



**ST. MARY'S UNIVERSITY  
SCHOOL OF BUSINESS**

**FACTORS AFFECTING THE DEMAND FOR LIFE  
INSURANCE IN ETHIOPIA**

BY  
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JUNE 2021  
ADDIS ABABA, ETHIOPIA

# **FACTORS AFFECTING THE DEMAND OF LIFE INSURANCE IN ETHIOPIA**

**BY**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF  
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**ADDIS ABABA, ETHIOPIA**

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## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Birhanu Endeshaw. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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## ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate studies for examination with my approval as a university advisor.

Asst. Professor Birhanu Endeshaw \_\_\_\_\_

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**Month, Year**

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## **LIST of ACRONYMS**

CEE- Central and Eastern Europe

CIS- Commonwealth Independent State

EIC- Ethiopian Insurance Corporation

EOC- Ethiopian Orthodox Church

EPF- Employees' Provident Fund

GDP- Gross Domestic Product

GNI- Growth National Income

NBE- National Bank of Ethiopia

OECD= Organisation For Economic Co-operation and Development

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## ABSTRACT

*The general objective of this study is to determine the impact of income, awareness, advertisement and religion on the demand of life insurance in Ethiopia and provide appropriate proposed solutions to the insurance companies. The approach for this study is both quantitative and qualitative research. This study mainly employs quantitative research approach by comprising descriptive design on the determinants of life insurance demand in Ethiopia. Therefore, the study is also an explanatory type research. The researcher used convenience sampling technique from non-probability sampling techniques. Sample size is 483 from infinite population, but the returned questionnaire was 273. The data collection tools used to obtain the desired information from primary sources is a questionnaire. All of the 23 questions are designed using a five-point likert scale in which respondents are required to give their response in selecting either strongly disagree, disagree, neutral, agree, or strongly agree. Descriptive and inferential statistics were used at the first stage of the analysis by using tabulation and charts. In general, the overall demand for life insurance expressed as dependents do not prefer life insurance for financial security, bequeath funds to dependents & provide income during retirement. as a result of this, overall points for the life insurance demand, clearly shows that there is extremely low level of demand for life insurance. moreover, the attitude of people toward life insurance is at embryonic stage due to different factors. To address the major objective of this study, the researcher provided the possible solutions as relevant recommendation points, insurance companies should create awareness through various promotional efforts like aggressive promotion, public relation, promotional campaign and corporate social responsibilities and also the price of life insurance should consider the purchasing power of the society. So, the insurance companies are advised to set reasonable and fair price for life insurance scheme.*

Key words: Awareness, life insurance demand, religion and Advertisement.

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## **CHAPTER ONE**

### **1. INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

The subject of factors affecting demand for life insurance is one of the most researched areas in finance literature for many years. Researcher use various social, demographic and economic variables in the analysis to reveal determinants of demand for life insurance. The growth of life insurance is crucial to most governments and financial institutions among other parties, because it is an important tool of mobilizing funds which support investment and growth of the national economy.(Sibel Celik and Mustafa.M 2009)

Insurance has a real effect on the global economy, of course, through the sheer number of people that the sector employs. But it also acts in a complementary fashion with the banking sector, offering easier access to credit, channeling savings into long-term investments and providing greater transparency and liquidity to the markets, thus providing further support and growth to the economy. (Sibel Celik and Mustafa.M 2009)

Compared to the growth and importance of life insurance business worldwide, the growth trend in Ethiopia is not promising. So many different factors might be responsible for the low growth of life insurance business in Ethiopia. However, the number of research works in Ethiopia on this area is very limited compared to the social and economical benefit of life insurance. On this ground, the factors affecting the demand for life insurance and suggesting an appropriate marketing strategy to insurance companies as well as policy makers will enhance the life insurance growth. This thesis designed to evaluate whether awareness, income, religion and advertisement affect the demand for life insurance in Ethiopia.

Life insurance is a contract between a policy owner and the insurer, where the insurer agrees to pay a designated sum of money upon the occurrence of the policy owner 's disability due to accident or aging, death or other events, and the policy owner agrees to pay a fixed amount to the insurer at designated interval. While the main objective of insurance companies is to mitigate insurable risks, in tandem they also play an important role in development of the financial sector. They mobilize savings which can be

channeled for long term investments which help economic growth and development. (Wikipedia)

Life is full of uncertainties and unexpected events can lower people 's well-being; an important mechanism that protects against risk is purchasing insurance to guarantee the benefit in the event of certain loss. Beck and Webb, (2002) on their study on determinants of life insurance consumption described that life insurance products are important vehicle that encourage long- term savings that could be channeled to investment in both private and public sector projects.

Currently in Ethiopia, 18 insurance companies are performing business in the Ethiopian insurance industry. In spite of the increasing number of the companies, the performance of long-term insurance /life insurance sales is unattractive unlike the general insurance product lines. According to reports by National Bank of Ethiopia, from a total of insurance premium in the country, life insurance constitutes only about 6% and the rest 94% constitutes general insurance premium income. The life insurance premium for the year 2019 was 384,200 while the premium from non-life insurance was birr 8,640,389 showing only a ratio of 4%. As of June 30 2019, the life insurance penetration (premium/GDP) and density of Ethiopia was very low and significant proportion of the total population has no access to insurance. The report also shows that the number of insured individual under life insurance is around 400,000 as at June 2019. But this figure, in addition to individuals who personally bought life insurance policy by willing, includes individuals who are covered under life insurance by their employers, individuals who are advised to buy life insurance by Banks for loan purpose, and individuals who have bought term life insurance policy as a legal requirement by the government (those who travel to Arab Countries for work). There is no evidence showing the percentage of each life insurance owner based on the above buying criteria.(NBE Report's for the year 2018/2019)

The current figure on life insurance sales shows the unattractiveness of the sector taking the ratio of life insurance business to non life business in to consideration. The figure for June 2010 shows that the share of the life insurance premium from the total premium is only 6% and the rest is from non life insurance. Life insurance penetration rate is the rate at which life insurance is purchased in various countries varies. It is commonly used to measure purchase of life insurance in a particular country and, represented by the percentage share of the gross domestic product (GDP) spent on life insurance premiums. The penetration rate ranges from 0.01 in Saudi Arabia and Ukraine, to 15.19 in South

Africa. The world average LIPR is 4.68 (Eck & Dimitri, 2014). The figure 0.00026 for Ethiopia is very far from the world average (4.68). Reports by NBE also repeatedly shows that the insurance industry in a life insurance sector is not growing as expected by insurance companies and the trend shows very low promising life insurance business as compared to the non life class of business.

After reviewing different literatures on factors affecting demand for life insurance, the researcher has confirmed that the factors mentioned by the insurance company management were examined repeatedly by different researchers in different countries and has made their own conclusions.

Based on this fact a general research problem was developed for this deductive research as: "To what extent, income, awareness, advertisement and religion of individuals responsible for the very low demand for life insurance in Ethiopia?" Therefore, this paper was designed to investigate whether the above four factors have really affected the individual demand for life insurance in Ethiopia.

## **1.1. STATEMENT OF THE PROBLEM**

The most important function of life insurance is to provide financial security to individuals and families. The loss of income following the premature death of the main income earner of a family may result in terrible financial consequences to the surviving family members. Life insurance allows potential financial loss resulting from the death of the insured to be alleviated through the payment of specified benefits. Thus, life insurance plays an important role in the financial planning of an individual and family since it can be used as a hedge against financial uncertainty resulting from the mortality risks faced by individuals. (Lenten & Rulli, 2006, Mitra, 2017)

In spite of the growth trend of non life class of insurance business, the life insurance business is not attractive in Ethiopia. The increasing population growth of the country is also an attractive opportunity for this business. However the industry is almost stagnant in this sector. From an international context, so many factors might contribute for the slow growth of life insurance business. Some of the factors rose by different writers and researchers at different time in different countries are, lack of knowledge about life insurance product, lower disposable income, and impact of religion. Worldwide, the efforts made in our country is very low. The motive behind making this thesis lies on the low emphasis given to the factors affecting life insurance consumption in Ethiopia.

## **1.2. RESEARCH QUESTIONS**

This study will try to find out the factors affecting demand for life insurance by raising the following basic questions:

- what is the effect of awareness of people on demand for life insurance in Ethiopia?
- what is the effect of income of an individual on demand for life insurance in Ethiopia?
- what is the effect of advertisement on demand for life insurance?
- what is the effect of religious belief on demand for life insurance in Ethiopia?

## **1.3. OBJECTIVES OF THE STUDY**

The general objective of this study is to determine whether income, awareness, advertisement and religion are affecting the demand for life insurance in Ethiopia and provide appropriate feedback to the policy makers.

### **1.3.1 THE SPECIFIC OBJECTIVES**

The specific objectives are include:

- ❖ To examine the effect of awareness on demand for life assurance
- ❖ To determine the effect of the income of an individual on demand for life assurance.
- ❖ To evaluate the effect of advertisement on demand for life assurance.
- ❖ To examine the effect of religious beliefs affect demand for life assurance.

## **1.4 SIGNIFICANCE OF THE STUDY**

Different literatures regarding the status of life insurance in developed countries show its impact on the economic and social development of a country. For companies selling life insurance, it is also a profitable segment of an insurance business or product. The study will be examine the factors awareness, religious belief, advertisement effectiveness and income affecting peoples' decision towards life insurance consumption from uninsured

point of view. So the outcome of this research will contribute to the growth of life insurance business vis-à-vis the economic development of the country by providing valuable information about the factors really affecting the demand for life insurance to decision makers.

Insurance companies also limit their effort on specified factors and save resources employed in selling life insurance. Finally as a thesis, it serves for partial fulfillment of Master's of Business Administration. It can be stated that the knowledge of research methodology is helpful in various fields such as government or business administration community development and social work where persons are increasingly called upon to evaluate and use research results for action.

## **1.5 SCOPE OF THE STUDY**

According to different research results and materials, many factors affect the demand for life insurance from both the supply side and the demand side. Some of the major demand side factors are; low per capita income, low awareness/knowledge, Number of dependents, negative attitude toward life insurance, religious beliefs against life insurance, health condition of individuals, mortality rate, wealth of individuals, lack of trust in insurance companies, family income, type of job (risky job?), availability of bank credits. Some of the major supply side factors are; availability of better options, low service quality, affordable Price, low Product variety, lack of professionalism, lack of promotion, legal and political factors like investor protection. In spite of this, this study, based on the result of exploratory study, assessed three major factors affecting demand for life insurance from the demand side of the market only. Adding factors from the supply side may generate different result. As the supply side of the insurance business can easily be managed by exerting full effort from the companies, the researcher believed that the factors assessed are taken as either an opportunity or a threat.

