaz and Rajeswari (2022) have relied heavily on regression and SEM models, leaving room for methodological triangulation or mixed-methods approaches to capture nuanced decision-making processes.

Furthermore, a time gap also exists, as most studies were conducted before 2023 and may not reflect recent post-COVID-19 shifts in risk perception, digital adoption, or financial planning behavior among consumers, particularly in developing economies.

Overall, although previous research has established that financial literacy significantly influences life insurance uptake, these studies have not adequately addressed the Nepalese context, nor have they employed diverse methodological tools or accounted for emerging behavioural trends. Therefore, the current study seeks to fill these gaps by exploring the effect of financial literacy, including knowledge, behaviour, attitude, and confidence, on the purchase of life insurance in Nepal, using a contextually grounded and methodologically inclusive approach.

CHAPTER III

RESEARCH METHODOLOGY

This chapter outlines the complete research methodology, covering the design of the study, target population, sampling procedures, data types and sources, tools used for data gathering, techniques for data analysis, the conceptual research framework, and the operational definitions of the study variables.

3.1 Research Design

This study has employed both descriptive and causal-comparative research designs. The descriptive design has been adopted to assess public perception towards life insurance purchase in Nepal, while the causal-comparative design has been applied to examine the impact of financial literacy on life insurance purchase in the same region.

3.2 Population and Sample, and Sampling Design

Since this study focuses on life insurance purchase in Nepal, the total population considered is 2,996,341 (CBS, 2021). From this population, a sample of 385 has been selected. Convenience sampling has been utilized to facilitate data collection according to the study's requirements.

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

This study relies on quantitative data, which has been gathered firsthand as primary data. A structured questionnaire survey method has been employed for data collection. While designing the questionnaire, the researcher paid special attention to relevant aspects. The responses were measured using a five-point Likert scale, ranging from strongly disagree to strongly agree, with scores assigned as follows: strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5.

3.4 Method of Analysis

After gathering the data, it has been organized and entered into statistical software like Microsoft Excel and SPSS. The analysis has been conducted using different statistical techniques, including descriptive statistics, correlation analysis, and multivariate regression modeling.

3.4.1 Descriptive Statistics

Descriptive statistics refers to methods that summarize and organize data to make it easier to understand. In this study, descriptive analysis has been applied using mean and standard deviation as key tools to evaluate public perception regarding the purchase of life insurance in Nepal.

3.4.3 Correlation Analysis

In this study, correlation analysis has been employed to examine the association between financial literacy and the decision to obtain life insurance in the Nepal. This method helps identify the strength and direction of the linear relationship between the two variables, offering a clearer understanding of how financial awareness may influence insurance purchasing behavior. It can be presented as:

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

Where,

n = Number of responses

X = Value of independent variable

Y = Value of dependent variable

3.4.4 Regression Analysis

In this research, multivariate regression analysis has been applied to assess how different influencing factors jointly affect the decision to purchase life insurance within the Nepal. This statistical method has enabled the evaluation of the combined effect of financial literacy and other related variables on individuals' insurance-buying behavior, offering insights into their relative significance and predictive strength. The regression model of this study is as follows.

$$Y_{\text{PLI}} = \alpha + \beta_1 \text{FIL} + \beta_2 \text{INT} + \beta_3 \text{ATT} + \beta_4 \text{ACC} + \beta_5 \text{BEN} + E \dots \dots \dots \text{Eq (1)}$$

Where,

PLI = Purchase of Life Insurance

FIL = Financial Literacy

INT = Intention

ATT	=	Attitude
ACC	=	Access
BEN	=	Benefits
α	=	Intercept term
E	=	Error Term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are partial beta coefficients

3.4.5 Reliability Analysis

In this study, reliability analysis has been conducted to assess the internal consistency and reliability of the data collected. The reliability test, typically measured using Cronbach's alpha, ensures that the items used in the questionnaire consistently reflect the intended constructs and produce stable results.

Table 3.1
Reliability Analysis

Variables	Cronbach's Alpha	N of Items
Financial Literacy	0.870	6
Intention	0.724	6
Attitude	0.859	6
Access	0.871	6
Benefits	0.806	6
Purchase of Life Insurance	0.874	6
Overall	0.943	36

