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Determinants of Life Insurance Purchase Intention using Structured Equation Modelling with Focus on Saving Motive and Financial Literacy

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Abstract

Life insurance serves as an important financial instrument, which effectively safeguards the family against adverse financial consequences resulting from an untimely demise of the primary breadwinner. This research paper delves into the factors that impact the purchasing intentions of life insurance among married working professionals. Employing Structural Equation Modelling (SEM), the study analyses the impact of saving motives and financial literacy on life insurance purchasing intentions. The findings suggest that saving motives and financial literacy have a positive and significant effect on the purchase intention of life insurance. Furthermore, the paper demonstrates that incorporating continuous manifest variables enhances the model fit and provides more accurate estimates of the relationships between variables. This provides valuable insights for life insurance providers, enabling them to gain a better understanding of the factors influencing consumers' purchase intentions.

Keywords: Life Insurance, Purchase Intention, Precautionary, Bequest, Wealth Accumulation

Introduction

Life insurance stands as a crucial financial instrument that offers a safety net to your loved ones in case of unexpected death of the primary breadwinner. Its significance stems from its ability to serve two crucial purposes - protecting the primary breadwinner's family from financial risk due to premature death and facilitating long-term savings (Beck & Webb, 2003). Scholars often regard life insurance as a means of hedging against future uncertainties (Omar & Owusu-Frimpong, 2007), emphasizing the importance of purchasing life insurance (Goldsmith, 1983).

There have been several Indian studies to explain the determinants of Life Insurance (LI) demand. However, extant studies in India have either studied life insurance industry at a macro level (Ranande & Ahuja 1999; Rao, 1999; Sen, 2008; Chakraborthy Joy et al., 2016) or focused on demographic characteristics and products purchased by customers (Bodla et al., 2007; Vijay et al., 2011). There have been studies that looked at specific issues. For instance, Nagaraja Rao and Satyapriya Periswamy 2014 studied low penetration of life insurance in rural India, while Verma and Garg 2017 investigated at the problem of pricing of life insurance in India. Madhu Sarada looked at scale efficiency and asset size of life insurance industry. Kakar (2010) identified that households with higher prosperity, education, and optimism about future security were more likely to have life insurance. Occupation and asset ownership were also significant factors. Dash (2018) identified various demographic and socio-economic factors–– such as age, gender, marital status, occupation, education, family size, and annual income–– that influenced the buying behaviour of life insurance policyholders. Mitra (2010) highlighted the positive impact of income and financial development on life insurance demand in India, while interest rates on alternative investments had a negative relationship. Mathew (2017) observed a correlation between financial sector development and inflation positively influenced life

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insurance demand, while real interest rates and income had a negative relationship. Additionally, Jyoti Bansal et al., studied banks distributing life insurance, known as "bancassurance".

The saving motive in life insurance has been examined in various research papers over the years. Yaari (1965) introduced the concept of life-cycle saving, which was expanded by Beck and Webb (2003). Furthermore, Mahdzan and Victorian (2013) examined the concept of saving motives in life insurance.

Despite India's high gross domestic saving rate of 30.1%, life insurance sales have not increased proportionally. Limited research has explored consumer behaviour towards life insurance in India and saving motives from an Indian perspective. This study aims to fill this gap by investigating the link between saving behaviour and the intention to buy life insurance. It also examines the influence of financial literacy, family financial literacy, and demographic factors on life insurance buying intention.

Literature Review

Yari's (1965) theoretical framework for life insurance demand was expanded by Beck and Webb (2003) to include dependents and beneficiaries' preferences in the model. While traditionally, life insurance was purchased to provide for the family in case of a breadwinner's death, in recent years, it has become increasingly significant in replacing lost income streams due to death or permanent disability (Todd, 2004). It has become an essential tool to manage risk (Beck & Webb, 2003).

The determinants of life insurance demand:

Demographic Factors

A1 – Age - Research has shown that age is a significant determinant of life insurance demand (Browne & Kim, 1993; Lee & Hanna, 1995). As people age, their need for life insurance typically increases due to an increase in financial obligations, such as mortgages and dependents, as well as a decrease in earning capacity. Berekson (1972), Baek and Devaney (2005a), and Showers and Shotick (1994) have found that age has a positive and significant impact on the need for life insurance. In other words, as people get older, they tend to have a greater need for life insurance. However, Chen (2009) found a negative relationship between age and the need for life insurance, suggesting that as people get older, they may be less likely to see the value in life insurance.

