

## Determinants Affecting Life Insurance Purchase Decision at Jhapa District

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### ABSTRACT

*This paper aims to investigate the effect of determining factors like Customer Attitude, Insurance Awareness, Financial Literacy and Social Factor on purchase decision of life insurance policy in Jhapa district of Nepal. Primary data have been collected through structured questionnaire using online method i.e. Google Forms out of 384 life insurance policy holders resident of Jhapa district of Nepal. A descriptive Research and causal comparative design was used and sample was selected by purposive sampling method. Smart PLS 4 is used as a data analysis tool and various tests like descriptive analysis, Measurement Model Assessment, Convergent Validity and Discriminant Validity, Model Fit Assessment, Structural Model Assessment and Importance-Performance Map Analysis (IMPA) tests were conducted as analysis tool to assess the quantitative raw data. The study concludes that Customer Attitude, Financial Literacy, and Insurance Awareness has significant effect with the purchase decision of life insurance policy whereas Social Factor has no significant effect with the purchase decision of life insurance policy. Financial Literacy has the highest influence over purchase decision of life insurance. Thus, the marketers, policymakers and insurance companies must pay more attention in bringing more effective and fruitful programs to enhance the life insurance demand.*

## 1. INTRODUCTION

The fundamental idea of insurance is very ancient, and it is connected with economic activities and initiatives and the need to control uncertainty, which must have been much more pressing in the past than it is today. The first known records of insurance date from several thousand years before the Common (or Christian) Era. Chinese merchants (i.e., the entrepreneurs of that time) devised a system to protect themselves from losses of shipped cargo resulting from storms, pirates, or anything else that could go wrong at sea (Maschi, 2011). Insurance companies play an increasingly important role within the financial sector of an economy. Numerous crucial financial services are provided by insurance to both individuals and the economy as a whole. The two types of insurance contracts that are most common are life and non-life Life insurance, in particular, provides protection to a household against the risk of the premature death of the main income earning member of the family (Park & Lemaire, 2013).

No one works for their livelihood throughout their entire lives. As a result, s/he may choose to reserve some funds for the days ahead. The situation worsens when the breadwinner of the family dies or is injured (physically). This may cause not only mental distress, but also economic insecurity in the lives of dependent individuals. As a result, life insurance acts as a channel to transform this uncertain position into a certain one, providing financial help to the insured if s/he is alive until the maturity of the policy and financial protection to the insured's dependent family if s/he dies or is seriously injured before the policy ends. Life insurance protects the family from financial loss in the case of an unforeseen event involving the breadwinner of the family (Spencer & Heppen, 1969)

Insurance is a system whereby the insurer guarantees to compensate the insured or to provide services to the insured in the event that specific unavoidable events cause losses over a predetermined time period in exchange for a consideration that is typically agreed upon in advance. As a result, it is a strategy for managing risk. Its main purpose is to replace uncertainty with certainty regarding the financial cost of loss-producing events (*Insurance: Definition, How It Works, and Main Types of Policies*, 2023).

Developing countries are not only customers but also providers of insurance services. In many developing nations, the life insurance market is limited because it is regarded as unnecessary or improper for ideological, cultural, or religious reasons, or because economic security is provided by the family. As a result, in emerging nations, the demand for life insurance is driven by ideological, cultural, religious, and economic considerations (Outreville, 1996)

In recent years, the life insurance industry has experienced significant growth as individuals recognize the importance of securing their financial future and protecting their loved ones against unforeseen circumstances. In the context of Jhapa District, Nepal, the uptake of life insurance policies has gained considerable attention, making it crucial to understand the factors influencing individuals' decisions to purchase life insurance (*नेपालबीमाप्राधिकरण- Nepal Insurance Authority: Insurance Regulatory Authority of Nepal, 2001*)

With increasing public awareness of insurance, various services provided by companies, and the availability of insurance facilities around the world, the insurance sector is rapidly evolving, and it is of the utmost importance to identify the key factors influencing customer demand for life insurance. Despite several studies on the topic of life insurance, there are still gaps in the body of information, particularly in terms of understanding the relationship between the social factors, customer attitudes, Insurance awareness and Financial Literacy with the life insurance purchase decision in Nepal. As Nepal is a country having a population from various social backgrounds, it is very essential to figure out whether the social factor affects purchase decision of life insurance or not. Similarly, the attitudes that Nepalese people possess are completely different from that of other countries. In this sense, does the attitude play any significant role to influence people to purchase life insurance or not that is very important to find out. Likewise, the awareness that life insurance companies and their agents are contributing and present scenario of the financial literacy at Nepal, are they motivating people to purchase life insurance policies or not and do they have any relationship with the purchase decision of life insurance or not, this is also an important factor to explore. These problems and issues are studied in the context of the Jhapa district, where the underlying relationship between various determining factors, and life insurance purchase decision is investigated

The primary objective of this research is to explore and analyze various determining factors of life insurance purchase decision in Jhapa District, Nepal. The study aims to identify significant factors that influence individuals' decisions to buy life insurance and understand the relationship between these variables and the likelihood of purchasing life insurance policies. By achieving this objective, the research aims to provide valuable insights to insurance companies and policymakers, enabling them to modify their products and marketing strategies to better meet the needs and preferences of the target population in Jhapa District.