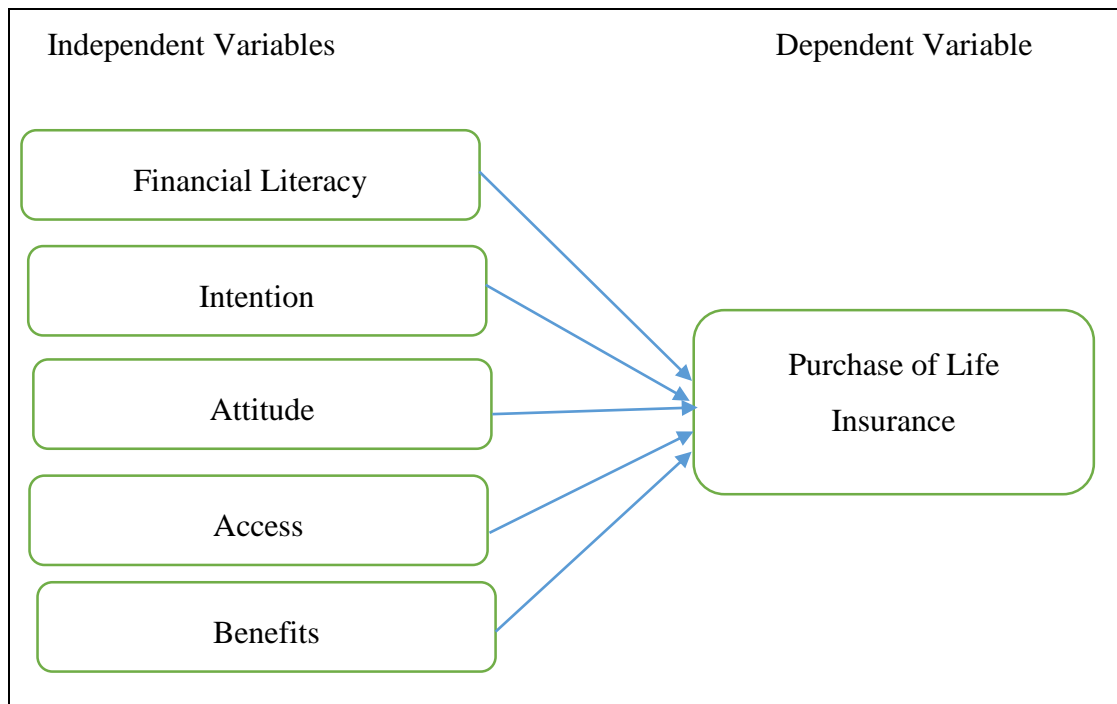
Source: Field Survey, 2025

Table 3.1 shows the reliability analysis of the data collected for this study. The Cronbach's alpha values for financial literacy (0.870), intention (0.724), attitude (0.859), access (0.871), benefits (0.806), and purchase of life insurance (0.874) all exceed the threshold value of 0.70, indicating good internal consistency for each variable. Additionally, the overall Cronbach's alpha for all 36 items is 0.943, which further confirms the high reliability of the entire instrument. Therefore, based on these results, the data collected for this study is considered reliable.

3.5 Research Framework and Definition of Variables

The research framework adopted in this study is based on the model developed by Phan (2020), where financial literacy (FIL), intention (INT), attitude (ATT), access (ACC), and

benefits (BEN) serve as independent variables, while purchase of life insurance (PLI) represents the dependent variable. This structure provides a comprehensive basis to understand the determinants shaping life insurance buying behavior.



Source: Phan (2020)

Figure 3.1. Research Framework of this Study

The operational definition of variables used in this study are as follows.

Financial literacy

Financial literacy refers to an individual's capability to comprehend and apply essential economic principles in real-life decision-making. It encompasses understanding key topics such as budgeting, saving, borrowing, and investing. This competence helps individuals evaluate choices wisely, plan for the future, and avoid financial pitfalls, thereby empowering them to manage their economic activities effectively and with confidence (Phan, 2020).

Intention

Intention is the mental resolve or plan that precedes and often directs an individual's behavior toward a specific objective. It reflects a person's readiness or likelihood to act in a certain manner based on personal goals, motivations, or perceived outcomes (Sarni & Zilcha, 2015). In consumer decision-making, it indicates the strength of one's commitment to perform a future act, such as buying a financial product.

Attitude

Attitude signifies a person's consistent way of thinking or feeling about something, often influencing their actions and judgments. It is shaped by personal beliefs, experiences, and evaluations, which collectively determine whether they view a concept positively or negatively (Richard & Sharon, 2018). In the context of insurance, this mindset can significantly impact whether an individual is open or resistant to adopting a policy.

Access

Access represents the degree to which individuals are able to utilize or reach necessary services, resources, or opportunities without significant barriers. When related to financial services like life insurance, it denotes the availability, affordability, and ease with which one can obtain information or enroll in a policy (Finkelstein & Jonathan, 2017). Accessibility plays a key role in ensuring inclusive participation in financial protection schemes.

Benefits

Benefits encompass the positive outcomes or advantages that individuals or families receive from engaging in a particular service or product. In the case of life insurance, these include not only monetary security for dependents after the policyholder's demise but also peace of mind, tax advantages, and long-term savings components (Farni & Itzhak, 2017). Such gains motivate people to consider insurance as a protective financial tool.

Purchase of life insurance

Purchase of life insurance involves the act of acquiring a policy that promises financial support to beneficiaries upon the policyholder's death or after a specified period. This decision is often influenced by personal awareness, perceived risk, economic status, and the desire to safeguard family welfare (Phan, 2020). It reflects a proactive step in financial planning, aimed at ensuring stability for loved ones in times of uncertainty.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the findings of the study followed by a detailed analysis. The subsequent discussion section interprets these findings by comparing and contrasting them with the outcomes of earlier studies.

