



WERABE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MARKETING MANAGEMENT

**FACTORS AFFECTING PURCHASE OF LIFE INSURANCE IN THE
CASE OF ETHIOPIAN INSURANCE CORPORATION AT SHASHEMENE
TOWN,ETHIOPIA**

A RESEARCH THESIS SUBMITTED TO DEPARTEMENT OF MARKETING
MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF MASTER OF ARTS (MA) DEGREE IN MARKETING MANAGEMENT

BY

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WERABE, ETHIOPIA

MAY, 2024



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DECLARATION

I undersigned declare that research thesis entity **“FACTORS AFFECTING PURCHASE OF LIFE INSURANCE IN THE CASE OF ETHIOPIAN INSURANCE CORPORATION AT SHASHEMENE TOWN”** is my original work and have not been used by others for any other requirements in any other Universities and all sources of information in the study have been appropriately acknowledged.

Name _____

Signature_____

Date_____

APPROVAL SHEET
CERTIFICATE

Thesis to certify the research thesis “**FACTORS AFFECTING PURCHASE OF LIFE INSURANCE IN THE CASE OF ETHIOPIAN INSURANCE CORPORATION AT SHASHEMENE TOWN**” submitted to the Department of Marketing Management, College of Business and Economics, Werabe University, in partial fulfillment of the requirements for the award of the Degree of **MASTER OF ARTS IN MARKETING** is a record of original research work done by **ARIFA DUBE** during the period 2015-2016(E.C) under my supervision and guidance and the research thesis have not formed the basis for the award of any Degree /Diploma/Associate ship / Follow ship or other similar title of any candidate of any University and it complies with the regulation and accepted standards of the University.

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LIST OF ABBREVIATIONS

CEE:	Central & Eastern Europe.
CIS:	Common Wealth Independent States.
EIC:	Ethiopian Insurance Corporation.
GDP:	Gross Domestic Product.
LIC:	Life Insurance Company.
MBA:	Master of Business Administration.
NBE:	National Bank of Ethiopia.
NGO:	Non-Governmental Organization.
PLC:	Privet Limited Company.
USD:	United States Dollar.

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ABSTRACT

Financial institutions are plays a great role for the developments of developing country like Ethiopia. So, Ethiopia Insurance Corporation is one of public insurance financial institution & it also provide different services. Among them Life assurance the one it means a contract where by the insurer undertakes, against payment of premium, to pay to the insured or to any beneficiary a specified sum on certain conditions dependent up on the life or death.

The aim of this study was to identify and investigate Factors Affecting the Purchase of Life Insurance in Case Of Ethiopian Insurance Corporation in Shashemene Town. The study was employ descriptive and explanatory study design and mixed research approach was adopted to answer the research questions. To achieve the objective of the study 316 questionnaires were distributed and successful completed and used for analysis. To analysis the data combination of Descriptive (table, percentage, mean and standard deviation).Accordingly the result showed that among the demographic characteristics of gender male 218(69%) and female 98(31%) was adopted. among four factors awareness, income, product variety and premium. Therefore, awareness takes highest fraction in influencing purchasing life insurance corporations. It is recommended the Ethiopia life insurance corporation should further enhance awareness and financial literacy by using different approaches since the sector have a great importance for the purchaser.

Key words: *Buyer Behavior, Consumption of Life Insurance, Households, Insurance, Life Insurance, Premium.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Insurance is a device for the reduction of uncertainty of one party called insure, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, of economic losses suffer by the insure.

“Life assurance means a contract whereby the insurer undertakes, against payment of premium, to pay to the insured or to any beneficiary a specified sum on certain conditions dependent up on the life or death. thus life insurance is a contact between the policy holder (assure) and the insurance company (insurer), whereby the insurer agrees to pay a specified amount of money to the designated beneficiary up on the occurrence of certain event, such as death, critical or terminal illness or the maturity benefit to the assured, depending on the type of contract. In return the policy owner agrees to pay a certain amount of premium at regular interval or a lump sum (single payment).

The extent at which life insurance consumption varies from one country to another, the indicator normally used to assess the consumption level in a particular country is life insurance penetration rate. (Harrington et al., 2004). Risk management and insurance: Tata McGraw–Hill Publishing Company Limited, New Delhi, states that, Life insurance consumption rate is commonly used to measure the purchase of life insurance which is the percentage share of GDP spent on life insurance.

According to (Sympathy, et al.,2019), insurance helps alleviate the financial burden caused by adverse events (Adverse events include premature death, terminal illness, and inability to work due to injury or disability, or total incapacity) by transferring losses of an individual to an insurance company.

The growth of the economy and the insurance sector are interdependent on each other and tend to grow proportionately to each other. This was be explicitly illustrated by the existing situation where the life insurance consumption have been concentrated more on developed countries. Factors influencing the consumer buying behavior with reference to life insurance products find

out that Life Insurance Company (LIC) is the most accepted and popular brand in insurance along with a steep and gradual increase in the market share of other private life insurers too.

Other study made on Consumer Buying Behavior towards Life Insurance Policies in Thanjavur City by Guru and Umamaheswari (2019) concluded that, the major factors like service quality, easy of procedures and company loyalty are possessing significant impact on the consumer's buying behavior on life insurance policies. Furthermore this shows that all these variables create a significant impact on the purchase behavior.

Life insurance premium are made up of four components: Mortality (which concerned with risk of death), expenses, investments and contingencies for unexpected level of loss (Atkins and Bates, 2007). Insurance companies use human and statistical informational resources to effectively measure the pricing and reserving requirements for products and also to invest in financial market adequately.

The insurance market in Africa is still underdeveloped as most Africans cannot afford insurance premiums yet. In accordance with Kyerematen (2017), the penetration of insurance in Africa is substantially low relative to other regions of the world. The study maintains that except for South Africa which has an emerging insurance market, only about 5% of the African populations have access to insurance services.

Even though the performance of insurance industry contributes to smooth operation of the nation's economy, the industry in general and life insurance in particular is at its low level of development in Ethiopian context Mohammed et al., (2019).they added that, despite of the Ethiopia's long history of civilization and the financial sector of Ethiopia in general and the insurance mainly the life insurance in particular has not developed (Ibid). As of June 30, 2019 one (1) state owned insurance corporation, Ethiopian Insurance Corporation (EIC), and 16 privately owned insurance companies are operating in Ethiopia. Among them, 11 insurance companies are engaged in both life and general (Composite) business, 4 of them in general insurance and one insurance company (Ethio-Life) exclusively running life insurance. This makes the number of companies providing life insurance 12 (National Bank of Ethiopia Report, 2019/20).

Although the number of insurance companies remained at 17, their branches rose to 568 following the opening of 36 new branches (National Bank of Ethiopia Report, 2019/20).the regulatory body of insurance and Bank service in Ethiopia is National Bank of Ethiopia.

1.2. Background of the Company

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation no.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming to engage in all classes of insurance business in Ethiopia and to insure the insurance services reach the broad mass of the people and to efficient utilization of both material and financial resource (MEDIN, 2006). Following that EIC had been given the mandate to regulate and control insurance operations throughout the country (Zelege, 2007).

The EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social operation to a market economy. Therefore, EIC was re-established as public enterprise under proclamation number201/94 with a paid up capital of Birr 61 million (USD 10.25 million) with the objective to engage in the business of insurance services and to engage in another related activities conducive to the attainment of its purpose (Hailu, 2007). As per the proclamation the insurance service there forth is restricted only for domestic investors and the supervisory authority to insurance companies transferred to National Bank of Ethiopia.

Life insurance policies that are currently available in EIC are: Term, Endowments, Whole life insurance policies that are selling to an individual person and/or for group (organizations that purchase life insurance for their employees) According to NBE insurance companies increased their total capital by 49.5 percent to Birr 8.2 billion, of which, the share of private insurance companies was 68.3 percent and that of public insurance company was 31.7 percent(National Bank of Ethiopia Report, 2019/20).