A2 – Family Income - Several studies have shown that income is a crucial determinant of life insurance demand. Studies by Delafrooz and Paim (2011), Hwang and Gao (2003), Li et al. (2007), and Beck and Webb (2003) found a positive association between income and life insurance demand. This means that as income increases, people may be more likely to purchase life insurance policies to manage their financial risk and provide financial security to their dependents.

A3 - Education - Research has consistently shown that education is an important factor in determining the demand for life insurance. Specifically, studies have found a positive relationship between education level and life insurance coverage (Truett & Truett, 1990; Browne & Kim, 1993; Li, Moshirian, Nguyen & Wee, 2007). This suggests that individuals who have pursued higher education may be more likely to purchase life insurance policies to manage financial risk and protect their dependents due to greater awareness of financial risks.

A4 - Gender - Gender is another factor that has been found to affect life insurance demand, Gandolfi and Miners (1996) and Luciano, Outreville and Rossi (2016) found that men are more likely than women to own life insurance. The studies also reveal that women tend to have lower levels of life insurance coverage than men, even after controlling for factors such as income, education, and marital status.

B – i. Financial Literacy - Several research studies have explored the relationship between financial literacy and the purchase of life insurance. Chen and Volpe (1998) and Lusardi and Mitchell (2011) reported that individuals with greater financial literacy were more likely to have bigger life insurance coverage. Delafrooz and Paim (2011) found that financial literacy has a positive and significant effect on the purchase of life insurance. These studies suggest that financial literacy plays an important role in the purchase of life insurance, and improving financial literacy could help people make informed decisions about protecting their financial future.

ii. Spousal Financial Literacy: High spousal financial literacy increases the likelihood of life insurance purchase. Deb, Deb and Chakraborty (2022) found that spousal financial literacy has a significant effect on purchasing life insurance.

C: *Saving Motive:* The desire of individuals to save a portion of their income for future use is known as the saving motive, which can be influenced by various factors such as income level, age, gender, financial literacy, etc. Studies by Mahadzan and Victorian (2016) concluded that individuals with a higher saving motive are more likely to purchase life insurance.

Extant literature further classifies savings motive into four main categories – precautionary motives, life-cycle motives bequest motives and wealth accumulation or profit motives.

C1: *Precautionary Motive:* This motive refers to the desire to protect oneself and one's family from the financial consequences of unexpected events, such as the death of the primary earner. Several studies have explored the role of the precautionary motive in the demand for life insurance. Hubbard et al. (1995) suggest that the precautionary motive show how people with a higher precautionary motive purchase more life insurance.

C2: *Life-Cycle Motive:* Modigliani and Brumberg (1954) proposed the life-cycle motive for saving, which suggests that individuals tend to save money and evenly distribute their consumption over time to prepare for significant life events and expenses that may occur later in life. These events may include weddings, house purchases, education, and the arrival of a child.

C3: *Bequest Motive:* The bequest motive refers to the desire to leave a financial legacy to one's heirs or charitable organizations. Several research papers have discussed this motive, including Bernheim (1991), Li, Moshirian, Nguyen and Wee (2007), which shows that bequest motive has a strong and positive effect on purchase of life insurance.

C4: *Wealth Accumulation Motive:* This refers to the motivation for accumulating wealth or assets. Several research papers explore this motive in the purchase of life insurance. For instance, Brown and Poterba's (2000) study showed that individuals with a high wealth accumulation motive purchase life insurance.

D: *Purchase Intention:* This refers to an individual's subjective probability or readiness to perform a given behaviour, specifically, the act of buying a particular product or service (Ajzen, 1991). Several studies have explored the factors that influence consumers' intention to purchase life insurance, including Masud, Ismail, and Rahman (2020), Panigrahi, Azizan, and Waris (2018), and Ejye Omar and Owusu-Frimpong (2007), to cite a few.