- As the study tried to identify the areas in which insurance companies should devote their effort in order to increase life insurance sales, it has focused on those individuals who do not have life insurance policy whatsoever.
- Geographically, the study areas were Addis Ababa (capital city of Ethiopia). This is in order to generalize the research finding to the whole Ethiopia. The city is selected based on population size.



In order to avoid misrepresentation of unaware people from the aware ones, the study did not also include employees of insurance companies.

- The Survey also focused on employees (paid workers) having monthly income and those individuals who are running their own business, because employment provides source of income and according to the theory of consumption it is permanent factor which determines level and distribution of income among consumption and saving.

## **1.6 LIMITATIONS OF THE STUDY**

The supply side of the life insurance business is not seen in this investigation. Geographically selection of some areas having larger population size is also considered as the limitation. The study is focus only on four factors rise by management of insurance companies and other concerned bodies. And also, time is one of critical resource to conduct impactful research, so that time shortage has its own little negative impact on my research.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITRATURES**

In this section the researcher first presents about life insurance demand. It begins by defining life value concept and life insurance, its classifications, and its benefits followed by an analysis of related literatures on empirical as well as theoretical concepts of demand for life insurance, awareness, religion, advertisement and income, finally the researcher develop conceptual framework of the study.

#### **2.1 THEORETICAL REVIEW**

Theoretical models for the life insurance demand have been established by Yaari (1965), Fischer (1973), Pissarides (1980), Campbell (1980), Karni and Zilcha (1985, 1986), Lewis (1989), and Bernheim (1991) were of the view that life insurance was the way by which risk in the household's income, linked to the expected premature death of a household's primary wage earner, was decreased. The issue of life insurance demand is not new for researchers and was brought to light beginning from Yaari (1965) was the first to develop a theoretical framework to explain the demand for life insurance. Within Yaari (1965) framework, the demand for life insurance is attributed to a person's desire to bequeath funds to dependents and provide income for retirement. This framework posits the demand for life insurance to be a function of wealth, expected income over an individual's lifetime, the level of interest rates, the cost of life insurance policies (administrative costs), and the assumed subjective discount rate for current over future consumption.

Simple models of insurance demand were proposed by Mossin (1968) and Smith (1968) considering a risk averse decision maker endowed with an initial wealth level. The results indicate that demand for life insurance varies inversely with the amount of wealth an individual possesses. Hakansson (1969) examined bequest motive in considerable detail using a discrete-time model of demand for financial assets in general and life insurance purchase in particular. Pissarides (1980) extended Yaari's work to prove that life insurance was theoretically capable of absorbing all fluctuations in lifetime income.

Karni and Zilcha (1985) developed a methodology towards measuring individuals 'risk perceptions (risk averse or otherwise) and how such perceptions affect insurance demand.

An important observation made by Mossin (1968) was regarding insurance coverage as an inferior good. However, Hoy and Robson (1981) presented a theoretical explanation and later Briys et al. (1989) generalised the results showing insurance to be a Giffen ‘good. Lewis (1989) extends this framework by explicitly incorporating the preferences of the dependents and beneficiaries into the model. Specifically, he derives the demand for life insurance as a maximization problem of the beneficiaries, the spouse and the offspring of the life insurance policyholder. Deriving utility maximization by both spouse and offspring separately and assuming no bequest by the policyholder and an isoelectric utility function.

Fortune (1973) analyzed the empirical implications of expected utility hypothesis of choice under uncertainty for demand for life insurance and concluded that demand depends on income, non-human wealth and the rate of discount. Jeff Madura (2010) on his book on financial markets and institutions stated that Life insurance companies compensate the beneficiary of a policy up on the policy holder ‘s death. They charge policy holders a premium that should reflect the probability of making a payment to the beneficiary as well as the size and timing of the payment. Life insurance companies also commonly offer employees of a corporation a group life policy.

In short, the theoretical review yields variables like income, rate of interest, current consumption and accumulated savings in wealth form as variables influencing insurance consumption. Demographic and social variables were also incorporated in theoretical models and their potential impact on an individual ‘s life insurance consumption decision was investigated. Life insurance consumption increases with the breadwinner ‘s probability of death, the present level of family ‘s consumption and the degree of risk aversion. In the next section, resurched explore selected empirical studies to highlight those variables which were significant in affecting life insurance demand.

### **Structure of insurance industry in Ethiopia**

All the insurance companies are regulated by the National Bank of Ethiopia. In addition to this body, there is also an agency which regulates Governments’ financial sectors. The agency is responsible to control government owned banks and insurance. Even though the number of insurance companies is increasing from time to time, there is no insurance company doing business and specializing in life insurance business sector only. Currently

there are about 17 insurance companies including the public owned insurer in Ethiopia. All of these companies mainly compete on non life class of business especially in motor, fire and marine class of business. Only some private insurance companies are doing the business in line with the non life sector (Annex II). One privately owned insurance company namely, Ethio-life insurance company was established to do the life insurance business exclusively, but later decided to turn in to non life sector too. In order to benefit from the opportunities of life insurance business, the only public insurer, Ethiopian Insurance Corporation (EIC) has opened about 12 life insurance branches, out of which 4 are in Addis Ababa. The following table has summarized insurance companies in Ethiopia and types of business they are currently performing. This information is incredibly useful and critical to the performance and success of collaborations.

### **2.1.1 AWARENESS AND KNOWLEDGE**

The dictionary meaning of awareness is “knowledge or understanding of a particular subject or situation” (Longman). Awareness is the ability to perceive, to feel, or to be conscious of events, objects, thoughts emotion, or sensory patterns (Wiktionary). In this level of consciousness, sense data can be confirmed by an observer without necessarily implying understanding. More broadly, it is the state or quality of being aware of something. In biological psychology, awareness is defined as a human's or an animal's perception and cognitive reaction to a condition or event (Wikipedia). Awareness is a relative concept An animal may be partially aware, may be subconsciously aware, or may be acutely unaware of an event. Awareness may be focused on an internal state, such as a visceral feeling, or on external events by way of sensory perception.

In cooperative settings, awareness is a term used to denote “knowledge created through the interaction of an agent and its environment - in simple terms ‘knowing what is going on’” (Science News Online). In this setting, awareness is meant to convey how individuals monitor and perceive the information surrounding their colleagues and the environment they are in.

Awareness of the use and knowledge of life insurance product is positively related to insurance consumption. This is because the higher the level of one’s awareness of a thing, the more likely the person will appreciate its value. The lack of sophistication or awareness

and knowledge of insurance on the part of the consuming public has been identified as a major hindrance to insurance consumption. Majority of insurance consumers misunderstand the very purpose of insurance and this misunderstanding creates widespread difficulties for insurance marketing vis-à-vis consumption. Wilson (2004) observed that much of the dissatisfaction with insurance is based on a faulty idea of what insurance is and how it operates. With this level of awareness, insurance patronage and consumption becomes a daunting task. This problem is even made worse by the high level of illiteracy among the citizenry (Oworen, 1993). An institutional bottleneck that affects insurance marketing and consumption as argued by Gowon (2004) is insufficient publicity and public awareness campaign by insurance companies.

Khan (2006) stated that awareness/knowledge test is used to find out what the consumers are aware of and what they do not know. This is imparted to them by advertising and by other promotional methods. This can be done by using awareness approaches of unaided recall, aided recall, or by recognition. The idea is to find out whether the consumer is aware of product:

- Aware of the attributes of the product
- Aware of the availability of the product
- Aware of the price of the product
- Aware of where the product is available
- Aware of the company making the product
- Aware of the use of the product

Based on the theoretical foundations, the following frameworks are developed for factors driving life insurance demand and factors affecting demand for life insurance. Awareness can be further defined by breaking it down into a set of characteristics (Capra, 1996).

- ❖ Knowledge about the state of some environment
- ❖ Environments are continually changing, therefore awareness and knowledge must be constantly maintained
- ❖ Individuals interact with the environment, and maintenance of awareness is accomplished through this interaction.

Awareness is perceived to be a very rational factor affecting consumption choice of consumers in economic approach. That is why companies spend their dollars on promotional activities that intended to create and increase awareness of a product or brand. In his market segmentation, Khan (2006) showed a use-related segmentation consisting of usage rate, awareness status, and brand loyalty. Awareness is then classified as unaware, aware, interested, and enthusiastic. In adoption process is also showed that adoption is a result of awareness followed by interest, evaluation and trial stages. He also indicated that consumers go through a standard hierarchy of effects sequence (awareness-interest-desire-action) in consuming a product/service.

#### a. Product awareness

Product awareness can be had from advertisement or exposure to different types of media or by the social circle. The awareness and the need lead to the building of interest. In some cases, the interest may also breakdown and, the decision process also stops or may be postponed for the time being.

### **2.1.2 INCOME**

Different writers classify income under measurable demographic characteristics of consumers. Income level of the consumer is one of the indicators of the demand for a product. Unless backed up by the purchasing power, the willingness to buy a product does not guarantee the demand for a given product.

Income is money or other gain or return resulting from goods or services produced in a given period of time, usually measured annually. Income may be received by an individual or an entity, such as a corporation or a government. The various types of income are usually described within the private or the public sector of economic activity. In the private sector the four major types of income are (1). Wages: the return for labor; (2). Rent: the return for use of land; (3). Interest: the return for the use of capital, and (4) Profit: the return to the business owner. Income in the public sector, called national income, is the money measure of the annual flow of goods and services in an economy. Income is normally measured in money terms, although non-money definitions are sometimes used. Real income refers not to the actual money income but to the extent that the money income can be used to purchase goods and services as they are affected by price changes.

Consumers are constrained by limited income, which forces them to behave in a way that will ensure that they get the most out of their income – they will act to maximize the utility of their income.

a. Personal income and disposable income

Derived from national income figures, personal income is the amount of money received by individuals for their own use. It is made up of all types of income: wage and salaries, proprietor and rental income, dividends and personal interests and transfer payments. Transfer payment consists of pension payments, social insurance, and social service payments. When all taxes are deducted from the personal income, the remainder is called disposable income which is either saved or spent.

Income in this study refers to the monthly disposable income (wages and salaries, as a return for labor) of an individual, and the disposable income the business owner uses for personal purpose. Consumption of an individual increases with the increasing income level.

Many writers and consumers consider life insurance as a luxury product and the demand for such product arises when the income is high and the amount of saving is higher for an individual.

b. Income level and life insurance demand

Regarding life insurance demand and income level, there are two arguments which are accepted by different writers. The first argument is that as income level increase the demand for life insurance also increase. The second is that, as income level increase, the demand for life insurance tends to decrease. This argument assumes that wealthiest people do not want to buy life insurance as they do not have to worry about the financial problems the dependent face. That is to mean that

Low income level: As the income is used to cover living expense, low level income groups tend to ignore life insurance.