1.3. Statement of the Problem

The origin of life insurance is as old as non-life insurance however in Ethiopia the current status of the two are very much varies. Even if there is lower consumption of insurance in general relative to other countries and general insurance have more consumption than life insurance in our country. The growth of life insurance industry is lower than the countries average economic growth. Despite of the Ethiopia's long history of civilization and the financial sector of Ethiopia in general and the insurance mainly the life insurance in particular has not developed. It is among the lowest in the world and African countries in terms of the three measures namely: Insurance

premium market share, market penetration rate and insurance density (insurance premium per capital).this forces insurance companies to invest the majority of their funds in government securities and bank deposits at negative real interest rates. The lack of infrastructure, especially a stock market, further constrains insurance companies' investment activities

Despite the number of companies that transact life insurance business are increasing, the consumption of life insurance remains extremely low. Thus this study seeks to find out why life insurance consumption is very low by using some identified factors. Basically, there is no one right quantity of factors or determinants used similarly for all countries; the household's consumption depends on both the economic and social conditions of a country. Since countries differ in their socio-economic conditions, country specific studies are crucial.

In Ethiopia there is very little study have been done to look at the reasons why the consumption of life insurance is low. Zekarias (2011) study focused on consumers' attitude towards life insurance. The study concentrates on the relationship between demographic variables and buyers behavior towards the purchase of insurance in EIC. Dawit's (2010) study focused on the Life Assurance and its Economic and social benefit. Asmiya (2014) targeted on the low development rate of life insurance from organizational side factor. The studies that have been done generally address the status of the industry and the low development insurance in general.

Therefore, this study have analyzes empirically the effect of income, awareness, premium and product variety on consumption of life insurance. There are studies that show the relationship among the stated factor on the purchase of life insurance; however most of the studies was be conducted outside Ethiopia.

1.4. Research Questions

The study was answer the following questions at the end of undertaking this study

1. Does awareness affect the consumption of life insurance in Ethiopia?
2. Does income affect the consumption of life insurance?
3. Does product variety affect the consumption of life insurance?
4. Does premium affect the consumption of life insurance?

1.5. Objectives of the Study

1.5.1. General Objective

The general objective of this study was to examine the Factors Affecting Purchase of Life Insurance in the Case Of Ethiopian Insurance Corporation in Shashemene Town.

1.5.2. Specific Objective

The study have also attained the following specific objectives

- To examine if awareness affect the consumption of life insurance in Ethiopia.
- To examine if income affect the consumption of life insurance.
- To examine if product variety affect the consumption of life insurance.
- To examine if premium affect the consumption of life insurance.

1.6. Significance of the Study

This study is believed to have a practical significance in terms of advancing the knowledge and understanding of factors which affect households' consumption of life insurance. in general and EIC in particular in formulating strategies to increase life insurance sales by use the findings to understand the factors that affect consumers' perception towards purchasing of life insurance. Studying the factors affecting purchase of life insurance is significant for several reasons. Financial protection, risk management, market insights and social security.

Overall studying the factors affecting purchase of life insurance is important for improving the effectiveness of life insurance, products, enhancing financial security for individuals and families and promoting social welfare.

1.7. Delimitation/Scope of the Study

The scope of the study have specifically restrict to Ethiopian Insurance Corporation (EIC) life unit, located in Shashemene town. Thus the finding may change if the study applies to different area, demography or economy. In addition, only customers of EIC life unit was be included in this study for analysis.

The study was also employ only on household/individual consumers. Government organizations, NGO, PLC's and other organization was be not included in the study with the assumption that these organization buy life insurance as a benefit package to attract employees which doesn't ultimately affect an individual's income, awareness, product option and premium.

Hence the finding may geographically, the scope of the study depending in Shashemene Town, methodologically study use mixed both quantitative and qualitative research methods to provide comprehensive understand of factors and conceptually study may explore various theoretical frameworks and conceptual related to consumer.

1.8. Organization of the Study

This research is organized into five chapters: The first chapter presents the introduction, background of the study, statement of the problem, research questions, and objective of the study, significance of the study, scope and limitation of the study. The second chapter is literature reviews, and conceptual framework that underlie son this study. Third chapter have present research methodologies, which include: research design, research sample, sampling procedure, data collection technique and data analysis technique. Fourth Chapter is about data analysis and Discussions, Finally, chapter five is about conclusions and recommendations.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1. Definition of Life Insurance and its Concept

Insurance have been defined in many different ways. However its fundamental purpose of insurance, whether of people or property, is protection against possible economic loss which simply is the unintentional and permanent loss of something that has monetary value. Insurance is a form of risk management which is used primarily to hedge against the risk of a contingent, uncertain loss (Siinha, 2011). Black and Skipper (2008) define insurance from societies view point, a social device where by individuals transfer the financial risk associated with loss of life or health to a group of persons, and which involves the accumulation of funds by the group from the individual to meet the uncertain financial losses associated with loss of life or health.

However, the value of human being, unlike the value of property, cannot be measured in terms of money. But as far as insurance is concerned, the economic value of a person is basically represented by his income. McGill (1967) Life insurance is concern with the economic value of a human life, which is derived from its earning capacity and the financial dependency of other lives on that earning capacity. Life is encircled with full of risks and uncertainty. Damages and losses are part of everyday life, and one must be ready for the occurrence of such by anticipating the future with calculated prediction to securing the future with better financial plan and one of the best ways to do that is to be insured.

In general, life insurance is categorized in to two major categories Black and Skipper, (2008).

Protection policies: these policies are devised to provide a benefit to the designated beneficiary in the event of the occurrence of specified event typically death benefit at a lump sum. Term insurance policy is a common plan of this category.

Investment policies: these policies are mainly designed for saving a specific amount of money during the time of the policy to facilitate the growth of capital by regular or single payment. In addition to this benefit it provides the same benefit like protection policies does. Thus it gives protection and investment benefit.

In addition to the basic term and endowment policies, there are also additional covers or riders that are being sold to the insured interest with additional premium. Such as accident cover,

preneed funeral expense cover and waiver of premium cover. These all types of insurance policies are being sold in EIC.

2.2. Role of life Insurance

Life insurance plays a pivotal role for social-economic development of the country. Black and Skipper (2008) specify that among the specified role of life insurance the followings are included:

Peace of mind: the knowledge that insurance exists to meet financial consequences of certain risks provide a form of peace of mind. One can directly deal on his business matter than thinking of possible likelihood of a loss or event of loss occurring.

Social benefit: availability of insurance cover helps the insured to recover from losses which provide stimulus to the business activity. The social benefit renders that people keep jobs; their source of income is maintained and can continue to contribute to the national economy.

Investment of fund: there is a time gap between the receipt of premium and payment of claim. Thus, that big money collected from the insured should not be kept idle. It is invested in a wide range of different forms of investments such as buying shares in the market, investing in bonds and others.

Invisible earning: insurance like bank and truism is invisible trade. A substantial amount of money is earned through service export towards improving balance of trades. Thus it helps to a positive balance of trade to an economy.

Facilitate business: by providing guarantees to the lending institutions enable them to grant a specified loan amount.

Protection and saving life insurance particularly those Endowment kind policies not only provide protection to the insured's family but also accumulate some cash amount to the insured as saving for future use. It can reduce the financial burden on the government of caring for the aged and for those made financially destitute because of the death of family bread winner.

2.3. Types of Life Insurance

Life insurance policies may be categorized in terms of the benefit they provide and premium payment pattern. Following are presented in brief the basic traditional life insurance policies and The newer types as well.

A. Term life insurance policy

It provides protection to the dependents in the event when the insured dies during the policy period. It can be issued for a fixed sum assured or a decreasing in case of decreasing term life policy. The sum assured is payable only if death occurs on a stipulated term and nothing is paid in case of survival.

B. Endowment life insurance policy

It provides not only protection to the dependents when the insured dies during the term of the policy but also provide as a saving element to be payable to the insured in case he/she survive until maturity date (end of the period of the policy). It combines a saving plan with financial protection to the dependents.

C. Whole life insurance policy

As the name describes it is insurance for the whole of one's life. It provides long term financial protection to the insured dependents regardless of when death occurs. It has protection and saving component.

D. Annuity life insurance policy

It provides retirement benefit to the insured who wish to supplement their pension income. It is to protect against the probability of outliving ones income that is protection against living too long. It is the opposite of a person who desire life insurance for protection against premature death, i.e. dying too short.

The Life insurance can also be classified as follows;

A. Universal life insurance policy

This type of policy is introduced in (Black and Skipper, 1987). It differs from other type of Life insurance in that it offer flexible, potentially low cost coverage on a basis that permits product transparency. It does not require a fixed schedule of premium payments; instead, the premium payment schedule is flexible. Flexibility allows policy owners to skip scheduled premium payments occasionally without causing the policy to lapse. The policy holder, can access his or her cash value by making partial withdrawals.