Methodology

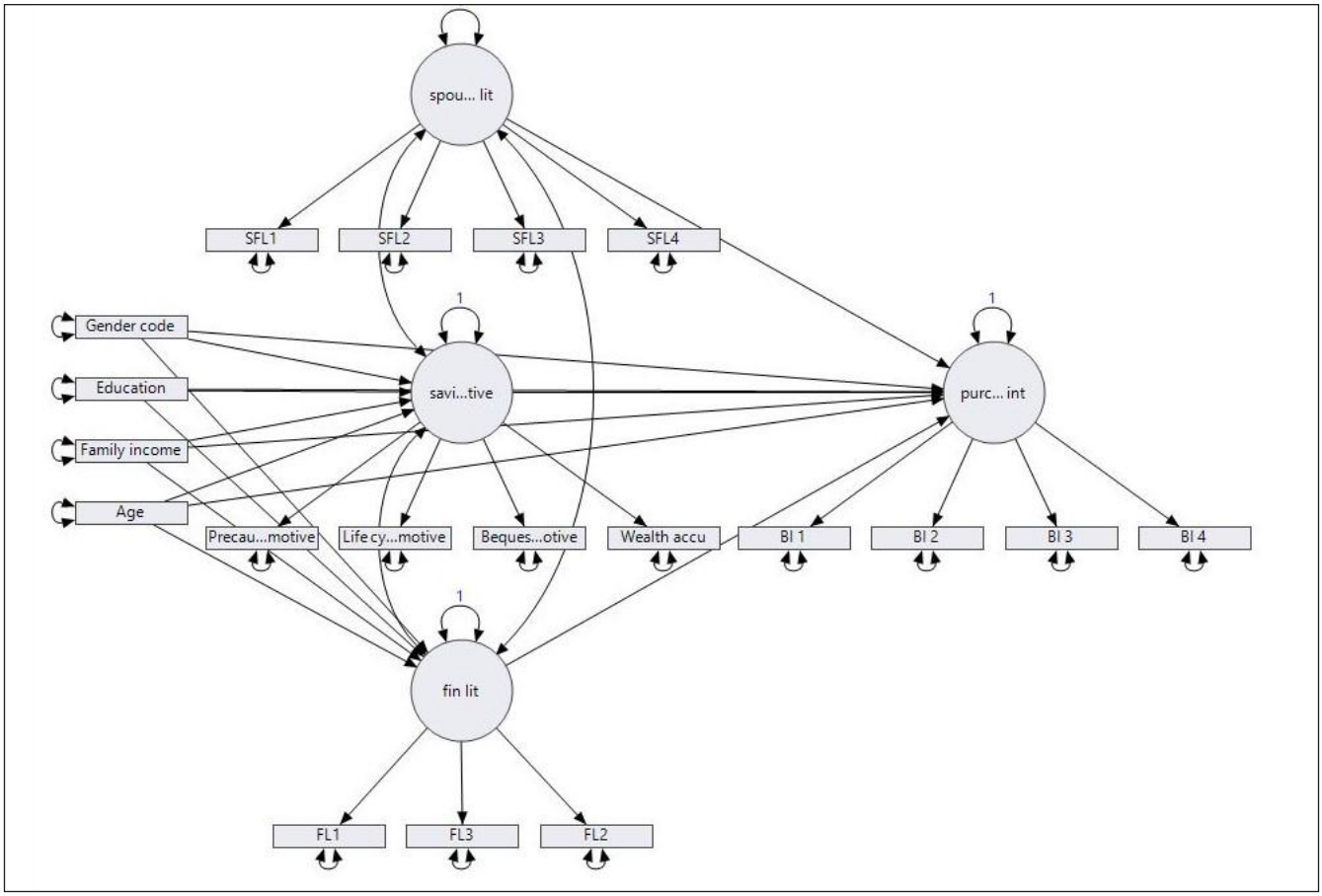
Sampling Method: The survey was conducted among 843 married professionals in three Indian cities: Bangalore, Hyderabad, and Chennai. The questionnaire was distributed as a Google form, and out of 2500 forms distributed, 843 were found usable.

Measuring Instrument: A self-administered 7-point Likert scale questionnaire was employed to collect data in three parts. The first part measured motives, financial literacy, and purchase intention. The second part collected data on insurance policies, and the third section collected demographic details.

Research Framework: The proposed model for research posits that buying intention is influenced by precautionary saving motive, life-style motive, bequest motives, wealth accumulation motive, financial literacy, and various demographic variables.

The proposed model is as follows:

Measurement of Variables: Endogenous Variable – Purchase Intention: Purchase intention pertains to an individual's willingness or likelihood of carrying out a particular behaviour, specifically, purchasing a specific product or service. This concept is a component of the Theory of Planned Behaviour (TPB), formulated by Icek Ajzen. Ajzen characterizes purchase intention as "the degree to which an individual has consciously developed plans to either execute or abstain from a particular behaviour in the future (Ajzen, 1991).