Middle income level: As the portion of income goes to saving, the middle income levels are a good prospect for life insurance.

High income level: The high income class considers life insurance as an inferior service. The main reason for this phenomenon is that at high-income levels, consumers become so wealthy that they can afford to retain risks within their current financial portfolios.

Ward and Zurbruegg (2002) highlight that the consumption of life insurance products in OECD countries is three times less sensitive to changes in income than it is in Asia. This is consistent with Enz's (2000) findings, which shows that, on average, Asians spend more on life insurance than in the developed economies of the world.

### c. Income in Ethiopia

Ethiopia's per capita income of \$850 is substantially lower than the regional average (Gross National Income, Atlas Method). The government aspires to reach middle income status over the next decade. According to World Bank report March 18, 2021 which is last update.

Ethiopia's economy experienced strong, broad-based growth averaging 9.4% a year from 2010/11 to 2019/20, Ethiopia's real gross domestic product (GDP) growth slowed down to 6.1% in 2019/20 due to COVID-19 (coronavirus pandemic). Industry, mainly construction, and services accounted for most of the growth. Agriculture was not affected by the COVID-19 pandemic and its contribution to growth slightly improved in 2019/20 compared to the previous year. Private consumption and public investment explain demand-side growth, the latter assuming an increasingly important role. The consistent higher economic growth brought with it positive trends in poverty reduction in both urban and rural areas. The share of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016. The government has launched a new 10-year perspective plan which will run from 2020/21 to 2029/30. The plan aims to sustain the remarkable economic growth achieved under the Growth and Transformation Plans, while putting more emphasis on the private sector. The World Bank defines low income countries as countries in which (2004) GNI per capita was \$850 or less –i.e. an average income of less than two per cent of that of the United States. In spite of vast differences, many of these countries are likely to face similar opportunities and challenges with respect to life insurance growth. Low income means very little demand for services and products and this discourages the manufacturers or the producers of products or services. Different marketing professionals and writers classify life insurance under unsought goods. This indicates that customers do not easily shop for it and consume like any normal goods or services. That means it is very challenging to sell life insurance in low income countries.



According to World Bank report 2004, Ethiopia faces a monumental challenge to raise income levels and pull its population out of extreme poverty. With a Gross national Income per capita of only 110 USD in 2004, Ethiopia is one of the poorest countries in the world. Growth levels were moderate in the 1990s, especially in relation to the continued high population pressures. Reflecting the low income levels, about four fifths of the population presently lives on less than two dollars per day.

Hammond (1967) and Mantis and Farmer (1968) find influence of employment on life insurance consumption. Because employment provides source of income and according to the theory of consumption it is permanent factor which determines level and distribution of income among consumption and saving. Thus, life insurance will be demanded more by individuals who are employed compared to those unemployed.

Among all the factors, income is essential in all the models of insurance demand. Higher income is expected to increase the demand for life insurance, generating a greater affordability of life insurance products (Dragos, 2014). Numerous studies have proved that income of the insured positively affects the demand for life insurance. Hakansson (1969) and Campbell (1980) along with Lewis have derived a positive correlation between income and life insurance purchasing decision. Referring to the life insurance line of business, income is found to have as significant positive impact on the insurance demand by all the researchers interested in the subject.

Income is commonly found to be positively related to the demand for life insurance, holding other factors constant. Increasing cost of living expense minimizes or reduces the saving capacity of an individual and hence affects purchase of life insurance. In other ways lower cost of living expense increase the purchasing power of an individual. People who unable to buy a product because of low current income plans for future purchase of the product expecting increase in income.

The effect of current income on life insurance demand is examined in numerous studies (Duker 1969), Ferber and Lee (1980), Truett and Truett (1990), Showers and Shotick (1994), Gandolfi and Miners (1996).

Showers and Shotick (1994) used a Tobit analysis to analyze the effect of household characteristics on the demand for total life insurance with data from the Consumer Expenditure Survey in 1987. The dependent variable used was premium expenditures on

life insurance products. They assumed that life insurance was a normal good. The Tobit analysis indicated that a positive relationship existed between income and expenditures on life insurance premiums. They explained that as income increased the household has a motive to buy more life insurance because life insurance is bought as a function of the income replacement needed, in the event of an unexpected death of the major wage earner. Çelik and Kayali (2009) have studied determinants of demand for life insurance in European countries and concluded that income per capita has positive and significant effect on demand for life insurance. 1% increases in income per capita causes 1.91% increase in demand for life insurance. They found that income is the most important variable which affects consumption of life insurance. This survey has gathered a data on whether the current income of respondents has hindered them from buying life insurance. The output does not show that increasing the current income will increase demand by some percentage.

According to Yusuf, Gbadamosi & Hamadu (2009), household income of respondents has significant influence on Nigerians attitude to life insurance. Low household incomes have lesser positive attitude to insurance than high household income groups. This is to indicate that those who have positive attitude will probably buy insurance. This can be explained partially by the fact that middle income groups are more vulnerable than wealthy household in Nigeria. In fact, wealthy household relatively feel secured usually in Nigerian economic environment. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach.

### **2.1.3.ADVERTISING**

The insurance industry thrives on financial marketing organizations selling/marketing products to agencies...and agencies selling/marketing products to agents, who in turn sell to these products to consumers. Broad advertising is typically done at the consumer level. However, at the end of the day insurance companies must attract agents to sell the products. Matin Khan-“Consumer Behavior and Advertising Management” (2006).

According to Lee and Johnson (2003: 3), advertising is a paid, non personal communication about an organization and its products that is transmitted to a target audience through a mass medium such as television, radio newspapers, magazines, direct mail, outdoor displays, or mass transit vehicles. In new global community, advertising messages may be transmitted via new media, especially the internet. And yet Wilmschurt and Mackay (1999: 23) clarifies that advertising comes in so many forms and carries out so many different tasks that common factors may not be obvious.

Flemming Hansen, Sverre Riis Christensen-“Emotions, Advertising and Consumer Choice focuses on recent neurological or psychological insights originating from brain scanning or neurological experiments on basic emotional processes in the brain and their role in controlling human behavior. These insights are translated by the authors to cover the behavior of ordinary individuals in every-day life. The book looks at these developments in the light of traditional cognitive theories of consumer choice and it discusses the implications for advertising and other communication testing.

### **2.1.3.1 Advertising As A Communication Tool**

According to Chunawalla (2003: 4), advertising is a tool of communication for marketing. In communication process, a message is sent through some medium by the sender so that it reaches the receiver. The transmission of message from a sender to a receiver is the backbone of any communication process.

The end result of the communication process is the understanding of the message. In communication, we are trying to share information, idea or an opinion. The message is sent through certain channels or media. The response to the message is known by receiving the feedback from the receiver. Advertising communication is basically marketing communication. The sender is the advertiser the message is the printed advertisement or brochure or a TV commercial or a radio spot. The media used are newspapers, magazines, TV and outdoors. The receivers are the target audience of the product. The favorable response to a product is the feedback. The sales report also from the feedback.

Above and beyond, Kumar and Mittal (2002: 2) fortify that advertising is a powerful communication tool directed towards specific target customers in order to carry the messages regarding a particular product, service or ideas, meaningfully and persuasively

with a view to achieve certain specific objectives. Truett and Truett (1990) on their comparative study on the demand for life insurance in Mexico and the United States identified that age, education, and level of income affect the demand for life insurance and that the income elasticity of demand for life insurance is much higher in Mexico than in the United States.

Based on a cross-sectional analysis of 45 developing countries, Outreville (1996) analysed the demand for life insurance for the period 1986. The study considered variables like agricultural status of the country in terms of percentage of agricultural labour force in total labour force; health status of the country in terms of amenities like percentage of population with access to safe drinking water; percentage of labour force with higher education and the level of financial development. Two dummy variables were used to reflect competition in the domestic market and foreign insurer participation. Their result shows that personal disposable income and level of financial development significantly relates to insurance development. Since the political philosophy regarding market openness varies from country to country, market structure dummy appeared to be significant.

Beck and Webb (2003) conducted a comprehensive research over 68 countries of the world, paying attention to the question what causes the variance in life insurance consumption between different countries. Four different measures of life insurance consumption and incorporate various economic, demographic and institutional factors used in their research. As a result, they found that countries with higher income per capita level, more developed banking sector and lower inflation tend to consume larger amounts of life insurance. In addition, life insurance consumption is observed to be positively influenced by private savings rate and real interest rate. Such demographic factors as education, life expectancy, young dependency ratio does not have any robust influence on the life insurance consumption.

As to the world bank economic review (2003) the economic indicators such as inflation, income per capital and banking sector development- the religious and institutional indicators are the most robust predictors of the use of life insurance. Education, life expectancy, the young dependency ratio and size of the social security system appear to have no robust association with life insurance consumption.

Lim and Haberman (2003) on their work identified that the savings deposits rate and price change in insurance are two important macroeconomic variables associated with the demand for life insurance in Malaysia. However, the finding on the savings deposits rate fails to show the expected negative sign. They recommended as further research is needed in this respect in order to confirm the relationship between these two variables. A change in the price of insurance has a significant negative relationship with the demand for life insurance.

Li et.al (2007) they analyzed the determinants of aggregate life insurance demand on a cross- section of developed economies. They found that income plays a major role in the consumption of life insurance products. An increase of 1 percent in aggregate income can be expected to induce at least a 0.6 percent increase in aggregate life insurance demand. In particular, the demand for life insurance decreases with the average life expectancy (lower probability of death) and increases with the dependency ratio (number of dependents). Education level is positively related to life insurance demand, whereas the influence of social security expenditure is significantly negative. On the other hand, inflation significantly decreases the demand for life insurance. High real interest rates do not persuade households to purchase more insurance, but actually stimulate them to reduce their purchase either because of higher expected benefits for the same invested amount or because of higher preference for immediate consumption relative to deferred consumption. Based on panel data analysis for 14 selected CIS and CEE countries over the period 1996-2006 Nesterova (2008) found that countries with higher life expectancy at birth, income level, old dependency ratio and countries-members of the European Union have higher levels of life insurance consumption, while financial development indicator, inflation and real interest rate reduce the demand for life insurance across countries.

Celik and Kayali (2009) investigated the determinants of demand for life insurance in cross section of 31 European countries. They found that income is the central variable which affects life insurance consumption. In addition, while the impact of population and income on demand for life insurance is positive, education level and inflation affect life insurance consumption in negative way.