B. Variable life insurance policy

It is a fixed premium policy in which the death benefit and cash values vary as a result of the investment performance of a separate account. It is the other form of cash value life insurance that performs like traditional whole life insurance in some ways: fixed premiums, guaranteed

death benefit equal to the original face value, and no partial withdrawal. In contrast, the owner of the policy under a variable policy has a right to choose various financial vehicles to invest premiums, such as mutual funds of stocks, bonds, or money market securities. If the investment performance is favorable, the face amount of life insurance is increased. If the investment performance is poor, the face amount of life insurance is reduced, but it was typically not fall below the original face amount. The insured's do not have to surrender (can celled) their policy to obtain the accumulated cash value (the saving part). They can obtain a loan under their policy for the amount up to the cash value. Interest has been charged for the loan. The loan and interest is deducted from the sum assured to pay death claim if the insured died or to pay the cash value if the policy is surrender (terminated).

C. Children Education Policy

Education fund: the cost of higher education in Ethiopia has increased dramatically over the last few years, particularly at private school. These costs can relate to a tremendous financial drain for a family. The objective of education policy is to provide a fixed benefit/sum assured to the policy holder (the parent) whereas the actual beneficiary would be the named child.

2.4. Historical Development of Life Insurance in Ethiopia

The present state of development of insurance is as a result of different countries and market contribution. It is believe that there was various forms of devices in the past that the societies use to protect themselves from sudden unfortunate loss. Hailu (2007) the ancient Roman society had a social or trade association named "Collegial" a kind of burial club that was used to pay the funeral expense of its member when death occurred. In Greece there was "general average" in connection with marine expedition to share the loss in proportion to its value at risk; however the concept of general average is the fundamental principle at present in marine insurance. In Tanzania there was "Bujun" funeral association in the neighborhood and religion. In Ethiopia, there is "Idir" Ethiopian traditional funeral association which is a sort of mutual and financial assistance to cover funeral and mourning expenses.

Insurance, being one of the service activities is very little known to the majority of the people. However, there have been rational associations in different countries where by people contributed money to help each other whenever a person faces financial problem. This service may have some similarity with insurance by its purpose, which is securing the financial problem.

Security has been a universal desire right from the earliest civilizations. This quest for security has led to the concept of insurance (Maharajahs, 2013)

The term insurance policy is derived from the Italian word "Polizza" (Hailu, 2007). The modern life insurance is said to be started in England by issuing the first life insurance policy in London in 1583 (Black, Skipper, 2000 :). According to H/Michael (1992), the first insurance business in Ethiopia was transacted by the first Ethiopian Bank, the bank of Abyssinia, which began operation 1905 during the reign of Minilik II, as an agent to a foreign company. The agent performs in accordance with the contractual appointment made by the principal.

The first domestic insurance company was established in 1951, which was called Imperial Insurance Company of Ethiopia Ltd (Hailu, 2007). Prior to 1951 according to Hailu (2007) a number of insurance companies, the majority from Britain, were undertaking insurance business in Ethiopia through their agent. It shows that the principal or the parent company has located its office abroad and opened a branch which acts as an agent for underwriting insurance business. This kind of business relationship is also available presently abroad. H/Michael Kumsa (1992) pointed out on his review that in 1960 among the twenty agencies representing foreign companies ten of them writing life insurance business, and one had been writing life as well as non-life business.

To regulate and control the insurance industry the then Government issued the fir first insurance proclamation in 1970 which prohibit foreign companies to owned insurance business (Hailu, 2007). It seemed that the issuance operate to control the increasing number of insurance companies. As a result of this proclamation foreign companies were not allowed to operate in the country. Obviously that affected the insurance market and gradually the numbers of insurance companies are getting lower. In 1974 revolution, overthrew the imperial regime and the provincial military administration council, which followed a path of a socialist doctrine, took over power in Ethiopia. By the end of that year Ethiopian Insurance corporation was established by taking over all the asset and liabilities of the nationalized companies (www.eic.com). The Ethiopian Insurance Corporation had been a monopoly working in the insurance industry. However at the consequence of the transitional government, 1994 investment in insurance is restricted to domestic investors only. Thus private insurance companies reemerged ones again to the industry as result of market economy. Today there are around 15 insurance companies out of which 8 are writing life insurance in addition to general insurance. (www.nbe.gov.et) among the

existing insurance companies, EIC is commanding a 41.1% of the market share in Ethiopian insurance industry and employing 1,147 staff (EIC Annual Report 2011/12).As this study conducted on EIC, here after presented a brief background of the company.

2.5. Empirical studies of factors affecting life insurance consumption

In previous empirical studies, the consumption of life insurance is viewed as a function of different variables. Various methods and approached are used and analyzed to explain these variables and their effect on life insurance consumption. The followings are some key studies which are relevant to this study. The literature was be taken specifically those related more to this subject; they might specify different independent variables at a time.

1. Awareness

Awareness of the importance of life insurance is hypothesized to positively relate to insurance consumption. Because obviously the higher level of awareness of a thing or a product, the more likely the individual was have knowledge and understand its value. One of the major obstacles to consume life insurance is lack of awareness. (Tom, et al., 2012), (Zekarias, 2011) and (Mathew, 1994) agreed there is appositive relationship between awareness and insurance consumption. There are consistent findings and conclusions made in previous research regarding how awareness affects life insurance purchase decisions. These studies include Tom, Ibok, & Awoke (2012), Saaty and Ansari (2011), Badru, Yusuf and Isola, (2013).

Tom, Ibok, & Awoke (2012) examined factors within insurance institutional framework that affect insurance consumption in Nigeria using primary data collection from 80 insurance consumers judgmentally drawn from 10 insurance companies. They find that low insurance penetration in the state is as a result of poor publicity and awareness campaign due to the very complex nature of the insurance products. In 2011, Saaty and Ansari attempts to find out the factors important in developing a suitable marketing strategy for insurance companies in Saudi Arabia. they investigates the reasons for buying insurance by the current users of insurance, reasons for not buying insurance by nonusers of insurance and the issues and problems faced by Saudi Arabia Insurance industry. The results of the study show that the public at large is unaware about the benefits of insurance, and various types of insurance products. People would hesitant in purchasing insurance because they consider insurance against Shari in that Islamic principles affect the demand for insurance.

2. Income

Income is commonly found to be positively related to the demand for life insurance, holding other factors constant. The effect of income on life insurance demand is examined in numerous studies Nester ova (2008) and Zekarias (2010), Celik and Kayali (2009) investigate the determinants of demand for life insurance in cross section of 31 European countries from the period of 2000-2006.

As a result, they find that the impact of income on demand for life insurance is positive, Another research conducted by Nester ova (2008) in MBA thesis who analyzed the Determinants of the demand for life insurance: evidenced from selected CIS (Common Wealth Independent states and CEE (Central & Eastern Europe), in panel of 14 countries over the 11-year period from 1996 till 2006, Panel estimation shows that countries with higher income and countries- members of the European Union have higher levels of life insurance consumption, however relatively low per-capita income and insurance culture have lower consumption. .

The study concludes that life insurance is still regarded to be a luxury good among potential consumers of the transition countries. In a related study, Tajudin, et.al, (2009) conducted survey using simple random sampling among 392 members of the Nigerian people insuring and non-insuring to gauge their awareness level and general attitudes towards insurance companies and their operations in relation to social cultural factors.

They discovered household income of respondents have significant influence on Nigerians attitude to insurance. Low household incomes have lesser positive attitude to insurance than high household income groups. Middle household income is higher positive attitude than high household income even though the difference is not statistically significant as middle income groups are more vulnerable than wealthy household and, wealthy household relatively feel secured. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach Bech and Webb (2003) has made cross country analysis, 1980-2000 based on a panel of aggregated data to investigate demographic, economic and institutional determinants of life insurance. They indicate among other variables income per capital and religion are the most robust predictors of the use of life insurance.

3. Product variety

Odemba, J (2013) in MBA thesis, seek to establish the factors that affect the uptake of life insurance in Kenya adopting a descriptive and cross-sectional survey research design by taking respondents from all registered insurance companies in Kenya. He found that high cost of premiums is the major factor hindering the penetration of life insurance in Kenya. Other major factors affecting penetration of life insurance include lack of insurance product variety and lack of disposable income for most Kenyans. In 2014, Agarwal and Shukla, study Awareness and Impact of Globalization of Life Insurance in India.