Exogenous Variables

1. *Demographic Variable* – Information about age, income, education, gender, and family income were collected. All demographic variables were measured as categorical variables.

2. *Financial Literacy:* Financial literacy was measured by a questionnaire that included statements to assess knowledge of life insurance products and terminology. Participants rated their own financial literacy using a 7-point Likert scale and also evaluated their spouse's financial literacy. When it comes to purchasing life insurance, decision-making within families can be a complex and multifaceted process. According to research conducted by Jacobsen (2014), joint decision-making between spouses was found to be the most common approach in families when purchasing life insurance policies.

3. *Saving Motive:* The study assessed various saving motives using a 7-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). The components of savings motives were individually measured to comprehensively determine the saving motive, as outlined below:

- *Precautionary Motive:* Four statements were used to measure the precautionary motive, assessing whether participants have purchased or intend to purchase life insurance to mitigate financial risk, provide for emergencies, maintain the family's lifestyle, and secure dependents' financial future in the event of a sudden loss of income.
- *Life Cycle Saving Motive:* The life cycle saving motive was measured by four indicator statements that referred to the intention to purchase life insurance to ensure large sums of money are available to fund life cycle events, such as higher education, marriage, or retirement for children.
- *Bequest Motive:* Bequest motive was measured by four statements to ascertain whether the participant intends to purchase life insurance to leave an inheritance, ensuring that there is money to repay debts, money to meet immediate financial requirements, and to ensure continuity of income.

- *Wealth Accumulation:* Four statements were used to determine whether the participant intents to purchase life insurance to ensure regular savings, to ensure tax-free returns, for guaranteed returns, and for ensuring financial security over the long term.

Hypothesis

H1: Saving motive has a significant and positive effect on the intention to purchase life insurance.

H_{1a}: Precautionary saving motive has a significant and a positive effect on saving motive.

H_{1b}: Life cycle saving motive has a significant and positive impact on saving motive.

H_{1c}: Bequest motive has a significant and positive impact on saving motive.

H_{1d}: The wealth accumulation motive has a significant and positive effect on the saving motive.

H_{1e}: Age has a positive and significant impact on saving motives.

H_{1f}: Number of years of education has a positive and significant impact on saving motive.

H_{1g}: The gender of a participant has a positive and significant impact on the saving motivation.

H_{1h}: Family income has a positive and significant effect on saving motive.

The saving motive refers to the motivation to save money for future financial needs. It is hypothesized that it can have a positive effect on the purchase intention of life insurance.

The various components of saving motive are:

- *Precautionary Motive:* It is hypothesised that people with a strong precautionary motive tend to save money to protect themselves from unforeseen financial crises and, hence, are more likely to purchase life insurance to avoid the potential risk of income loss during such crises.
- *Life Cycle Motive:* It is hypothesized that Individuals with a life cycle motive tend to save money for various needs at different stages of their life. Therefore, they are likely to purchase life insurance to provide funds to meet their requirements at various life stages.
- *Bequest Motive:* It is hypothesized that individuals with a bequest motive tend to save money to leave a large inheritance to their heirs. Consequently, they are likely to purchase life insurance.
- *Wealth Accumulation Motive:* It is hypothesized that people with this motive tend to save money to build their wealth. Therefore, they are likely to purchase life insurance as a means of investment.

H2 – Financial literacy has a significant and positive effect on the buying intention of life insurance.

It is hypothesized that there exists a significant and positive correlation between financial literacy and the intention to purchase life insurance. An increased understanding of financial products, especially life insurance, empowers individuals to create more robust financial strategies and make well-informed choices about how to allocate their funds and savings. Therefore, it is expected that the association between financial literacy and the desire for life insurance is positive and significant.

H3 - Demographic variables such as age, education, and family income have a positive and significant effect on both buying intention and financial literacy.

$H_{3a:}$ Age has a significant and positive effect on the intention to purchase life insurance.

It is hypothesized that as a person gets older, they have a greater need for insurance, and therefore the effect on the intention to purchase life insurance is both positive and significant.

$H_{3b:}$ Number of years of education has a significant and positive effect on the intention to purchase life insurance.

It is hypothesized that the higher the level of education, the more likely the person would purchase life insurance.

$H_{3c:}$ Family income has a significant and positive impact on the intention to purchase life insurance

It is hypothesized that the higher the family income, the more likely the person is to purchase life insurance.