4.1 Results

This section has presented the results of the descriptive study, correlation, and regression analysis in tabular form and provided corresponding interpretations based on the analyzed data.

4.1.1 Demographic Profile of Respondents

This section has examined the demographic profile of respondents, including their gender, marital status, age group, academic qualifications, and whether they have purchased life insurance.

Table 4.1

Demographic Profile of Respondents

Variables	Frequency	Percent	
Gender	Male	212	55.06
	Female	173	44.94
Marital Status	Single	188	48.83
	Married	197	51.17
Age Group	Below 30	154	40.00
	30 to 50	153	39.74
	50 and Above	78	20.26
Academic Qualifications	SLC	19	4.94
	10+2	38	9.87
	Bachelors	201	52.21
Purchase of Life Insurance	Masters and above	127	32.99
	Yes	351	91.17
	No	34	8.83

Source: Field Survey, 2025

Table 4.1 presents the demographic profile of respondents. Among them, 212 respondents were male, accounting for 55.06%, while 173 were female, representing 44.94%. Regarding marital status, 188 respondents were single (48.83%), and 197 were married (51.17%). In terms of age distribution, 154 respondents (40.00%) were below 30 years, 153

(39.74%) were between 30 and 50 years, and 78 (20.26%) were aged 50 and above. For academic qualifications, 19 respondents (4.94%) had completed SLC, 38 (9.87%) had 10+2, 201 (52.21%) held a bachelor's degree, and 127 (32.99%) had a master's degree or higher. Lastly, in terms of life insurance purchase, 351 respondents (91.17%) reported having purchased life insurance, while 34 (8.83%) had not.

4.1.2 Descriptive Statistics

In this study, descriptive statistics has been used to assess public perception towards PLI in Nepal. The analysis focuses on five independent variables, FIL, INT, ATT, ACC, and BEN, to understand their influence on PLI. Additionally, descriptive statistics has also been applied to evaluate the extent to which investors in Nepal consider social responsibility in making sustainable investment decisions.

Table 4.2

Summary of Descriptive Statistics

Variables	Mean	S.D.	Min	Max
FIL	3.832	0.734	1.000	5.00
INT	3.908	0.545	2.330	5.00
ATT	3.946	0.658	1.830	5.00
ACC	3.876	0.702	1.670	5.00
BEN	3.940	0.492	2.330	5.00
PLI	3.952	0.655	1.670	5.00

Source: Field Survey, 2025

Table 4.2 presents a summary of descriptive statistics for the key variables in the study. It includes the mean scores and standard deviations for each variable.

The mean score for FIL was 3.832 with a standard deviation of 0.734, a minimum value of 1.000, and a maximum of 5.000. This indicates that respondents generally have a moderately positive perception of their financial knowledge related to life insurance. The mean being above the midpoint suggests that most participants consider financial literacy an important factor influencing their decision to purchase life insurance, although there is some variability in responses as shown by the standard deviation.

INT recorded a mean of 3.908, a standard deviation of 0.545, a minimum of 2.330, and a maximum of 5.000. This reflects a generally positive inclination among respondents toward buying life insurance. The relatively low standard deviation indicates consistent responses, suggesting intention plays a significant role in their purchasing behavior.

ATT showed a mean score of 3.946, a standard deviation of 0.658, a minimum of 1.830, and a maximum of 5.000. This suggests that respondents hold a favorable attitude toward life insurance, though some variation exists in how strongly this attitude influences individual decisions.

ACC to life insurance services had a mean of 3.876, a standard deviation of 0.702, a minimum value of 1.670, and a maximum of 5.000. This suggests that respondents generally perceive access to life insurance as adequate and convenient, though the standard deviation indicates some variation in perceived accessibility.

The BEN recorded a mean score of 3.940, a standard deviation of 0.492, a minimum of 2.330, and a maximum of 5.000. This indicates that respondents strongly recognize the advantages of life insurance. The high mean and low variability suggest a strong consensus regarding its benefits.

Finally, PLI showed a mean score of 3.952, a standard deviation of 0.655, a minimum of 1.670, and a maximum of 5.000. This reflects a generally positive behavior toward buying life insurance, indicating that a majority of respondents have either purchased or intend to purchase a policy, with moderate consistency across responses.

4.1.3 Correlation Analysis

This section used correlation analysis to examine the association between financial literacy and the decision to purchase life insurance among individuals in Nepal.

Table 4.3

Correlation Matrix

Variables	FIL	INT	ATT	ACC	BEN	PLI
FIL	1					
INT	.604**	1				
ATT	.581**	.681**	1			
ACC	.576**	.677**	.805**	1		
BEN	.482**	.386**	.488**	.444**	1	
PLI	.603**	.544**	.652**	.642**	.721**	1

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

Source: Field Survey, 2025

Table 4.3 presents the correlation between the independent variables, financial literacy (FIL), intention (INT), attitude (ATT), access (ACC), and benefits (BEN), and the

dependent variable, purchase of life insurance (PLI). The strength, direction, and significance of each relationship have been assessed using Pearson correlation coefficients at the 5 percent level of significance.

