



**An Empirical Study on Factors Affecting the Demand of Life Insurance Policies in Colombo District**

R. R. T. Fernando and H. P. T. N. Silva

Department of Social Statistics, University of Sri Jayawardenepura, Sri Lanka

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\*Corresponding author

E-mail address:

romeshini98@gmail.com



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**ABSTRACT**

*The life insurance market is a significant factor that affects the growth of an economy in any country. In developed countries, the life insurance market grows at a fast pace and stimulates the economy. However, most developing countries including Sri Lanka show a low growth rate in the life insurance market. This study focused on identifying the factors for the low demand for life insurance policies in the Colombo district. Primary data were collected using a structured questionnaire and the two-stage cluster sampling technique was utilized to select a sample size of 384. Based on the analysis result of the logistic regression, it was identified that age, family size, monthly income, awareness about policies, and subjective norms of respondents are significant variables that affect demand for life insurance. Moreover, it was revealed that people whose monthly income was more than Rs 90,000 were four times more likely than people with monthly incomes below Rs. 30,00 to be a life insurance policy holder. Also, it was discovered that people aged 50 years or above were three times more likely than the people of age between 20 and 29 years to be a life insurance policy holder. Furthermore, the study found that the awareness of people especially, among the non-policyholders in the Colombo district regarding life insurance, was at a low level, and a considerable number of respondents had an unsatisfactory level of confidence about life insurance companies. Thus, it is necessary to take action to establish trust among the people about the insurance company and their policies. It is suggested that awareness programs about the importance of having life insurance in high-risk situations in the modern world and benefits of the life insurance for ordinary people to increase the demand for life insurance should be made available.*

## **1. Introduction**

The insurance industry is an important sector of the economy of a country. Insurance is only a contract, represented by a policy, whereby a person or any other entity obtains financial protection against losses from an insurance firm. Life insurance gives protection for the policyholder's life. In exchange for the premium the policyholders paid during their lifetimes, the insurance company guarantees that they would pay a certain amount to the designated beneficiaries under the terms of the contract between the policyholder and the insurance company. There are many benefits of having a life insurance policy for individuals as it provides protection for family members; especially if the policyholder meets with any accident or disability, it helps to maintain the living standards of the policyholder's family members. Moreover, it is also a method that can be used to receive a lump of cash or as a regular income, and the money received can be used for their children's education purposes as well. In the world insurance sector, there is a huge variation in demand for life insurance, and many empirical studies have been addressed related to this matter. In the macro perspective studies, Beck and Webb (2003) conducted a study related to the economic, demographic, and institutional determinants of life insurance consumption. This study mainly focused on large variations in life insurance demand across countries using 68 country economies and by collecting data from the years 1961 to 2000. The findings revealed that economic indicators such as banking sector development, income per capita, inflation, institutional indicators such as rules and regulations in the country, political atmosphere, and religious indicators are the most robust predictors of the consumption of life insurance demand. However, the young dependency ratio, life expectancy, education, and the social security system had not given a powerful association with the consumption of life insurance. The findings further indicated the importance of banking sector development and price

stability in realizing full investment and savings functions of life insurance in any economy. Truett and Truett (1990) have conducted a comparative study related to the demand for life insurance in Mexico as a developing country and in the United States as a developed country. Regression analysis was mostly used to pinpoint the demand functions for life insurance. They asserted that the demand for life insurance is influenced by factors such as income, age, and education. Furthermore, it was discovered that Mexico had a larger income elasticity of life insurance demand than the United States.