H_{3d} : Gender has a positive and significant impact on the person's intention to purchase life insurance.

H4 : Demographic variables have a significant and positive effect on financial literacy.

H_{4a} : Age has a significant and positive impact on financial literacy.

H_{4b} : Number of years of education has a positive and significant impact on financial literacy.

H_{4c} : Gender has a significant and positive effect on financial literacy.

H_{4d} : Family income has a positive and significant impact on financial literacy.

It is hypothesized that demographic variables, such as age and gender, have a significant and positive effect on the intention to purchase life insurance.

H5: The level of financial literacy of the spouse has a positive and significant effect on the intention to purchase life insurance.

It is hypothesized that the level of spousal financial literacy has a positive and significant effect on the intention to purchase life insurance.

Analysis: Two types of analysis were carried out:

- Descriptive analysis was performed on the collected data.
- A structured equation model (SEM) was built to study the effect of independent variables on the intention to purchase life insurance.

The model specification for the SEM model is as follows:

Purchase intention (also called buying intention) = f (saving motivation, financial literacy, spousal financial literacy, age, education, family income, gender)

Saving motive = f (precautionary motive, life cycle motive, bequest motive, wealth accumulation)

Software Used: All analysis was carried out using JMP Pro 17.

Results: The descriptive analysis of the participants is as follows:

This is an analysis of the demographic and socioeconomic characteristics of a sample of 843 individuals. The sample data include information on age, education, spouse education, employment status, and family annual income.

The details of the participants mentioned in Table 1 are as given below:

Table 1

Age	*N*	*Percentage*
20-30	286	33.9
30-40	437	51.8
40-50	120	14.2
	843	
Education		
Doctorate	30	3.6
Graduate	222	26.3
Post graduate/professional	378	44.8
Spouse education		
Doctorate	30	3.6
Graduate	357	42.3
Post graduate/professional	456	54.1
Employment status		
Salaried	643	76.3
Self - employed	200	23.7
Family annual income		
> 5000000	41	4.9
500000-1500000	157	18.6
1500000-2500000	440	52.2
2500000-5000000	205	24.3

Before conducting exploratory factor analysis (EFA), it is crucial to check whether the data is suitable for this analysis. Two important tests for this purpose are Bartlett's test of sphericity and the Kaiser-Meyer-Olkin (KMO).

For our data, Bartlett's test of sphericity resulted in a significant chi-square value of 9218.761 with 231 degrees of freedom, and a p-value of less than 0.0001. This indicates that the correlation matrix is significantly different from the identity matrix, suggesting that the data is suitable for factor analysis.

The Kaiser-Meyer-Olkin (KMO) test is another measure used to evaluate the sampling adequacy of the data for factor analysis. The KMO value ranges from 0 to 1, where values between 0.6 and 0.7 are considered mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, and values above 0.9 are considered superb.

In this case, the overall KMO value is 0.865, which is considered good. This indicates that the data is suitable for factor analysis.

Exploratory factor analysis (EFA) was used to identify underlying factor loadings in the dataset (Table 2).

The factor loadings for the various variables are as follows:

Table 2

	Factor 1	*Factor 2*	*Factor 3*	*Factor 4*
Precautionary	0.786325	0.100006	0.048312	0.039781
Life cycle	0.771975	0.086758	0.04318	0.04887
Bequest	0.749024	0.031302	0.021059	0.007407
Wealth acc	0.730696	0.080868	0.007941	0.022849
SFL2	0.033357	0.901718	0.026892	0.006169
SFL1	0.004442	0.857861	0.010457	0.041693
SFL3	0.026419	0.834184	0.000231	0.024446
SFL4	0.212272	0.583816	0.003908	0.010172
BI 2	0.029189	0.029538	0.856893	0.102549
BI 3	0.057995	0.00397	0.794279	0.098089
BI 1	0.0255	0.00417	0.624003	0.070204
BI 4	0.005089	0.01555	0.585898	0.199769
FL1	0.010399	0.007313	0.119916	0.742307
FL2	0.076767	0.008316	0.177217	0.703304
FL3	0.00664	0.041496	0.019112	0.695089

Since the loading of FL4 was below 0.5, it was deleted.

Cronbach's alpha is a measure of the internal consistency and reliability of a scale or questionnaire ranging from 0 to 1. Generally, a Cronbach's alpha score of 0.7 or higher is considered acceptable for research purposes.