The readers should bear in mind that this research study has some limitations as it is based on the responses of individuals of Jhapa District only and may not be generalizable to other places. Consumer

attitudes and social factors can vary significantly across different cultural, economic, and geographical contexts, so findings from Nepal may not be directly applicable to other regions or countries

The rest of the paper is divided into four sections. The second section related to the literature review was followed by methodology, results, and discussion. The final section concludes with major findings and conclusions.

## **2. LITERATURE REVIEW**

In this section, researchers summarize, analyze, and synthesize findings from previous empirical studies to provide a comprehensive understanding of the current state of knowledge on the topic. Finding important themes, patterns, and gaps in the literature is part of this process. Consumer Purchase decision is influenced by various factors, including shopping habits, brand selection, and store visits. With mass media access and evolving consumer perspectives on emotions, wants, needs, and demands, researchers are attempting to identify the elements that influence consumers' decisions to buy, as they have more ways to obtain information about products. In this regard, Customer Attitude, Financial Literacy, Insurance Awareness and Social Factor have been used to examine the influence in purchase decision of customers from previous studies.

### **2.1 Customer Attitude and Purchase Decision**

According to Miceli, Raimondo, & Farace, (2013), Customer attitude refers to the overall evaluation or feelings that individuals have towards a product, service, brand, or organization based on their beliefs, emotions, and experiences. Attitudes play a crucial role in shaping consumer behavior and purchase decisions, as they can influence preferences, willingness to buy, and brand loyalty. Guan, Yusuf, & Ghani (2020) conducted study using a quantitative survey method with 350 samples, using a 5-point Likert scale and PLS-SEM data analysis method and found that attitude of customer is the significant factor influencing life insurance purchase decisions. Similarly, the study conducted by Souiden & Jabeur (2015), where questionnaire was administered online in a Muslim liberal country based on a total sample of 207 responses, and using ANOVA tests and a structural Equation Modeling test concluded that purchase decision of life insurance policy is influenced by customer attitude that comes from the Islamic beliefs. Likewise, A study conducted by Mai, Nguyen, Vu, Bui, & Thu (2020) in Hanoi and Ho Chi Minh City, Vietnam, using an online questionnaire of 358 people, found that life insurance buying

behavior was influenced by purchase intention and customer attitudes, using Cronbach alpha, exploratory factor analysis, KMO, Bartlett's test, in SPSS software.

Thus, the following hypothesis can be formed on the basis of previous studies:

**H<sub>1</sub>:** There is positive and significant effect of Customer Attitude on Life insurance purchase decision.

## 2.2 Financial Literacy and Purchase Decision

According to Remund, (2010) Financial literacy refers to the knowledge and understanding of various financial concepts and skills that enable individuals to make informed and effective decisions regarding their finances. It encompasses the ability to manage personal finances, budgeting, saving, investing, understanding credit, debt management, and comprehending financial risks and rewards. A financially literate individual can interpret financial information, evaluate financial products and services, and make sound financial decisions that align with their goals, circumstances and purchases (Arifin & Amalia, 2024). Lin et al., (2017) investigated the relationship between financial literacy, financial advisors, and information sources on demand for life insurance show that people with high financial literacy are more likely to pick up life insurance, and that consultations with financial advisers, as well as interactions with family members and friends, are both positively connected with life insurance demand. Likewise, Wang et al., (2021) investigated how financial literacy relates to the demand for life insurance using two unique nationally representative micro datasets, and they discovered a positive association between various measures of financial literacy and both the probability of holding life insurance and the premium paid. Also, Jaiswal & Jnawali, (2022) investigated the determinants that influence the purchase of life insurance in Nepal's Kapilvastu district and concluded that life insurance demand in terms of premium paid is significantly associated with the financial literacy level of consumer and people make purchase of life insurance policy if they are provided with financial knowledge.

Thus, the following hypothesis can be formed on the basis of previous studies:

**H<sub>2</sub>:** There is positive and significant effect of Financial Literacy on Life insurance purchase decision.

## 2.3 Insurance Awareness and Purchase Decision

Insurance awareness refers to an individual's understanding and knowledge of insurance products, including their purpose, benefits, and coverage options. It involves being informed about different types

of insurance such as health, life, property, and auto insurance, and grasping how these policies can provide financial protection against unforeseen events or risks (Lin, 2020). The study conducted by NAW, (2023) using a descriptive research method to gather primary data from 400 life insurance policy holders in Yangon City, analyzing 617,524 policies using the Taro Yamane method revealed that insurance awareness significantly influences life insurance purchase decisions. Likewise, research conducted by Saryanti, Hariyanti, & Awatara, (2017) involved 100 respondents and utilized various analytical techniques such as instrument validity, reliability, classical assumption, multiple linear regression analysis, t test, F test, and  $R^2$  test. The results indicated that insurance brand awareness significantly influence life insurance unit purchase decisions. Also, Oluwabiyi, (2022) carried out the study, involving 375,000 insurance consumers in Lagos State, Nigeria, found that relationship marketing significantly influences insurance purchase decisions. Using SPSS as an data analysis tool, Positive relationships were found between certain marketing constructs and insurance decisions. The study also found that customer awareness about insurance has significant impact on insurance purchase decisions in Lagos State.