The research findings have brought out the fact that people are not able to clearly understand the extent of coverage being offered under particular insurance plans, resulting in low insurance penetration due to one-fourth of the households did not consider life insurance as important; affordability, due to which 56.2 per cent of the uninsured households indicated that insurance is 'too expensive'; availability and range of insurance products, wherein 29.0 percent of uninsured households felt there is a limited range of insurance products and services; and the major determining factor being lack of awareness of life insurance across both rural and urban parts of the country.

Hailu (2007) conducted survey study to identify the major problem of the insurance sector by distributing questionnaires to all insurance companies, association of Ethiopian Insurers, Society of Insurance professionals and National Bank of Ethiopia. He finds among other things introducing new products that can match the need and the pocket of the average society, raise its awareness about insurance and its use and benefit, and use the life insurance as a means of saving are included.

4. Premium/Price

Yadav and Tiwari (2012) conducted exploratory and descriptive based study with an objective to identify factors which influence customers' policy buying decision and also the preferences of customers while life policy investment decision-making. They observed innovative tailor-made products with high risk cover, more return and low insurance premium to attract more number of customers.

2.6. Conceptual Framework of the Study

The following Figure depicts the variables included in the study and the conceptualization of the relationship between the independent and dependent variables based on the literature reviewed.

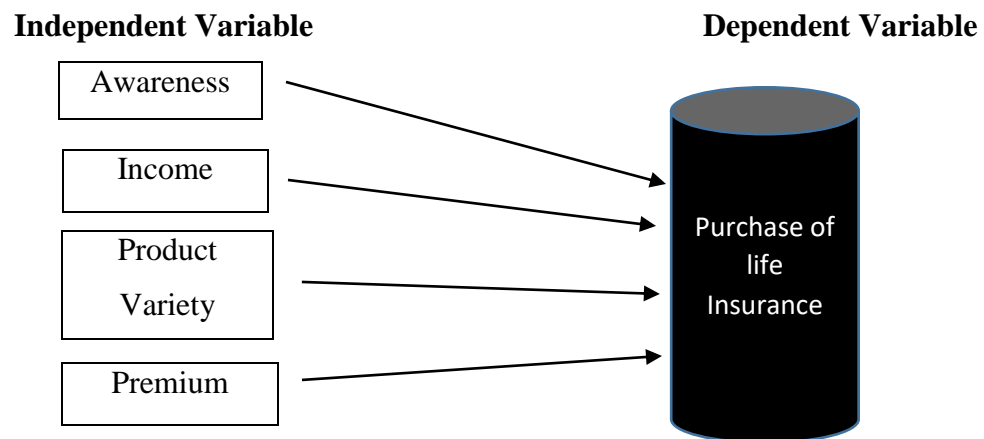


Figure 1. Conceptual Framework of the Study

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

Research methodology refers the procedural framework within which the research is conducted Remenyi, et al., (1998). Research methodology is characterized by procedures and methods for arriving at results and findings and tools for proofing or disproving such knowledge Saunders, Lewis & Thorn hill, (2009).

Research design is an outline of systematic and scientific procedures adopted in conducting a study Saunders et al., (2009). It is characterized with the following components (research purpose, research approach, research strategy, and time horizon).this research have use descriptive and explanatory research design.

Descriptive research attempts to describe systematically a situation, problem, phenomenon, service or Program or provides information about an issue and explanatory research attempts to clarify why and how there is a relationship between two or more aspects of a situation or phenomenon. As the study also focuses on attempting to examine the factors affecting the purchase of life insurance in the case of Ethiopian Insurance Corporation (EIC) in Shashemene Town it was be explanatory.

3.2. Research Approach

The approach of the study is both mixed quantitative and qualitative in its nature, which enables to analyze the data quantitatively and qualitative which was be collect from the customers of Ethiopian Insurance Corporation using questionnaire. Qualitative method such as interviews with key stockholder in the insurance industry, focus group with potential customers, and case study of successful life insurance campaign and decision making processes. Quantitative methods such as surveys and statistical analysis of data in life insurance. Based on time dimensional the study was cross sectional as data was be collect at one point of time.

The research Thesis approach based on Ethiopian life Insurance Corporation would involve examination of factors influencing life insurance purchases in Ethiopia, utilization a combination of geographical, methodological and conceptual perspective to provide a comprehensive analysis.

3.3. Data Type and Source

Data was be collect from primary and secondary data sources. Primary data was be collect through the administration of questionnaires which was be distribute to the sample respondents. Secondary data was be collect from published works, books, journals and related articles which contributes a better understanding of customers' life insurance consumption and the factors affecting it.

3.4. Data Collection and Research instruments

The primary data was be collect points liker-scale questionnaires anchored by strongly agree to strongly disagree questions which compromise of questions that are clear and easy to understand for the respondents. The choice of questionnaires collection method is based on its quickness to collect data, it is less time consuming and it offers assurance of anonymity.

The questionnaire use to collect data for this study was adopt from two studies conducted around similar area and certain modification and customization was made by the researcher to tailor it to the specific objectives under study. The item was deriving from Abdulmalik (2015), who undertake a study on identifying the factors affecting household's consumption of life insurance: The case of Ethiopian Insurance Corporation. In addition a study made by Yeworkweha (2016) on assessing the determinants of life insurance buying behavior at Ethiopian Insurance Corporation from customers' perspectives between 2011-2015was also refers.

3.5. Target Population

The target population of the study was customers of life insurance packages offered by Ethiopian Insurance Corporation in Shashemene town. By analyzing the target population based on these factors, the EIC can develop target marketing campaigns, create customized insurance products and provide relevant educational material to address the specific needs and preference of different customer segments.

This approach can help increase awareness and trust in the EIC offerings and ultimately drive higher purchase rates among the target population.

3.6. Sample Size and Technique

The sample size and techniques that was be use for this study based on factors such as customer of size, income level, awareness of insurance products, and altitudes to words insurance. However, I can provide some general information on life insurance in Ethiopian and how it may apply to Shashemene town. Since the number of individual and families customers registered to

acquire life insurance in the Shashemene town is known and the size is manageable and small the study have use censuses. Censuses is a technique which uses the entire population a sample of study. In Shashemene town Ethiopian Insurance Corporation uses present population 1500 customers, register for life insurance. The researcher is adopted simple mathematical formula suggested by Yamane (1967) for determining sample .As the study has users making the sample size to be 316 populations.

$$n = \frac{N}{1 + n(e)^2} = \frac{1500}{1 + 1500(0.05)^2} = \frac{1500}{4.75} = 316$$

Where, n=sample size N=total size of population e=acceptable sampling error

3.7. Instrument Reliability and Validity

3.7.1 Reliability

Reliabilities of questionnaires were check by computing cronbach’s alpha coefficients for each scale to determine the internal consistency of the instruments used in the study. According to Homburg &Firus, 2005) alpha coefficients ranges (0.6 is poor), (0.6 to 0.7 is moderate), (0.7 to 0.8 is good), (0.8 to 0.9 is very good), and (above 0.9 is excellent).The value of 0.60 is considered as in the lower limit of acceptability for cronbach’s alpha. To meet the consistency reliability of instrument, the questionnaire will be primarily distributed to 50 respondents (15.8% of total sample 316). Then, the filled questionnaires will be tested for reliability using the Cronbach alpha value to check the internal consistency of items used in questionnaire.

Table 1. Cronbach's Alpha value of the four categories

No	Categories	Number of Items	Cronbach's Alpha value
1	Awareness	3	0.854
2	Income	5	0.756
3	Product variety	3	0.869
4	Premium	5	0.977
5	Life insurance purchase	5	0.945
	Average Cronbach's Alpha value		0.8802

The first variable is awareness having 3 questions. The cronbach's alpha value was found to be 0.854. Since it is above the defined bar value 0.8) it is considered as very good. The second variable which is income five (5) questions was also found to have an acceptable internal consistency with an alpha value of 0.756. The third variable referred as product variety with 3 questions were to found to score a cronbach's Alpha value of 0.869 still making the questions to have consistence. The last variable referred as premium contain 5 questions items and score an alpha value of 0.977 , which is makes the variable to be reliable as well. Finally with regard to the dependent variable of life insurance purchasing, the Cronbach alpha value is found to be 0.945 which shows the items used to measure the variable are consistent to another one.