A study has been done by Luciano et al., (2012) considering the microeconomic perspective of life insurance demand in developed countries and has provided evidence from Italian households with a microeconomic view and gender issue. They mainly focused on identifying the microeconomic determinants for women and men on life policy purchase decisions. The propensity to buy and willingness to purchase a life insurance policy was considered as the dependent variable while Probit analysis was utilized to achieve the objective of the study. Despite the type of policies; traditional life insurance policy and term life insurance policy, the results indicated that women are less likely to purchase a life insurance policy than men. Also, the demand for life insurance is highly correlated with factors such as employment status, income, and family structure. The geographical variables within the country Italy and the financial markets and their policy implications have significantly affected the demand for life insurance. According to the developing countries' microeconomic perspective of life insurance demand-related studies, Hagos et al., (2019) conducted a study related to the demand for life insurance and its determinants at the household level where evidence have been taken from Dire Dawa City in Ethiopia. The necessary data were collected from 373 households by using questionnaires and face-to-face interview methods. The binary logistic regression

approach which is mostly used in econometrics was applied for analysis. The findings indicate that the demand for life insurance and awareness is very low in these communities. Further, it indicates that the educational level, age, occupation, income level, awareness, number of dependent family size, knowledge, religion, perception, and other institutional factors were statistically significant factors on demanding a life insurance policy.

In the Sri Lankan insurance industry, the concept of insurance was offered in the 1930s. At present, there is a rapid change in the insurance industry where there is a total of 27 insurance companies in Sri Lanka. There are mainly two types of insurance policies provided by these companies; general insurance and long-term insurance. General insurance normally covers all the other aspects such as motor vehicle, home, health, and buildings except life. A life insurance policy normally covers against the person's life which comes under long-term insurance. Moreover, out of these 27 insurance companies, 12 are general insurance companies, 13 are term insurance companies and two insurance companies handle both types of insurance policies. (Insurance Regulatory Commission of Sri Lanka, 2021).

Due to the Covid-19 pandemic and the political instability, Sri Lanka is subject to a high recession wherein there are not enough foreign reserves, and the economic growth rate was negative 3.6% in 2020. The inflation rate in Sri Lanka was 70.6% in the month of October in the year 2022, which can be defined as galloping-type inflation. (Central Bank of Sri Lanka, 2022). In the life insurance industry in Sri Lanka, in 2020, the total number of life insurance policies was recorded as 3,593,454 and the number of new policies has been recorded as 739,784, the percentage of the total population which is 16.39%. When the labor force is considered, the ratio was 42.6%. However, 57% of those in the labor force are not covered by any type of life insurance (Insurance Regulatory

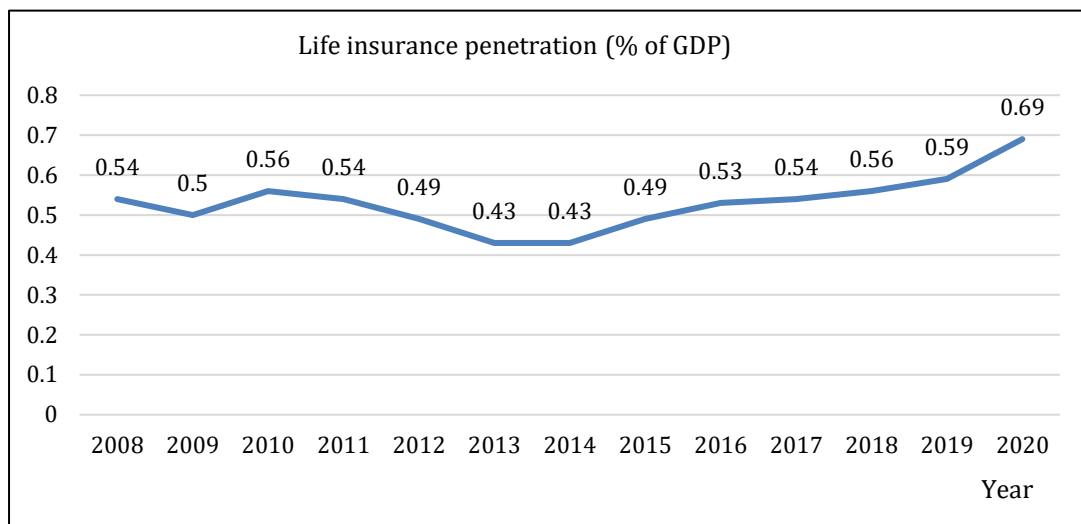
Commission of Sri Lanka, 2021). Insurance penetration and insurance density are the two main metrics used to assess the insurance market. The economic impact of the insurance industry is known as insurance penetration. Here, the premium income to GDP ratio will be taken into account. Moreover, the total insurance industry penetration has been recorded at around 1% during the past decade. The following Figure 1 depicts how the life insurance premium income has contributed to the Gross Domestic Product during the past decade.