Thus, the following hypothesis can be formed on the basis of previous studies:

**H<sub>3</sub>:** There is positive and significant effect of Insurance Awareness on Life insurance purchase decision.

## 2.4 Social Factor and Purchase Decision

According to Ardiansyah & Sarwoko (2020), a social factor refers to an element or influence within society that can impact individuals, groups, organizations, or communities. Social factors encompass various aspects of human interaction, behavior, and relationships that shape societal norms, values, beliefs, and lifestyles. These factors include but are not limited to cultural norms, social class, family structure, education, religion, demographics, and societal trends. The research conducted by Ćurak & Kljakovic, (2022) examined the factors influencing life insurance consumption in Central and Eastern Europe's rapidly growing insurance market. The analysis, based on 11 countries from 1995-2008, found that Social factors, such as life expectancy and young dependency ratio positively contribute to life insurance demand and purchase decision and the social security system like peer reviews and elder member suggestion also has a significant impact on life insurance demand in the Central and Eastern European market. Similarly, the study conducted by NAW, (2023) using a descriptive research method to gather primary data from 400 life insurance policy holders in Yangon City, also concluded that social factor has positive and significant effect on the purchase decision of insurance policy. Likewise, A

research conducted by Jańska & Kędra, (2019) among Maria Curie-Skłodowska University's Faculty of Economics and students among 388 participants analyzed the relationship between insurance product purchasing decisions and various factors including social factor and found that people get influenced from the social trends, custom and belief that contributes for a significant effect on the insurance purchase decision.

Thus, the following hypothesis can be formed on the basis of previous studies:

**H4:** There is positive and significant effect of Social Factor on Life insurance purchase decision.

## 2.5 Consumer Purchase Decision

A consumer purchase decision refers to the process whereby individuals evaluate available options and choose a specific product or service to fulfill a recognized need or want. This decision-making process typically involves stages such as problem recognition, information search, evaluation of alternatives, the actual purchase decision, and post-purchase evaluation (Ali & Anwar, 2021). The research conducted by Laksmi, Bagia, & Trianasari, (2022) using causal quantitative research and Structural Equation Modeling (SEM) analysis revealed that peer influence and service quality can either partially or simultaneously influence purchasing decisions of life insurance policy. Likewise, NAW, (2023) investigated the social factor, customer attitude, insurance awareness and financial literacy as factors and found that social factor, insurance awareness, and consumer attitude have significant influence on life insurance purchase decision. However, financial literacy has not significant influence on consumer purchase decision. Thus, it is vital to explore what factors significantly effects to the consumer purchase decision among the population of Jhapa District.

## 3. METHODOLOGY

### 3.1 Population and Sample

This study's population consists of Jhapa district life insurance policyholders. Jhapa district is located in the eastern portion of Nepal and is one of the districts of Nepal's Province No. 1. According to (*Jhapa (District, Nepal) - Population Statistics, Charts, Map and Location*, n.d.) The district is made up of eight municipalities and seven rural municipalities, with a population of almost 23 million people. The entire number of policyholders in the Jhapa district is difficult to determine, hence, the population of the



study is assumed to be infinite. The study sample consisted of 384 respondents who had various life insurance plans. Sample was selected by purposive sampling method.