Therefore, it is concluded that, all the questions used to measure each of the variable of the study holds acceptable level of consistency to measure the variables they belong, making the questionnaire as reliable instrument.

3.7.2 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari,2004).in this research content, the researcher will used questionnaires that their validity and reliability are checked and are modified according to literatures with the specific topic. Also an approval from expert on the subject and other consultants was applied in order to increase the face validity.

3.8. Plan of Data Analysis

The data collect through self-administer questionnaires was be process in line with the purpose. The data was be analyze use descriptive statistics (mean, standard deviation and percentage).The findings was present in the form of, tables based on their types and appropriateness for presentation. The analysis of the questionnaires was supported by software called statistical package for social science (SPSS).

3.9. Ethical Consideration

One ethical consideration in research participants should not be subjected to harm in anyway. The aim of this study is to fulfill as partial fulfillment of the requirements for degree of masters in marketing management, so that the respondents should has confidence in their response to questionnaires. This study doesn't subject to harm respondents whatever and the researcher was not using any names and addresses of respondents in the final report.

CHAPTER4

RESULTS AND DISCUSSION

4.1. Descriptive analysis

4.1 .1.Demographic characteristics of respondents

The researcher used descriptive statistics (frequency and percentage) to describe and analysis the demographic characteristics of the respondents and used descriptive statistics (mean and standard deviation) to analysis the opinions of the respondents and on different variables.

Table 2. Demographic characteristics of respondent

Gender		Frequency	Percent
	male	218	69.0
	female	98	31.0
	Total	316	100.0
Age	18-29	39	12.3
	30-39	91	28.8
	40-49	134	42.4
	50-59	33	10.4
	above 60	19	6.0
	Total	316	100.0
Education status			
	high school complete	132	41.8
	Diploma	101	32.0
	1st degree	75	23.7
	2nd degree	8	2.5
	Total	316	100.0

Occupation

Student	23	7.3
Employee	138	43.7
Business man	155	49.1
Total	316	100.0

Income

below 5000	21	6.6
5001-10000	40	12.7
10001-15000	93	29.4
above 15000	162	51.3
Total	316	100.0

The demographic characteristics of respondents (gender, age, education status, occupations and income) were presented in (Table 2). The majority of respondents in terms of gender were 218(69%) is male while 98(31%) is female; this implies that from total population the majority of the respondents were male. Regarding the age of respondents were 134(42.4%) fall at a range 40-49 years which is active group having enough knowledge and experience to make decision making regarding use of life insurance followed by 30-39 years 91(28.8%), 18-29 years 39(12.3%), 50-59 years 33(10. %) and above 60 years 19(6%), this indicates that more of the respondents are young. As far as Educational status of respondents in study is presented in Table 1. The majority of respondents in study area were attended high school complete 132(41.8%), Diploma 101(32%), 1st degree 75(23.7%) and 2nd degree 8(2.5%) (Table 2), this indicates that more of the respondents are high school complete.

The results of respondents occupation are indicated in the Student 23 (7.3%), Employee 138(43.7%), Business man 155 (49.1%), this indicates that more of the respondents are business man. Regarding to the income of respondents are below 5000 21 (6.6%), 5001-10000 40 (12.7 %), 10001-15000 93 (29.4%) and above 15000 162 (51.3%), this indicates that more of the respondents are above 15000 (Table 2).

4.1.2. Descriptive statistics for Awareness

There are three questions for this factor that can affect customer life insurance consumption .from the three question developed to measure awareness of customer about the life insurance of

EIC the mean score for the last item was recorded by Lack of awareness about the benefit of life insurance don't affect the consumption that much found to 4.19 with standard deviation of 0.836, this indicates majority of respondents disagree that is good provision of awareness creation by EIC. in addition to the question raised There is good awareness creation activities made by the EIC about life insurance to mean score of 4.18, standard deviation 0.837 and last item I know a lot about life insurance in general mean score 4.06 with standard deviation 1.023. The majority of respondents on awareness average mean 4.143 and standard deviation 0.898 is agree response (Table3).

Table 3. Mean and standard deviation of Awareness

No	Item statistics	N	Mean	Std. Deviation
1	I know a lot about life insurance in general	316	4.06	1.023
2	There is good awareness creation activities made by the EIC about life insurance	316	4.18	.837
3	Lack of awareness about the benefit of life insurance don't affect the consumption that much	316	4.19	.836
	Grand total		4.143	0.898

4.1.3. Descriptive statistics for income

The items in the income dimension ,the highest score is the item about the customer's The expected investment return on the premiums paid would encourage me to purchase a life insurance policy mean score 3.68 with standard deviation 1.180. regarding the It is good if government could give insurance coverage for society in case of financial lose mean score 3.25 with standard deviation 1.112, I prefer lower premium due to low income mean 3.22 with standard deviation 1.132.The mean for the item that relates to have life insurance policy for protection only in the case of unaffordable premium and In case of low income I am not in a position to by high sum assured life insurance policy 2.86 and 2.67 with standard deviation 1.366 and 1.393 respectively. The overall mean for the factors affecting consumption of life insurance, income is found to be 3.136 with standard deviation of 1.2366 neutral average response (Table 4).

Table 4. Mean and standard deviation of income

No	Item Statistics	N	Mean	Std. Deviation
1	I prefer lower premium due to low income	316	3.22	1.132
2	It is good if government could give insurance coverage for society in case of financial lose	316	3.25	1.112
3	I have life insurance policy for protection only in the case of unaffordable premium	316	2.86	1.366
4	In case of low income I am not in a position to by high sum assured life insurance policy	316	2.67	1.393
5	The expected investment return on the premiums paid would encourage me to purchase a life insurance policy	316	3.68	1.180
	Grand total		3.136	1.2366

4.1.4 Descriptive statistics for product variety

The question that had been the highest mean when it comes to product variety is one that deals with lack of product variety has led to lower the consumption of life insurance mean is 3.77 with standard deviation 1.200. This finding shows the agreement of majority of the respondents. The second result Existing life insurance policies are not compatible to the needs of society mean 3.72 with standard deviation 1.211 and the last score deals The available life insurance product varieties are limited mean 3.28 with 1.451. therefore product variety has an overall mean score 3.59 with standard deviation of 1.287. this finding clearly indicate the availability of product variety life insurance package can have notable influence towards the consumption of life insurance of customer is interpreted as agree (Table 5).

Table 5 Mean and standard deviation of product variety

No	Items statistics	N	Mean	Std. Deviation
1	The available life insurance product varieties are limited	316	3.28	1.451
2	Existing life insurance policies are not compatible to the needs of society	316	3.72	1.211
3	lack of product variety has led to lower the consumption of life insurance	316	3.77	1.200
	Grand total		3.59	1.287

4.1.5. Descriptive statistics for premium

Table 6. Mean and standard deviation of premium

No	Item statistics	N	Mean	Std. Deviation
1	when evaluating an insurance premium I consider lower premium	316	3.16	1.135
2	when I buy life insurance policy I always consider the mode of payment	316	3.84	1.002
3	I believe that the more I pay higher premium the more sum assured would be guaranteed	316	3.84	1.002
4	when I buy life insurance policy I assume that premium is consistent else where	316	3.82	1.039
5	I prefer company's offering discount advantage than a reputable company with no discount of the insurer in evaluating life insurance buying	316	3.68	1.093
	Grand total		3.668	1.0542

The highest mean 3.84 and 3.84 with standard deviation 1.002, when I buy life insurance policy I always consider the mode of payment and I believe that the more I pay higher premium the more sum assured would be guaranteed respectively. The mean of when I buy life insurance policy I assume that premium is consistent elsewhere 3.82 with standard deviation 1.039, I prefer company's offering discount advantage than a reputable company with no discount of the

insurer in evaluating life insurance buying mean 3.68 with standard deviation 1.093 and when evaluating an insurance premium I consider lower premium mean 3.16 with standard deviation 1.135. In totally respondents has mean score 3.668 with standard deviation 1.0542 interpreted as agree (Table 6).

4.1.6. Descriptive statistics of dependent variable

The dependent variable is purchasing life insurance. To measure the dependent variable 5 question items were used, the summary of the finding and their discussion is presented as follows.