The relationship between financial literacy and purchase of life insurance shows a Pearson correlation coefficient of 0.603, which indicates a strong and positive association. This suggests that as financial literacy (FIL) improves, the likelihood of purchasing life insurance (PLI) also increases. The relationship is statistically significant at the 5 percent level, as indicated by the p-value of 0.000, confirming that financial literacy plays a vital role in influencing life insurance purchase decisions.

The correlation coefficient between intention and purchase of life insurance is 0.544, which represents a moderate to strong positive relationship. This means that a higher level of intention (INT) among respondents is associated with an increased probability of purchasing life insurance (PLI). The relationship is statistically significant at the 5 percent level, as the p-value is 0.000, indicating that intention has a meaningful influence on the life insurance purchasing decision.

Attitude shows a Pearson correlation coefficient of 0.652 with purchase of life insurance, reflecting a strong and positive relationship. This implies that more favorable attitudes (ATT) toward life insurance are linked with a higher tendency to purchase such products (PLI). The relationship is statistically significant at the 5 percent level, supported by the p-value of 0.000, suggesting that attitude is an important determinant in the purchase decision.

The correlation between access and purchase of life insurance is 0.642, indicating a strong and positive relationship. This suggests that better access (ACC) to life insurance services is associated with a greater likelihood of purchasing life insurance (PLI). The p-value of 0.000 shows that the relationship is significant at the 5 percent level, highlighting access as a significant factor influencing life insurance purchases.

Benefits recorded the highest Pearson correlation coefficient of 0.721 with purchase of life insurance, denoting a very strong and positive relationship. This suggests that perceived benefits (BEN) of life insurance significantly enhance the likelihood of its purchase (PLI). With a p-value of 0.000, the correlation is statistically significant at the 5 percent level, indicating that the benefits of life insurance are a key factor driving purchasing decisions.

4.1.4 Regression Analysis

This section applied multivariate regression analysis to assess how financial literacy influenced the decision to purchase life insurance among respondents in Nepal.

Table 4.4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.823	0.677	0.673	0.375

Source: Field Survey, 2025

Table 4.4 presents the model summary of the regression analysis. The model shows a strong relationship between the independent variables, benefits (BEN), intention (INT), financial literacy (FIL), access (ACC), and attitude (ATT), and the dependent variable, purchase of life insurance (PLI), with an R value of 0.823. The R square value of 0.677 indicates that approximately 67.7% of the variation in PLI is explained by these predictors. The adjusted R square of 0.673 and a standard error of estimate of 0.375 further confirm the model's good fit.

Table 4.5

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	111.599	5	22.320	159.117	0.000
1 Residual	53.164	379	0.140		
Total	164.763	384			

Source: Field Survey, 2025

Table 4.5 presents the ANOVA results of the regression model. with an f value of 159.117 and a significance level of 0.000, which is less than 0.05, the model is statistically significant and fit for analysis. this indicates that the independent variables, benefits (BEN), intention (INT), financial literacy (FIL), access (ACC), and attitude (ATT), collectively have a significant effect on the purchase of life insurance (PLI).

Table 4.6

Beta Coefficient of Regression Model

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics
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	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-0.514	0.177		-2.908	0.004		
FIL	0.137	0.036	0.154	3.843	0.000	0.532	1.879
INT	0.357	0.053	0.030	0.678	0.030	0.443	2.257
ATT	0.146	0.053	0.146	2.746	0.006	0.300	3.338
ACC	0.191	0.049	0.205	3.939	0.000	0.314	3.185
BEN	0.630	0.046	0.473	13.581	0.000	0.701	1.426

Source: Field Survey, 2025

Table 4.6 presents the beta coefficients of the regression model, including unstandardized and standardized values, significance levels, and variance inflation factors (VIF) for each independent variable.

Financial literacy has an unstandardized beta coefficient of 0.137 and a standardized beta of 0.154, with a significance value of 0.000, which is below the 0.05 threshold. This indicates that financial literacy has a positive and statistically significant impact on the purchase of life insurance (PLI). The VIF of 1.879 suggests no multicollinearity issues. This implies that improving respondents' financial literacy could meaningfully increase their likelihood of purchasing life insurance.

Intention shows an unstandardized beta of 0.357 and a standardized beta of 0.030, with a significance of 0.030, which is less than 0.05, confirming its significant positive effect on PLI. The VIF value of 2.257 indicates that multicollinearity is not a concern. This suggests that stronger intention among individuals leads to a higher probability of buying life insurance.

Attitude has an unstandardized beta of 0.146 and a standardized beta of 0.146, with a significance level of 0.006, below the 0.05 cutoff, showing a significant positive influence on PLI. The VIF of 3.338 indicates no multicollinearity problem. This means that a more favorable attitude towards life insurance increases the chances of purchase.

Access holds an unstandardized beta of 0.191 and a standardized beta of 0.205, with a significance of 0.000, demonstrating a strong and significant positive impact on PLI. The VIF of 3.185 confirms no multicollinearity issues. This implies that better access to life insurance services significantly enhances purchase behavior.