### **3.2 Research Design, Data Collection and Analysis Tools:**

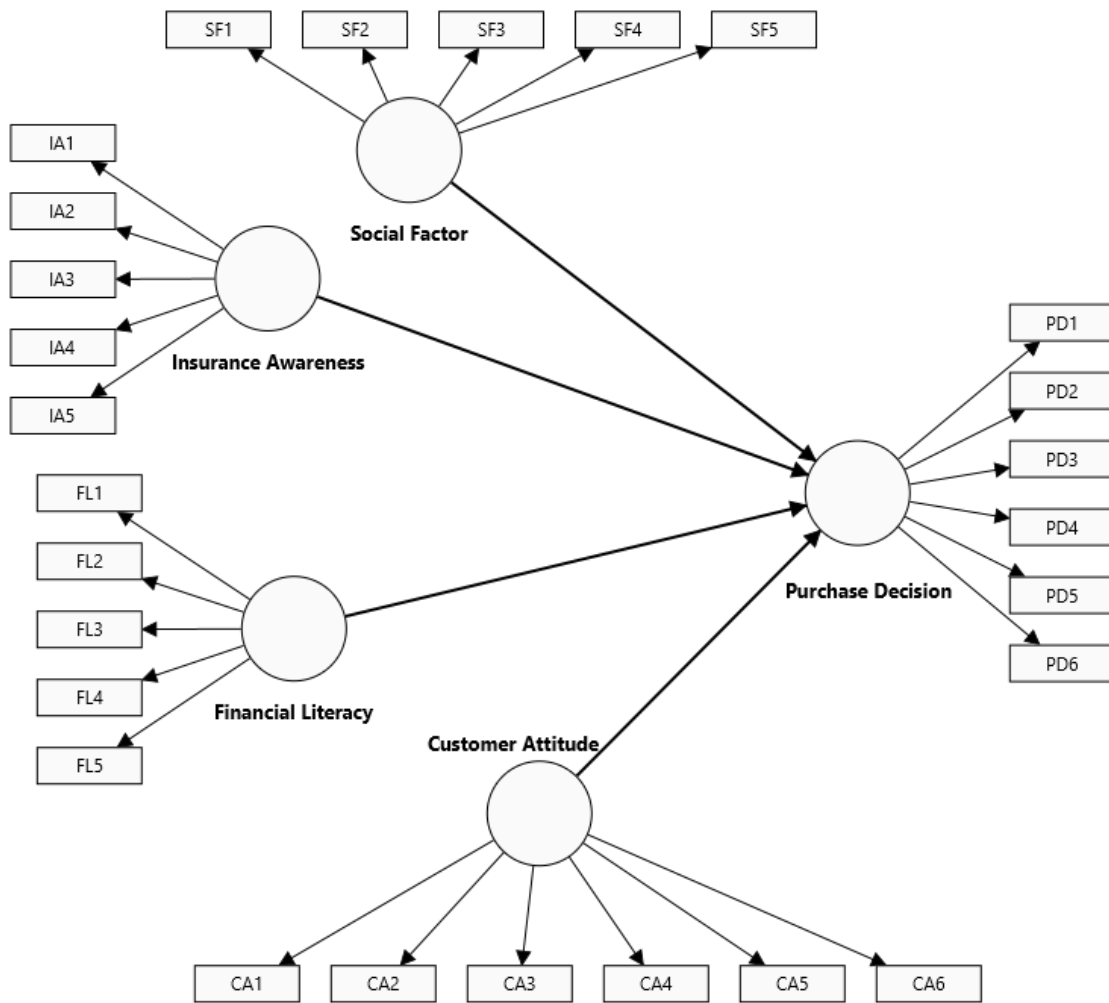
The Descriptive and Causal Comparative research design has been used in this paper. The primary data was collected using a structured questionnaire through Google forms. The questionnaire consists of two sections where the section I consisted about the demographic information such as gender, age group, marital status, education level, occupation, monthly income of the respondents, and the second section consisted the questions related to various independent variables i.e. Social Factor, Insurance Awareness, Financial Literacy and Customer Attitude and Dependent variable as Purchase Decision. Smart PLS 4 is used as a data analysis tool and various tests like descriptive analysis, Measurement Model Assessment, Convergent Validity and Discriminant Validity, Model Fit Assessment, Structural Model Assessment and Importance-Performance Map Analysis (IMPACT) tests were conducted as analysis tool to assess the quantitative raw data.

### **3.3 Conceptual Framework:**

The conceptual framework of the study designed as follows. The study tries to explore the relationship and effect of different independent variables like Social Factor, Insurance Awareness, Financial Literacy and Customer Attitude and Dependent variable as Purchase Decision for the life insurance.



**Fig 1: Conceptual Framework**



**Note:** NAW, (2023)

## 4. RESULT AND DISCUSSION

### 4.1 Descriptive Statistics

The descriptive information of the variables used in the study is analyzed in this section.

*Table 1: Frequency and percentage distribution*

		Frequency	Percent
Gender	Male	192	50
	Females	192	50
	<b>Total</b>	<b>384</b>	<b>100</b>
Age	Below 25	92	24
	25-30	177	46.1
	30-35	59	15.4
	35-40	44	11.5
	40 and Above	12	3.1
	<b>Total</b>	<b>384</b>	<b>100</b>
Education	Secondary	23	6
	+2 or Higher Secondary	45	11.7
	Bachelor's	181	47.1
	Masters and Above	135	35.2
	<b>Total</b>	<b>384</b>	<b>100</b>
Occupation	Private Company Staff	198	51.6
	Government Officer	63	16.4
	Student	14	3.6
	Housewife	60	15.6
	Self Employed	30	7.8
	Business	15	3.9
	Others	4	1
	<b>Total</b>	<b>384</b>	<b>100</b>
Marital Status	Married	212	55.2
	Single	155	40.4
	Divorced	17	4.4
	<b>Total</b>	<b>384</b>	<b>100</b>
	Less than 30,000	183	15.9
	30,001-60,000	66	47.7