The figure 1 illustrates that the premium income for life has revolved around 0.5%. However, from 2012 to 2014 there was a fall in the premium income and in 2020 it recorded a growth in the premium income.

Many studies have confirmed that there is a positive impact on economic growth when insurance penetration is high. Macro Arena (2008) has done a study on the insurance market activity to promote economic growth. Here, 55 countries were considered in the study where both developed and developing countries were included.

The results revealed that there is a significant positive relationship between the development of the life insurance industry and economic growth mostly in developed countries. It is found that the life insurance penetration rate is at a high level in developed countries such as the United States where the insurance penetration rate was 12.5%.

In South Korea, it was 11.6%, and in Japan, it was 7.1%. In Singapore, it accounted to 10.9%. However, developing countries too have recorded growth in insurance penetration. In India it was 3.8% and in Malaysia, it is indicated as 5% (Insurance Indicators: Penetration, 2021). This reveals the low life insurance penetration rate in Sri Lanka compared to both developed and other developed countries.



**Figure 1.** Life Insurance Penetration (% of GDP) (Source: Annual reports from 2008 to 2020 in the insurance regulatory commission in Sri Lanka)

Empirical studies related to the demand for life insurance policies have been conducted on both microeconomic and macroeconomic perspectives in Sri Lanka. A macroeconomic-based empirical study has been carried out by Weedige (2020) regarding the impact of socioeconomic and institutional variables on life insurance demand in Sri Lanka. The analysis has been done using secondary data, analyzing the annual reports from 1996 to 2018. The multiple regression log-linear model has been utilized to achieve the study's objectives. The findings of the research showed that income and the development of the insurance market positively impact the life insurance demand. However, old dependency and life expectancy have also stimulated the demand for life policies. Yet, socio-economic variables such as education and urbanization do not stimulate the life insurance demand. Also, they claimed that institutional variables such as regulations have an impact positively on life insurance demand while income inequality and financial development have a negative impact on life insurance consumption.

Drawing attention to the microeconomic perspective studies, Erlbeck & Anja (2017)

found that the demand for Micro life insurance primarily focused on three main factors which are Social, Capital, and Religion. In this research, the main aim was to find reasons for the low demand for micro life insurance policies. The research followed a mixed-model approach. There were qualitative focus group discussions and household surveys which were conducted in the Eastern province of Sri Lanka during the year 2013. Based on the findings of this research, besides the Social and Capital impact, it has also been identified that information exchange, imitation, and informal risk sharing are the main factors. Moreover, people tend to buy insurance with information that they receive from family and friends. They are also informed by past negative experiences of people. Moreover, the religious impact also needs consideration. Most Muslims do not tend to buy insurance policies because of their religious beliefs. The financial impact is also a major component of the purchase.