Benefits has the highest unstandardized beta coefficient of 0.630 and a standardized beta of 0.473, with a significance of 0.000, indicating a very strong and statistically significant effect on PLI. The VIF of 1.426 shows no multicollinearity concerns. This suggests that

perceived benefits are the most influential factor motivating individuals to purchase life insurance, highlighting the importance of communicating these benefits clearly to potential customers.

4.2 Discussion

The results showed generally positive and satisfactory perceptions across factors such as financial literacy, intention, attitude, access, and benefits. These findings align closely with the studies by Kiwanuka and Sibindi (2025) and Tanjung and Cahyanti (2025), who also found significant positive associations between financial literacy and insurance uptake, reinforcing the importance of financial knowledge in insurance decisions. Similarly, Sanjay and Tewari (2024) supported the role of financial literacy and intention in influencing insurance purchase behavior, consistent with the current study's outcomes. Bhatia et al. (2024) confirmed that higher financial literacy improves informed decision-making and purchase intention, which corresponds with the positive attitude and perceived benefits found here. However, Rey-Ares et al. (2024) deviated slightly, as they reported that behavioral aspects like financial planning and self-control had no significant impact on life insurance ownership, suggesting that factors beyond literacy may affect decisions in certain contexts.

This study showed strong and positive correlations between financial literacy, intention, attitude, access, and perceived benefits with life insurance purchase. Perceived benefits demonstrated the strongest influence, while intention showed a moderate but significant effect. These findings align with Subedi and Bhandari (2024), who highlighted the crucial role of financial literacy in overcoming psychological biases in investment decisions, and Joshi et al. (2024), who found positive effects of trust and mental factors on insurance purchases. Similarly, Adhikari (2024) and Pant (2024) identified various positive determinants affecting life insurance decisions, supporting the significance of attitude and access. Kiwanuka and Sibindi (2025) also confirmed the mediating role of trust linked to financial literacy in enhancing insurance inclusion, consistent with the current study's emphasis on perception and access. However, Shawdari et al. (2025) reported no significant predictors from financial behaviours alone, suggesting that additional variables may influence insurance engagement in different contexts.

This study also revealed that perceived benefits exerted the strongest influence, while intention had a comparatively weaker yet significant impact. Together, these variables

substantially explained the decision-making process, underscoring the need to enhance financial knowledge, accessibility, and positive perceptions to increase life insurance uptake. These results align with Sanjay and Tewari (2024), who found financial literacy and saving motives significantly influenced intention to purchase life insurance, reinforcing the importance of financial education. Similarly, Bhatia et al. (2024) confirmed that higher financial literacy improved purchase intentions and reduced susceptibility to marketing biases, supporting the protective role of financial knowledge observed in this study. Rey-Ares et al. (2024) also emphasized the critical role of financial literacy in insurance ownership, although they noted that other behavioral factors like self-control had less influence, partially contrasting with the current findings that attitude and intention were significant. Ajemunigbohun and Azeez (2024) reported positive effects of financial knowledge and attitude on insurance demand, consistent with this study's emphasis on these determinants, while Ingale and Paluri (2022) highlighted the growing importance of behavioral and psychological factors in financial decision-making, supporting the multidimensional nature of influences found here. Conversely, Segodi and Sibindi (2022) focused on macroeconomic and regulatory variables affecting insurance demand, which complements rather than contradicts this study's individual-level findings. Shaik et al. (2022) and Wang et al. (2021) similarly underscored the significance of financial literacy in shaping investment and insurance behaviors, affirming the current study's conclusions. However, Mahdzan and Victorian (2013) found financial literacy to be less impactful compared to saving motives, which deviates from this study and others that highlight financial knowledge as a key factor.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides a comprehensive summary and conclusion of the study, along with the implications derived from the findings. It encapsulates the key points discussed throughout the research and offers insights based on the results.

5.1 Summary

This study has focused on assessing public perception of life insurance purchasing decisions in Nepal, with a particular emphasis on the role of financial literacy. It has recognized that financial literacy, the ability to understand and use financial information effectively, significantly influences individuals' understanding of life insurance products and their willingness to invest in them. By examining the relationship and impact of financial literacy on life insurance uptake, the research has identified gaps in public knowledge and highlighted the importance of enhancing financial education to improve participation in life insurance.

The literature review of this study has been organized into several key sections, including conceptual review, theoretical review, empirical review, and research gap. It has examined relevant theories such as consumers' insurance literacy, the decomposed theory of planned behavior, the theory of reasoned action, and social learning theory. The review has also analyzed prior empirical studies both internationally and within the national context. Finally, it has identified existing gaps in the literature that this research aims to address, thereby providing a solid foundation for the study.

This study has employed both descriptive and causal-comparative research designs to assess public perception and examine the impact of financial literacy on life insurance purchase in Nepal. It has considered a total population of 2,996,341 based on CBS (2021) data, from which a sample of 385 respondents has been selected using convenience sampling to meet the study's needs. The research has relied on primary quantitative data collected through a structured questionnaire. The instrument has been carefully designed, and responses have been measured on a five-point Likert scale ranging from strongly disagree to strongly agree.