The Cronbach's alpha for this dataset is 0.7189, indicating that it is acceptable for research.

Composite Reliability

Composite reliability Omega is an internal consistency reliability measure that has become a popular alternative to Cronbach's alpha. Unlike Cronbach's alpha, Omega estimates the reliability of a measure based on factor loadings of each item, allowing for the assessment of multidimensionality and measurement error. A composite reliability of 0.70 or above is generally considered acceptable, while values above 0.80 are considered good, and values above 0.90 are considered excellent (Table 3).

The details for each of the constructs is as below:

Table 3

Latent Variable	*Omega*
Saving motive	0.8429
Spousal financial literacy	0.8638
Financial literacy	0.7635
Buying intention	0.7952

Since the composite reliability is more than 0.7 for all the constructs, the data can be considered reliable.

Table 4: Construct Maximal Reliability

Latent Variable	*H*
Saving motive	0.8807
Financial literacy	0.7805
Spousal financial literacy	0.9034
Attitude	0.9504
Risk aversion motive	0.8373
Sub Norms	0.877
Buying Intention	0.8913

Construct maximal reliability represents the reliability that can be obtained if the measurement instrument has no measurement error, while composite reliability estimates the reliability based on the actual data collected. The composite reliability values for the four constructs range from 0.7635 to 0.8638, which suggests acceptable to good internal consistency and reliability.

On the other hand, maximal reliability measures the proportion of variance in the observed indicators that is accounted for by the latent variable. It ranges from 0 to 1, with higher values indicating better reliability. Maximal reliability values for the same four latent variables range from 0.7755 to 0.9064, which suggests good to very good reliability (Table 4).

Both composite reliability and maximal reliability suggest good to very good internal consistency and reliability for the four latent variables in the SEM model. These measures are important to ensure that the latent variables are reliable and valid for use in further analysis and interpretation.

Table 5: Construct Validity Matrix

	Saving Motive	*Spousal Fin Literacy*	*Financial Literacy*	*Buying Intention*
Saving motive	**0.5749**	0.0221	0.0047	0.0061
Spousal fin literacy	0.1486	**0.6231**	0.0013	0.0011
Financial literacy	-0.0686	-0.0362	**0.5405**	0.0464
Buying Intention	0.0784	-0.0324	0.2153	**0.5203**

The construct validity matrix is used to assess construct validity as mention in Table 5 in structural equation modelling (SEM). It shows correlations between latent variables and observed indicators. Diagonal values represent the average variance extracted (AVE), a measure of convergent validity, with values above 0.5 indicating good convergent validity. The off-diagonal values represent correlations between latent variables, a measure of discriminant validity. The Fornell-Larcker (FL) criterion suggests that off-diagonal correlations should be smaller than the square root of the AVE for each variable. In the given matrix, all AVE values are above 0.5, and the off-diagonal correlations are smaller than the square root of the AVE values, indicating good convergent and discriminant validity. This provides evidence that the variables are measuring distinct constructs and are suitable for further analysis.

Structured Equation Modelling (SEM) is a statistical technique used to model the relationships between latent variables, which cannot be directly observed, and their manifest variables, which can be observed. However, SEM can also incorporate continuous manifest variables, which can provide additional information about the relationships between variables (Hair et al.). The inclusion of continuous variables, both latent and manifest, can enhance the precision of the model and facilitate the identification of more intricate relationships between variables.

The Table 6 presents various criteria for assessing the fit of the SEM, considering factors such as the number and quality of indicators (observed variables) for each latent variable, the size of the sample, and the type of model structure.