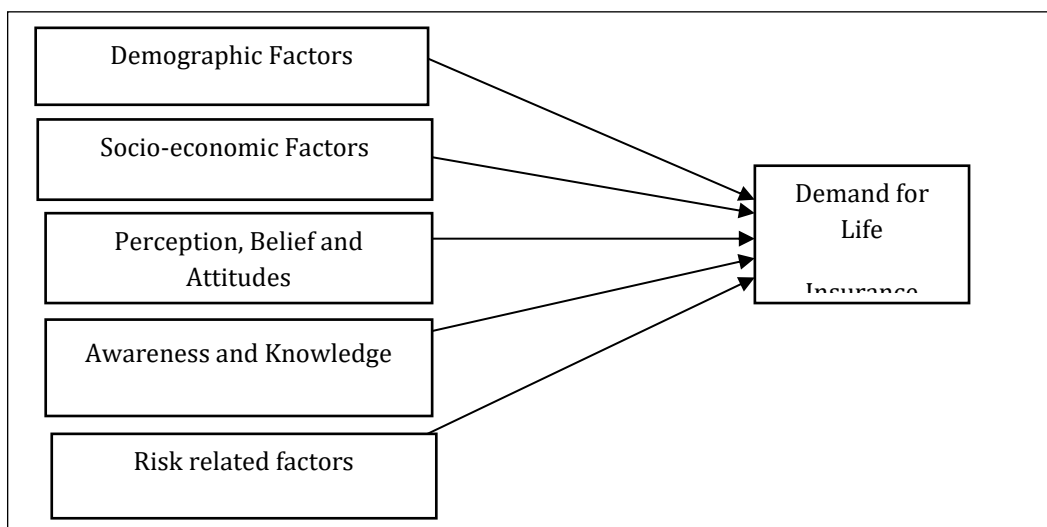
Various studies have been conducted from different perspectives regarding the demand for life insurance policies. However, most studies in the western province also have

been conducted based on policyholders. It can also be identified that there is a proportion of consumers who reside in the western province but doesn't purchase any type of life insurance policy. However, studies related to non-policy holders in urban areas have not been taken into consideration widely. Therefore, this study uncovers the factors affecting the demand for life insurance policies in the Colombo district. Hence, the main objective of the study was to explore the factors which determine the moderately low demand for the life insurance policy. Furthermore, this study focuses on the level of awareness towards the demand for life insurance policies, perception, attitudes, and

beliefs awareness towards the demand for life insurance policies.

## 2. Materials and Methods

The research study follows a deductive approach. The dependent variable was the demand for life insurance policy and the dependent variable was a binary variable where the respondent has a life insurance policy or not is considered. Furthermore, Demographic factors, socio-economic factors, risk-related factors, awareness, and perception-related factors were considered as the explanatory variables. The conceptual framework of the study is shown in Figure 2.



**Figure 2.** Conceptual Framework

Since Colombo district has the highest population density in Sri Lanka, Colombo was selected as the study population and the population size is 2,479,518 (Colombo Municipal Council, 2021) Moreover, Colombo district can be identified as the most urbanized district in Sri Lanka. There is a wide range of income, a wide range of occupations, and diversity in education level as well. Two stage Cluster sampling was utilized for the study. The Colombo district consists of 5 Municipal councils; Colombo, Sri Jayewardenepura Kotte, Dehiwala-Mount

Lavinia, Moratuwa, and Kaduwela. By considering the natural cluster distribution, the Colombo Municipal Council area was selected under the cluster sampling method at the first stage.

However, in Colombo municipal council area there are 889,000 residents. (SOSLC,2019) Hence in the second stage, units are randomly selected to the sample. According to the Krejcie and Morgan table (1970), the sample size was determined as 384. To get approximately accurate and correct conclusions, it is important to have reliable

and updated data. Hence, to achieve the objective primary and secondary data were used. Primary data were collected using a self-contained questionnaire. The main secondary data sources are Central Bank reports, annual reports of the Insurance Regulatory Commission of Sri Lanka, data from the Department of Census and Statistics, and data from the Colombo Municipal Council. Multi-dimensional information; demographic and socio-economic related data, risk-related data, insurance policy purchasing-related factors, and the awareness, belief, and attitudes related to life insurance data were collected for this study.

In order to analyze the data, chi-square analysis, and logistic regression analysis were carried out. Mainly binary regression model was used to explore the factors affecting the demand of life insurance policies. When drawing concern to the conceptual framework as appeared in Figure 2, it can be identified that the dependent variable is qualitative where it was categorized as whether the respondent has a life insurance policy or not is considered. Since the dependent variable is binary, the binary logistic regression model was used. The response variable "Y" is a dichotomous variable which takes the only values "0" and "1".