After data collection, the information has been organized and input into software such as Microsoft Excel and SPSS for analysis. Various statistical methods, including descriptive

statistics, correlation analysis, and multivariate regression, have been applied to examine the data. The research framework, adapted from Phan (2020), identifies financial literacy (FIL), intention (INT), attitude (ATT), access (ACC), and benefits (BEN) as independent variables, while purchase of life insurance (PLI) serves as the dependent variable, providing a clear structure to explore the factors influencing life insurance purchasing behavior.

This study has found that the independent variables, financial literacy, intention, attitude, access, and benefits, have been key determinants of the purchase of life insurance in Nepal. The analysis has confirmed positive and significant relationships between each of these factors and life insurance buying behavior, with perceived benefits showing the strongest influence. Overall, the study has concluded that enhancing financial knowledge, improving access, fostering favorable attitudes, and highlighting the advantages of life insurance are essential for encouraging higher participation in life insurance purchases.

Overall, this study offers both practical and theoretical implications. It recommends enhancing financial literacy programs, improving accessibility to life insurance services, and emphasizing the benefits of life insurance to positively influence purchasing decisions. These actions can help policymakers, insurers, and educators promote greater participation in life insurance markets.

5.2 Conclusion

The first objective of this study has been to assess public perception towards life insurance purchasing decisions in Nepal. The findings have shown that respondents generally hold a positive perception across all related factors, including financial literacy, intention, attitude, access, and perceived benefits. These perceptions have been satisfactory, indicating that most individuals recognize the importance of financial knowledge and hold favorable attitudes and intentions toward life insurance. Additionally, respondents perceive access to life insurance services as reasonably convenient, and they strongly acknowledge the benefits associated with purchasing life insurance. Overall, the study has revealed a generally positive outlook among the public regarding life insurance purchase decisions.

The second objective of this study has been to analyze the relationship between financial literacy and life insurance purchasing decisions in Nepal. The findings have shown that financial literacy has a strong and positive correlation with the purchase of life insurance, indicating that higher financial knowledge significantly increases the likelihood of buying insurance. Similarly, intention has demonstrated a moderate to strong positive and

significant relationship with life insurance purchase, suggesting that greater willingness among respondents positively influences their buying behavior. Attitude toward life insurance has also exhibited a strong and positive connection with purchase decisions, highlighting its important role as a determinant. Access to life insurance services has shown a strong and significant positive association, meaning easier availability encourages more purchases. Among all variables, perceived benefits have had the strongest and most significant positive relationship with life insurance purchase, emphasizing that recognizing the advantages of insurance greatly motivates individuals to invest in it.

The third objective of this study has been to evaluate the impact of various factors on life insurance purchasing decisions in Nepal. The results have shown that financial literacy, access, benefits, attitude, and intention all have positive and statistically significant effects on the purchase of life insurance. Among these, perceived benefits have demonstrated the strongest influence, while intention has had a relatively weaker but still significant impact. Each variable has contributed meaningfully to explaining the decision-making process, highlighting the importance of improving financial knowledge, ensuring easy access, fostering positive attitudes, and emphasizing the benefits of life insurance to encourage higher purchase rates.

5.3 Implications

5.3.1 Theoretical Implications

This study contributes significantly to the existing body of knowledge by reinforcing the theoretical linkage between financial literacy and consumer decision-making, particularly in the context of life insurance. The findings support the Theory of Planned Behavior (TPB), which posits that behavioral intentions, shaped by attitudes, subjective norms, and perceived behavioral control, influence actual behaviors. The high mean scores in financial literacy, attitude, and intention suggest that knowledge about financial matters equips individuals with the confidence and capability to make informed decisions about life insurance. Moreover, the results validate the premise that financial literacy plays a foundational role in enhancing access, shaping positive attitudes, and influencing intentions that lead to actual purchase behavior. Theoretical models focusing on consumer behavior in insurance markets can now integrate financial literacy as a core determinant. Additionally, the relatively consistent and favorable responses in intention and benefits highlight the mediating role of perceived value and benefit recognition in translating

knowledge into behavior. These findings bridge a crucial gap in the literature on financial behavior in emerging economies like Nepal, where financial inclusion and insurance penetration remain limited. The study thus adds to the theoretical understanding of how individual-level knowledge and perceptions interact with systemic factors like accessibility and perceived benefits, ultimately shaping purchasing behavior. Future models on insurance adoption could incorporate financial literacy as a dynamic construct influenced by education, awareness, and socio-economic background. Overall, the study provides empirical grounding for researchers to refine and test behavioral models that account for literacy-driven decision-making in financial products, particularly life insurance, within developing country contexts.