Kakar and Shukla(2010) on their research on determinants of demand for life insurance in an emerging economy -India using logistic regression has confirmed that insured households tend to be more prosperous, more educated and more optimistic about future security than non-insured households. Both the level of education and occupation of the chief earner of a household are major determinants of life insurance participation, apart from asset-ownership. Further, households that are more optimistic about the adequacy of future income and savings show higher levels of participation.

Wang (2010) A study on the life insurance demand in a heterogeneous-agent life cycle economy suggest that the most important determinants of life insurance demand are financial vulnerability, the amount of financial support needed and life insurance premium. And the peak of life insurance demand for single-parent households is well before couple households. Moreover, increasing the number of children attributes a large increase of life insurance demand in single-parent households, but has no significant effect on couple households.

Ibiwoye et.al (2010) on their study examined the determinant of life insurance consumption in Nigeria during the period 1970 – 2005 within an error correction framework. They found that real gross domestic product and structural adjustment policy positively and significantly influence Life Insurance consumption in Nigeria while indigenization policy and domestic interest rate are statistically significant but inversely related to Life Insurance consumption. On the other hand, they discovered that return on investment, inflation rate, openness of the economy and political instability are insignificant predictors of Life Insurance consumption in Nigeria

Redzuan (2011) identified that income is the key determinant in the consumption of life insurance both in the long- and short-run. Evidence also suggests that income has a significant influence on family tactful consumption in the long-run, but its effect is less obvious in the short-run. The number of dependents, level of education, savings in the Employees' Provident Fund (EPF), life expectancy and price of insurance are among the other factors that have a significant impact on the demand for life insurance and family tactful.

Loke and Goh (2011) on their study on demand for life insurance in Malaysia identified that socio-economic factors such as age, income, education, occupation, marital status and

risk aversion play significant roles in the demand for life insurance. However, gender and number of dependents are found to have no significant influence on the demand for life insurance. Gustina and Abdullah (2012) found that, three variables that significantly influence the demand for life insurance, namely GDP per capita, saving and religion. The study reveals that, there are two factors that negatively influence the demand for family takaful i.e. Customer Price Index and Saving. Meanwhile, age, saving and religion are the three factors which give negative influence on life insurance.

Kjosevski (2012) found that GDP per capita, inflation, health expenditure, level of education and rule of law are the most robust predictors of the use of life insurance. Real interest rates, ratio of quasi-money, young dependency ratio, old dependency ratio control of corruption and government effectiveness do not appear to be robustly associated with life insurance demand. Munir and Khan (2012) on their study on impacts of macroeconomic & demographic variables on the demand of life insurance in Pakistan identified that financial development, gross savings, income level are directly linked to life insurance demand while, price of insurance are inversely linked with life insurance demand and the demographic variables of crude birth rate, crude death rate, old age dependency ratio, urbanization are positively related with life insurance demand for Pakistan.

Curak et.al (2013) on their study on the effect of social and demographic factors on life insurance demand in Croatia identified that age, education and employment impact life insurance demand of household in Croatia while gender, marital status and number of family members do not have statistically significant influence.

Mahdzan & Victorian (2013) investigated the determinants of life insurance demand among life insurance policyholders of five major life insurance companies in Kuala Lumpur, Malaysia their results reveals that demographic variables and saving motives were significantly related to life insurance demand. Financial literacy, however, was found to be insignificant in determining life insurance demand. They showed that education level is significantly related to life insurance demand, where individuals with higher levels of education have higher life insurance demand.

Aderaw (2013) on his article on determinants of life insurance in Ethiopia examined the determinants of life insurance by a time series data for the period 1991-2010. He identified that life insurance is determined by per capita income, life expectancy, real interest rate

and inflation. It is suggested that life insurance industry in Ethiopia seriously consider these factors to bring growth in the insurance industry.

## **2.1.4 RELIGION**

What is religion?

A definition of religion is difficult to make, because religion has many facets, many of which do not appear to be religious by themselves. For example, religion involves gathering in groups. It involves communal eating. It involves theoretical discourse about the nature of the universe, and so forth. Countless definitions have been proposed by theoreticians. The most interesting thing is that the average person can tell when others are engaging in religious behavior while many scholars and scientists have problems defining it. The concept of religion is like the concept of culture. It is easy to use in ordinary discourse, but difficult to define precisely. However, it is good to see some of the definitions given by different authors on different materials.

Religion is a human activity that can be easily accepted only within the framework of reality that it creates for itself. If you accept the existence of whatever myth, god, spirit, or supernatural force that a religion proposes, then you can see the logic of all that follows. Religion is the set of beliefs, feelings, dogmas and practices that define the relations between human being and sacred or divinity. A given religion is defined by specific elements of a community of believers: dogmas, sacred books, rites, worship, sacrament, moral prescription, interdicts, and organization.

A religion may be defined with its three great characteristics:

- Believes and religious practices
- The religious feeling i.e. faith
- Unity in a community of those who share the same faith: the Church. It is what differentiates religion from magic.

The English word "religion" is derived from the Middle English "religioun" which came from the Old French "religion." Many people focus on a very narrow definition that matches the individual's own religion, but few others. Religion is a set of beliefs concerning the cause, nature, and purpose of the universe, especially when considered as the creation of a superhuman agency or agencies, usually involving devotional and ritual observances,



and often containing a moral code governing the conduct of human affairs. A specific fundamental set of beliefs and practices generally agreed upon by a number of persons or sects: the Christian religion; the Buddhist religion. Something one believes in and follows devotedly; a point or matter of ethics or conscience: to make a religion of fighting prejudice.

This study will not look in to the details (doctrine) of the religions, but looks whether the involvement of an individual in a religion affects its purchasing behavior of life insurance. For the purpose of this study,

#### a. Religion in Ethiopia

The 2007 census in Ethiopia estimates that 44 percent belong to the Ethiopian Orthodox Church (EOC), 34 percent is Sunni Muslim, and 19 percent belong to Christian evangelical and Pentecostal groups. According to Ncube, basic information about Ethiopia, the composition of the major religion is, Christian 60.8% (Orthodox 50.6%, Protestant 10.2%), Muslim 32.8%, traditional 4.6%, other 1.8%.

According to international journal of peace and development studies 2013 the estimates from the 2007 Ethiopian census showed that the Christian Orthodox are 43.5% and the Muslim population, of 33.9%. In the recent decades, many Evangelical churches have been established in the country and are still growing. There are about 8.6% of these, together with adherents to Pentecostalism. Those who profess traditional religious beliefs are 2.6%, Catholics make up about 0.7% of the population.

#### b. Religious Identity and Economic Behavior

The survey article by Iannaccone (1998) lists twelve religious identities that affect individuals' economic outcomes: risk-taking, individual responsibility, education, criminal activity, suicide, drug and alcohol consumption, physical and mental health, sexual activity, marriage, fertility, divorce, and life satisfaction. A risk taker individual does not think of buying life insurance. Instead believes that GOD is the protector of his life. Risk taking is also fatalistic behavior which develops as a result of involvement in religious beliefs.

However, measuring the causal effect of religion has been hampered by the difficulty of identifying exogenous variation in religious identities. Religious affiliation—even when inherited from one's parents—is likely to be correlated with many unobserved factors that

affect behavior. For example, people whose preferences already align closely with a religion's prescriptions may be more likely to choose it and/or remain in it.

Correlation between behavior and religious affiliation could thus be entirely due to the correlation between exogenous preferences and religion, rather than any causal impact of religion itself. In addition, religious affiliation may be correlated with background variables, such as childhood home environment, that affect behavior but are unobserved or measured imprecisely.

### c. Effect of religion on consumption

Many scholars agree that one of the demographic factors, religion, affects the consumption behavior of consumers. For instance, in market segmentation, Khan (2006) said that one of the bases of segmentation is socio-cultural segmentation as a sub-culture consisting religion. He also classified religion under demographic factors.

According to Solomon (2009), risk aversion is important reason why people decide to buy insurance in general despite the fact that they have to pay for insurance premium more than mathematical expectation of loss. Thus, it is expected that risk aversion has positive effect on life insurance purchase as well. It is assumed that the religion of an individual affects whether the person is risk averter or not. Marketing scholars have not studied religion extensively, possibly because many view it as a taboo subject. Religious sub cultures have an impact on consumer variables such as personality, attitudes toward sexuality, birthrates and household formation, income, and political attitudes. Church leaders can encourage consumption, but more importantly, they discourage it- sometimes with powerful effects. On religious front, Henderson and Milhouse (1987) argue that an individual's religion can provide an insight into the individual's behavior; and understanding religion is an important component of understanding a nation's unique culture. In some Muslim dominated countries, the religious beliefs inhibit those forms of insurance that facilitate speculation of future events, thereby discouraging growth of the insurance sector. Consumers in Islamic nations purchase less life insurance policies, which is reflected in the below global average life insurance penetration in Muslim dominated countries, such as the United Arab Emirates, Qatar, and Kuwait.

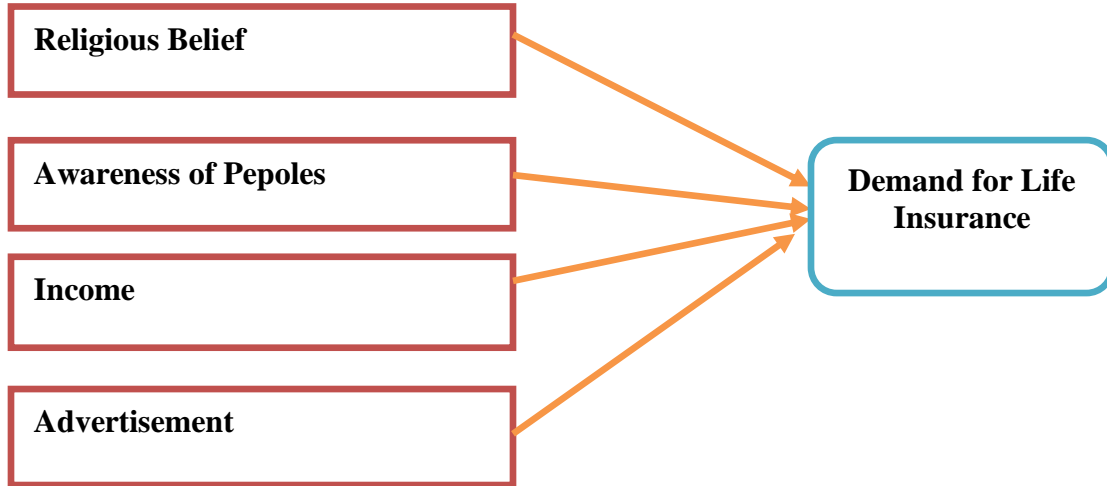
Dependency on a belief based on religion negatively affects the consumption of life insurance. This was proved by different researchers that:

- o a religious principle forbids buying life insurance
- o Purchasing life insurance policy means abuse of Allah's/GOD's protective ability
- o Religion encourages other method of risk management rather than buying life insurance.