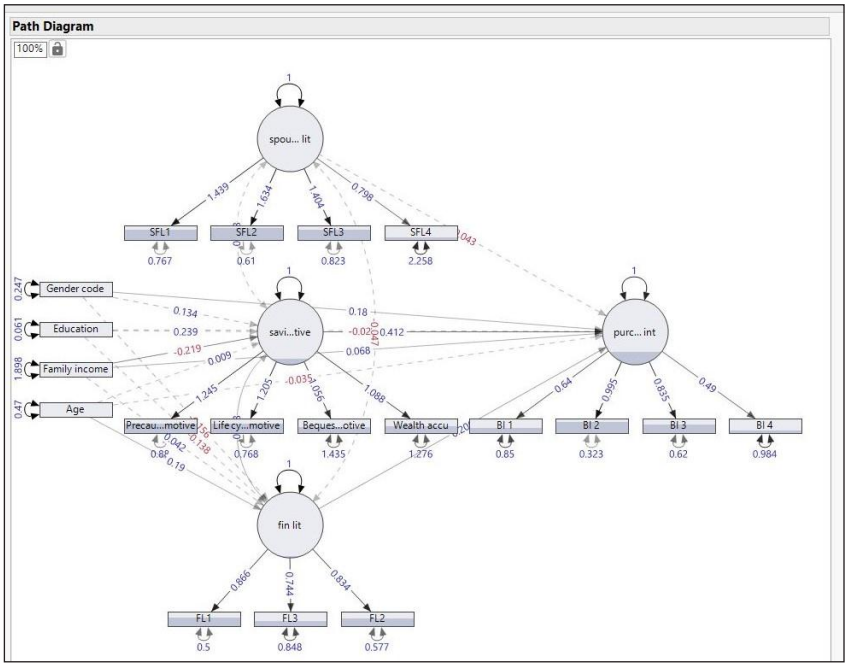
The following tests were conducted to check the appropriateness of the data for modelling:

Table 6

Name	*Result*
t-Rule	Good
Sample Size Rule	Good
Three-Indicator Rule	Good
Latent Scale Set	Good
Two Emitted Path Rule	Good

Since the data meets all the required basic tests, SEM for the data was created.

The path diagram is as follows:



The dotted line denotes no significant effect, while the solid line indicates a significant effect. Red lines represent a negative effect. Rectangular boxes represent manifest variables, and oval circles represents latent variables.

The total effect, as determined by the structured equation model, for each of the variables is as follows:

Table 7

Predictor	*Outcome*	*Estimate*	*Std Error*	*Wald Z*	*Prob>|Z|*	*Standardized Estimate*	*Result*
Saving motive	Precautionary saving motive	1.24467	0.04737	26.2754	<.0001*	0.81192	Significant
Saving motive	Life cycle saving motive	1.20496	0.04516	26.6802	<.0001*	0.82157	Significant
Saving motive	Bequest saving motive	1.05616	0.05201	20.3068	<.0001*	0.67881	Significant
Saving motive	Wealth accumulation	1.08755	0.05044	21.5618	<.0001*	0.71036	Significant
Saving motive	Purchase intention	0.41207	0.04625	8.90985	<.0001*	0.3873	Significant
Age	Saving motive	0.00946	0.05499	0.1721	0.8634	0.00619	Not significant
Age	Financial Literacy	0.18951	0.05771	3.28375	0.0010*	0.12816	Significant
Age	Purchase intention	0.00781	0.06041	0.12935	0.8971	0.0048	Not significant
Education	Saving motive	0.23893	0.15784	1.51373	0.1301	0.05635	Not significant
Education	Financial Literacy	-0.1379	0.16519	-0.8346	0.4039	-0.0336	Not significant
Education	Purchase intention	0.05008	0.17306	0.28939	0.7723	0.0111	Not significant
Family income	Saving motive	0.21912	0.02807	7.80705	<.0001*	-0.2879	Significant
Family income	Financial Literacy	0.04161	0.02874	1.44775	0.1477	0.05655	Not significant
Family income	Purchase intention	0.01366	0.03026	0.4515	0.6516	-0.0169	Not significant
Financial Literacy	Purchase intention	0.20632	0.04588	4.49655	<.0001*	0.18748	Significant
Spousal financial literacy lit	Purchase intention	-0.0429	0.04068	-1.0544	0.2917	-0.0384	Not significant
Gender	Saving motive	0.14608	0.08543	1.70993	0.0873	0.04527	Not significant
Gender	Financial Literacy	0.15559	0.08224	1.89203	0.0585	-0.0764	Not significant
Gender	Purchase intention	0.20347	0.08643	2.35426	0.0186*	0.09074	Significant

Saving Motive

As can be seen in the Table 7 above, all components of the saving motive, namely precautionary motive, life cycle motive, bequest motive, and wealth accumulation motive, exhibit a significant and positive effect on saving motive. Therefore, hypotheses $H_{1a,}$ $H_{1b,}$ $H_{1c\ and}$ H_{1d} are accepted.

Saving motive demonstrates a positive and significant impact on purchase intention and so hypothesis H1 is accepted.

As evident from Table 7, financial literacy has a positive and significant impact on the intention to purchase life insurance. Therefore, Hypothesis H_2 is accepted.