5.3.2 Practical Implications

The practical implications of this study are valuable for policymakers, insurance companies, and financial educators aiming to improve life insurance adoption in Nepal. Given that the mean scores for financial literacy, intention, and perceived benefits are all above the neutral midpoint, it is evident that enhancing financial knowledge can significantly influence consumer behavior. Insurance companies can use these insights to design awareness campaigns and educational programs targeting knowledge gaps related to life insurance, particularly among low-literacy populations. Training programs that demystify insurance terms, processes, and benefits can improve consumer confidence and encourage informed decision-making. Policymakers can integrate financial literacy modules into the national education system and community-level financial inclusion initiatives to ensure wider understanding and reach. Furthermore, the relatively high score for perceived access and benefits suggests that improving distribution channels and communication strategies can yield even greater insurance uptake. Mobile-based platforms, local agents, and simplified policy offerings could enhance accessibility for rural and underserved communities. For financial institutions, collaboration with local governments and NGOs can help reach vulnerable populations, creating trust and long-term engagement with insurance products. Additionally, incorporating behavioral nudges, such as reminders and incentives for policy renewals, can translate intentions into consistent purchasing behavior.

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APPENDICES

Appendix I Questionnaire

Dear Sir/Mam

I am Maniraj Ghimire, a student of Shanker Dev Campus, currently pursuing my Master's Degree in Business Studies with a specialization in Finance. As part of the partial fulfillment for my degree, I am conducting a research study entitled "**Effect of Financial Literacy on Purchasing Decision of Life Insurance Policy in Nepal.**"

For this purpose, I am collecting primary data through a structured questionnaire. Your valuable insights and honest responses will significantly contribute to the success of this study. I assure you that all information provided will be kept strictly confidential and used solely for academic purposes.

Your cooperation and support would be greatly appreciated. If you are willing to participate, I kindly request a few minutes of your time to fill out the questionnaire.

Thank you very much for your kind help and valuable time.

Warm regards,

Maniraj Ghimire

Shanker Dev Campus

Part I: Demographic Profile

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

1 Gender

- Male
- Female

2 Marital Status

- Single
- Married

3 Age Group

- Below 30
- 30 to 50
- 50 and Above

4 Academic Qualifications

5 Purchase of Life Insurance

- SLC
- 10+2
- Bachelors
- Masters and above

- Yes
- No

Part II: Core Questions

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

S.N.	Financial Literacy	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
FIL1	I have enough knowledge to buy life insurance					
FIL2	Life insurance products are effortless and straightforward					
FIL3	I know how life insurance works					
FIL4	I am very confident in my abilities regarding future financial plans					
FIL5	I understand the risks and benefits of different life insurance products					
FIL6	I am capable of comparing life insurance policies effectively					
S.N.	Intention	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
INT1	I will buy life insurance in the future					
INT2	I plan to buy life insurance soon (next five years)					
INT3	I am not sure that I will buy life insurance in the future					
INT4	I have thought about purchasing life insurance in the next few years					
INT5	I am gathering information about life insurance for future purchase					

INT6	I intend to compare different life insurance products before buying					
S.N.	Attitude	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
ATT1	I think buying life insurance is a necessary option					
ATT2	Buying life insurance helps me set up future financial plans					
ATT3	Buying life insurance helps me feel secure to work and enjoy life					
ATT4	Buying life insurance is a way for me to accumulate wealth					
ATT5	I view life insurance as a smart financial decision					
ATT6	I feel positive about investing in life insurance					
S.N.	Access	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
ACC1	I know where life insurance products are sold					
ACC2	I know there are many distribution channels for life insurance products					
ACC3	When looking for insurance info, I know exactly where to get it					
ACC4	I find life insurance info on the company's website and in newspapers					
ACC5	I can easily contact a life insurance agent or advisor					
ACC6	I can access life insurance details through online platforms					
S.N.	Benefits	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
BEN1	Life insurance is a form of savings for the future					
BEN2	Life insurance provides financial support for life events (marriage, children, retirement)					

BEN3	Life insurance provides guarantees for my dependents					
BEN4	Life insurance contributes to a better life in the future					
BEN5	I believe life insurance is useful for long-term financial planning					
BEN6	I understand how life insurance can help in emergency situations					
S.N.	Purchase of Life Insurance	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
PLI1	I have purchased life insurance through an insurance advisor/broker					
PLI2	I was persuaded to buy life insurance without intending to at first					
PLI3	I actively search and buy life insurance					
PLI4	I recommend life insurance to my family and friends					
PLI5	I reviewed various insurance plans before making a decision					
PLI6	I decided to buy life insurance based on my own evaluation					

Appendix II
Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	212	55.1	55.1	55.1
	Female	173	44.9	44.9	100.0
	Total	385	100.0	100.0	

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	188	48.8	48.8	48.8
	Married	197	51.2	51.2	100.0
	Total	385	100.0	100.0	

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	154	40.0	40.0	40.0
	30 to 50	153	39.7	39.7	79.7
	50 and Above	78	20.3	20.3	100.0
	Total	385	100.0	100.0	

Academic Qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SLC	19	4.9	4.9	4.9
	10+2	38	9.9	9.9	14.8
	Bachelors	201	52.2	52.2	67.0
	Masters and above	127	33.0	33.0	100.0
	Total	385	100.0	100.0	

Purchase of Life Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	351	91.2	91.2	91.2
	No	34	8.8	8.8	100.0
	Total	385	100.0	100.0	