Income Level	60,001-90,000	61	17.2
	90,001-120,000	29	7.6
	120,001-150,000	17	4.4
	150,001-180,000	13	3.4
	More than 180,000	15	3.9
<b>Total</b>		<b>384</b>	<b>100</b>

Out of total respondents, 50% were male, and 50 % were female. Out of total respondents, 24% were below 25 years of age, 46.1 % were age of 25-30 years and 15.4%, 11.5%, 3.1% were age group of 30-35, 35-40 and 40 and Above respectively. Out of total respondents, 6 % were secondary passed out, 11.7% were +2 passed out, 47.1% were bachelor's passed out, 35.2% had completed masters and above. Out of the total respondents maximum respondents were married i.e. 55.2% followed by single and divorced with 40.45 and 4.45 respectively. Out of the total respondents, the maximum respondents were the Private company staffs with 51.6% followed by Government officer with 16.4%. Also, out of the total respondents, the maximum respondents earned income of 30,001-60,000 with 47.7% followed by income level of 60,001-90,000 with 17.2%.

**Table 2: Descriptive information of the major independent variables**

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Social Factor	384	1.00	7.00	5.035	1.392
Insurance Awareness	384	1.00	7.00	4.283	1.735
Customer Attitude	384	1.00	7.00	4.022	1.611
Financial Literacy	384	1.00	7.00	4.968	1.358
Purchase Decision	384	1.33	7.00	5.181	1.390

The mean and standard deviation of, Purchase Decision is 5.181 and 1.390 respectively which indicates that customers consider various factors while making purchase decision of life insurance policies. Besides, the mean of other independent variables i.e. Social Factor, Insurance Awareness, Customer Attitude, and Financial Literacy are 5.035, 4.283, 4.022, and 4.968 respectively which implies that these independent factors have influence over the dependent variable i.e. Purchase Decision.

## 4.2 Measurement Model Assessment

*Table 3: Assessment of Survey Item*

Variables	Items	Loadings	VIF	Mean	SD
Customer Attitude	CA1	0.774	2.498	5.159	1.719
	CA2	0.768	3.091	5.122	1.571
	CA3	0.876	3.270	4.711	1.799
	CA4	0.858	3.396	5.081	1.531
	CA5	0.870	3.700	5.104	1.702
	CA6	0.806	2.969	4.661	1.946
Financial Literacy	FL1	0.735	1.553	4.266	1.965
	FL2	0.895	3.403	4.375	2.051
	FL3	0.811	2.286	3.914	1.941
	FL4	0.868	2.761	4.201	1.981
	FL5	0.739	1.638	4.372	1.926
Insurance Awareness	IA1	0.894	3.247	4.828	1.847
	IA2	0.882	3.116	4.276	1.892
	IA3	0.853	2.482	4.201	1.973
	IA4	0.834	2.440	3.339	1.946
	IA5	0.919	4.253	3.115	2.068
Social Factor	SF1	0.732	1.581	5.159	1.719
	SF2	0.905	3.625	5.122	1.571
	SF3	0.806	2.273	4.711	1.799
	SF4	0.875	3.022	5.081	1.531
	SF5	0.869	2.763	4.768	1.778
Purchase Decision	PD1	0.875	3.177	5.615	1.453
	PD2	0.865	3.063	5.034	1.767
	PD3	0.787	2.626	5.018	1.806
	PD4	0.844	2.833	5.083	1.848
	PD5	0.831	2.538	5.570	1.477
	PD6	0.756	1.804	4.766	1.713

Table 1 indicates the measures and validity related to the outer model. It shows the standardized outer loading, Variance Inflation Factor (VIF), mean, and Standard Deviation (SD) of the outer model. Twenty Seven scale items are used to assess five latent variables. The outer loading values of all the items are above the threshold value of 0.70, which indicates the absolute contributions of each item to measuring the respective variable (Sarstedt et al., 2017). Similarly, the VIF values of all the items are below 5, indicating no multi collinearity among the scale items (Hair et al., 2019). Consequently, there is no multi collinearity among the items. The mean and standard deviation (SD) results of all the

measurement items are in a good range on 7-point Likert scale data. Hence, the measurement items qualify for reliability and validity for further assessment.

### 4.3 Convergent Validity and Discriminant Validity

**Table 4: Construct reliability and validity assessment**

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Customer Attitude	0.909	0.934	0.928	0.683
Financial Literacy	0.869	0.873	0.906	0.66
Insurance Awareness	0.925	0.927	0.943	0.769
Purchase Decision	0.908	0.914	0.929	0.685
Social Factor	0.894	0.895	0.923	0.705

Table 2 contains the internal reliability and validity of the constructs used in this study. The Cronbach's Alpha values of all constructs are above the standard threshold value of 0.705 (Bland & Altman, 1997), which indicates that the internal consistency of all constructs and validates the scale used for measuring each of the constructs is reliable. Further, Composite Reliability (CR) rho a and CR rho\_c values are above 0.70, indicating construct reliability and validity (Saari et al., 2021; Hair et al., 2022). The Average Variance Extracted (AVE) values are above 0.50 threshold values, suggesting that the convergent validity of all the constructs is established (Hair et al., 2022). Hence, the results of the above table qualify all the quality criteria measures.