Y=1; A life insurance policy holder

Y=0; The person who do not have any life insurance policy

The logistic regression model can be expressed as a linear model in the log scale as follows.

$$\ln\left(\frac{P}{1-P}\right) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \dots$$

P is the probability for the occurrences of Y (Y=1), X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, X<sub>4</sub>... are the predictor

variables which can be categorical or continuous. And the  $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4 \dots$  are the coefficients of the corresponding predictor variables.

Chi-square analysis was performed to test the association between response variable and categorical predictor variables. This was used in the initial exploratory phase of understand relationships between variables. If the chi-square analysis reveals a significant association, it may motivate the use of logistic regression to further investigate and model the relationship. Categorical predictor variables which were used for the analysis are gender, marital status, occupation (managers, professionals, sales, services and clerk, small medium scale entrepreneurs, other), level of education (below ordinary level, ordinary certificate level, advanced certificate level, graduate, post graduate and above), the availability of alternative financial aids (yes or no), age in years (20-29, 30-39, 40-49, 50 and above), monthly income (below Rs 30,000, Rs 30,000-50,000, 50,000-70,000, 70,000-90,000 and 90,000 and above), bank accounts (yes or no), fixed deposits (yes or not), vehicles (yes or no), jewelry (yes or no) and land (yes or no). In addition to the listed categorical variables, three index variables; awareness level, beliefs, and subjective norms (personal perceptions, and encouragement given through the society related to life insurance.) were utilized for this analysis.

### 3. Results and Discission

The analysis revealed that out of the 384 participants, 62.8% do not have any type of life insurance policy. Table 1 depicts the results of descriptive statistics of the categorical predictor variables with the information on whether the individual is a life insurance policy holder or not.

**Table 1.** Statistics of Socio-economic variables and life insurance ownership

Variables	Life Insurance Policy	
	NO	YES
<b>Gender</b>		
Male	61.3%	38.7%
Female	64.2%	35.8%
<b>Age in years</b>		
20-29	81.3%	18.7%
30-39	48.6%	51.4%
40-49	42.5%	57.5%
50 and above	59.7%	40.3%
<b>Marital status</b>		
Married	53.9%	46.1%
Single	77.6%	22.4%
<b>Occupation</b>		
Managers	43.4%	56.6%
Professionals	36.0%	64.0%
Sales, services and clerk	79.7%	20.3%
Small medium scale entrepreneurs	57.1%	42.9%
Other	47.5%	52.5%
<b>Monthly Income (Rs)</b>		
Below 30,000	85.2%	14.8%
30,000-50,000	75.5%	24.5%
50,000-70,000	58.3%	41.7%
70,000-90,000	50.0%	50.0%
More than 90,000	31.6%	68.4%
<b>Education</b>		
Below Ordinary Level	83.3%	16.7%
Ordinary level	77.0%	23.0%
Advanced level	64.2%	35.8%
Graduate	52.2%	47.8%
Post graduate and above	39.3%	60.7%

According to Table 1, out of the male respondents, 61.5% of males and out of the female respondents, 64.2% of females do not have any type of life insurance. The highest number of respondents belonging to 20-29 age category was 40.4% and it can be observed that 81.3% of the respondents who belong to this age category did not have any type of life insurance policy. 51.4% of respondents who fall into the 30 to 39 age group have a life insurance policy. Notably, 57.5% of respondents who own a life insurance policy belong to the age category of

40 – 49. With regard to marital status, 77.6% of the respondents who are single did not have any type of a life insurance policy while 53.9% of the respondents who are married did not own any type of a life insurance policy.

The study revealed that the highest percentage (79.7%) of the respondents who are working as sales, service, clerk, or support staff didn't own any type of a life insurance policy while 64% of the professionals owned a life insurance policy. Moreover, 56.6% of managers own a life insurance policy.