Appendix III
Reliability Test

Reliability Statistics of Financial Literacy

Cronbach's Alpha	N of Items
0.870	6

Reliability Statistics of Intention

Cronbach's Alpha	N of Items
0.724	6

Reliability Statistics of Attitude

Cronbach's Alpha	N of Items
0.859	6

Reliability Statistics of Access

Cronbach's Alpha	N of Items
0.871	6

Reliability Statistics of Benefits

Cronbach's Alpha	N of Items
0.806	6

Reliability Statistics of Purchase of Life Insurance

Cronbach's Alpha	N of Items
0.874	6

Overall Reliability Statistics

Cronbach's Alpha	N of Items
0.943	36

Appendix IV
Descriptive Statistics

	N	Mean	Std. Deviation
I have enough knowledge to buy life insurance	385	3.704	1.016
Life insurance products are effortless and straightforward	385	3.800	0.929
I know how life insurance works	385	3.852	0.928
I am very confident in my abilities regarding future financial plans	385	3.896	0.941
I understand the risks and benefits of different life insurance products	385	3.852	0.936
I am capable of comparing life insurance policies effectively	385	3.894	0.899
I will buy life insurance in the future	385	3.878	0.965
I plan to buy life insurance soon (next five years)	385	3.943	0.861
I am not sure that I will buy life insurance in the future	385	3.901	1.000
I have thought about purchasing life insurance in the next few years	385	4.034	0.919
I am gathering information about life insurance for future purchase	385	3.823	0.952
I intend to compare different life insurance products before buying	385	3.868	0.842
I think buying life insurance is a necessary option	385	3.943	0.852
Buying life insurance helps me set up future financial plans	385	4.008	0.852
Buying life insurance helps me feel secure to work and enjoy life	385	3.958	0.844
Buying life insurance is a way for me to accumulate wealth	385	3.974	0.819
I view life insurance as a smart financial decision	385	3.966	0.814
I feel positive about investing in life insurance	385	3.829	0.964
I know where life insurance products are sold	385	3.857	0.962
I know there are many distribution channels for life insurance products	385	3.886	0.864
When looking for insurance info, I know exactly where to get it	385	3.844	0.925
I find life insurance info on the company's website and in newspapers	385	3.953	0.856
I can easily contact a life insurance agent or advisor	385	3.948	0.828
I can access life insurance details through online platforms	385	3.766	0.956
Life insurance is a form of savings for the future	385	3.922	0.841
Life insurance provides financial support for life events (marriage, children, retirement)	385	3.977	0.824
Life insurance provides guarantees for my dependents	385	4.013	0.805
Life insurance contributes to a better life in the future	385	3.875	0.963

I believe life insurance is useful for long-term financial planning	385	3.943	0.858
I understand how life insurance can help in emergency situations	385	3.909	0.989
I have purchased life insurance through an insurance advisor/broker	385	3.810	0.886
I was persuaded to buy life insurance without intending to at first	385	4.010	0.767
I actively search and buy life insurance	385	3.912	0.855
I recommend life insurance to my family and friends	385	3.940	0.859
I reviewed various insurance plans before making a decision	385	4.005	0.816
I decided to buy life insurance based on my own evaluation	385	4.034	0.830
FIL	385	3.832	0.734
INT	385	3.908	0.545
ATT	385	3.946	0.658
ACC	385	3.876	0.702
BEN	385	3.940	0.492
PLI	385	3.952	0.655
Valid N (listwise)	385		

Appendix V
Correlation Analysis

		Correlations ^b					
		FIL	INT	ATT	ACC	BEN	PLI
FIL	Pearson Correlation	1	.604**	.581**	.576**	.482**	.603**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000
INT	Pearson Correlation	.604**	1	.681**	.677**	.386**	.544**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.000
ATT	Pearson Correlation	.581**	.681**	1	.805**	.488**	.652**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.000
ACC	Pearson Correlation	.576**	.677**	.805**	1	.444**	.642**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.000
BEN	Pearson Correlation	.482**	.386**	.488**	.444**	1	.721**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000
PLI	Pearson Correlation	.603**	.544**	.652**	.642**	.721**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	

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

b. Listwise N=385

Appendix VI
Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.823 ^a	0.677	0.673	0.37453

a. Predictors: (Constant), BEN, INT, FIL, ACC, ATT

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	111.599	5	22.320	159.117	.000 ^b
	Residual	53.164	379	0.140		
	Total	164.763	384			

a. Dependent Variable: PLI

b. Predictors: (Constant), BEN, INT, FIL, ACC, ATT

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.514	0.177		-2.908	0.004		
	FIL	0.137	0.036	0.154	3.843	0.000	0.532	1.879
	INT	0.357	0.053	0.030	0.678	0.030	0.443	2.257
	ATT	0.146	0.053	0.146	2.746	0.006	0.300	3.338
	ACC	0.191	0.049	0.205	3.939	0.000	0.314	3.185
	BEN	0.630	0.046	0.473	13.581	0.000	0.701	1.426

a. Dependent Variable: PLI

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