In his research, Zeilzer (1979) concluded that religion has created a negative perception about life insurance since long time. Religious people, especially, Catholics, Muslims and a few other sects oppose life insurance coverage thinking that it is an insult to the God's power of protection. Religion and culture can affect a person's perception on risk aversion which results in less demand for life insurance. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. He also states that religious antagonism to life insurance still remains in several Islamic countries. In similar vein, Wasaw and Hill (1986) tested the effect of Islam on life insurance consumption using an international data set. The results of their study indicate that, *ceteris paribus*, consumers in Islamic nations purchase less life insurance than those in non-Islamic nations. In addition, the religious inclination of a population may affect its risk aversion (Beck and Webb, 2003). Browne and Kim (1993) find Islamic beliefs to significantly decrease life insurance purchases. It is expected that a high percentage of religious people in a country negatively affect insurance purchases, especially in Islamic countries. Prior studies have indicated the presence of strong negative correlation between the share of Islamic believers in a country's population and the demand for life insurance. Unlike other studies, the result of an exploratory study conducted by Badru, Yusuf, and Isola (2013), in Lagos Nigeria shows that Nigerians' religious persuasions do not impact negatively on insurance patronage.

### **Conceptual Framework**

The conceptual frame work of the study is developed to find out the interrelation between independent variables and dependent variable. The independent variables are Income, Religion, Awareness and Advertisement while, the dependent variable is Life insurance demand.



(source: adopted based on the theories)

Figure 1.1 Conceptual framework of the study

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHDOLOGY**

#### **3.1. RESEARCH DESIGN**

In order to achieve the objectives stated in the preceding section and considering the nature of research problem and the research perspective, this study mainly employed both qualitative and quantitative research approach by comprising descriptive design on the determinants of life insurance demand in Ethiopia. Therefore, the study is also an explanatory type research.

#### **3.2. TARGET POPULATION AND SAMPLING TECHNIQUE**

The researcher used convenience sampling technique from non-probability sampling techniques. In order to generalize, the research findings to the whole Ethiopia, the researcher has selected major cities Addis Ababa. These cities have more number of employees in every sector where the life of individual workers are also at risk. The areas under study for Addis Ababa areas were which have more condensed with population and business areas. Business centers like different shops are also considered in order to include both business owners and paid workers. Governmental and non-governmental offices except insurance companies and other companies which buy life insurance for employees are also used to collect the primary data. Sample size is 483 from infinite population (see apendex III), but the returned questionnaires was 273. Therefore, the analysis is conducted based on the 273 questionnaires.

#### **3.3. DATA COLLECTION TOOLS**

The data collection tools used to obtain the desired information from primary sources were a questionnaire. The questionnaire comprised 33 questions, out of which 7 questions seek information on demographic characteristics of respondents, and the rest 26 questions are designed to gather data on awareness, income, religious, advertisement factors and overall demand for life insurance. All of the 26 questions are designed using a five-point likert scale in which respondents are required to give their response in selecting either strongly disagree,

disagree, neutral, agree, or strongly agree.

Designed by Rensis Likert, Likert scale is a very popular rating scale for measuring ordinal data in social science research. This scale includes Likert items that are simply-worded statements to which respondents can indicate their extent of agreement or disagreement on a five or seven-point scale ranging from “strongly disagree” to “strongly agree” (Bhattacharjee, 2012).

### **3.4. PROCEDURE OF DATA COLLECTION**

Structured questionnaires were designed using a 5-point Likert scale item. In order to capture the interest of the respondents a total of 33 questions including 3 open ended question are prepared in a 4-page single paper format. To avoid misunderstanding of some questions, a pilot survey was performed and adjustments were done on the questions. The researcher believed that questions related to life insurance, needs clarification of some concepts to respondents. Therefore, in order to minimize the non response rate, field survey was performed by the researcher and by intimate friends. Know in a day's in the case of COVID 19 it's difficult to address all the city to distribute the questioner's so that, the researcher used social media like telegram and Gmail to distribute questioners.

### **3.5. METHOD OF DATA ANALYSIS**

Descriptive and inferential analysis of data was applied at the first stage of the analysis. At this stage of the analysis frequency tables, and the central tendency measures of an ordinal scale. The specific rating scales (scale properties) used in the data collection are, Likert rating scales, and nominal rating scales which are not binary (itemized rating scale also known as numerical scale).

# CHAPTER FOUR

## 4. DATA ANALYSIS AND INTERPRETATION

### 4.1. INTRODUCTION

As stated previously, the main objective of this study is to investigate income, religious, awareness, and advertisement factors on the demand for life insurance by taking a sample of 300 uninsured people. In calculating the sample size, above age 20 and less than 65 was taken as a sample respondents. From the total of 483 questionnaires 273 are found error free and used for this survey purpose. That means, it is above 57% return rate was achieved from the total questionnaires distributed. Therefore, the entire analysis given in this study is based on the actual returned number, which is 273.

### 4.2 ANALYSIS OF DEMOGRAPHIC INFORMATION

The first part of the questionnaire consists of the demographic information of the participants particularly with regarding to respondents variables of age, gender, marital status, educational level, employment status, income category. This data is summarized and presented under the following charts.

Figure 1: Respondents Gender Composition

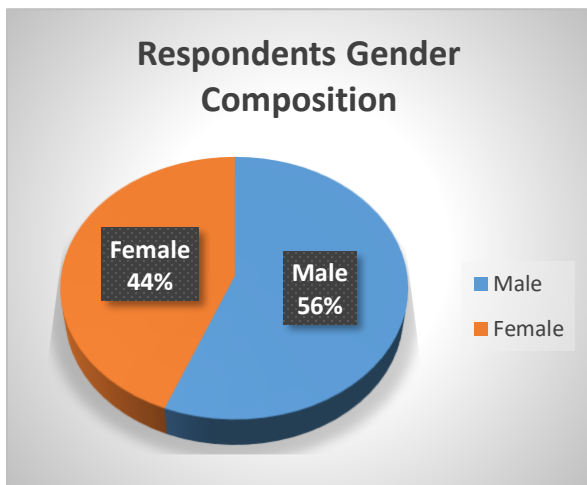
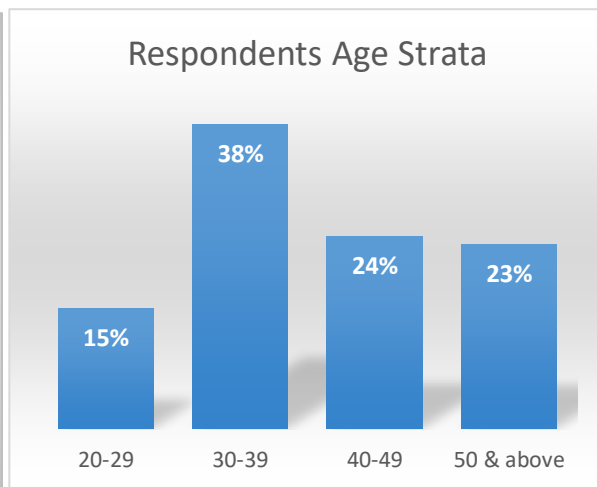


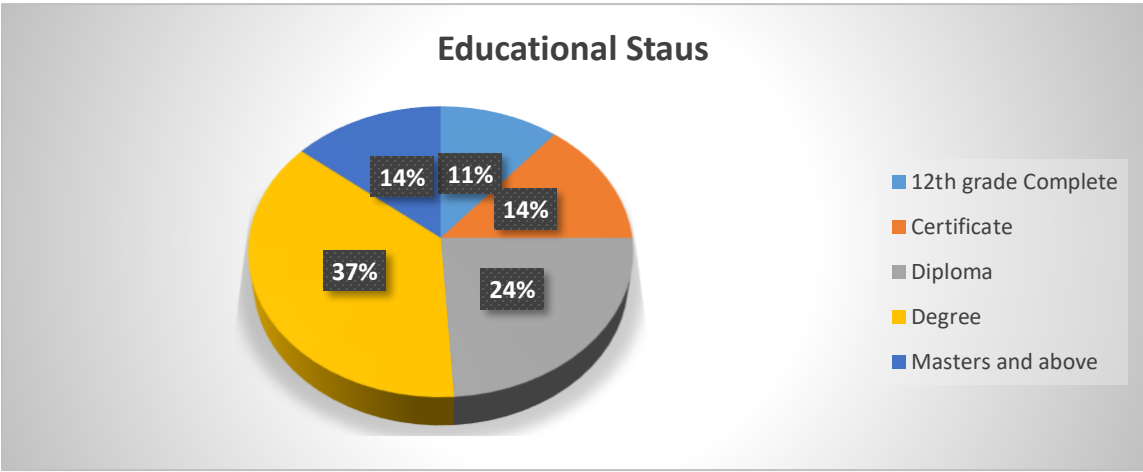
Figure 2: Age Strata



Source: primary data 2021

As it can be seen from the above pie chart, from the total of 273 respondents, 56% of respondents are males while the rest 44% are females respondents. This depicts that most of respondents were male. In addition, concerning on respondents age proportion most, about 38% of respondents are within the age of 30-39 taking the largest share, followed by age category of 40-49, 50 & above by 20-29 which takes 24%, 23%, 15%, respectively. This indicates that almost all proper age strata has been addressed in the study.