Table 7. Mean and standard deviation of purchasing life insurance

No	Items	N	Mean	Std. Deviation
1	Purchasing life insurance is a must in my life cycle to prevent emergency.	316	3.51	1.088
2	I believed that the purchase of life insurance would benefit my future.	316	3.29	1.278
3	To me life insurance is just nice to have	316	3.78	1.161
4	I think life insurance is a scan	316	3.48	1.145
5	If I have a better financial condition , I will purchase higher life insurance coverage	316	3.29	1.286
	Grand total		3.47	1.1916

When looking at the mean and standard deviation of the individual items of dependent variable purchasing life insurance, the highest mean score is found to be 3.78 with standard deviation of 1.161. The question is about to me life insurance is just nice to have. As result, the obtained score indicates that most of customers agree.

The mean for question asking Purchasing life insurance is a must in my life cycle to prevent emergency 3.51 with standard deviation of 1.088. At the same time, with regard to the, I believed that the purchase of life insurance would benefit my future the mean was found to be 3.29 with standard deviation 1.278. This findings indicate that majority of respondents agree.

The remaining two questions items asked I think life insurance is a scan mean was found to be 3.48 with standard deviation 1.145, if I have a better financial condition, I will purchase higher life insurance coverage mean was found to be 3.29 with standard deviation of 1.286.

The overall mean of the dependent variable is 3.47 while the standard deviation is 1.1916. The mean indicates how the respondents agree.

4.2. Inferential analysis

4.2.1. Correlation analysis

A correlation analysis was conducted to assess the relationship between purchasing life insurance and independent factors that are awareness, income, product variety and premium. To know to what extent there is a relationship between the different variables, the correlation coefficient was examined.

Correlation is a statistical test done in order to check the presence and strength or degree of linear association among variables. The bi variety person correlation test produces sample correlation coefficient, which measure of the strength and direction of linear relationships between pairs of continuous variables. Correlation coefficient is only a measure of degree of variables for variables with linear relationship. The value of the coefficient correlation values from -1 to 1. A value of 0 indicates that there is no relationship between the variables (Srivastav, 2001). The table below which is developed by (MacEachron, 1982) indicates the measure of association and degree of the relationship.

Measure of association	Descriptive adjective
0.00 to 0.20	very weak or very low
0.40 to 0.60	moderate
0.60 to 0.80	strong or high
0.80 to 1.00	very high or very strong

The table below shows the person correlation result with its significant level. When we see the personal correlation of awareness with purchasing life insurance it has significant -0.158 at significance level of 0.05, with regard to income it has a significant personal correlation 0.001 at significance level 0.984. The third variable which is product Variety significant personal correlation -0.042 at significance level 0.456. The fourth variable which is premium has a significant persona correlation -0.085 at significance level 0.131.

Table 8. Correlations analysis

		Correlations analysis				
		Awareness	Income	product Variety	premium	purchasing life insurance
Awareness	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	316				
Income	Pearson Correlation	.124*	1			
	Sig. (2-tailed)	.028				
	N	316	316			
product Variety	Pearson Correlation	.004	-.045	1		
	Sig. (2-tailed)	.000	.427			
	N	316	316	316		
Premium	Pearson Correlation	.043	-.067	-.108	1	
	Sig. (2-tailed)	.003	.238	.055		
	N	316	316	316	316	
purchasing life insurance	Pearson Correlation	.158	.001	-.042	-.085	1
	Sig. (2-tailed)	.005	.984	.456	.131	
	N	316	316	316	316	316

*. Correlation is significant at the 0.05 level (2-tailed).

4.3. Assumption for regression analysis

In order to check for the strength and validity of the study, regression analysis was carried out. Under regression analysis test like linearity, multi co linearity, normality and test of independent residential are conducted.

4.3.1. Normality test

This is a test carried out in order to make sure that their residential are normal distributed, as shown in the histogram below, the normal distribution of the residential can be with a symmetric, and bell shaped histogram and residential mean of 0.

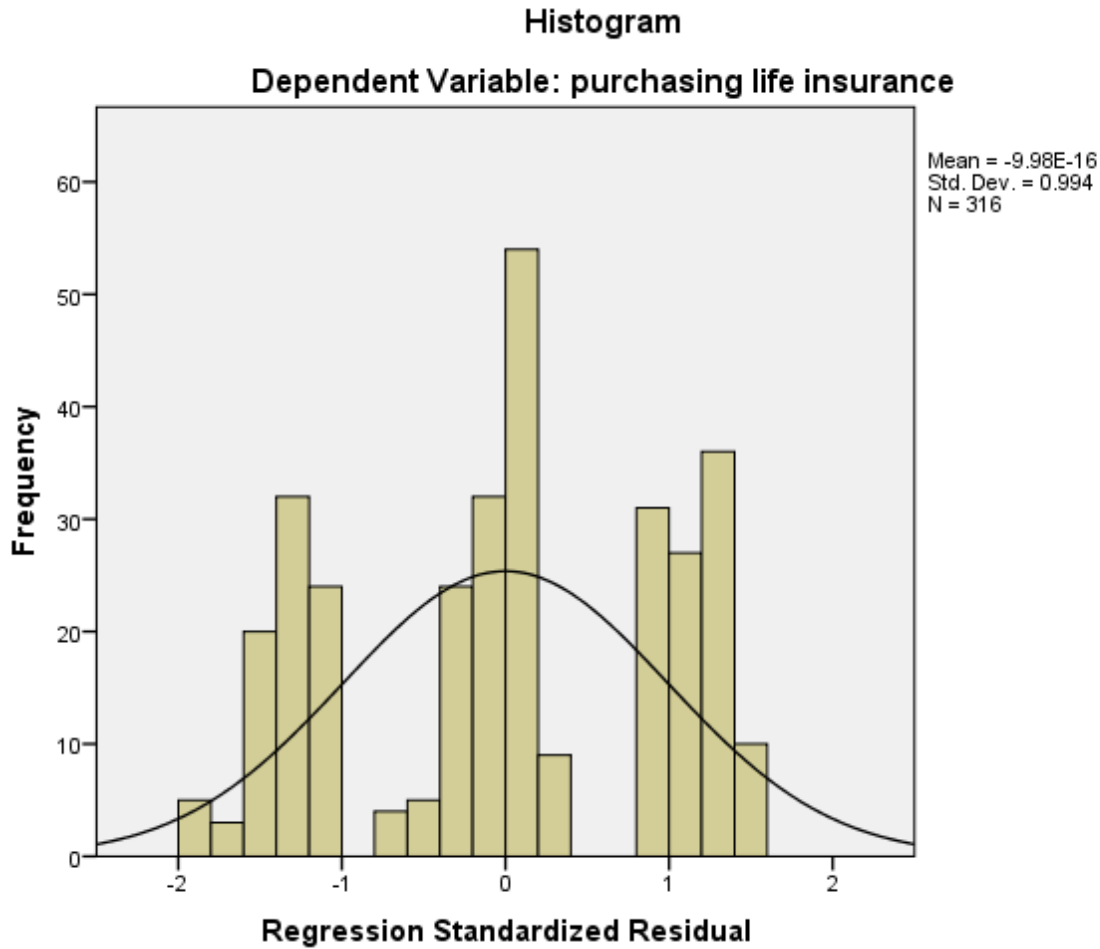


Figure 2. Histogram of dependent variable

4.3.2. Multi co linearity statistics

Multi co linearity makes the interpretation of coefficients difficult and reduces the power of the model to detect which independent variable is significant. This test is conducted by looking at the value of variance inflation factor and tolerance. If extra attention is given to the selection of the independent variable, the level of Multi co linearity may be reduced.

Table 9. Tolerance and variance inflation factors (VIF) model co linearity statistics

Model		Co linearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Awareness	.895	1.117
	Income	.979	1.021
	product Variety	.898	1.113
	premium	.983	1.017

Tolerance and variance inflation factors (VIF) measures the similar thing. Tolerance in the amount of variance in the individual variables, which is not explained by the other predictor variables. It variance from 0 to 1, value close to 1 indicates that the other predictors do not explain the variance in that variable. A value close to 0 implies that almost all variance in the variable explained by other variable. This always as to formal check whether the independent variable are not too highly correlated. Based on this assumption table shows all independent variable Awareness .Income, product Variety and premium show a tolerance value of 0.895, 0.979, 0.898 and 0.983 respectively which indicate that multi co linearity assumption is not valuated as all value are less than 1.