However, 57.1% of respondents who are engaged in business did not own any type of life insurance policy.

Monthly income is also an important factor, and it can be identified that the highest percentage (85.2%) of the respondents who have a monthly salary below Rs 30,000 did not have any type of life insurance policy. Also, 75.5% of the respondents who have Rs.30000-Rs.50000 monthly salaries, did not own any type of a life insurance policy. 58.3% of respondents with monthly salaries between Rs. 50000 and Rs. 70000 do not have any kind of life insurance coverage. However, out of the respondents who have Rs.90000 and above monthly salary, 68.4% of the respondents own a life insurance policy. Furthermore, it can also be identified in the education factor that the highest percentage of 83.3% of the respondents who fall under the below ordinary level education category had not had any type of a life insurance policy. 64.2% of respondents, while accounting for those who have finished up to the advanced level, do not have any kind of life insurance coverage. Also, it can be observed that 52.2% of the graduates do not have any type of life insurance policy. However, 60.7% of the respondents who attained postgraduate qualifications had life insurance policies.

Based on the result of the analysis of risk-related factors, 65.1% of respondents were willing to accept any type of financial risk situation. Moreover, the main risk situation that the respondents faced was the sickness of a family member and it was 60.42%. 80.2% of the respondents had alternative financial aid apart from life insurance during emergencies. However, it has not greatly impacted the life insurance purchase decision.

The following Table 2 depicts the awareness level, beliefs, and subjective norms (personal

perceptions, and encouragement given through the society) related to life insurance.

**Table 2.** Summary statistics of the awareness level, beliefs, and subjective norms related variables

Variable	Mean	Standard Dev	Median
Awareness Level	55.11	27.34	54.23
Beliefs	40.28	19.62	40.61
Subjective Norms	52.86	24.76	50

The variables illustrated in Table 2 were measured by Likert scale questions. Here the response given to these statements was converted into an index from zero to 100 percent. To convert the data into the index, multiple correspondent analysis was utilized. As per the results gained the mean of the awareness index is 55.11% which indicates that the respondents have a moderate level of awareness about life insurance. The standard deviation is 27.34 implying the high variation in the level of awareness among the participants. According to Table 2, the mean of the belief index is 40.61% which indicates that the respondents have a moderately low level of belief and trust regarding life insurance. The mean of the subjective norms, in other words the pressure or influence respondents have from family and friends in order to purchase, was 52.86% which indicates that the respondents have a moderately level subjective norm regarding life insurance.

As the second phase of the data analysis, a chi-square analysis was carried out. Table 3 depicts the results of the chi-square analysis. The chi-square analysis was carried out in order to identify the strength of association of the dependent and predictor variables.



**Table 2.** The results of the chi-square analysis

Variable	Pearson Chi-square		Contingency coefficient	
	Value	P-Value	Value	P-Value
<b>Gender</b>	.253	0.615	-	-
<b>Age</b>	43.290	0.000	0.318	0.000
<b>Marital status</b>	21.533	0.000	0.230	0.000
<b>Occupation</b>	52.009	0.000	0.345	0.000
<b>Monthly Income</b>	61.503	0.000	0.372	0.000
<b>Education</b>	20.858	0.000	0.227	0.000
<b>Availability of alternative financial aids</b>	13.756	0.000	0.186	0.000
<b>Bank account</b>	17.304	0.000	0.208	0.000
<b>Fixed deposits</b>	16.597	0.000	0.204	0.000
<b>Vehicles</b>	16.538	0.000	0.203	0.000
<b>Jewelry</b>	10.676	0.000	0.162	0.000
<b>Land</b>	10.344	0.000	0.162	0.000

Table 3 depicts that there is no significant association between demand for life insurance and gender since the P-value is greater than 0.05. In contrast, there is a significant association between the demand for life insurance and respondents' age. (P-value less than 0.05). Moreover, the contingency coefficient is 0.318 which indicates that the strength of the association between the variable respondents' age and demand for life insurance policy is 31.8%. Since the P-value is less than 0.05, it can be concluded that there is a significant association between life insurance demand and marital status. Based on the analysis result, a significant association between life insurance purchases and occupations can be seen. Monthly income is also a significant factor; the contingency coefficient is 0.372 which indicates that the strength of the association between the variable income and life insurance policy purchase is 37.2%. When evaluating education, it can be seen that there is a significant association between the acquisition of life insurance and educational attainment.