Figure 3: Educational Status

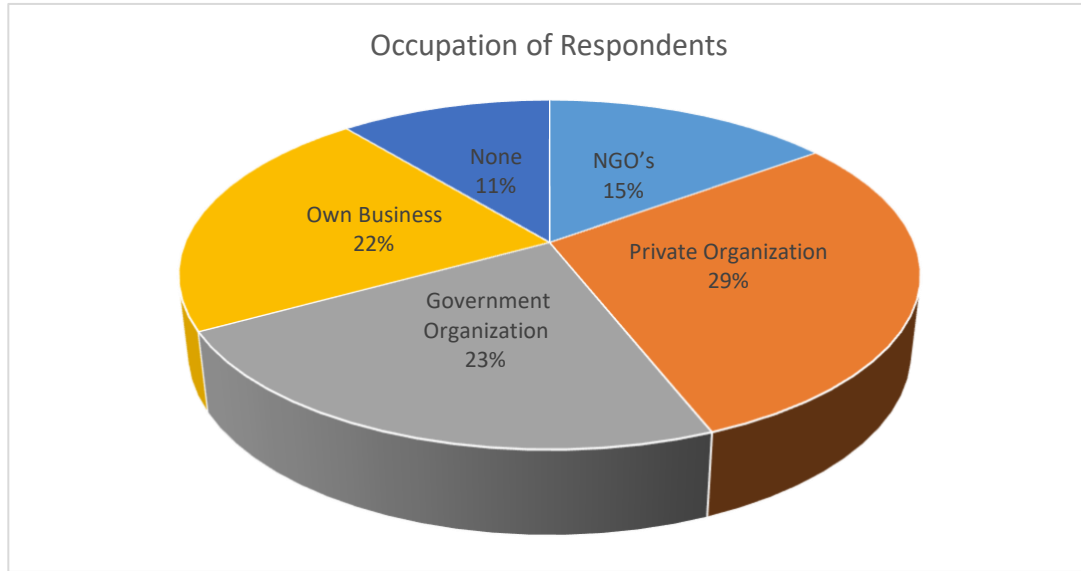


Source: primary data 2021

As it can be seen from the total respondents, the largest share in educational level is degree, which accounts is 37% followed by Diploma, Certificate, Masters & above, 12<sup>th</sup> grade complete, by 24%, 14%, 14%, and 11%, respectively. This shows that most of respondents are literates, so that their response will be considered as reasonable.



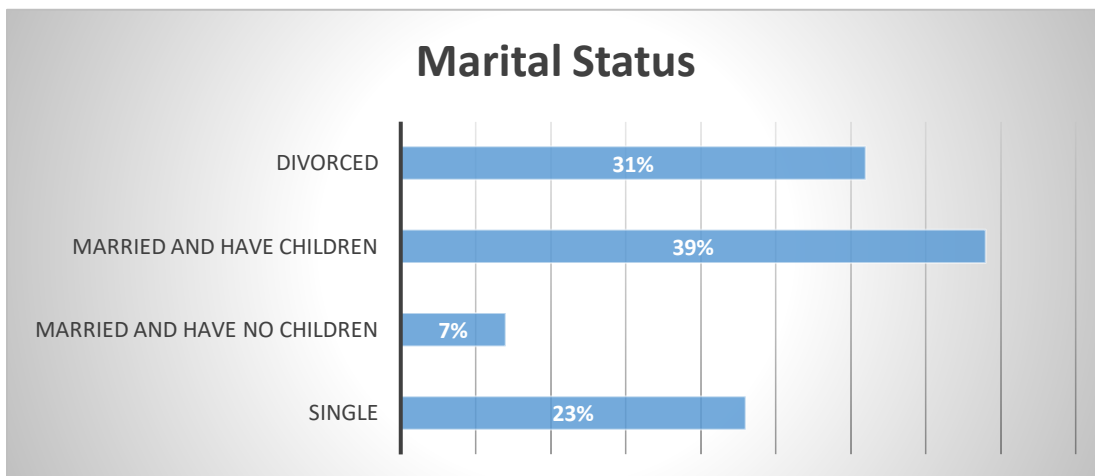
Figure 4: Occupation of Respondents



Source: primary data 2021

Focusing on the employment and occupation status of respondents, 29% of respondents were from private organizations, 23% of respondents were from government organization, 22% were from own businesses and the least proportion holders were from NGO and No work, which accounts 15% and 11%, respectively.

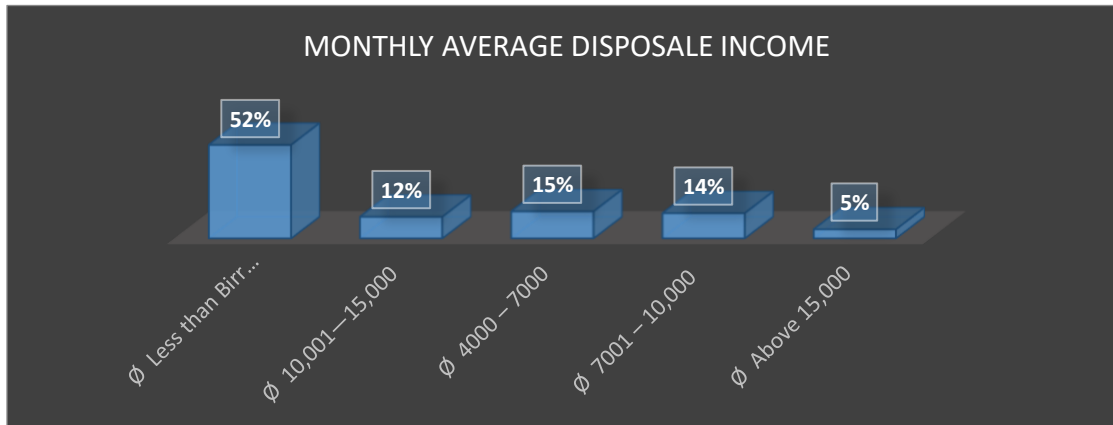
Figure 5: Marital Status



Source: primary data 2021

As indicated on the above chart, 39% of respondents were married and have children, 31% were divorced, 23% were from single (bachelor) and 7% married and have no children. This depicts that, the respondents' composition from a marital perspective, it has been addressed all relevant groups.

Figure 6: Monthly Average Disposal Income



Source: primary data 2021

As stated on the above graph concerning on monthly average disposal income, about 52% of respondents' monthly average disposal income were less than Birr 4,000, 15% are between Birr 4,000-7,000, 14% of respondents were between Birr 7,001-10,000, 12% were between Birr 10,001-15,000 and the least proportion of respondents were addressed by Birr above 15,000, accounts for 5%.

### 4.3 DESCRIPTIVE STATISTICS OF PRIMARY DATA

#### 4.3.1 DESCRIPTIVE ANALYSIS, AND INTERPRETATION OF AWARENESS FACTOR

Based on the responses gathered from respondents, the researcher tried to identify whether the factors identified have affected demand for life insurance. The questionnaires were designed by using Likert Scale for both the independent and the dependent variables, where almost all the statements were measured on a five-point Likert scale with 1 = strongly disagree; 2 = disagree; 3 = undecided; 4 = agree; and 5 = strongly agree. The questions were categorized under measurement of awareness, measurement of income, advertisement and measurement for religious reasons against life insurance, measurement for overall demand for life insurance.

The following table shows that the primary data gathered from respondents in order to measure awareness level. Eight questions have been constructed intended to measure the awareness and knowledge of life insurance were prepared.

**T a b l e 4.3.1: DESCRIPTIVE ANALYSIS, AND INTERPRETATION OF AWARENESS FACTOR**

Role, benefit, the provider, price, and availability, of life insurance	Likert-type scale	Frequency	Percent
Understand the benefit of having life assurance	Strongly Disagree	44	16%
	Disagree	71	26%
	Undecided	108	40%
	Agree	18	7%
	Strongly Agree	32	12%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
Protection benefit of life assurance	Strongly Disagree	14	5%
	Disagree	51	19%
	Undecided	190	70%
	Agree	12	4%
	Strongly Agree	6	2%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
Saving benefit of life insurance	Strongly Disagree	22	8%
	Disagree	91	33%
	Undecided	141	52%
	Agree	16	6%
	Strongly Agree	3	1%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
Life assurance provides financial security to the family, when the income earner dies.	Strongly Disagree	16	6%
	Disagree	34	12%
	Undecided	205	75%
	Agree	12	4%
	Strongly Agree	6	2%

T o t a l		2 7 3	1 0 0 %
The availability of life insurance in Ethiopia	Strongly Disagree	12	4%
	Disagree	18	7%
	Undecided	233	85%
	Agree	3	1%
	Strongly Agree	7	1%
T o t a l		2 7 3	1 0 0 %
How much to pay to buy life insurance	Strongly Disagree	245	90%
	Disagree	12	4%
	Undecided	10	4%
	Agree	4	1%
	Strongly Agree	2	1%
T o t a l		2 7 3	1 0 0 %
Where to buy life insurance/the company selling life insurance	Strongly Disagree	35	13%
	Disagree	40	15%
	Undecided	18	7%
	Agree	82	30%
	Strongly Agree	98	35%
T o t a l		2 7 3	1 0 0 %
Why people decide to buy life insurance in general	Strongly Disagree	139	51%
	Disagree	71	26%
	Undecided	49	18%
	Agree	10	4%
	Strongly Agree	4	1%
T o t a l		2 7 3	1 0 0 %

Source: primary data 2021

According to data from the above table, about 42% of respondents do not understand the benefit of having life insurance. Only 19% of respondents have positive response about the benefit of having life insurance. This shows that, there is a wider gap among the society about

the benefit of having life insurance. Concerning on the protection benefit of life insurance, about 24% of respondents reacted as they don't know the protection benefit of life insurance, only 6% respondents were replied as they do know and the largest respondents were answered niether nor option from likert scale. As observed from this analysis, there is a lack of awareness about the issue of protection benefit of life insurance.

Regarding to the saving benefit of life insurance, assurance provides financial security to the family and the availability of life insurance in Ethiopia, almost all respondents were fail to decide on the issue or they were replied the option of undecided. This indicate that, the peopele awareness about the benefit of life insurance, assurance provision to the family and the availability of life insurance in Ethiopia are very limited in scope.

About 94% of respondents do not know about the price of life insurance product and 77% respondents don't know why people decide to buy life insurance in general, however 66% of respondents know where to buy life insurance. From this descriptive data we can see that there is a large gap in awareness and knowledge of life insurance. From a total of 8 questions intended to measure awareness, it is only the knowledge of where to buy life insurance, which scored 25% positive response (agree and strongly agree). This might be due to the effort of some promotional media or personal experience. The customer must first know what the core benefit the product will provide and life insurance policy at the most basic level. As enumerated by different writers, life insurance is classified under 'unsought' goods classification of consumer products, which means it needs an aggressive promotion to acquire more customers. In general, from this data, we can conclude that there is a very low level of awareness of life insurance in Ethiopia.

#### **4.3.2 DESCRIPTIVE ANALYSIS, AND INTERPRETATION OF INCOME DATA**

To assess whether people are not buying life insurance because of lower purchasing power or not, four questions related to income issues are raised. Respondents were asked to provide their response on selected items by using a 5-point Likert-type scale, ranging from 'strongly disagree' to 'strongly agree'. The strongest favorable response is scored as 5, whereas the strongest unfavorable response as 1. The questions are presented below with their responses.