**Table 5: Heterotrait-monotrait ratio (HTMT)**

Variables	Customer Attitude	Financial Literacy	Insurance Awareness	Purchase Decision	Social Factor
Customer Attitude	—				
Financial Literacy	0.413	—			
Insurance Awareness	0.801	0.401	—		
Purchase Decision	0.358	0.765	0.427	—	
Social Factor	0.461	0.656	0.440	0.756	—

Table 3 contains the Heterotrait-Monotrait (HTMT) ratio of correlations of all the variables used in this study. The HTMT ratio values range from 0.358 to 0.801. The standard acceptable range of HTMT ratio

values is below 0.85. Hence, discriminant validity has been established between the reflective constructs of this study (Hair et al., 2022).

#### 4.4 Model Fit Assessment

We examined the goodness-of-fit indices for the model. Specifically, the standardised root mean square residual (SRMR) was utilized for this purpose. The SRMR value was 0.068, less than the threshold value of 0.08. The Normed Fit Index (NFI) value is 0.764, which is less than the critical value of 0.90. This indicates that the model possesses good explanatory power, as Hu and Bentler (1998) suggested. Moving on, the study of the significance of exogenous variables in the model was conducted by assessing effect size ( $f^2$ ) on endogenous constructs, measured in terms of r-square change. This approach is based on the methodology laid out by Cohen (1988).  $R^2$  values of 0.75, 0.50, or 0.25 for endogenous latent variables can, as a rough rule of thumb, be respectively described as substantial, moderate or weak. Moving on, the study of the significance of exogenous variables in the model was conducted by assessing effect size ( $f^2$ ) on endogenous constructs, measured in terms of r-square change. This approach is based on the methodology laid out by Cohen (1988). The f-square value of Customer Attitude is 0.189, Insurance Awareness is 0.044, Social Factor is 0.038, and Financial Literacy is 0.233 for Purchase Decision. The effect size of Insurance Awareness and Social Factor over purchase decision is small. Further, the effect size of Customer Attitude and Financial Literacy over purchase decision is medium. Lastly, the R-square value of Purchase Decision is 0.512, which indicates moderate or medium predictive power as indicated by (Hair et al., 2013).