However, the data indicates that the level of spousal financial literacy has a very insignificant negative effect on the purchase of life insurance. We therefore reject hypothesis $H_{5.}$

The data reveals that age has a positive and significant effect only on financial literacy. Age has virtually zero impact on both saving motive and purchase intention. We, therefore reject hypothesis H_{4a} that age has a positive and significant effect on financial literacy.

We reject hypothesis H_{3a} and H_{1e} as the data indicates that age does not influence either saving motive or purchase intention.

Education has a positive but insignificant impact on saving motive and purchase intention and a negative but insignificant effect on financial literacy. We, therefore, reject hypothesis $H_{1f,}$ H_{3b} and $H_{4b.}$

Family income exhibits a negative but significant impact on saving motive. It has an insignificant impact on financial literacy and purchase intention. So, we reject hypotheses H1h, H4d, and H4c.

Gender has a positive and significant impact on purchase intention. Hence, we accept the hypothesis H_{3d}. We reject hypothesis H_{1g} and H_{4c}

Discussion

In this study, an examination of the determinants of life insurance demand encompassed investigated, including sociodemographic variables, saving motives, and financial literacy.

Saving motive: The study shows that saving motive has a positive and significant effect on purchase intention.

All components of the saving motive, including precautionary motive, life cycle motive, bequest motive, and wealth accumulation motive have a very strong positive, similar effect on saving motive. The highest positive effect is due to the life cycle motive. This suggests that, while all components are important, participants give life cycle motive a slightly higher importance.

Financial Literacy: The data shows that financial literacy has a positive and significant effect on purchase intention of life insurance. A positive effect of financial literacy on purchase intention of life insurance indicates that individuals who have higher levels of financial literacy are more likely to consider purchasing life insurance. This can be explained by the fact that life insurance is a complex financial product that requires individuals to have a certain level of financial knowledge and understanding to make informed decisions. Individuals who have a better understanding of financial concepts, such as risk management, investment, and insurance, are likely to recognize the importance of life insurance and its role in achieving their financial objectives.

The data also shows that spousal financial literacy has a very insignificant negative effect of the purchase of life insurance. The data suggest that purchase of life insurance is an individual decision and is based on an individual's knowledge and perception of risk.

Demographic Variables

- *Age:* The data suggests that age has a positive and significant effect on financial literacy but not saving motive or purchase intention. The older you are, the more knowledgeable about financial matters, which can help you make more informed decisions about your money. This is generally a good thing because it means that people are better equipped to manage their finances as they age.
- *No of Years of Education:* The effect on saving motive, financial literacy and purchase intention is not significant.

  This finding that education does not have a significant effect on saving motive, financial literacy, and purchase intention of life insurance suggests that education alone may not be the sole factor influencing these financial behaviours. Other factors such as cultural norms, personal beliefs, income levels, and access to financial resources may also play a crucial role in shaping these financial behaviours.
- *Family Income:* Family income has a significant and positive impact on saving motivation, but a positive but insignificant impact on financial literacy and purchase intention. This indicates that income alone may not be a strong predictor of financial behaviours. Saving motive may be more influenced by personal values and attitudes towards

money, rather than income level alone. Therefore, individuals may be motivated to save regardless of their income level. On the other hand, financial literacy and purchase intention may be influenced by income level, but only to a limited extent. For example, individuals with higher incomes may have more resources to invest in financial education or make larger purchases, but this may not necessarily translate into greater financial literacy or purchase intention if they do not prioritize these behaviours.

- *Gender:* Gender has a positive and significant impact on the purchase intention but negative and insignificant effect on saving motive and financial literacy. This suggests that gender has a significant positive influence on purchase intention, indicating that people of a particular gender may be more inclined to purchase a particular product or service. On the other hand, gender has a negative and insignificant effect on saving motive, suggesting that gender does not affect an individual's motivation to save money for the future. Finally, gender has a negative and insignificant impact on financial literacy, suggesting that there is no significant difference in financial literacy levels between individuals of different genders.

This study investigated various factors that affecting life insurance demand, including demographic variables, savings motives, and financial literacy. The findings revealed that both financial literacy and saving motive had a positive and significant impact on purchase intention of life insurance. Conversely, Age and education did not significantly affect purchase intention. The study highlights the importance of financial education and literacy for consumers to make informed decisions about life insurance. Insurers can contribute by providing educational resources to increase awareness and demand for life insurance products.

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