#### 4.3.2 DESCRIPTIVE ANALYSIS, AND INTERPRETATION OF INCOME DATA

Reasons associated to income	Likert-type scale	Frequency	Percent
My current income cannot cover the cost of life insurance/I cannot afford it	Strongly Disagree	14	5%
	Disagree	16	6%
	Undecided	70	26%
	Agree	67	25%
	Strongly Agree	106	38%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
Cost-of-living expenses are keeping me from buying life insurance.	Strongly Disagree	0	0%
	Disagree	1	0%
	Undecided	2	1%
	Agree	110	40%
	Strongly Agree	160	59%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
I will most probably buy life insurance if my income is increased	Strongly Disagree	7	3%
	Disagree	9	3%
	Undecided	4	1%
	Agree	50	18%
	Strongly Agree	203	75%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
I am willing to buy life insurance if the price is within my purchasing power	Strongly Disagree	3	1%
	Disagree	8	4%
	Undecided	8	3%
	Agree	89	32%
	Strongly Agree	163	60%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>

Source: primary data 2021

According to the above table related to income factors, about 63% of respondents believe that their current income cannot cover the cost of life insurance. While 11 % of the respondents fail to decide on the issue, about 26% of them were disagree. Again, 99% of respondents accepted that cost-of-living expenses are keeping them from buying life insurance. About 93% of respondents answered the option as they will most probably buy life insurance if their income is increased. Moreover, with respect to the issue of purchasing power, about 92% of respondents were willing to buy life insurance if the price is within their purchasing power, and 3% of the respondents fail to decide. Only 5% of them fail to accept the idea of buying even if the price is within their purchasing power.

As it can be seen from the above descriptive statistics, the decision of almost all respondents were similar from the income factor perspective, they perceived as their current income cannot cover the cost of life insurance and cost-of-living expenses are keeping them from buying life insurance. Nonetheless, on the contrary, they agreed on the issue of buying life insurance if their income is increased and considering their purchasing power.

#### 4.3.3 DESCRIPTIVE ANALYSIS ON RELIGION FACTORS

The same questions are forwarded to all religious groups and the response is summarized in the following table.

#### 4.3.3 DESCRIPTIVE ANALYSIS ON RELIGION FACTORS

Religious reasons against insurance	Likert-type scale	Frequency	Percent
There is a principle on my religion forbidding buying life insurance policy	Strongly Disagree	112	41%
	Disagree	91	33%
	Undecided	40	15%
	Agree	22	8%
	Strongly Agree	8	3%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
Purchasing life assurance policy means abuse of 'Allah's/GOD's protective ability	Strongly Disagree	138	51%
	Disagree	88	32%

	Undecided	13	5%
	Agree	19	7%
	Strongly Agree	15	5%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
My religion encourages to use other methods of risk management rather than buying life insurance	Strongly Disagree	3	1%
	Disagree	11	4%
	Undecided	4	1%
	Agree	49	18%
	Strongly Agree	206	75%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>

Source: primary data 2021

With respect to the factors associated to religion, about 74% of respondents were didn't accept that there is a principle on religion that forbidding buying life insurance policy, about 15% of respondents were fail to decide about the presence of religious principle and 11% were agree about the religen have a principle not to buy insurance. About 83% of respondents do not believe that purchasing life insurance policy means abuse of Allah's/GOD's protective ability.

This indicates that, religion factor is not a negative factor to restrain from purchasing a life insurance. However, with related to other critical techniques to minimize risks, about 93% of respondents were accepted the statement that says “ my religion encourages to use other methods of risk management rather than buying life insurance.

**4.3.4 DESCRIPTIVE ANALYSIS ON ADVERTIZMENT FACTORS**

To assess whether people are not buying life insurance because of the advertizment or not, five advertizment related questions are raised and respondents were asked to put their response on all particular items by using a 5-point Likert-type scale, ranging from ‘strongly disagree’ to ‘strongly agree’. The strongest favorable response is scored as 5, whereas the strongest unfavorable response as 1. The questions are presented on below table with their responses.



#### 4.3.4 DESCRIPTIVE ANALYSIS ON ADVERTIZMENT FACTORS

Attractive, Credibility, Message Variable, Message structure and Media Frequency	Likert-type scale	Frequency	Percent
The presentation of insurance company's message is accurate about life insurance?	Strongly Disagree	169	62%
	Disagree	67	25%
	Undecided	23	8%
	Agree	11	4%
	Strongly Agree	3	1%
T o t a l		2 7 3	1 0 0 %
The insurance companies message feels a sense of similarity for your interest about life insurance?	Strongly Disagree	32	12%
	Disagree	22	8%
	Undecided	191	70%
	Agree	16	6%
	Strongly Agree	12	4%
T o t a l		2 7 3	1 0 0 %
The advertisement of the insurance Company's easily differentiates	Strongly Disagree	200	74%
	Disagree	55	20%
	Undecided	12	4%
	Agree	4	1%
	Strongly Agree	2	1%
T o t a l		2 7 3	1 0 0 %
The advertisement of the insurance Company's message arrangement is effective?	Strongly Disagree	198	73%
	Disagree	40	15%
	Undecided	18	7%
	Agree	8	3%
	Strongly Agree	9	3%
T o t a l		2 7 3	1 0 0 %
The insurance company's uses different media Channels to promote Life insurance?	Strongly Disagree	220	81%
	Disagree	21	8%
	Undecided	20	7%
	Agree	7	3%
	Strongly Agree	5	2%
T o t a l		2 7 3	1 0 0 %

Source: primary data 2021

From the above table we can see that:

➤ About 86% of the respondents' are disagree about the presentation of insurance company's message is accurate about life insurance, 8% are fail to answer and 13% are believed that the accurate of the message. This shows that, the intended message is not accurately addressed the target audience. About 70% of respondents were replied for undecided about insurance companies message feels a sense of similarity for your interest about life insurance 20% answered disagree and 10% agree.

Concerning on the differentiaton, about 93 % of respondents were replied as insurance companies do not have easily differentiated advertisement. This shows that, all insurance companies have similar messages/promotion campaign to inform, remind and persuade customers.

Related to the question of effectiveness of message arrangement of insurance companies, bout 87% of respondent were disagree for advertisement of the insurance Company's message arrangement is effective. This means, the based on the respondents' perception the advertisement of the insurance companies' message arrangement is not effective and well-tailored. In addition, about 88% of the respondent expressed their opinion as the insurance companies are not uses different media channels to promote life insurance.

**Table 4.3.5: SUMMARY OF RESPONSE TO EACH QUESTION ON OVERALL DEMANDFOR LIFE INSURANCE**

Questions on overall demand for life insurance	Likert-type scale	Frequency	Percent
My dependents prefer life insurance for financial security	Strongly Disagree	209	77%
	Disagree	50	18%
	Undecided	10	3%
	Agree	2	1%
	Strongly Agree	2	1%

<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
I have the desire to bequeath funds to my dependents and provide income for my retirement	Strongly Disagree	68	25%
	Disagree	116	42%
	Undecided	27	10%
	Agree	33	12%
	Strongly Agree	29	11%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>
I have positive attitude towards purchasing life insurance	Strongly Disagree	190	70%
	Disagree	60	22%
	Undecided	14	5%
	Agree	6	2%
	Strongly Agree	3	1%
<b>T o t a l</b>		<b>2 7 3</b>	<b>1 0 0 %</b>

Source: primary data 2021

- As it can be seen from the above table, regarding to the overall demand for life insurance, about 95% of the respondents expresses as their dependents do not prefer life insurance for financial security, this indicates that there is very low demand for life insurance.
- About 67% respondents were do not have the desire to bequeath funds to dependents and provide income for retirement.
- About 92% of respondents were don't have positive attitude towards purchasing life insurance.

Due to the above mentioned overall points for the life insurance demand, clearly indicates that there is extremely low level of demand for life insurance.

**TABLE 4.4 CORRELATION ANALYSIS**

	Income	Awareness	Religion	Advertisement	Demand for life insurance
Income	1	.884**	.961**	.678**	.810**
Awareness	.884**	1	.865**	.904**	.956**
Religion	.961**	.865**	1	.677**	.551**
Advertisement	.678**	.904**	.677**	1	.942**
Demand for life insurance	.570**	.856**	.551**	.942**	1

Source: SPSS Version 25(2018)

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

Correlation is significant at the 0.05 level (2-tailed). As it is clearly indicated in the above table, a strong positive relationship was found between demand for life insurance and awareness ( $r = .956, p < .05$ ), demand for life insurance and advertisement ( $r = .942, p < .05$ ), demand for life insurance and income ( $r = .810, p < 0.05$ ), demand for life insurance with religion ( $r = .551, p < 0.05$ ), which are statistically significant at 95% confidence level. Whenever there is awareness, advertisement, income, and religion influence is conducive all these factors and demand for life insurance were positively correlated, and if all these factors are not conducive demand for life insurance can decrease. This implies that at a 5% level of significance it was discovered that the advertisement, income, and religion plays a significant role in determining demand for life insurance.

## 4.5 REGRESSION ANALYSIS

For the purposes of determining, the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated under here.

### 4.5.1 Model Summary

Regress demand for life insurance (as dependent variable) on the selected variables (as

independent variables) using multiple linear regressions.

Table 4.5.1. Multiple Regression Model Summary

Model Summary		R	R Square	Adjusted R Square	Std. Error of the Estimate		
<b>1</b>		<b>.97</b>	<b>.94</b>	<b>.93</b>	<b>.22</b>		
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.400	.136					
Religion	.276	.049	.115	-5.581	.000	.075	3.38
Advertisement	.660	.052	.573	12.642	.000	.116	4.11
Awareness	.807	.069	.836	11.725	.000	.047	3.30
Income	.280	.073	.254	-3.826	.000	.054	2.08

Source: SPSS Version 25(2018)

Variables for the sample of 273 respondents, the table revealed that the correlation between the observed demand for life insurance and the optimal linear combination of the independent variables (religion, advertisement, awareness and income) is 0.97, as indicated by multiple R. Besides, given the R Square value of 0.94 and adjusted R square value of 0.93, it may be realized that 93% of the variation in demand for life insurance can be explained by the independent variables. The remaining 7 % of the variance is explained by other variables, which were not included in this study. The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below. Predicted demand for life insurance = 0.115 (Religion) + 0.573 (Advertisement) + 0.836 (Awareness) + 0.254 (Income). Table 4.5.1 shown that, all the explanatory variables included in this study can significantly explain at 95% confidence level to the variation on the demand for life insurance. The standardized beta coefficient column showed the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant). As these are standardized, we can compare them. Thus, the largest

influence in demand for life insurance is from the awareness (.836), advertisement (.573). On the other hand, income (.254) and religion with the beta value of .115 were lower influencers.

According to the open ended question for the attractiveness of advertising method, almost all respondents were replied that their advertisement methods are not attractive as compared to other type of businesses for life insurance and also regarding to their preference about advertisement, they were generalized by to use unique marketing efforts, like donation, corporate social responsibility, flyers and using an attractive & repeated promotions via different channels.