#### 4.5 Structural Model Assessment

Figure 2: Path Diagram

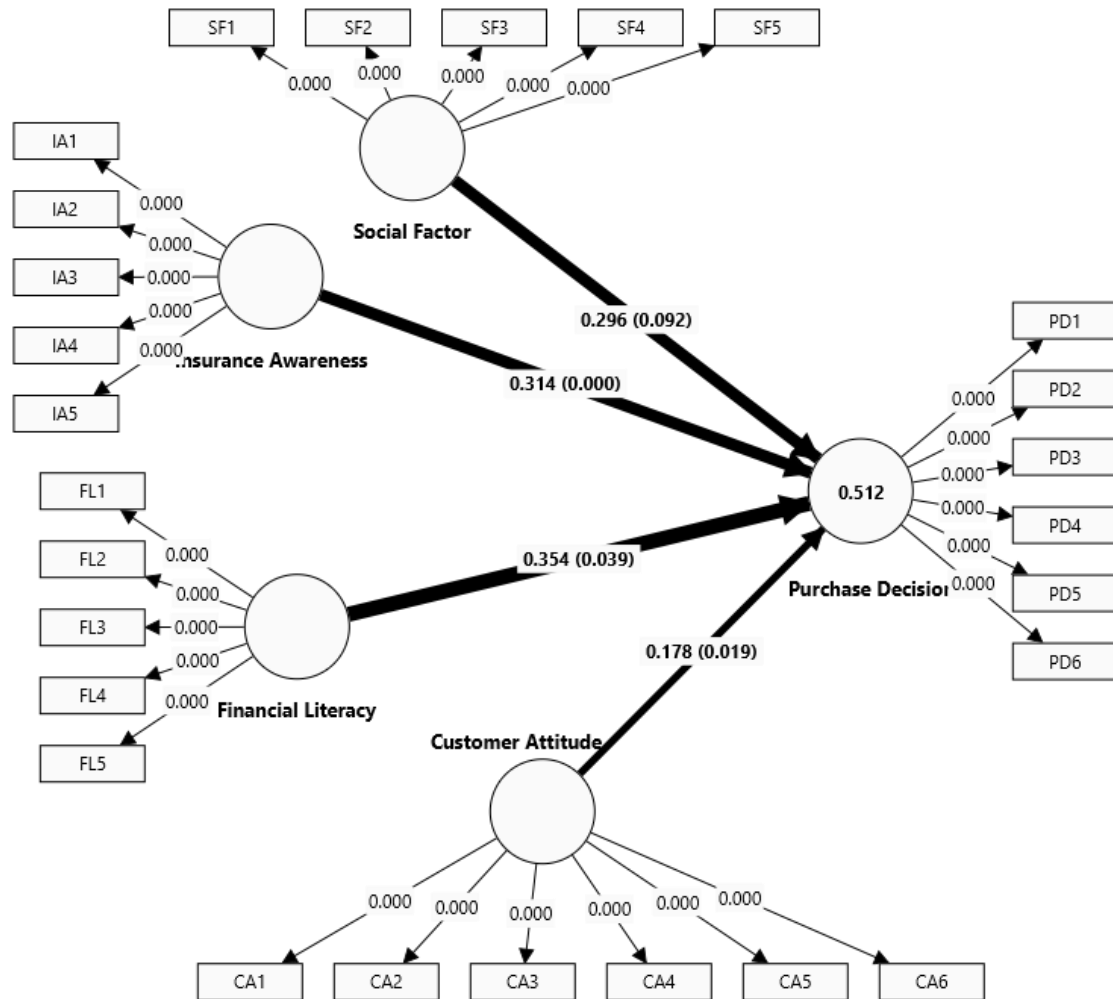


Table 6: Hypothesis Testing (Direct Effect)

Variables	$\beta$	Mean	STDEV	T statistics	P values	Decision
<b>H<sub>1</sub></b> : Customer Attitude -> Purchase Decision	0.178	0.177	0.076	2.354	0.019	Accepted
<b>H<sub>2</sub></b> : Financial Literacy -> Purchase Decision	0.354	0.351	0.171	2.064	0.039	Accepted
<b>H<sub>3</sub></b> : Insurance Awareness -> Purchase Decision	0.314	0.313	0.076	4.104	0.000	Accepted
<b>H<sub>4</sub></b> : Social Factor -> Purchase Decision	0.296	0.3	0.175	1.688	0.092	Rejected

Figure 2 and Table 4 show the boot-strapping results under 5000 subsamples and decisions on hypotheses. Hypotheses **H<sub>1</sub>**, **H<sub>2</sub>**, and **H<sub>3</sub>**, are accepted at a 0.05 significance level. Hypotheses **H<sub>4</sub>** is rejected at a significance level of 0.05. Hence, a Customer Attitude ( $\beta=0.178$ ;  $p<0.05$ ) significantly and



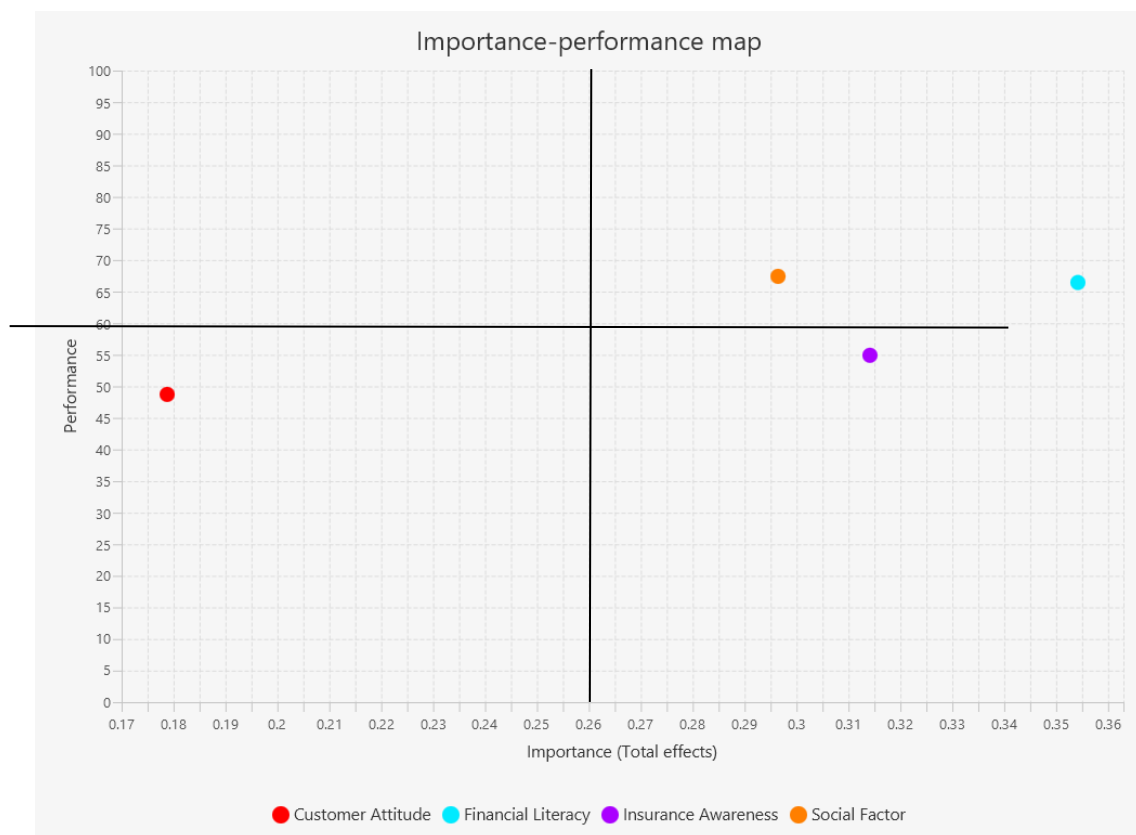
positively impacts customer purchase decision of Life Insurance. Similarly, Financial Literacy has a positive and significant impact ( $\beta=0.354$ ;  $p<0.05$ ) on customer purchase decision of Life Insurance. Moreover, Insurance Awareness ( $\beta=0.314$ ;  $p<0.05$ ) significantly and positively impacts customer purchase decision of Life Insurance. Also, Social Factor ( $\beta=0.296$ ;  $p>0.05$ ), positively and insignificantly impacts customer purchase decision of Life Insurance.