The VIF value of the independent variable Awareness .Income, product Variety and premium showed an amount of 1.117, 1.021, 1.113 and 1.017respectively. This amount which is closer to 1 indicates that there is a moderate correlation. VIF result closer to 1 shoe that multi co linearity doesn't affect it and the coefficient and P value can be trusted to meet multiple regression assumption we need a tolerance score above 0.02 and VIF score below 10. Therefore, the result table indicates that the multiple regression assumption are met.

4.3.3. Linearity

The test of linearity is carried out with the assumption of a linear relationship between independent and dependent variables. This means that the expected value of dependent variable must be a straight line function of each independent variable, holding the others constant and that the slope of that line doesn't depend on the values of the other variables.

The p-p plot dot must lie closer to the reasonable diagonal line in order to assume that linearity is met.

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: purchasing life insurance

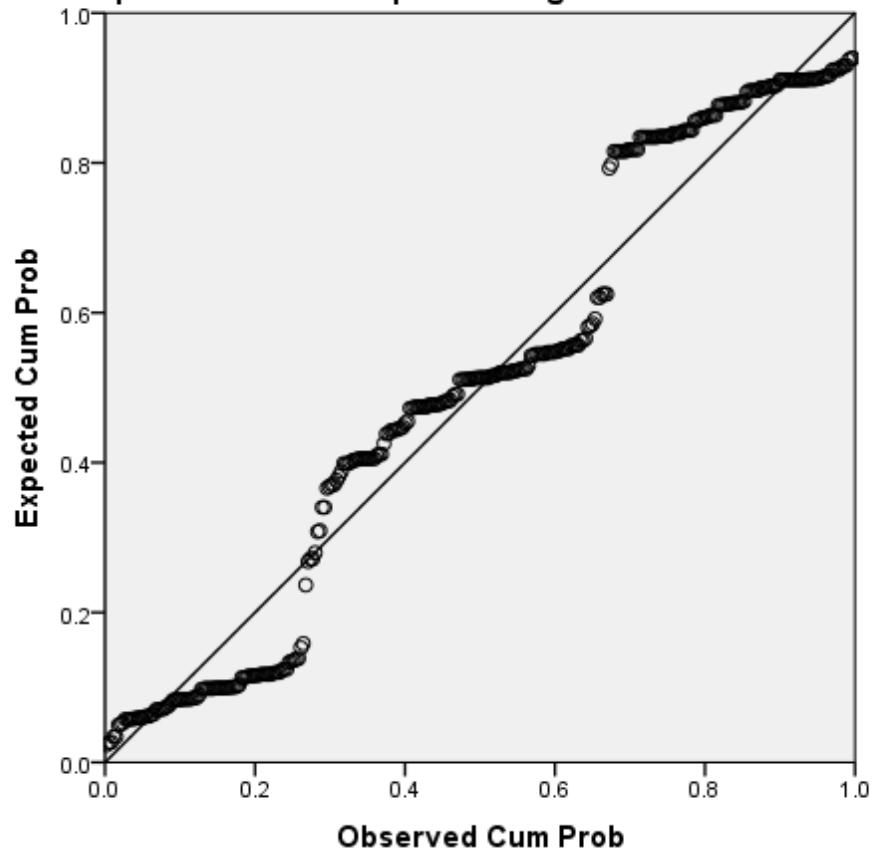


Figure 3. P-P Plot of regression standardized residual

4.3.4. Homoscedasticity test

Homoscedasticity is the extent to which the data value for the dependent and independent variables have parallel variance. At each level of the predict variables the variance of the residential terms should be constant. It means the residential at each level of the predictors should have the same variance. Therefore, checking for this assumption is helpful for the fitness of the regression models. The researcher plot the standardized residential or error (ZRESID) on Y axis and the standardized predict value of the dependent variable based on the model (ZPRED) on the X axis and the result is presented as follows.

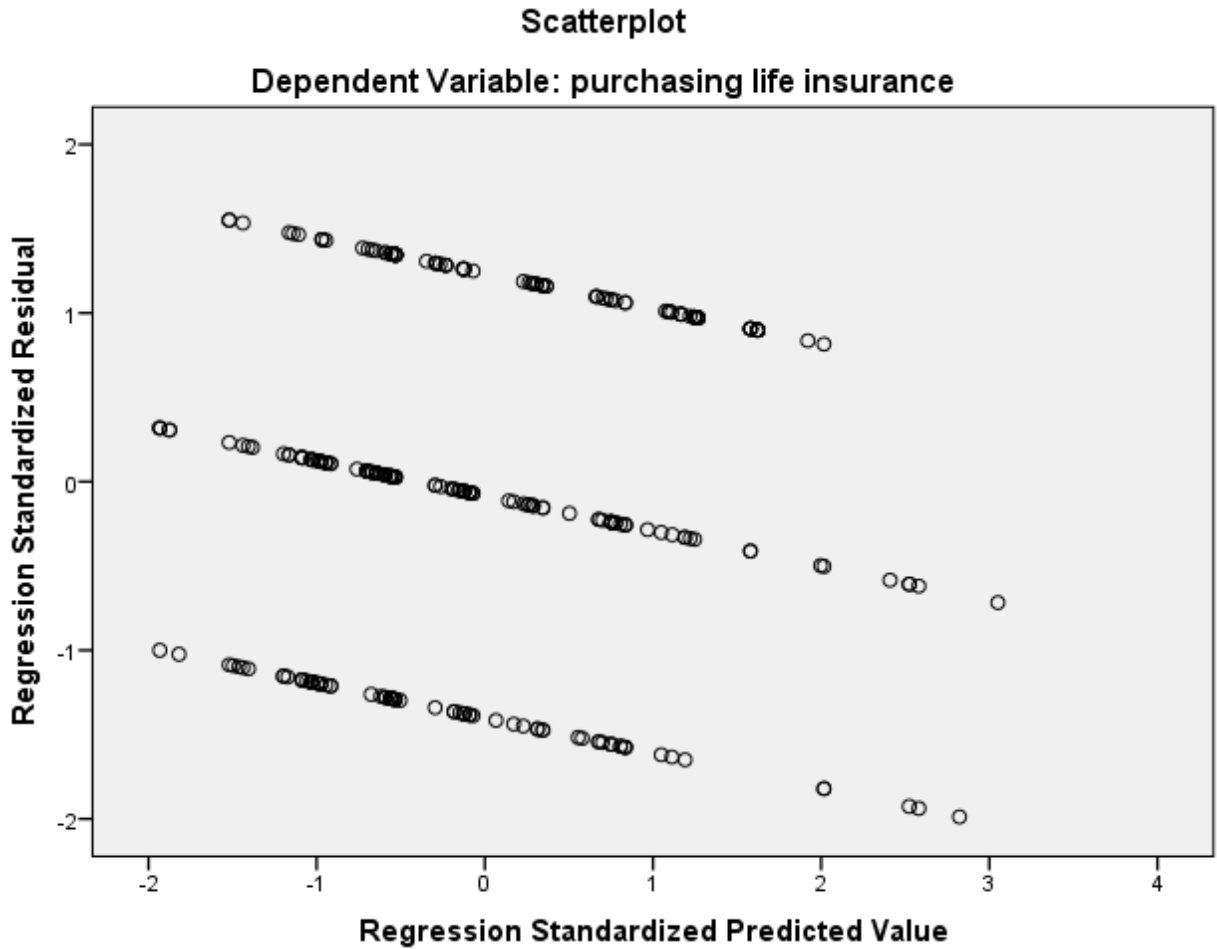


Figure 4. Scatter plot of dependent variable

4.4. Regression analysis

Regression analysis can be used to predict the value of dependent variable given the value of one or more independent variables by calculating regression equation (Saunders, et al, 2003). Multiple regression is used when we want to predict the value of a dependent variables (target or criterion variable) based on the value of two or more independent variables (predictor or explanatory variables).multiple regression analysis allows us to determine the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained (kothar, 2004).Hence, the researcher conducted a multiple linear regression analysis to determine the extent to which the four independent variable (Premium, Awareness, Income, product Variety) influenced the dependent variable purchasing of life insurance.

Table 10. Model Summary of study

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.847 ^a	.674	.613	.58724	1.623

a. Predictors: (Constant), Income, Premium, product variety, Awareness

b. dependent Variable: Purchasing life insurance

Table 10, presents the model summary of the model which states how the predictors: Awareness Income, Product Variety and Premium and influence purchasing Life Insurance.