## CHAPTER FIVE

### 5. MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 MAJOR FINDINGS

As obtained relevant information from this analysis, the researcher has drawn the following major findings.

- There is a wide of awareness about the benefit of life insurance, assurance provision to the family and the availability of life insurance in Ethiopia are very limited in scope.
- According to their perception, current income cannot cover the cost of life insurance and cost-of-living expenses are keeping them from buying life insurance. But, on the other side, the tendency of respondents on the issue of buying life insurance depend on the increment of income and considering capability of purchasing power.
- With respect to the factors associated to religion, principle on religion that forbidding buying life insurance policy, the presence of religious principle and the issue of purchasing life insurance policy means abuse of Allah's/GOD's protective ability are not contradict from the concept of life insurance. This specifies that, religion factor is not a negative factor to restrain from purchasing a life insurance. However, the religion encourages to use other methods of risk management rather than buying life insurance.
- The largest influence in demand for life insurance were from the awareness and advertisement variables. On the contrary, income and religion factors were lower influencers.
- Concerning on the issue of effectiveness of message arrangement of insurance companies, the advertisement of the insurance companies' message arrangement is not effective and well-tailored. Moreover, the insurance companies are not uses variety media channels to promote life insurance.

## **5.2 CONCLUSION**

Generally, the overall demand for life insurance expressed as dependents do not prefer life insurance for financial security, bequeath funds to dependents & provide income during retirement. As a result of this, overall points for the life insurance demand, clearly shows that there is extremely low level of demand for life insurance. Moreover, the attitude of people toward life insurance is at embryonic stage due to different factors, therefore insurance companies need to activate the consumer's mind to realize those aspects of marketing strategy which can be managed directly and specifically by consumer communication. But the point is how to make it effective? Advertising strategy need to be clearly stated on a piece of paper, and agreed up on by all concerned, so that creative work can have a benchmark against which objective evaluation becomes possible because effective advertising is possible only if suitable media are available.

The result of this study reveals that in spite of so many other mediums for providing information and advertisement about the insurance products Television scores over the web on parameters such as catching viewers' attention, increasing purchase possibility and in changing and maintaining attitude towards the advertised products or services and towards the image of the advertiser. Users consider that advertising to be entertaining which should also stimulate emotions among them

## **5.3 RECOMMENDATIONS**

To address the major objective of this study, the researcher provided the following possible solutions as relevant recommendation points.

- ❖ Insurance companies should create awareness through various promotional efforts like aggressive promotion, public relation, promotional campaign and corporate social responsibilities.
- ❖ Based on the conclusions drawn above, it is highly advisable insurance companies to change their advertising practice especially considering bridging the gap between company's advertising message and customers particular need in regard to providing valued information to all customers in all areas as per their convenience since without identifying and addressing those identified needs of customers, there is no service giving at all.



- ❖ The price of life insurance should consider the purchasing power of the society. So, the insurance companies are advised to set reasonable and fair price for life insurance scheme.
- ❖ In order to inform, persuade and remind target customers accurately, the insurance companies should concern on the issue of designing effective messages with proper arrangement.
- ❖ The advertisement of the insurance companies should be well-tailored according to the culture, language and religion of the society.
- ❖ The insurance companies should use variety media channels (IMC: Integrated Marketing Communication) to promote life insurance.
- ❖ According to the conclusion this research majority of the respondent says are the company's advertisement rating regarding to the credibility of advertising practice of the company in relation message accurate does not in good quality in relation to persuasive, accuracy of messages, and Trustworthiness. So the company must develop the positive part and try to eliminate or minimize the negative responses showed above. By setting different strategies and the all insurance companies top management should give due attention by giving fast decision; increasing promotional budget; assigning well trained employees and also Successful advertising aims to not just to inform, demonstrate, attractor entertaining the consumer, but to persuade them to buy.
- ❖ The advertisement information released from the company should be in a more attractive way. There for the company must work hard on its advertising methods in order to be suitable for its customer and also to enhance it's attractive within the market since other competitors are highly in joining the market rapidly. This implies that in order to be suitable and likable by its customers must work hard in introduction of new advertisers with integration of new creativity. To attract the so called Y-Generation (young and educated), the company should use SMS, email, mail, and other modern marketing ways of advertising. Moreover, the company shall introduce social media advertisings such as Face book and twitter.

- ❖ Insurance companies should work strongly with collaboration with various governmental agencies and deliver well-designed training/workshop to create positive attitude among the society about the overall life insurance.

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## APPENDIXES

### Appendix 1: Questionnaire



**St. Mary University**

**School of Graduate Studies**

**Questionnaire to be filled by Customer of Insurance Company's and other people in Ethiopia**

#### **Objective of the Questionnaire**

This Questionnaire is designed for the purpose of undertaking a research on the title "*Factors Affecting Demand for Life Insurance in Ethiopia*". You are kindly requested to cooperate by giving your response for the following questions. Your responses will be treated with the strict confidentiality and shall be used only for an academic purpose. I am Masters Graduate Student who conducts research and finally I want to appreciate for your cooperation.

#### **General Instructions:**

- > There is no need to write your name.
- > Put a Tick Mark in the Box Provided

## Part One

### General Characteristics of the Respondents

#### 1. Sex

A. Male

B. Female

#### 2. Age

A. 20-29

C. 40-49

B. 30-39

D. 50 and above

#### 3. Employment status

A. Business Owner

C. Any other

B. Employee (paid worker)

D. None

#### 4. Education Background

A. 12<sup>th</sup> grade Complete

C. Diploma

E. Masters and above

B. Certificate

D. Degree

#### 5. Occupation

A. NGO's

C. Government Organization

E. No Income

B. Private Organization

D. Own Business

#### 6. Marital status

A. Single

C. Married and have children

B. Married and have no children

D. Divorced

#### 7. Your Monthly average disposable income

A. Less than Birr 4000

C. 4000 – 7000

E. Above 15,000

B. 10,001—15,000

D. 7001 – 10,000

## Part Two

**1. Questionnaire directly related to Income**

Reasons associated to income	1	2	3	4	5
	Strongly disagree	disagree	undecided	agree	Strongly-agree
My current income cannot cover the cost of life insurance/I cannot afford it					
Cost-of-living expenses are keeping me from buying life insurance.					
I will most probably buy life insurance if my income is increased					
I am willing to buy life insurance if the price is within my <b>purchasing power</b>					

**2. Questionnaire directly related to Awareness**

Role, benefit ,the provider, price, and availability, of life insurance	1	2	3	4	5
	Strongly-disagree	disagree	Undecided	agree	Strongly-agree
I understand the <b>benefit of having</b> life					
I know the <b>protection benefit</b> of life					
I know the <b>saving benefit</b> of life insurance					
I know that Life assurance provides <b>financial security to the family.</b>					
I know the <b>availability</b> of life insurance in					
I know <b>how much to pay</b> to buy life					
I know <b>where to buy</b> life insurance/the					
I know <b>why people decide to buy</b> life					

**3. Questionnaire directly related to Religion**

	1	2	3	4	5

Religious reasons against insurance	<b>Strongly disagree</b>	disagree	Undecided/ I do not	agree	Strongly agree
There is a principle on <b>my religion</b> forbidding buying life insurance policy					
Purchasing life assurance policy means abuse of Allah's/GOD's protective ability					
<b>My religion</b> encourages to use other methods of risk management rather than buying life					

#### 4. Questionnaire directly related to Advertisement

Advertisement Attractive, Credibility, Message Variable, Message structure and Media Frequency.	1	2	3	4	5
	Strongly disagree	disagree	Undecided/ I do not know	agree	Strongly agree
The presentation of insurance company's message is accurate about life insurance?					
The insurance companies' message feels a sense of similarity for your interest about life insurance?					
The advertisement of the insurance Company's easily differentiates					
The advertisement of the insurance Company's message arrangement is effective?					
The insurance company's uses different media Channels to promote Life insurance?					

### Part Three

#### 1. Questionnaire directly related to overall Demand Life Insurance

Questions	1	2	3	4	5
	Strongly disagree	disagree	Undecided	agree	Strongly agree



My dependents prefer life insurance for financial security					
I have the desire to bequeath funds to my dependents and provide income for my retirement					
I have <b>positive attitude</b> towards purchasing life insurance					

1. Do you think that, the insurance company’s advertising method attractive? If no please specify

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2. Which kind of Life insurance advertisement methods do you prefer?

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3. Do you have any comment about life insurance that becomes an input for the study?

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Thank you

**Appendix II Insurance Companies Currently Selling Life Insurance Policies**

	<b>Insurance company's Name</b>	<b>life insurance</b>	<b>Non-Life Insurance</b>
<b>1</b>	Ethiopia Insurance Corporation	Yes	Yes
<b>2</b>	National Insurance Company of Ethiopia S.C	Yes	Yes
<b>3</b>	Awash insurance company S.C	Yes	Yes
<b>4</b>	United Insurance company	Yes	Yes
<b>5</b>	Africa Insurance Company S.C	Yes	Yes
<b>6</b>	Nile insurance Company S.C	No	Yes

<b>7</b>	Nyala Insurance Company S.C	Yes	Yes
<b>8</b>	Global insurance Company S.C	No	Yes
<b>9</b>	Nib insurance Company S.C	Yes	Yes
<b>10</b>	Lion insurance Company S.C	No	Yes
<b>11</b>	Ethio Life and General Insurance S.C	Yes	Yes
<b>12</b>	Oromia Insurance Company S.C	No	Yes
<b>13</b>	Abay Insurance S.C	Yes	Yes
<b>14</b>	Berhan Insurance S.C	No	Yes
<b>15</b>	Tsehay Insurance S.C	No	Yes
<b>16</b>	Lucy insurance S.C	No	Yes
<b>17</b>	Bunna Insurance S.C	No	Yes
<b>18</b>	Zemen Insurance S.C.	No	Yes
	<b>Total Give the service</b>	<b>9</b>	<b>18</b>

source; insurance Company's Web

### Appendix III: Population for the survey

Age structure	% of population	Population
15-24	32%	21,048,272
25-54	55%	35,587,838
55-64	7%	4,783,925
Over 64	6%	3,654,335
<b>Total</b>		<b>65,074,370</b>

Source: World fact book 2020.

$$n = \frac{Z^2 \sigma^2}{e^2}$$

z = the value of the standard variate at a given confidence level (to be read from the table giving the areas under normal curve as shown in appendix) and it is 1.96 for a 95% confidence level; n = size of the sample e= error term

(Source: KOTHARI C.R.2004. Research methodology: methods and techniques, New age international. 2nd ed. P.175)

The minimum sample size according to this formula should be 483