Furthermore, the availability of alternative financial aid, availability of bank accounts, fixed deposits, and vehicles were also significant as the chi-square p-value is below 0.05 which indicates that there is a significant association between life insurance purchase and the variables. Moreover, the strength of the association revolves around 20%. However, the availability of land and jewelry was also identified as significant factors and it can also be identified that the strength of association between the variables revolves around 16%. As the final pace of the analysis, the logistic regression modeling was carried out.

All the significant variables were considered when constructing the logistic regression model; however, most assumptions were not satisfied when adding some variables such as level of education, occupation, availability of alternative financial aids, having a bank account, fixed deposits, vehicles, jewelry and land. Hence, the model which is depicted in Table 4 can be identified as the best fitted model along with the required satisfaction of the assumptions. The results of the logistic regression modeling were shown in Table 4.

**Table 3.** The results of Binary Logistic Regression Analysis

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)
<b>Family Size</b>	-.291	.136	4.601	1	.032	.748
<b>Monthly Income</b> (Reference group: Income below Rs 30,000)			11.144	4	.025	
Monthly Income (Rs.30,000-Rs.50,000)	.551	.464	1.412	1	.235	1.736
Monthly Income (Rs.50,000-Rs.70,000)	1.069	.505	4.488	1	.034	2.912
Monthly Income (Rs.70,000-Rs.90,000)	1.071	.537	3.980	1	.046	2.919
Monthly Income (More than Rs. 90,000)	1.507	.488	9.528	1	.002	4.514
<b>Age in years</b> (Reference Group: Age 20-29)			13.293	3	.004	
Age (30-39)	-.417	.521	.638	1	.424	.659
Age (40-49)	.654	.462	2.001	1	.157	1.923
Age (50 or above)	1.194	.449	7.078	1	.008	3.302
<b>Subjective Norms</b>	.043	.008	27.478	1	.000	1.044
<b>Awareness level</b>	.040	.007	29.137	1	.000	1.040
<b>Constant</b>	-5.459	.991	30.338	1	.000	.004

According to Table 4, family size, monthly income, age, subjective norms level and awareness level except monthly income category Rs.30,000 to Rs.50,000 and the age category of 30 – 39 and age category of 40 - 49 are given significant contribution to being a life insurance policyholder at 0.05 level of significance. However, based on the above result, the marital status has not indicated any significant association to being a life insurance policy holder ( $p>0.05$ ).

The fitted model is:  $\log(P/(1-P)) = -5.459 - 0.291x_1 + 1.069x_2 + 1.071x_3 + 1.507x_4 + 1.194x_5 + 0.043x_6 + 0.04x_7$

X1= Family size

X2= Income category between Rs 50,000 – Rs 70,000

X3= Income category between Rs 70,000 – Rs 90,000

X4= Income category more than Rs 90,000

X5= Age category 50 years or above

X6= Subjective Norms (Influence from the society)

X7= Awareness Level

With a unit increase in family size, the odds of a person being a life insurance policy holder decrease by 25%. Furthermore, it can be concluded that the person does not have much likelihood of purchasing life insurance policies with the increase of their family sizes.