The regression results show all the identified four variables combined significantly influence purchasing Life Insurance.

R- Indicates the value of the multiple correlation coefficients between the predictors and the outcome, with range from 0 to 1, a larger value indicating a larger correlation and I representing an equation that perfectly predict the observed value. The model summary (84.7%) indicates that the linear combination of the four independent variables (Awareness, income, product variety and premium) strongly the dependent variable (purchasing of life insurance).

R Square (R²) - Indicates the proportion of variance that can have be explained in the dependent variable by the linear combination of the independent variables. The explained with range from 0 to 1, this model summary (67.4%) indicates linear combination of independents.

Adjusted R Square (R²) –As the model summary tables shows that the adjusted R2 value is (61.3%)The four independent variables (Awareness, income, product variety and premium) strongly the dependent variable (purchasing of life insurance).

Table 11. ANOVA result

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	172.821	4	1.955	3.399	.000 ^b
	Residual	82.734	311	.575		
	Total	255.555	315			

a. Dependent Variable: purchasing life insurance

b. Predictors: (Constant), premium, Awareness, Income, product Variety

As above of the table 11, of the analysis of variance(ANOVA) indicates , the F value of 3.399 with significance level of 0.000 implies that , the dimension of the complaint handling or independent variable significantly predict the dependent variable. Since the F test result of the study is 3.399 which by far greater than one with significance of $P=0.000 < 0.05$, the probability of those results occurring by chance is less than 0.05. That is the variation is explained by the model is not simply by chance. For this data $F = 1.955 / .575 = 3.399$ which is significant at $P < 0.001$.the overall regression model is significant.

4.4.1. Correlation of the regression

Despite the fact that ANOVA is a useful test of the models ability to explain any variation in the dependent variables, it doesn't directly address the strength of that relationship. Those it is better to see coefficients of regression line to explain the strength of relationship among each dimension of purchasing life insurance.

Table 12.Measure of correlation coefficient

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.112	.336		15.234	.000
	Awareness	-.142	.044	-.189	-3.219	.001
	Income	.009	.037	.014	.246	.806
	product Variety	-.069	.037	-.108	-1.850	.065
	premium	-.065	.041	-.088	-1.569	.118

Upon identifying the variable with highest impacts, the study uses the unstandardized beta values. Unstandardized beta coefficient compares the strength of the effect of each individual independent variable to the dependent variable. The higher the absolute value of the beta coefficient, the stronger the effect (Frost, 2020). Standardized coefficients represent the mean change in the response given.

This means the large value of unstandardized coefficient beta in an independent variable has the more important role in predicting the dependent variable. So the highest standardized coefficient beta from the independent variables is 0.014. That is the independent variable Income. This implies that an increase of income by one increases customers' consumption of life insurance by 1.4%. This has a significant importance in influencing customers' consumption of life insurance.

The other independent variable with -0.065 unstandardized beta values is Premium. An increase in one, decrease customers' consumption of life insurance by 6.5%. The others remaining independent variables Awareness and Product Variety were found to have unstandardized beta value of -0.142 and -0.069 respectively. Generally, when comparing to all the independent variables, Income is found to have the highest effect followed by premium.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1. Summary

The main objective of this study was to examine factors affecting the purchase of life insurance in the case of Ethiopian Insurance Corporation (EIC) in Shashemene Town. In addition the study has attempted to examine the effect of four factors referred as awareness, product variety, income and premium on the life insurance consumption of customers' of EIC. The majority of respondents on awareness average mean 4.143 and standard deviation 0.898 is agree response, The overall mean for the factors affecting consumption of life insurance, income is found to be 3.136 with standard deviation of 1.2366 neutral average response , therefore product variety has an overall mean score 3.59 with standard deviation of 1.287. this finding clearly indicate the availability of product variety life insurance package can have notable influence towards the consumption of life insurance of customer is interpreted as agree and In totally, on premium the respondents has average mean score 3.668 with standard deviation 1.0542 is interpreted as agree.

5.2. Conclusion of the study

Based on the analyzed finding collected from 316 respondents, the majority of respondents in terms of gender is male, with the line of ages of respondents the majority is between 40-49years.it is concluded that among the Identified four factors the majority of respondents on awareness average mean 4.143 and standard deviation 0.898 is agree response. The overall mean for the factors affecting consumption of life insurance, income is found to be 3.136with standard deviation of 1.2366 interpreted as neutral response. Product variety has an overall mean score 3.59 with standard deviation of 1.287. this finding clearly indicate the availability of product variety life insurance package can have notable influence towards the consumption of life insurance of customer is interpreted as agree. In totally, on premium the respondents has average mean score 3.668 with standard deviation 1.0542 is interpreted as agree them were found to have an independent variable effect on life Insurance consumption of customers of EIC in Shashemene Town.

The result of correlation analysis of the purchase life insurance, income, premium, awareness and product variety are indicated that integration moderate. The result of the regression analysis

of the unstandardized beta coefficient also revealed that from the four explanatory factors income, premium, awareness and product variety have a great influence. According to the regression model summary table, the R² value indicated that 4.2% of the variance can be predicted by the independent variables.

To summarize, among the four factors all of them are capable of affecting life insurance consumption in Shashemene town although the level of impact varies. The variables score a beta value of 0.009, -0.065, -0.142 and -0.069 for income, premium, Awareness and Product Variety respectively.

5.3. Recommendations

From the analyzed and concluded finding the following recommendations are forwarded to Ethiopian Insurance Corporation.

- By implementing these awareness strategies effectively, you can educate individual about the benefits of purchasing life insurance and empower them to make informed decisions about protecting their financial future and loved ones. Remember to tailor your messaging to resonate with your target audience and address their specific needs and concerns.
- Primarily, since income levels of respondents are found to be strongly related with consumption of insurance policy, EIC is strongly recommended to consider the income level of the society for whom it is offering the policy.
- Term life insurance provides coverage for specific period of time and general more affordable than permanent life insurance. They can help you assess your financial situation, goals and risk tolerance to recommend the best product variety for your specific circumstances.
- By following these recommendations and working with reputable insurance agent or advisor you can make informed decision about purchasing life insurance while considering the premium effect. Remember to prioritizing financial protection for your loved ones and secure coverage that meets your needs within your budget constraints.

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APPENDIX- 1

Questionnaire for Thesis

Section I: Demographic of respondents

1. Gender

Male Female

2. Age Group

18 - 29 50 – 59
 30 - 39 Above 60
 40 - 49

3. Educational Background

High school complete and below First Degree
 Diploma Second Degree and above

4. Occupation

Student Business man
 Employee

5. Income Level (per month in Birr)

5,000 and Below 10,001 – 15, 000
 5,001 – 10,000 Above 15,001

Section II: Specific questions.

Please indicate you level of agreement for the following questions.

1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

No.	Items/Questions	1	2	3	4	5
	Income.					
1	Do you prefer lower premium due to low income?					
2	It is good if government could give insurance coverage for society in case of financial lose					
3	Do you have life insurance policy for protection only in the case of un affordable premium?					
4	In case of low income are you in a position to buy high sum assured life insurance policy.					
5	Does the expected investment return on the premiums paid would encourage you to purchase a life insurance policy?					

	Premium.					
1	When evaluating an insurance premium do you consider lower premium?					
2	When you buy life insurance policy do you always consider the mode of payment?					
3	When you buy life insurance policy do you assume that premium is consistent elsewhere?					
4	Do you believe that the more you pay higher premium, the more the sum assured would be granted?					
5	Do you prefer company's offering discount advantage than reputable company with no discount of the insurer in evaluating life insurance buying?					
	Product Variety.					
1	The available life insurance product varieties are limited					
2	Existing life insurance policies are not compatible to the needs of the society					
3	Lack of product variety has led to lower the consumption of life insurance					
	Awareness					
1	Do you know a lot about life insurance in general?					
2	Do you think there is good awareness creation activities made by the EIC about life insurance					
3	Does lack of awareness about the benefit of life insurance don't affect the consumption that much					
	Life Insurance Policy purchase					
1	Purchasing life insurance is a must in my life cycle to prevent emergency.					
2	I believed that the purchase of life insurance would benefit my future.					
3	To me life insurance is just nice to have.					
4	I think life insurance is a scam.					
5	If I have a better financial condition, I will purchase higher life insurance coverage.					