#### 4.6 Importance-Performance Map Analysis (IPMA)

*Table 7: IPMA Analysis*

Variables	Importance	Perrformance
Customer Attitude	0.178	48.728
Financial Literacy	<b>0.354</b>	66.447
Insurance Awareness	0.314	54.920
Social Factor	0.296	67.418
<b>Mean</b>	<b>0.285</b>	<b>59.378</b>

*Figure: IPMA Map*



The table indicates the importance-performance analysis of the factors of customer purchase decision. The results indicate that if we increase 1 unit in Customer Attitude from 48.728 to 49.728, the customer purchase decision will increase from 70.414 to 70.592. Similarly, if we increase 1 unit in Financial Literacy from 66.447 to 67.447, the customer purchase decision will increase from 70.414 to 70.768. Likewise, if we increase 1 unit in Insurance Awareness from 54.920 to 55.920, then the customer purchase decision will increase from 70.414 to 70.728. Moreover, if we increase 1 unit in Social Factor from 67.418 to 67.418, then the customer purchase decision will increase from 70.414 to 70.710. Hence, it indicates that Financial Literacy is the most critical factor for increasing the customer purchase decision of Life Insurance.

## 5. SUMMARY and CONCLUSION

The main purpose of the study was to analyze the relationship and effect of different influencing factors with the purchase decision of life insurance in Jhapa district. The study included socio-demographic variables such as gender, age group, level of education, marital status, occupation, and income level. The quantitative research method used is more relevant to the current study. The questionnaires were used as an instrument to collect the data, and the 7-point Likert scale questions were used. Smart PLS 4 was used for an analysis purpose.

The findings of this study revealed that Customer Attitude, Financial Literacy, and Insurance Awareness has significant effect with the purchase decision of life insurance policy whereas Social Factor has no significant effect with the purchase decision of life insurance policy. Out of the significant factors, Financial Literacy has the highest influence over purchase decision of life insurance. Further, Customer Attitude has positive relationship with life insurance purchase decision is found by (Miceli, Raimondo, & Farace, 2013) and (Guan, Yusuf, & Ghani, 2020) similar to the result of the researcher. This is because Customer attitude reflects individual beliefs, values, and perceptions towards financial security and risk management, directly impacting their willingness to invest in life insurance. Similarly, Financial Literacy also is found to have positive relationship with life insurance purchase decision which was found by (Remund, 2010) and (Arifin & Amalia, 2024). This is because Financial literacy plays a crucial role by empowering individuals with the knowledge to understand insurance products, benefits, and risks, enabling informed decision-making. In the same regard, Insurance Awareness effects positively with the purchase decision of life insurance which is supported by previous study of (Lin,

2020) and (Saryanti, Hariyanti, & Awatara, 2017). This is so because Insurance awareness increases understanding of the necessity and advantages of life insurance, encouraging customers to prioritize it in their financial planning. However, Social Factor has positive and insignificant effect on life insurance purchase decision which is just contrary to the conclusions drawn by study of (Ardiansyah & Sarwoko, 2020) and (Ćurak & Kljaković, 2022) as social factors like peer influence or societal norms have a comparatively lesser impact on life insurance decisions, which are primarily driven by personal financial goals, risk perceptions, and individual needs.

The findings of the study are applicable in enhancing insurance industry practices, marketing strategies, and product development. Insights from the study could guide insurers in tailoring their offerings to better meet consumer needs and preferences, potentially increasing insurance uptake and improving financial security for individuals. Policymakers may also benefit from your findings to design more effective regulations or initiatives aimed at promoting life insurance coverage.

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