According to the information in Table 4, there is no statistically significant difference found between the two groups- a monthly income below Rs 30,000 and the monthly income between Rs 30,000 and Rs 50,000- with respect to being a life insurance policy holder. However, the people who belong to the monthly income of Rs 50,000-Rs 70,000 are significantly different from the people whose monthly income is below Rs 30,000 regarding being life insurance policy holders. The result

further indicates that the people whose income is between Rs 50,000 to Rs 70,000 are 2.91 times more likely than people who earn below Rs 30,000 per month being a life insurance policy holder when all other variables are constant. Two groups of people whose income is between Rs 50,000 - Rs 70,000 and Rs 70,000 to Rs 90,000 have approximately similar likelihood to be an insurance policy holder. Notably, the individuals whose monthly income is more than Rs 90,000 are 4.51 times more likely than people who have a monthly income below Rs 30,000 being a life insurance policy holder when holding all other variables constant.

Based on the results indicated in Table 4, people who are aged 50 years or above are 3.3 times more likely than others to be a life insurance policy holder. Also, when the awareness index increases by one unit, the odds of a person being a life insurance policyholder increase by 1.04 times. It can be further concluded that the person who has awareness regarding risk of life, benefits of life insurance policies etc. does have more likelihood to purchase life insurance policies than others. Moreover, if one increased subject norm (positive impact from the society on buying life insurance policies) by one unit, the odds of a person being a life insurance policyholder increased by 1.04 times.

#### **4. Conclusions and Recommendations**

The study revealed that gender was not a significant factor in demanding life insurance policies. Based on the selected sample, 77.6% of the respondents who were unmarried did not own any type of life insurance policy. Descriptive statistics revealed that most of the respondents who held postgraduate degrees and above had purchased life insurance policies accounting to 60.7%. It was also found that the highest percentage 79.7% of respondents who were engaged in sales, service, clerk, and support staff-related

occupations had not purchased any type of life insurance policy.

Out of the respondents who have a monthly income below Rs 30,000, 85.2% of the individuals did not have any type of life insurance policy. Results further indicated that 75.5% of the people who belong to an income level between Rs 30,000 to Rs 50,000 had not owned any type of a life insurance policy. However, among the participants who earn a monthly income of more than Rs 90,000, 68.4% had purchased life insurance policies. Descriptive statistics further indicated that most of the respondents (81.3%) aged 20 to 29 years had not owned any type of life insurance policy.

Based on the result of the logistic regression analysis, the factors; the size of the family, level of the monthly income, age of a person, level of awareness, subjective norm (based on the influence of society on purchasing a life insurance policy) are identified as significant factors towards being a life insurance policy holder.

The result of the logistic regression analysis further indicated that the propensity of being a life insurance policyholder is decreased by 25% when increasing their family size by one member. It can be concluded that the purchasing intention on life insurance policies will reduce with the increasing family size. The person being a life insurance policy holder among people whose income is between Rs 50,000 - Rs 70,000 and more than Rs 90,000 are 2.91 and 4.51 times more likely than the people who earn below Rs 30,000 as their monthly income. The logistic model described that the odds of individuals who are 50 years of age or above being a life insurance policy holder is 3.3 times higher than the people whose age is between 20 -29 years.

The study revealed that the level of awareness is a significant factor affecting being a life insurance policyholder. It was further concluded that with an increase in

awareness level by one unit, the odds of a person being a life insurance policy holder is 1.04 times higher than a person who does not have any type of life insurance policy. The influence of friends, family members, and others regarding life insurance policy was also found as a significant factor affecting being a life insurance policy holder.

According, to the findings of the study it can be concluded that the mostly low-income earners do not have a purchasing intension of any type of life insurance policy. Hence, insurance companies should take the initiative to provide life insurance policy schemes covering low-income earners as well. The awareness factor was also identified as a significant factor where the non-policy holders were less aware of the importance of having a life insurance policy, specially about the general price of the premiums. Hence, awareness programs should be carried out to educate the non-policyholders regarding life insurance policies and their benefits. The finding also shows that mostly the 20 - 29 years' people who are currently employed have not purchased any type of policy. The general idea on life insurance of respondents who belong to age 20 - 29 years is that they have not considered purchasing a life insurance policy and further that they consider it unnecessary for their age. Therefore, it is better to perform awareness programs regarding the importance of having a life insurance.

## 5. References

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